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CCUS: The high road to net zero
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CCUS: The high road to net zero

Carbon capture utilisation technology can play a crucial role in reducing CO2 emissions, provided the govt shapes a workable regulatory framework first

S DINAKAR
20 February

What is clear, so far, is that India, the world's third largest emitter of CO_2, needs a "thali" treatment — of renewables, electric vehicles (EVs), hydrogen, and carbon capture utilisation and storage (CCUS) — to meet net-zero commitments. The question is, where does carbon capture fit in this mix?

So far, the Modi government had ignored CCUS — a technology used to capture the odourless, greenhouse gas from factory exhausts and store it — while encouraging other emerging technologies — a ₹19,500-crore package for green hydrogen, ₹18,100 crore for battery chemistry, and a draft policy for hydroelectric storage.

So it came as a relief when New Delhi recently included carbon capture as one of the 13 activities that qualify for carbon credits in India's upcoming carbon trading market. The decision to award carbon certificates, an instrument that rewards reduction in emissions, for CCUS may help state-run explorer ONGC and refiner IOC pioneer the climate mitigation technology in India.

"CCUS is likely to play a crucial role in achieving India's goal to reduce CO_2 emission by 50 per cent by 2050," said Pranav Master, director, consulting, Crisil Market Intelligence. "In order to decarbonise the hard-to-abate industries such as steel, cement and petrochemicals, CCUS can enable scalable and profitable conversion of emitted gases, especially CO_2. Manufacturing, construction and industry together emit around 662 million tonnes (MT) of CO_2.

But as Shelly Abraham, head of renewables, at state refiner BPCL, pointed out, "There are huge challenges in case of CCUS, because in terms of the technology, in terms of the cost, in terms of the usage of carbon dioxide, what you do with the carbon dioxide." ONGC will use some of the captured CO_2 to extract more oil from mature fields. The gas can also be utilised to make green urea, beverages, building materials and polymers.

But CCUS is no walk in the park. It's expensive, risky, and carries a burden of costly failures in its 50-year history.

For starters, power plants need twice the space to install carbon capture facilities. Imagine attaching a small chemical unit with amine pouring at the exhaust, reactors, pipelines, tank farms, compressor stations and storage, explained Deepesh Nanda, CEO, GE Gas Power, South Asia.

These don't come cheap. It would account for 60-70 per cent of the total capital expenditure incurred in a combined cycle power plant. Moreover, the process of capture consumes energy. However, if we put together the space, cost and energy consumption into a financial model the levelised cost of electricity — or the average cost of building and operating a plant per unit of total electricity generated over an assumed lifetime — increases only by 30 per cent, Nanda added. These calculations remain on paper, however, since no such projects operate in India yet.

But there are examples elsewhere. Bruce Robertson, an analyst at the Institute for Energy Economics and Financial Analysis (IEEFA) who co-authored a report on CCS last year, cited the example of a $3.1-billion Gorgon project off the North West Shelf of Australia, which has underperformed by about 50 per cent. "It arguably has access to the best petroleum engineers on the planet, and it can't seem to operate the CCUS plant successfully," he added. Gorgon is operated by Chevron, with Exxon and Shell as partners.

Of the over 34 billion tonnes of CO_2e (carbon dioxide equivalent) emitted from burning fossil fuels globally, only 39 MT is captured using CCUS. Most of the captured carbon is injected back into the ground to extract more oil, with only 27 per cent stored, according to IEEFA.

But Norway's Equinor, with which state-run ONGC seeks to collaborate, has enjoyed success sequestering CO_2 at Sleipner and Snøhvit. This is mostly due to Norway's unique regulatory environment for oil and gas companies, said Milad Mousavian, co-author of the September 2022 CCUS report. The same Equinor could not replicate its success at the $2.7-billion In Salah CCS project in Algeria, where operations were suspended in 2011, after storing 3.8 MT of CO_2 in the Krechba Formation during its seven-year lifetime, Robertson said.

CCUS, then, needs a strong regulatory framework, and local solutions, said Aslak Hellestø, business advisor, Northern Lights, the transport and storage component of Longship, Oslo's $2.7-billion large-scale CCUS project, offering industrial polluters in Europe an option to store CO_2 for a fee. The Norwegian government is funding nearly 70 per cent of the project.

CCUS works better in developed nations where emissions have peaked, said R R Rashmi, programme director, TERI, which is organising the World Sustainable Development Summit in Delhi this week.

