Daily Economic News Summary: 12 April 2018

1. $44-Billion Project: Saudi Aramco To Hold 50 Pct In India Plant
Source: Financial Express (Link)

In what could be one of biggest foreign investments in India's petroleum sector, oil giant Saudi Aramco on April 11 signed a memorandum of understanding to be a 50% partner in a $44-billion West Coast refinery and petrochemical project called Ratnagiri Refinery and Petrochemicals. The refinery, slated to be India's largest facility, is being planned by the country's three state-run oil marketing companies Indian Oil Corporation, Hindustan Petroleum Corporation and Bharat Petroleum Corporation. The upcoming refinery will have a capacity to process 1.2 million barrels of crude oil per day and is expected to produce around 18 million tonnes of petrochemical products every year. Saudi Aramco will supply at least 50% of the crude to be processed at the planned refinery, he said. The company may also bring a partner for its share in the refinery later. The refinery project is currently facing some protest from the locals regarding land. However, B Ashok, who is heading the West Coast refinery, said all efforts are on and project is well on its course. The project is expected to be ready by 2025. The pre-feasibility study of the refinery has been completed and the project's final configurations are being finalised.

2. Cabinet Decisions: CCEA Eases Hydrocarbon Sector Regulations
Source: Financial Express (Link)

The Cabinet Committee on Economic Affairs (CCEA) on April 11 gave the finance and petroleum ministers the power to award oil and gas exploration blocks to successful bidders under the Hydrocarbon Exploration Licensing Policy (HELP), a move that could fast-track the process. Currently, awarding of blocks requires the CCEA's approval. Under HELP, exploration blocks are to be awarded twice in a year. The Cabinet also made changes in the Oil Fields (Regulation and Development) Act, 1948, which would allow Coal India and its arms to extract coal bed methane (CBM) under its coal bearing areas without applying for a separate licence. The government expects that the step would enhance the availability of the gas and reduce its supply-demand gap. CBM is a generic term used for gas that is found in adsorbed state in coal. The CBM policy was first formulated in 1997, and later amended in 2013. The coal ministry, along with the ministry of petroleum and natural gas, had identified 26,000 square kilometres of coal basinal areas for CBM exploration, out of which 33 CBM blocks has already been awarded. As of July 2017, only 14 out of the awarded blocks were operational.

3. Narendra Modi Calls For Responsible Energy Pricing
Source: Livemint (Link)

India on April 12 called for a global consensus on "responsible pricing" in the backdrop of rising global oil prices after the Organization of the Petroleum Exporting Countries (Opec) and Russia cut supplies. Inaugurating the 16th International Energy Forum Ministerial (IEF-16) here, Prime Minister Narendra Modi said, "We need more responsible pricing which balances the interests of the producers and consumers." India's worry over crude oil prices stems from its energy needs being primarily met through imports, with the country importing 214 million tonnes of crude oil in 2016-17. Extreme volatility has marked crude oil prices, hitting a record $147 per barrel in July 2009. "Artificially inflating prices are self-destructing as history has taught us," Modi said. Saudi Arabia's energy minister Khalid Al-Falih on his part defended the cuts and said that it will not allow a global glut to build up. "Kingdom is a reliable actor," Khalid Al-Falih said, adding that there have been numerous occasions in the past, where its spare capacity made the difference between global prosperity and peril. India's diesel price has reached an all-time high and the petrol price registered its peak since 14 September 2013, putting pressure on the government to stem the rise.

4. Cabinet Approves Framework For Coal Bed Methane Extraction By Coal India
Source: The Hindu, Business Line (Link)

Coal India and its subsidiaries will now be able to extract Coal Bed Methane from its mines without seeking approvals under the Petroleum & Natural Gas Rules 1959 (PNG Rules, 1959). An official statement said that the Cabinet Committee on Economic Affairs has approved amending clause 3 (xiii) of the notification dated 03.11.2015 issued by the Ministry of Petroleum & Natural gas under Section 12 of the Oil Fields (Regulation and Development) Act, 1948 (ORD Act, 1948). "Due to this amendment relaxation is granted under the Petroleum & Natural Gas Rules 1959 (PNG Rules, 1959), to Coal India Limited (CIL) and its subsidiaries for not applying for grant of license/lease under the PNG Rules, 1959 for extraction of Coal Bed Methane (CBM) under their Coal Bearing Areas," the statement added. The government expects that this will expedite the exploration and exploitation of CBM, enhance the availability of natural gas and reduce the gap in demand and supply of natural gas.

5. India, EU Try To Revive Free Trade Talks As US Shadow Looms Over World Trade
Source: The Hindu, Business Line (Link)

India is looking for greater market access in the European Union for items such as textiles and leather and seeking 'data secure' status to the country at the ongoing bilateral trade talks in Brussels where negotiators from both sides are making a last-ditch effort to re-start the stalled Free Trade Agreement (FTA) negotiations. "With the US adopting an aggressive posture against its trade partners, including the EU, the bloc may be in a more flexible mood this time round. It could be a last political effort by both sides to save the free trade talks," a government official told *BusinessLine*. The India-EU FTA talks, formally called the Broad-based Trade and Investment Agreement (BTIA), were officially kicked off in 2007, but saw several ups and downs with disagreements over market access issues. In 2013, the BTIA talks reached a complete standstill as the EU was unhappy with India's offers for items such as wines and spirits and automobiles as well as financial services and retail. India, on its part, wanted more market access for key manufacturing items, grant of 'data secure' status that would bring more off-shore business to its companies and greater flexibility in H1-B visa rules. However, this time things could be a little different. "The EU, and also to some extent India, have been on the receiving side of the abrasive trade measures of the Donald Trump-regime in the US. Hard positions may see some softening," the official said.

