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Future energised

THERE are very strong reasons to believe that the historic India-US deal will define India as an emerging power. But perhaps the biggest reason for satisfaction lies in the implications that this agreement has for India's future energy supply.

Recently the US Department of Energy (USDOE) formulated a programme called the Global Nuclear Energy Partnership (GNEP), which is described as a comprehensive strategy to increase US and global energy security, and to encourage clean development around the world while reducing the risk of nuclear proliferation and improving the environment. Essentially, the partnership is directed at developing nations to access clean nuclear energy as a source of electricity. President Bush has provided \$250 million in the USDOE's 2007 budget as an initial step to accelerate the development of technology as part of GNEP. Even though it is not explicitly stated, the obvious and immediate target for this programme would be the Indian nuclear energy market after the satisfactory conclusion of the Bush-Manmohan Singh agreement.

Additionally, the nuclear agreement represents an intent to reduce global dependence on oil imports. Given America's growing consumption of oil, there is concern on the part of the Bush administration over the impact the growing demand for oil in China, India, and other major developing countries would have on global oil prices. The US sees nuclear energy cooperation as an important element in moderating the demand for oil in India and perhaps in other developing countries. Since China is free to import nuclear technology, no such cooperation agreement is necessary between the US and that nation. In fact, China already has a major plan to expand its nuclear power capacity,



The nuclear deal could save us from a fuel crisis of multiple dimensions

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with the likelihood of 32 new plants being set up by 2020.

Apart from larger strategic reasons, another factor in the US favouring the India-US nuclear agreement is the opportunity that it may provide to the nuclear industry in the US. As it happens, no new nuclear plants have been constructed in the US over the past three decades. As a result, its civilian nuclear technology and equipment sector have been languishing. New markets overseas would be important for its revival, even though the US nuclear power market itself is making spluttering efforts at expansion.

Why is the agreement likely to benefit India? First, India appears

only a gigantic augmentation of port facilities, but also matching infrastructure — for transporting the coal received or for generating power at coastal locations.

It is indeed paradoxical that even though India has substantial reserves of coal, we may turn into a coal importing nation of significant size. This is not only the result of a total lack of reform in the coal mining sector, but also because of the stranglehold of what is often referred to as the coal mafia. We do not have the luxury of taking the strong steps that Margaret Thatcher did while demolishing the labour barons of the British coal industry, because we do not

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to be moving towards a fuel crisis of multiple dimensions. Our oil consumption is likely to go up from around 125 million tonnes per year, to well over 400 million tonnes at the end of 25 years. On a business as usual basis, the demand for coal could increase to well over 1,500 million tonnes at the end of the same period. It is doubtful whether we would be able to produce anything more than 600 million tonnes of coal indigenously and to be able to transport it across the country where required. India would, therefore, face the prospect of importing several hundred million tonnes of coal, for which it would need not

have the bonanza of natural gas, which Britain found in large quantities at around the same time, permitting the power sector to move significantly from coal to natural gas as a fuel. Our situation demands bold decisions — like the privatisation of coal mining and, of course, the long overdue labour reform. But this can only happen if the major political parties arrive at a consensus on the issue — an unlikely prospect in the near future.

The Manmohan Singh-Bush agreement assumes importance, given these realities. It also opens up the possibility of a total restructuring of India's nuclear power in-

dustry. While we have a great deal to be proud of in our nuclear energy establishment, the close relationship between nuclear power generation and other activities has perhaps not permitted the Nuclear Power Corporation (NPC) to really function as a progressive business organisation. The NPC is essentially a successor to the earlier Power Projects Division, which was an integral part of the Atomic Energy Commission. It has, therefore, functioned largely as a departmental undertaking, even though it has shown substantial improvement in its project management capabilities and efficiency of operations. With the possibility of technology and equipment imports for nuclear power generation, and the involvement of the private sector as well as good public sector organisations like NTPC, nuclear power generation in India could expand greatly.

Two additional observations are in order while analysing the India-US agreement. First, it is essential to accelerate the pace of reforms, particularly in the power sector, because if capital has to be attracted for power generation, downstream reforms with privatisation of distribution would be an essential prerequisite. The second observation relates to the political management of the negotiations that have led to the agreement of March 2, 2006. Credit has to be given to the NDA government for initiating the process and for its tacit support to the current government in carrying it through. But we must admire the resolute, determined and mature manner in which Prime Minister Manmohan Singh has guided this process. This is indeed a replay of the same qualities he exhibited as finance minister in initiating the liberalisation of the economy in the early 1990s.

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