But, Master said, CCUS has high potential in large-scale implementations to decarbonise "hard-to-abate" sectors in developing countries also, such as in steel, cement and petrochemicals. The technology can also help in the production of blue hydrogen, said Swapan Mehra, CEO, Iora Ecological Solutions, a climate consultancy. Blue hydrogen, derived from fossil fuels after storing the discharged CO_2, may be a less expensive bridge on the road to cheap green hydrogen production.

Of the over 34 billion tonnes of CO_2e emitted from burning fossil fuels globally, only 39 MT is captured using CCUS

Despite such polarised views, ONGC sees a future for the technology, and is taking the lead to adapt it for India, said Sushma Rawat, exploration director, ONGC, which has collaborated with both Shell and Equinor to study the technology.

Norway wants to be a catalyst for large-scale CCUS projects globally, Aslak said. The first phase of Northern Lights, expected by 2024, involves collecting 1.5 MT of CO_2 from industrial emitters, transporting, injecting and permanently storing carbon at 2,500 metres below the seabed in the North Sea; phase 2 will near quadruple CO_2 capturing capacity, and project partners Equinor, Shell and Total are already in discussions with potential customers around Europe, representing 48 MT of CO_2 per year, more than is currently stored worldwide. Shell and Aker are providing the capture technology, Aslak said.

"I think around 30 per cent of our solution has to come from the carbon capture itself," Abraham said. "Otherwise it will be difficult for us to meet net zero."

So, if India seeks carbon neutrality by 2070 it needs to find a way to make it work, locally.

ONGC is in talks for a CCUS project with IOC's Koyali refinery to capture the gas and transport it for use in incremental oil recovery, Rawat said. Right now, CCUS is cost-intensive, she added, but at $25 a tonne of CO_2 it can become viable. The closest India came to a carbon tax is the ₹400 a tonne it levies on coal. That is 5 per cent of what it costs to sequester CO_2. So, industries are financially better off polluting than paying ONGC to capture carbon.

The key drivers that enabled Norway's success in CCUS were the CO_2 tax and climate quota obligation, introduced by the Norwegian government in 1991 and 2005, respectively. The Indian government should come up with incentives for carbon capture, and a carbon pricing mechanism, Nanda said. There is also a lack of clear regulations in place for CCUS technology, making it difficult for companies to invest, Master said.

New Delhi may have to take a leaf out of Oslo's playbook if it wants to put India in the global CCUS map.

THE COMPASS

Good upside seen in Oil India stock

Most analysts are positive, and their price and fair valuation targets range between ₹275 and ₹290 a share

DEVANGSHU DATTA

Notwithstanding the windfall tax placing a cap on profits, oil and gas producers like Oil India (OIL) and Oil and Natural Gas Corporation (ONGC) have done well in the October-December quarter (third quarter, or Q3) of 2022-23 (FY23).

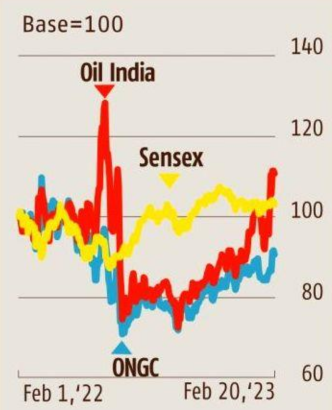
ONGC faces the drag of poor results from its subsidiary Hindustan Petroleum Corporation, and in comparative terms, OIL is better off.

Standalone net sales in Q3FY23 stood at ₹5,900 crore — up 57 per cent year-on-year (YoY), up 2 per cent quarter-on-quarter (QoQ). The earnings before interest, tax, depreciation, and amortisation stood at ₹2,900 crore — up over 100 per cent YoY, and 54 per cent QoQ — owing to lower-than-expected statutory levies and other expenses.

The adjusted net profit stood at ₹1,700 crore — up 40 per cent YoY, up 1 per cent QoQ. The net crude realisations after windfall tax were at ₹6,128 per barrel, about \$11.2 per barrel (bbl) — up 7 per cent YoY, 8 per cent QoQ.

The Q3 consolidated gross debt stood at ₹17,500 crore (flat QoQ). Higher margins came in from lower operational expenditure (₹1,000 crore versus ₹1,430 crore YoY).

Statutory levies were 6 per cent lower due to windfall levies at ₹6,200 per million tonnes (mt); transportation income was up 85 per cent YoY to ₹160 crore.



