

## GREEN GROWTH AND ENERGY SECURITY IN INDIA POLITICAL ECONOMY TRANSFORMATION AND CHALLENGES

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Parliamentary Forum Proceedings

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### Overview:

A Parliamentary Forum on Green Growth and Energy Security in India was organised to discuss on the political economy transformation and challenges, on Thursday, November 26, 2015 at New Delhi. The Member(s) of Parliament (MPs) that contributed to the discussions were Sugata Bose, Rajya Sabha, All India Trinamool Congress, V P Singh Badnore, Rajya Sabha, Bharatiya Janata Party, Mani Shankar Aiyar, Rajya Sabha, Indian National Congress, Rangasayee Ramakrishna, Rajya Sabha, Bharatiya Janata Party, Dinesh Trivedi, Lok Sabha, All India Trinamool Congress and B J Panda, Lok Sabha, Biju Janata Dal. Marc Saxer, Kabir Seth and Sehaj Malik also participated from Friedrich-Ebert-Stiftung (FES, India). This was the final event organised as a part of project which aims to create a political mandate to encourage utilisation of renewable energy thereby reducing the dependence on energy needs on neighbouring countries and subsequently meeting the energy demand of the country.

### Proceedings:

Pradeep Singh Mehta, Secretary General, CUTS International extended a warm welcome to the Parliamentarians, providing a brief about CUTS involvement with FES and the initiative to explore clean energy strategies related to energy security and deliberate upon the opportunities and challenges to achieve green growth in the country. The key purpose of the study, he mentioned was to analyse key drivers of growth and development, so that state of its availability and barriers related to green growth and energy security can be identified and rectified.

Marc Saxer, Residential Representative, Friedrich-Ebert-Stiftung began the session with a presentation. He described an emerging trend where the labour intensive industries are moving out of China. Such a scenario can prove optimistic for India that hopes to attract manufacturing investments into the country to create millions of jobs. However, there is a second trend in global investment flows where manufacturing is moving back to the old industrial centers. The digital automation is reducing labour cost, making old industrial centers competitive again while creating fewer jobs than hoped for, in emerging economies. He added that manufacturing costs in emerging countries reach the level of the United States, undermining their comparative advantage. Due to this shrinking manufacturing cost undercutting competitive advantage on one hand and higher labour productivity creating lesser employment on the other, there has been reduction in the window for export driven industrialisation, which is turning expansion into a gigantic race against time. If labour cost advantages are levelled, other factors such as long transport, supply chains, rule of law, political stability, skilled workforce and quality would become more relevant. In the old industrial centers, the cost of energy starts to surpass the cost of labour as the biggest cost factor in manufacturing, as was depicted in the case of Germany. At present, the energy transformation is vastly driven by interests beyond climate change such as competitiveness of the industry, technology involved.

Speaking regarding the technical front, Mr Saxer explained that the technological breakthroughs have enabled the green energy revolution to advance. Success can be seen in the case of storage and distribution of solar power through modern technological solutions which has reduced the cost of production. With the help of historic price development of photovoltaic modules, Mr Saxer elaborated that while in the short run, the energy transformation drives up energy cost, however, in the long run, higher energy efficiency and lower cost for solar energy will significantly reduce the cost of energy.

Renewables are a way to improve energy security, by reducing dependency on geopolitical hotspots spread across the continents. Few countries including European government have begun to draft legislations to exit from the carbon economy with the following targets:

<b>National Targets for energy from renewables (as codified in National Energy Laws )</b>		
<b>Country</b>	<b>Targets</b>	
Germany	2025: 45 %	2035: 55-60 %
Sweden	2020: 50 %	2050: 100 %
Finland	2020- 38 %	Not available
Italy	2020: 17 %	Not available

Such legislations are a welcome step and they indeed call into question trillions of subsidies for fossil fuels. Mr Saxer was of the view that despite such legislations, the “Peak Oil” may already have happened in financial terms. The presence of ‘carbon bubble’ (accounting to 21-100 trillion USD- mostly pension funds) is inevitable. He concluded by saying that with the depleting comparative advantage of labour and disadvantageous energy costs it might become difficult for India to attract manufacturing.

