

Daily Economic News Summary: 22 January 2016

1. India to double crude oil import from Nigeria through term contracts in 2016

Source: **Economic Times** ([Link](#))

India plans to double its term import of crude oil from Nigeria in 2016 and may help build a refinery in Sudan and a petroleum hub in Mauritius as part of its growing engagement with African nations in the hydrocarbon sector. *"As a matter of policy, the present Indian government is keen to move towards a geographically diversified energy basket. This has resulted in India's greater focus on Africa as a vital region for sourcing petroleum products in the coming years,"* Oil Minister Dharmendra Pradhan said at the two-day India-Africa Hydrocarbons Conference that began on January 21 and has attracted participation from 22 African countries. India is seeking closer ties with the resource-rich continent, hoping to source a significant chunk of its energy needs to power its economy that is growing at the fastest pace in the world.

2. Global reinsurer Catlin plans to enter India soon, kicks off licensing process

Source: **Pioneer** ([Link](#))

In a move to have seamless access to reinsurance capacity, Ireland-based global reinsurance firm XL Catlin has decided to enter into Indian market soon. The company has begun the licensing process to establish a reinsurance branch in India. XL Catlin reinsurance companies are among the world's leading reinsurers, who offer products of aerospace, property, casualty, marine, specialty etc. *"The decision to pursue market entry into India aligns with XL Catlin's strategy of establishing a presence in emerging and developing markets where economic activity is increasing and the reinsurance market would benefit from its global expertise,"* said a top official of the company.

Commenting on the entry into India, Greg Hendrick, XL Catlin's Chief Executive (Reinsurance Segment) said, *"I am extremely pleased to have Brendan Plessis, Head of Emerging Markets, leading our team effort to establish a business in India. The development we are seeing there means that the market represents significant opportunities for XL Catlin. I believe that we have what it takes to respond to the reinsurance needs of companies and brokers in this vast growing economy."* The application has been filed with the Insurance Regulatory Development Authority of India (IRDAI) and the company has sought to establish a reinsurance branch office of XL Insurance Company SE (XLICSE). Pending all necessary regulatory approvals, the company expects to be able to commence operations in India later this year. *"We*

find that in India there is a huge desire to have seamless access to reinsurance capacity. The local market needs a reinsurer with global scale and technical capabilities, with underwriters based locally who understand the risks and can offer breadth of product,” Hendrick added. India has seen significant economic development over recent years, leading it to overtake China in terms of gross domestic product (GDP) growth across 2015. Economic reforms and improved infrastructure have led to a growing middleclass and increased private consumption, which in turn benefits the local economy and helps to raise living standards.

3. Full scale production of LCA Tejas by next year: Manohar Parrikar

Source: **Live Mint** ([Link](#))

Defence minister Manohar Parrikar on Thursday said full-scale production of the indigenous Light Combat Aircraft (LCA) Tejas will begin by next year and that other countries have shown interest in the aircraft. *“As per my primary report, it is appreciated by other countries who are interested... by next year, we are starting full-scale production,”* he told reporters at the National Cadet Corps Republic Day camp. Tejas, which had been in the making for over three decades, is taking part in the ongoing Bahrain International Airshow as the country hopes to explore potential export opportunities. It is a single engine, lightweight, highly agile, multirole supersonic fighter plane. Tejas is a 4.5 generation aircraft with supersonic capability at all altitudes.

The Indian Air Force (IAF) plans to acquire 120 Tejas aircraft, with 100 of them having some major modifications. It wants better radar, new electronic warfare suit, refueling capacity and improved missiles. The training of IAF pilots on LCA has already commenced. Though the Defence Research and Development Organization has developed a naval version of Tejas, the navy is seeking a more powerful engine, besides other changes. As per the production plan, six aircraft will be made this year (2015-16) and Hindustan Aeronautics Ltd will subsequently scale it up to eight and 16 aircraft per year. It is estimated that 20 aircraft will be built by 2017- 2018 to make the first squadron of the aircraft. The LCA programme was initiated in 1983 to replace the ageing MiG-21s planes in IAF’s combat fleet but has missed several deadlines due to various reasons.

4. MNRE to unveil special zone policy in February

Source: **Live Mint** ([Link](#))

The ministry of new and renewable energy (MNRE) will next month unveil a policy for creation of special solar zones across India having an area of at least 100 sq.km. *“Next month, we will come out with a policy for developing solar zones. These zones will have an area of 10X10 km,”* MNRE secretary Upendra Tripathy said at a conference in Delhi. About 25% of the area of these solar zones will be marked for small and medium level enterprises which will develop small solar power projects less than 10 megawatt while another 25% will be set aside for a manufacturer of solar panels in the country, Tripathy said. The remaining 50% would be auctioned for solar parks. He said the ministry would also explore option of hybrid zones which would have possibility of setting up both wind and solar power projects.