Source: Exchanges
Compiled by BS Research Bureau

In Q3, gross crude oil realisations were at \$85.8 per bbl — up 12 per cent YoY, down 12 per cent QoQ — while implied net crude oil realisations (adjusted for windfall tax) were at \$74.6 per bbl. Gas realisations were at \$10.5 per million British thermal units (mBtu) — up 360 per cent YoY, 71 per cent QoQ.

Crude oil prices are tied to the Indian crude basket of imports before windfall tax. Gas prices are set according to formula, which also takes into account benchmarked international gas prices.

The crude basket, which averaged \$85.8 per bbl in Q3, was at \$97.87 in Q2 and running at around \$81.7 in the fourth quarter so far.

The oil and gas production was at 0.81 mt and 0.81 billion cubic metre (bcm). The oil sales volume was at 0.77 mt (up 6 per cent YoY, down 1 per cent QoQ), while gas sales volume was at 0.64 bcm (up 1 per cent YoY, down 2 per cent QoQ).

At the conference call, guidance for FY23 and 2023-24 (FY24) was maintained at ₹3,000–4,000 crore. The company has guided oil production at 3.2/3.4 mt and gas production at 3/3.3 bcm for FY23/24, respectively. These will be driven by accelerated production from existing fields.

By 2024-25, the production targets are 4 mt for crude and 4 bcm for gas production. The company is planning to drill 70 wells in FY24 and has also made discoveries. The eventual target for gas is 5 bcm. This does not need very large investments, although the execution is difficult in terms of pipeline projects and clearances.

The Numaligarh Refinery (NRL) capacity expansion to 9 million tonnes per annum (mtpa), from 3 mtpa, is on schedule and is expected to complete by end-2025.

The NRL capital expenditure (capex) has so far reached ₹8,000 crore, of which ₹2,300 crore is debt-funded, with the rest coming from internal accruals.

NRL has paid ₹760 crore as dividend to OIL in FY23 year-to-date. The payout may dip due to high capex. OIL's equity infusion in NRL will be ₹500-600 crore per annum.

Most analysts are positive. Assuming OIL can maintain at least \$65 per barrel in FY24, the price and fair valuation targets range between ₹275 and ₹290, which is a comfortable upside..

Bottom half of population faced inflation 40 bps higher in April-Dec

FE BUREAU
New Delhi, February 21

THE RECENT INFLATIONARY episode has affected the lower strata of the population more in the first nine months of FY23, unlike FY22, according to a study by India Ratings and Research (Ind-Ra).

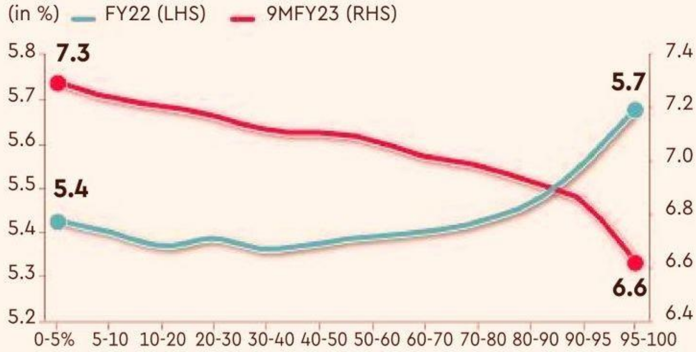
The effective inflation of 7.2% faced by the bottom 50% of the population — both in rural and urban areas — during April-December 2022 was 40 basis points (bps) higher than the headline retail inflation, it noted.

"Ind-Ra's analysis reveals that a high inflationary episode driven by food and fuel erodes the purchasing power of poorest more than well-off households. This is in contrast to the scenario when inflation is driven by core items (which excludes food and fuel)," says Paras Jasrai, analyst.

However, there was significant variation across the states in this regard. In its report, In-Ra used the Consumer Expenditure Survey (CES) for 2012-12, the latest available, to estimate and analyse the effective inflation experienced by the households of different expenditure. The strata wise inflation estimation showed that while the urban poorest 5% experienced 7.4% inflation during April-December FY23, the rural poorest 5% faced 7.3% inflation. Similarly, the urban richest 5% faced 6.7% inflation during the period and the rural richest 5% experienced 6.6% inflation. "This is not surprising because food & beverages account for 60.6% of the consumption basket of the poorest 5% in rural areas and 59.2% in urban areas.