After this, the floor was open for discussion, where B J Panda raised his concern regarding grid parity of solar (or any other renewable). He stated that we are at the verge or very near to reaching grid parity. Without being skeptical, he mentioned that grid parity would be a quantum jump in moving away from fossil fuels. He also enquired about the pitfalls India can expect in future. Adding to Mr Panda’s statement, Mr Saxer gave the example of China which is trying to get rid of coal to produce power. In this regard, China has invested around USD88bn per year in renewable Research & Development, more than any country in the world. He also explained the bottlenecks Germany is facing while making the shift from fossil fuels since 40 years. Strategic paradigm shift has been happening in the country however, vested interests have been pulling it back. On the similar lines, Mr Panda stated that India would also face major hurdles ahead while making this shift: first, lack of modern technology, second, the political economy of change.

Mani Shankar Aiyar appreciated the presentation, however, was concerned as it appeared that Foreign Direct Investment (FDI) has been the single most contributor in manufacturing sector. He added that FDI contributes only 5 per cent to manufacturing. Mr Aiyar also pointed out that the phenomenon of jobless growth has been persistence in India for years. Further, he mentioned that sudden surge in the growth rate of India has been due to the enormous presence of micro-industries which was earlier not represented in GDP. This sector is labour intensive and does not consume energy as a large sector tends to. Talking about nuclear energy, Mr Aiyar said that people were skeptical about their safety and the ‘setting up not in my backyard’ mentality prevails. Therefore, the situation in India is a complex one and reliance on fossil fuels is essential whether we want or not. He also emphasised upon innovation being a driver for export sector of the country, while underlining the overwhelming importance of agriculture in India's economy.

V P Singh Badnore raised few points on India's advantage on solar energy, in terms of sunlight received but at the same time emphasised on the deficiency of affordable technology. In this scenario, he suggested to make the best from green energy, thereby highlighting the importance of research and development on thorium as an input for nuclear energy as thorium is not as radioactive as plutonium and uranium. Lastly, he suggested use of newer technologies to make the optimum utilisation of fossils to reduce the emissions; as well as moving towards renewable energy and nuclear energy to achieve green growth in the country.

Ramakrishna was quite optimistic about clean energy as an effective tool to drive the engine for green growth in our country. He mentioned that innovation in case of renewables can reduce dependence on fossils. Mr Ramakrishna was apprehensive about COP 21, and stated that business would proceed as

usual even after it and therefore he was in favour of micro-steps towards achieving energy efficiency. He suggested subsidising LED bulbs, energy efficient appliances etc., to encourage the use of green technology. He concluded by stating two relevant points: first, realisation of need for danger and burden sharing during Paris talks and second, with more of international funded technological transfers, we would be able to complete transformation from fossils to non-conventional sources.

Dinesh Trivedi highlighted India's two core capabilities as knowledge and agriculture, thereby emphasising on the need to differentiate demographic dividend from demographic disadvantage. For this, the solution has to be indigenized and not be blindly followed from international experiences. He appreciated the point raised by Mr. Saxer to build energy infrastructure for digital energy and how can we leapfrog into it.

Bipul Chatterjee outlined a major challenge unique to India, which is not lack of vision but lack of political discourse about finding ways to create jobs in a sustainable way. 'Make in India' which is not doing so well, as pointed by Pradeep Mehta, there is some hope from energy sector that is playing a rather crucial role. He also brought to front the hardest nut to crack which is 'implementation' of the several rules and legislations for India. Final contribution was made by Abhishek Kumar who stated the lack of government vision to foresee disruption in innovation as a hurdle to achieve green growth.

### **Conclusion:**

After an enriching boardroom discussion, marked by agreements and disagreements, questions and answers, few things which recurrently came up were as follows:

- There is a need for creating dichotomy between growth and environment concern.
- For India to be in a win- win situation, we must define energy as a precondition for growth. We, as a nation need to question about the paradigm shift that we want to proceed into.
- There is a need to define the technological path. Apart from this, nuclear energy can prove to be a magic bullet, if used smartly.
- Export oriented manufacturing needs a boost.
- Ultimately, there is no dodging from answering the question on the kind of energy paradigm that we want to proceed onto and the role of green energy in it.

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