



Arunabha Ghosh

MAKE IT PROFITABLE TO SAVE RESOURCES

Efficiency is the single most important area of reform

Budget session 2012 threatens to be a stormy one for political reasons. But if there is one thing that should keep the Union Cabinet awake at night, not only for this session but for years to come, irrespective of which Government is in office, it is resource efficiency. It will be the single most important area of reform for India, if we wish to sustain high economic growth rates, increase energy access, guarantee food security, develop high technology products, generate employment, and do all this without breaking the bank and without jeopardising the sustainability of these goals. This is why resource efficiency not only matters for our finance minister, but for the ministers of petroleum and natural gas, agriculture, water resources, power, coal, chemicals and fertilisers, renewable energy, environment and forests, not to mention commerce and industry, and external affairs.

Three elements of reform are top priority: First, make conservation of oil and gas more than a feel-good measure. Despite India's relatively good performance on energy efficiency, compared to other major energy consuming countries, it is vulnerable to high import dependence for oil and gas, expected to rise to 90 per cent of the demand. We are also exposed to West Asia far more than other major oil importers (63 per cent of imports, compared to, say, 46 per cent for China). If West Asia flares up, rising hydrocarbon prices will add to the \$118 billion-plus (Over Rs 5,90,000 crore) import bill. Moreover, since domestic production of gas has not matched vaunted projections, the

import burden will rise.

What can be done? In short, make it profitable to save. Consider the following options: Reduced corporate income tax on energy conservation measures; VAT exemptions for re-using industrial waste as production inputs for energy efficient processing; accelerated depreciation benefits for capital costs incurred on energy saving equipment; incentivise purchase of smaller, more efficient motor vehicles; tax incentives for energy use reductions in commercial buildings; and income tax incentives for purchase of energy-efficient appliances.

Second, develop a national water resources framework to integrate different water uses (across sectors), introduce basin-wide management, institutional reforms to increase service delivery and demand efficiency, broaden skill-base of water resource managers, and increase resources for measurement of water delivery and use.

Third, adopt a strategic approach to sustainability finance. What is needed is a common platform to coordinate the actions of national and international funding channels and financial institutions, to develop a robust financial and technological market for sustainability technologies. This platform would operate at the strategic level (priority sector lending, concessional loans, long-term debt, R&D funds, payment guarantees); project level (non-recourse project finance, innovative infrastructure funds); and with ancillary support measures (information, skills development, investment incentives).

Arunabha Ghosh is CEO, Council on Energy, Environment and Water