In fact, the average inflation experienced by the top 50% of the population at 6.9% was lower than 7.2% faced by the bottom 50% in rural areas. At the same time in urban areas, the upper half of the population felt an inflation of 7.0% which was lower than that of 7.2% felt by the lower half. All in all, the effective inflation faced by the bottom 50% of the population (both in rural and urban areas) at 7.2% was 40bp higher than the headline retail inflation during April-December FY23.

Rural inflation across the expenditure fractiles: FY22 vs 9MFY23



Source: Consumption expenditure survey 2011-12, NSSO, CEIC and Ind-Ra

Brent crude oil drops to $80 on bearish outlook

Crude oil slumped as long-term headwinds overwhelmed the positive sentiment from a strong US labour market. Brent crude plunged below $80 a barrel, reaching the lowest since mid-January. While oil futures were boosted by a positive US jobs report earlier in the session, the fundamental picture for the commodity remains bearish. BLOOMBERG

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Business Standard

'FPI flows will get better only in the medium to long term'

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'FPI flows will get better only in the medium to long term'

Despite earnings of Nifty50 firms growing on expected lines at 12 per cent in the third quarter, the broader market saw weaker profitability due to disappointment from mid-cap and small-cap companies, said **HARSHA UPADHYAYA**, president and chief investment officer – equity, Kotak Mahindra Asset Management Company. In an interview with **ABHISHEK KUMAR**, Upadhyaya recommends that investors maintain a portfolio tilt towards large-cap stocks. Edited excerpts:

Q&A

HARSHA UPADHYAYA

Kotak Mahindra AMC

How would you describe the current market situation?

Valuations are in the fair range, assuming that earnings over the next year will be in line with expectations. However, on a relative basis, they are higher than most other economies (as it has always been) and that's one of the reasons for the negative flows from foreign portfolio investors (FPIs). This money has been flowing into economies which underperformed last year. Meanwhile, domestic flows have been robust, providing the necessary cushion to the market.

What would it take for the FPI money to start flowing in again?

Looking from a medium- to long-term perspective, India is well positioned to deliver growth, both from the economy and equity market points of view. The economy has been growing at a fairly resilient pace, despite what's happening on the global front. On the other hand, markets like China and Taiwan are facing a potential geopolitical risk and are deeply linked to global growth. So, it's difficult to believe that money is flowing into these economies for the long term. Considering these factors, India should definitely get better flows in the medium to long term.

What are your market return expectations in the near term, considering the valuations and earnings growth forecast?

The current earnings growth expectation is broadly around mid-teens. Assuming valuations remain at the same level at the time of investment and exit, the return will be in line with earnings growth. But valuations keep changing and, hence, it's difficult to predict returns.

How are your portfolios positioned with respect to sectors?

For the last 10-15 months, our focus has been on domestic businesses. We see sectors with no or limited linkages to the global economy like banking, automobiles, cement, chemicals and industrials to do better than other sectors. Their valuations are also in the comfortable range.

What are your key takeaways from Q3 results?

The Q3FY23 corporate earnings season has just ended. It was a muted season notwithstanding the in-line 12 per cent profit growth for Nifty. The internals of the quarterly earnings were weak, with earnings downgrade outpacing upgrades almost by two times. More importantly, outside the Nifty 50 companies, the broader market saw weaker profitability than anticipated, implying disappointment from mid- and small-cap companies.

If you look sector wise, automobiles and banks have outperformed expectations, while metals, oil and gas (both of which are dependent on global pricing) have underperformed. Expectations from IT were muted and the result was in line with that. Consumer discretionary also disappointed with lower than expected demand and lower margins.

Which equity funds should investors go for from a five-year perspective?

Equity as an asset class can outperform other asset classes handsomely in the long term. There will be volatility in the interim and that can be better handled by investing in a staggered manner, ideally through systematic investment plans (SIPs). In terms of the market cap preference, we prefer large-caps at this point of time over mid- and small-caps — which have seen significantly higher pain on the margin and growth fronts. Large-cap funds or funds with a large-cap tilt like flexi-cap or large- and mid-cap should be preferred.

SAYS SITUATION IS UNIQUE TO EACH EMERGING MARKET

Govt, RBI to take necessary steps to rein in inflation: FM

Measures taken to improve availability of pulses & edible oils

FE BUREAU
New Delhi, February 20

Finance minister Nirmala Sitharaman addresses a press conference on Union Budget 2023-24 in Jaipur on Monday. PTI

THE RESERVE BANK of India (RBI) will take necessary steps to manage inflation within 'expected limits' while the government will also continue to take steps to rein in prices, finance minister Nirmala Sitharaman said on Monday.