The policy would give a boost to Prime Minister Narendra Modi’s Make in India programme as well. The ministry would identify sunshine rich zones across the country. But the onus for providing land, however, would be on state governments. The solar zone policy is besides the initiative of the International Solar Alliance (ISA) that Modi has taken. Modi and French President Francois Hollande will be laying the foundation stone of the secretariat of ISA on Monday in Gurgaon, on the outskirts of Delhi. Tripathy said the plan is to mobilise \$1 trillion in investments for deployment of affordable solar energy by 2030 across tropical countries and the ISA is likely to be a reality within the next six months. *“All countries are hopeful that the final agreement or statute for ISA will be signed by June. After that, we need ratification of 25 countries, thereafter ISA will come into existence,”* said Tripathy.

The solar alliance will organize renewable energy investment meets in different parts of the world. *“There are plans to organize five such meets but the final call will be taken by ISA’s steering committee. Till now, there have been two meetings of the steering committee of the ISA in Paris and Abu Dhabi. The date of the signing ceremony can be decided in the third meeting of the committee which is expected any time soon,”* he added.

5. Karnataka government approves Uber’s Rs 99 crore expansion plans

Source: **Live Mint** ([Link](#))

The Karnataka government has approved a Rs.99 crore expansion proposal by ride-hailing service Uber Technologies Inc. and a Rs.67 crore expansion proposal by Reliance Communications Infrastructure Ltd. A single window clearance committee, which met on Tuesday, has approved the proposals in principle but an official order will be issued only around the “Karnataka investor meet” slated for 3 February, said a government official who did not want to be named. In the proposal to the government, reviewed by *Mint*, Uber has sought permission

to expand its existing unit at HSR Layout in Bengaluru, in order to strengthen online transaction tools and other aspects of its business.

The expansion will add 100,000 driver-partner jobs to the current 20,000 and around 200 full-time jobs in the state, Uber said in the proposal. *"We have cleared the proposals. But we want to showcase these projects in the 'Invest Karnataka' meet, so we will issue a GO (government order) around that time,"* said the official. The company also asked for incentives and concessions with regard to on-demand taxi aggregator regulations, ride-sharing regulations and concessions on water and electricity. The government did not approve any exemptions as the state's transport department is against giving such concessions, said the official.

6. Govt inks \$250 mn loan pact with WB for J&K flood recovery project

Source: **Tribune India** ([Link](#))

The World Bank will help the government fund the Jhelum and Tawi Flood Recovery Project and will tender a loan worth \$250 million for it. *"The (Central) government and the World Bank today signed a \$250 million credit agreement under the Jhelum and Tawi Flood Recovery Project for reconstruction and recovery support in flood-affected areas in which public infrastructure and livelihoods were impacted severely,"* World Bank said in a statement today.

The Jhelum and Tawi Flood Recovery Project will focus on 20 flood-affected districts -- Anantnag, Baramula, Budgam, Bandipora, Ganderbal, Kupwara, Kulgam, Pulwama, Shopian, Srinagar, Jammu, Samba, Kathua, Reasi, Doda, Kishtwar, Ramban, Poonch, Rajauri and Udhampur. The credit agreement for the project was signed by Raj Kumar, Joint Secretary, Department of Economic Affairs, and Onno Ruhl, World Bank Country Director, India. The continuous spell of rains in September last year caused Jhelum, Chenab and Tawi rivers, including their tributaries and many other streams, to flow above the danger mark. Due to the unprecedented heavy rainfall, the catchment areas, particularly the low-lying ones, were flooded for more than two weeks. The Jhelum breached its banks at several places and over a million families were affected, directly or indirectly, and some 300 lives were lost.

More than 6,48,000 hectares of agricultural and horticultural land were affected, causing huge loss to crops, plantations and animals. *"The project will focus on restoring critical infrastructure disrupted by the floods using international best practice. The infrastructure will be designed to improve resilience to future flooding and landslide as well as seismic risk,"* said Kumar. It will also strengthen the capacity of the state government to respond to and better manage natural disasters in future, the World Bank said.

7. Banks to get commission for unlocking household gold: RBI

Source: **Economic Times** ([Link](#))

The government will pay banks a 2.5 per cent commission to unlock the country's massive stash of gold under a new monetisation scheme, the Reserve Bank of India said, as the ambitious plan received a poor response from banks and customers. Prime Minister Narendra Modi launched the Gold Monetisation Scheme on Nov. 5 to lure an estimated 20,000 tonnes of gold hoarded in households and temples into the banking system and trim the import bill of the world's second biggest gold consumer after China. But only a few kilograms trickled in over the last two months as banks showed little interest in popularising the scheme because of negligible returns for them. Now the government has decided to pay the participating banks a total commission of 2.5 per cent, including 1.5 per cent handling charges, for the first year, the RBI said in a statement late on Thursday.

Under the current scheme, people are encouraged to deposit jewellery, bars or coins with banks so it can be refined to meet fresh demand and cut the need for imports. The consumer would earn interest and, at the end of the deposit term, get the gold back in the form of bars.

By Harsha Hazarika