6. British Airways, Lufthansa, SIA Among Four Foreign Carriers Interested In Air India
Source: The Economic Times (Link)

Four major international airlines including British Airways, Lufthansa and Singapore Airlines are among those that have shown interest in Air India's disinvestment. A Gulf carrier has also evinced initial interest, sources connected with the disinvestment process told TOI. One of the airlines already has a stake in an Indian carrier and marrying the Maharaja could mean divorcing its partner. Sources said the foreign carriers are in talks with Indian business houses to meet the criterion of "substantial ownership and control". A foreign airline can have a joint venture in India provided it has a local partner with at least 51% stake and effective control. Foreign carriers forming a consortium to make a bid for Air India will need to fulfil this rule. The government has offered to sell 76% in the loss-making national carrier and will transfer a substantial chunk of its debt into a separate company. Government officials, however, did not appear worried. "AI has about 13% domestic market share. IndiGo's combined domestic market share with AI would have crossed 50% that could have led to issues with Competition Commission of India.

7. Foreign Funds With India Link Face Uncertain Future Over Sebi's Diktat
Source: Business Standard (Link)

Several foreign funds face an uncertain future with the Securities and Exchange Board of India's (Sebi's) order barring Persons of Indian Origin (PIO) from being the end-beneficiaries. According to sources, close to 150 foreign funds currently registered with Sebi are promoted by PIOs. They now face revocation of licences. Under the new foreign portfolio investor (FPI) norms, an Indian or Non-Resident Indian (NRI) cannot be a beneficial owner of a foreign fund. The regulator has said funds that do not meet the criteria cannot take any fresh derivative positions after the expiry of the ongoing contracts. Further, if the funds don't meet the requirement within six months, they will have to unwind all existing positions and exit Indian markets. Until now, the law was interpreted based on a list of Frequently Asked Questions (FAQs) put out by Sebi on the FPI regulations. One says: "A company which is majority-owned by one or more PIOs shall not be allowed to make investments as an FPI." In other words, foreign funds in which an Indian or a group of Indians own 51 per cent cannot be registered as an FPI. However, in a new circular, Sebi said on April 10 an Indian origin person cannot own more than15 per cent in a fund, if it is a partnership and 25 per cent if structured as a company.

8. Govt Nod For Natural Gas Exploration In Areas Allotted To Coal India
Source: Livemint (Link)

In what will help expand India's coal bed methane (CBM) sector, the cabinet committee on economic affairs (CCEA) on April 12 approved exploration and production from areas allotted to state-run Coal India Ltd (CIL) the world's largest coal miner and its subsidiaries. The decision will help India's natural gas production and reduce the demand-supply gap in the country. It comes in the backdrop of India putting in place a new energy architecture, with CIL's diversification drive focusing on setting up coal-to-methanol projects and coal gasification projects. India has been pushing for a gas-based economy. As the world's fourth-largest liquefied natural gas (LNG) importer, it has been trying to leverage the glut in global LNG supplies to renegotiate its contracts. India imported 19 million metric tonnes of LNG in 2016-17 to meet its domestic demand. In another decision, the cabinet gave its approval to a preliminary pact between India and the UK on the return of illegal migrants seen as a major bone of contention between the two countries. According to a person familiar with the development, India will commit to verifying within a specific time frame whether people identified as illegal Indians are actually its nationals or not. "Most times people identified as Indians are actually not Indians but South Asians," said the person, who did not wish to be named.

9. 60% Of India's GDP To Come From AI, Other Digital Services By 2021: Study
Source: Business Standard (Link)

By the year 2021, around 60 per cent of the country's Gross Domestic Product (GDP) is expected to be derived from digital products and services. Created through the use of technologies such as Artificial Intelligence (AI), the Internet of Things and cloud computing, among others. So says a study commissioned by information technology major Microsoft. It says digital transformation will add an estimated $154 billion to our GDP by 2021. "India is clearly on the digital transformation fast track," says Anant Maheshwari, president, Microsoft India.Organisations, he said, are increasingly deploying emerging technologies such as AI and that will accelerate this change-led growth even further, with the application of this in sectors such as education, health care and agriculture. "(Such) Technologies can really solve some fundamental problems and if applied the right way, could unlock a lot of potential," Maheshwari told *Business*

Standard. The central government has formed a committee on AI to suggest a technical framework or platform for the emerging technology. It is chaired by P P Chakraborty, a professor at IIT, Kharagpur, and has representatives from Google, Microsoft, NVIDIA and TCS. Also, from Nasscom, the apex association of the information technology (IT) sector, beside the National Informatics Centre and the ministry of electronics and IT. Its recommendations are expected by the end of this month.