"In emerging markets, the situation is unique to each of the countries. In that I think, RBI is watching the Indian economy and taking a call as and when it is required," Sitharaman said speaking at a post-budget industry event in Jaipur.

Later speaking to the media, Sitharaman said that the government is taking a lot of steps to control inflation and "will continue to focus on it". To cool prices, Sitharaman said the government was encouraging farmers to grow pulses to boost domestic production and has also reduced the import duty on some pulses and edible oils to improve local availability.

CPI-based retail inflation shot up to a 3-month high of 6.5% in January on the back of rising food inflation and sticky core inflation. Food inflation increased 6.2% y-o-y in January compared to 4.2% a month ago, despite the continued contraction in vegetable prices. Cereal inflation rose for the fifth straight month by rising 16% on year in January, reporting its biggest jump since June 2013.

Speaking at the event, chief economic advisor V Anantha Nageswaran said the stated increase in the grains prices is not exactly what all consumers bear as 800 million people have been insulated due to the Centre's free grains scheme. "To that extent, the stated inflation rate overstates the underlying inflation rate," he said.

On February 11, the RBI governor said the central bank's inflation projection of 5.3% for FY24 was evenly balanced. RBI increased its policy interest rate by 25bps to 6.5% on February 8, taking the cumulative rate hike to 250bps since May 2022 to stem inflationary pressure.

Retail inflation had come down below the upper tolerance band (6%) of the RBI in December due to various measures taken by the government and the central bank. CPI inflation had come down from a high of 7.8% in April 2022 to 5.72% in December.

"The increase in the inflation rate in January compared to December was due to the base effect coming from the outburst of the heat wave in March last year when the stocks got depleted. Therefore, we see this as a temporary phenomenon," Nageswaran said.

"Secondly, we have seen that inflation passthrough coming from imported prices, whether it is metals, minerals, crude oil or edible oil...we

ReNew is among the pioneers in India's green economy and has a 13.4GW portfolio with a commissioned capacity of 7.7GW. REUTERS

ReNew may sell up to 30% in C&I projects

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NEW DELHI

ReNew Energy Global Plc. is planning to sell a minority stake in its commercial and industrial (C&I) projects for around $300 million as part of its capital recycling strategy, two people aware of the development said.

The company, one of India's largest clean energy developers, plans to hire investment bank Moelis & Co. to sell up to 30% equity stake in its 2.3 gigawatt C&I project portfolio, the people cited above said on the condition of anonymity, adding the plan is still in early stages.

There is growing investor interest in the mature C&I segment, which does not involve risks such as electricity distribution companies curtailing power procurement. Recently, Aditya Birla Group hired Standard Chartered to sell up to 49% stake in the group's renewable energy business to raise around $400 million.

This also comes against the backdrop of ReNew planning ₹35,000 crore capital expenditure over the next 18 months. Founded in 2011, ReNew is among the pioneers in India's green economy and has a 13.4 gigawatts (GW) portfolio with a commissioned capacity of 7.7GW. In August 2021, ReNew Power merged with Nasdaq-listed special purpose acquisition company RMG Acquisition Corp. II (RMG II) to form ReNew Energy Global Plc, a new entity; wherein it raised

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ReNew plans to sell up to 30% in C&I projects for about $300 mn

FROM PAGE 1

$800 million as part of the listing.

A ReNew spokesperson, in an emailed response, said, "We don't comment on market speculation." A Moelis & Co. spokesperson in an emailed response said, "Moelis is unable to comment here."

ReNew has been looking at a number of opportunities as part of its capital recycling strategy, as reported by *Mint* earlier. Malaysia's Petroliam Nasional Bhd, or Petronas, is in talks with ReNew to jointly set up green energy projects in India, wherein Petronas may buy around 49% stake at the project level. *Mint* also reported about Ahmedabad-based Torrent Power Ltd in talks to buy clean power projects totalling 1.1 GW from ReNew Energy Global Plc at an enterprise value of around $1.2 billion, wherein Torrent Power has submitted a non-binding offer for ReNew's solar and wind power assets of 350 megawatts (MW) and 750MW, respectively, at an equity value of around $450 million.

ReNew has refused comment on 'market speculation'. AP

"As part of its capital recycling strategy, ReNew is looking at a number of options," said one of the two people cited above requesting anonymity.

Global investors have been attracted by India's clean energy trajectory with the interplay of green hydrogen and battery storage.

Earlier, Japan's Mitsui & Co. Ltd. acquired a 49% stake in ReNew's round-the-clock 1.3GW renewable energy project and 100MWh battery storage farm.

ReNew has tied up several partnerships as part of its growth strategy. This includes a partnership with Norway's state-owned investment fund Norfund, and KLP, Norway's largest pension company, to co-invest in transmission projects. ReNew Energy Global Plc's subsidiary ReNew Power Private Ltd has also partnered with Elsewedy Electric SAE to set up a green hydrogen plant in the Suez Canal Economic Zone at an investment of $8 billion.

It has also joined hands with AES, and Siemens-backed Fluence to form an equal joint venture for energy storage business in India. In addition, ReNew has also partnered with state-run Indian Oil Corp. Ltd and Larsen & Toubro to form a tripartite venture for the green hydrogen sector in India.

Mint
Rupee-dirham trade deals may start slow
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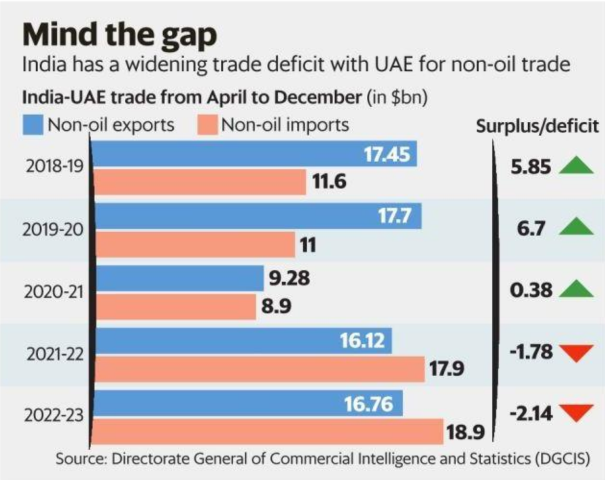
Rupee-dirham trade deals may start slow

Dilasha Seth & Ravi Dutt Mishra

DUBAI/NEW DELHI



India and the UAE may start with settling only about a quarter of bilateral trade in local currencies, covering just the non-oil segment of trade. This will likely start with a couple of banks on each side and be scaled up later, according to two government officials.

The rupee-dirham payment settlement follows months of technical discussions between the two sides, and a meeting between Reserve Bank of India governor Shaktikanta Das and his UAE central bank counterpart Khaled Mohammed Balama last month in Abu Dhabi.

"The RBI governor had a meeting with his counterpart recently... the UAE has shown the intent to go ahead with the rupee-dirham trade. They want to do it... But we need to see how much they will agree. We may start with 20-25% trade in local currency and then scale it up. The two parties should not lose money in case currency depreciates, so a mechanism will have to be devised," said an Indian government official.

The move will broaden RBI's rupee payment settlement mechanism announced in July, which aims to settle payments with countries facing sanctions through special Vostro accounts. The UAE is not under sanctions. "The rupee-dirham trade settlement mechanism for non-oil could begin with one or two banks on each side and then scale up. But the UAE needs to revert to India on this. The UAE is doing it for the first time, so it will take some time," said another official.

India and UAE may start with settling only about a quarter of bilateral trade in local currencies

India and the UAE signed a comprehensive free trade agreement in 2021 and are looking to take non-oil bilateral trade to $100bn by 2026.

The trade deficit between India and the UAE stood at $17.4bn in the April-December period, and that for non-oil trade stood at $2.14bn. Non-oil trade accounted for about half of overall bilateral trade at $32.86bn in the April-December period.

Queries emailed to the Reserve Bank of India, the ministry of commerce and industry and the UAE government representative on Monday remained unanswered.

However, experts argue that rupee volatility and the UAE's trade surplus with India may affect its take off. The Indian rupee slipped by around 10% against the dollar in 2022 as the Federal Reserve tightened interest rates to curb inflation. India has a trade deficit with the UAE from 2019-20, as India buys more oil from the West Asian nation.

Madan Sabnavis, chief economist, Bank of Baroda said, "It will mean no demand for dollars. There need to be counter parties in UAE who will find use of rupees to buy from India. If this is matched it will be neutral for us on the forex side."

"The new payment mechanism will be an additional option besides the current payment alternatives and thus is a welcome one. Exporters prefer dollar or Euro due to the forward premium which provides them 2-3% additional benefits. When exporting in local currency, they lose on it but then are insulated from exchange risk as well," said Ajay Sahai, DG and CEO, Federation of Indian Export Organisations (FIEO).

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States, All Grown Up About GST Now

Bring fuel in the tax, impose carbon tax

With the Centre okaying the final tranche of GST compensation to states, the new tax regime will have cast aside its infancy support. Some states may find the adjustment tricky. But nationwide monthly GST revenues have stabilised at about ₹1.5 lakh crore with scope for improvement through rate rationalisation and widened coverage. The weighted average tax rate has been declining since GST was introduced, a process that can be reversed by reducing exemptions and correcting duty inversion. Compensating states for revenue losses on account of switching to GST has contributed to the movement of the weighted average tax rate farther away from the revenue-neutral rate. Now, there should be greater urgency for course correction.

The decision to set up the GST appellate tribunal will also address administrative efficiency. GoI is in an understandable haste to incorporate it in the Finance Bill. Dispute resolution risks becoming a bottleneck in revenue mobilisation; the GST Council has finally arrived at an agreement over the composition of the overdue tribunal. The tax system needs an appeals mechanism to avoid judicial overload. It will be in the interests of the states to set up the subordinate structure close on the heels of the apex body.

The GST Council is approaching rate rationalisation with a degree of circumspection that lessens the tax's reformative potential. There are questions over the economy's capacity to cope with fewer tax rates. The top 28% slab is likely to endure as a policy lever to discourage conspicuous consumption in a developing economy. The low hanging fruit is reducing the three other slabs — 5%, 12% and 18% — to two. The Centre and states share apprehension over bringing fuel into GST. As it is taxed now, fuel delivers revenue for climate mitigation. Bringing it within GST and imposing a separate carbon tax to fund, say, energy transition should smoothen the process.

Sugar diversion towards ethanol up 38% as mills rush to hike biofuel supply

Our Bureau
New Delhi

Sugar production in the current season staring October 2022 was 228.4 lakh tonnes (lt) as of February 15, against 222.2 lt during the same period a year ago, up by 2.8 per cent, according to data released by the Indian Sugar Mills Association (ISMA). As the crushing season continues, as many as 505 sugar mills are still in operation, compared with 504 factories that were operational until mid-February last year.

The estimated diversion towards ethanol production was 25.8 lt between October 1 and February 15 of the current season, against 18.7 lt in the year-ago period, a whopping 38 per cent jump.

"We are on our way to reaching the target as mills have committed to deliver 45 lt towards ethanol this year compared with 35 lt last season," said Aditya Jhunjhunwala, president of ISMA. He said already a tender for 42.5 lt (ethanol in terms of sugar) is out by oil marketing companies and it is hoped that the remaining quantity will be out too.

GOING STEADY. As the crushing season continues, as many as 505 sugar mills are still in operation

24 LT DISPATCHED

On export, the ISMA resident said almost 60 lt of allocated quantity has been contracted out of which 24 lt has been dispatched by mills until January 31. "We are confident of exporting the entire quantity within the prescribed deadline," he added. The government has asked mills to export 60 lt by May 31. Out of the total operational sugar factories in India this season, 39 per cent of them (198 mills) are in Maharashtra and together they have produced about 85.9 lt of sugar, down from 86.2 lt in the year-ago period as more sugarcane has been diverted for ethanol. The estimated diversion (in terms of sugar) towards production of ethanol was 8.2 lt as against 6.1 lt year-ago, up by 34 per cent.

On the other hand, India's biggest sugarcane grower Uttar Pradesh(UP) has 116 operational mills which have produced 61.2 lt of sugar, up from 59.9 lt from the year-ago period. Only one mill has closed operation in the last one-and-a-half months in the State. The estimated diversion (in terms of sugar) towards production of ethanol in UP was 8.6 lt as against 6.5 lt year-ago, up by 32 per cent.

MORE QUOTA UNLIKELY

Though, Food Secretary Sanjeev Chopra last week had said the government would take a call on the release of any additional export quota beyond 60 lt after assessing production in March. Sources said that it is unlikely to be released as sugar production in some States are lower due to higher amount of cane diversion towards ethanol.

Among other States, as many as 66 mills are operational in Karnataka as of February 15 against 71 a year ago. The total sugar production in the third-largest State has reached 46.1 lt up from 45.4 lt, ISMA data showed. Ethanol production in Karnataka has seen a 48 per cent surge as 8 lt has been diverted towards the biofuel.

Other States including Gujarat, Tamil Nadu, Andhra Pradesh, Telangana and Bihar have produced 35.2 lt of sugar against 30.7 lt in the year-ago period.

In September, the Maharashtra government had announced that around 203 sugar mills in the State would be operational this season and the estimated sugar output in the State could be 138 lt. In 2021-22 season, mills in Maharashtra had produced 137.4 lt of sugar and surpassed UP to reach the top position despite lower sugarcane acreage compared to UP. Maharashtra has 32 per cent share and UP 33 per cent in India's ethanol production.

Rupee gains 9 paise to close at 82.73 against US dollar

PTI ■ NEW DELHI

The rupee appreciated by 9 paise to close at 82.73 (provisional) against the US dollar on Monday, as the American currency retreated from its elevated levels.

Forex traders said a muted trend in domestic equities and foreign fund outflows weighed on investor sentiments and restricted the appreciation bias.

At the interbank foreign exchange market, the local unit opened at 82.69 against the American currency and finally settled at 82.72 (provisional) against the greenback, registering a gain of 10 paise over its previous close of 82.82.

During the trading session, the rupee touched a high of 82.62 and a low of 82.74 against the dollar.

The dollar index, which gauges the greenback's strength against a basket of six currencies, rose 0.04 per cent to 103.90.

Global oil benchmark Brent crude futures advanced 1.05 per cent to USD 83.87 per barrel.

"Rupee traded strong near 82.75 as dollar index traded below USD 104 guiding rupee strength. Asian currencies were trading strong on the back of weakness in the dollar," said Jateen Trivedi, VP Research Analyst at LKP Securities.

Trivedi further noted that the US Fed's minutes update will be keenly watched this week for further trend.

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Sitharaman says steps taken to control inflation, govt will continue to focus on it
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POST-BUDGET CONFERENCE

Sitharaman says steps taken to control inflation, govt will continue to focus on it

TDG NETWORK
JAIPUR

Union Finance Minister Nirmala Sitharaman on Monday said that the government is taking several steps to control inflation and would continue to focus on it.

During the post-budget press conference in Jaipur, on a query over whether Budget FY24 would reduce inflation, the Union Finance Minister said, "The government is taking several steps to control inflation and will continue to focus on it." "We have taken a lot of steps, for example, encouraging farmers to sow pulses so that the production of pulses in India increases in the coming sowing season," Sitharaman added.

As a short-term step, the minister said "Wherever we are importing, whether masoor, moong or whatever pulses, the government has reduced the import duty to single-digit or has completely removed it. It has made imports convenient and pulses are available quickly and cheaply in India." "The import of edible oil has been made almost free (tax) for the last three consecutive years, due to which palm crude or palm refined oil has also been (route) opened so that the supply of edible oil is easy and sufficient."

Union Finance Minister Nirmala Sitharaman

On another query over the Directorate of Enforcement's ongoing raids on some Congress leaders in Chhattisgarh, Nirmala Sitharaman said no action is taken with a sense of revenge.

The finance minister said, "Any agency first collects data and only then action is taken. No action is executed with sense of revenge." She also said that the Congress party should learn to listen while sitting in the Parliament. The Directorate of Enforcement (ED) on Monday conducted fresh searches at nearly a dozen locations in Chhattishgarh in mining and alleged coal levy scam. The places searched include residential and office premises of various Congress leaders namely Ram Gopal Agarwal, Girish Devangan, RP Singh, Vinod Tiwari ad Sunny Agrawal, said sources.

The Finance minister also said if any party or state government wants to bring petrol and diesel under the purview of Goods and Services Tax (GST), then it would be discussed only once it is placed before the GST Council. The Finance minister was addressing a query about bringing petrol and diesel under the ambit of GST and on the rising price of cooking gas at a press conference in Jaipur on Monday.

She said it does not depend on the government and only the GST Council can decide on this, adding that if any party or state government wants to bring petrol diesel under the purview of GST, it would be discussed only after placing before the Council. The finance minister added that it can be brought within the ambit of GST only with the consent of all states.

The conference was also attended by the Union Ministers of State for Finance Pankaj Chaudhary and Bhagwat Kishanrao Karad. Finance Secretary TV Somanathan and Chief Economic Advisor V Anantha Nageswaran were also present at the conference. Sitharaman has also refused the demand of the Rajasthan government for the release of funds deposited towards the New Pension Scheme (NPS), the minister informed the gathering at the conference on Monday.