

“Oil and Mining are Likely to Attract Huge Private Investment”

NITI Aayog Vice-Chairman **Rajiv Kumar** is confident that the panel on liberalising mines, which he chairs, will ensure that the sector becomes attractive to private bidders. In a freewheeling interview to **Shantanu Nandan Sharma**, Kumar says banks will now start lending as the government and the private sector are going to be equal partners in public-private partnership (PPP) projects. Edited excerpts:

The finance minister in her budget mentioned the government's intention of investing Rs 100 lakh crore in infrastructure in the next five years. That won't be possible without huge private investment. How do you see the journey of PPP from now on?

The journey of PPP has to be different now on. The previous PPP model of inviting private companies in the power sector, for example, has not succeeded. The key is, the government and private sector have to share risks more equitably. In the infrastructure sector, TOT (toll, operate and transfer) is a model for the future. Here the government would complete the project and then hand it over to the private party for maintaining the asset. Another successful PPP model is through hybrid annuity. Here both the public and private sectors are partners in developing a project.

Also, leasing existing airports to private parties, as has been experimented recently, will be yet another way of getting private investment. To begin with, private parties will operate and maintain six airports (Ahmedabad, Jaipur, Lucknow, Guwahati, Thiruvananthapuram and Mangaluru). More will follow.

Does this mean there will be a major shift from PPP in constructing new projects to PPP in existing government assets?

PPP in construction will also take place, but more emphasis will be laid on hybrid models. The government and the pri-

rate sector can develop a project together. After all, the government can't leave all the risks and problems associated with a project to its private sector partner. What the government will do now is to extend a helping hand to the private partner so that the project turns successful.

“PPP in construction will also take place, but more emphasis will be laid on hybrid models”

Do you feel the banks will come forward and lend in the PPP projects? The public sector banks, for example, have of late been reluctant to lend to such projects.

Earlier, PPP projects were such that the private sector partner was asked to fend for itself. So many of those projects failed. But once the PPP projects are developed in a way where the government and the private company are equal partners, the banks will start lending, for sure. When a government asset, for example a road or an

airport, already exists, and it is being handed over to a private sector, it will be a bankable project.

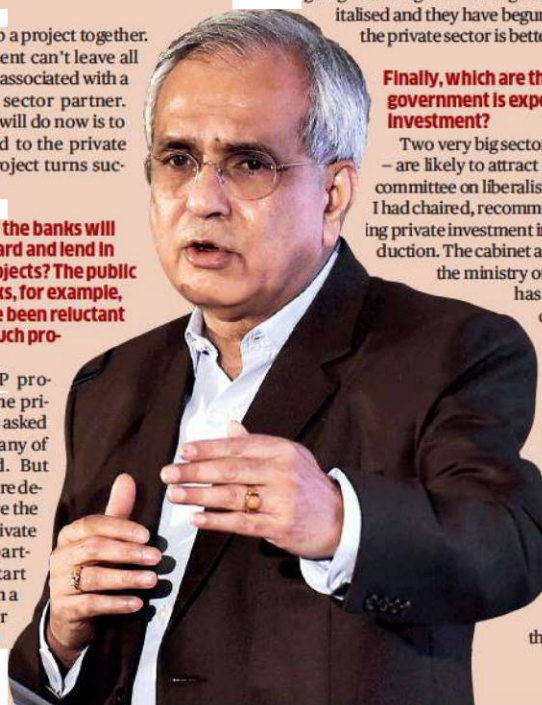
But the same NDA government had in 2014 emphasised a lot on EPC (engineering-procurement-construction) contracts, bringing down PPP projects. How is 2019 different from 2014?

In 2014, the private sector was not coming forward to invest. There was no adequate lending. So, the government needed to spend more from its exchequer to keep the GDP growth going. But things have changed a lot. Banks are being recapitalised and they have begun to lend now. So, naturally, the private sector is better placed today.

Finally, which are the new sectors where the government is expecting big private sector investment?

Two very big sectors – oil and gas, and mining – are likely to attract huge private investment. A committee on liberalising oil and gas sector, which I had chaired, recommended measures for attracting private investment in both exploration and production. The cabinet accepted it (in February) and the ministry of petroleum and natural gas has begun to implement that decision. We are expecting private companies, both domestic and foreign, to come forward in a bigger way.

I am now chairing a committee on the mining sector where there are potential for private sector investment. The idea is to liberalise mines, minerals and coal so as to ramp up production. We will ensure that mining becomes attractive to the private sector.



Carbon pricing gaining favour in India

The number of Indian companies either pricing or planning to price carbon in their investment decisions is increasing

GARGI SHARMA, DIVYA VARMA
& DAMANDEEP SINGH

What do Anand Mahindra, Pope Francis and the World Bank have in common? They all think putting a price on carbon can have transformative impacts. Just a few weeks ago, the Pope issued a clarion call stating carbon pricing is "essential" to stem global warming while supporting penalising polluters and urging climate change deniers to head to science.

Mahindra has been a vocal votary of pricing carbon at important events like Davos, and the World Bank has established a separate division that promotes Carbon Pricing Leadership Coalition.

Indeed, climate change is posing enormous economic and policy problems, pitting different narratives of environment versus development. It is believed that incorporating climate change within development in a manner coherent with national and global constraints is a challenge for governance. Evidence, however, suggests that this is a false dichotomy. A recent IMF paper's (<https://www.imf.org/en/Publications/Policy-Papers/Issues/2019/05/01/Fiscal-Policies-for-Paris-Climate-Strategies-from-Principle-to-Practice-46826>) calculations suggest that India would gain external revenues of approximately 0.6 per cent of GDP in 2030, from joining a price floor of \$35 per tonne and selling credits

internationally. For that to happen, a new carbon trading regime has to come into place.

Many in the Indian corporate world are already aware and taking steps to address the enveloping risk. Carbon price has been long advocated as a means to reduce greenhouse gas emissions that lead to global warming. There is growing concern about the widening gap between carbon budget and mitigation actions and evidence suggests that we might reach the point of no return for climate action as soon

as 2035 (<https://www.earth-syst-dynam.net/9/1085/2018/>) unless newer technologies and share of renewables are able to abate further GHG emissions. As Lord Nicholas Stern of LSE puts it, "Fossil fuels must be confronted with their real costs, and polluters must pay if mar-

kets are to work and emissions are to fall at the rate necessary to deliver the Paris goals.

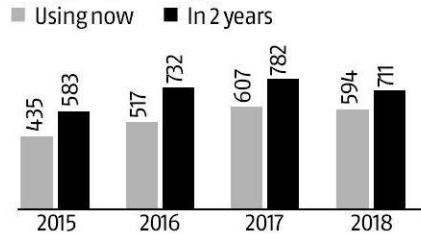
To deliver the goals of the Paris Agreement (carbon) prices must reach \$40-80 per tonne of carbon dioxide by 2020, and \$50-100 by 2030. Carbon pricing must be supported by other policies to drive the low-carbon transition".

IPCC's 2018 landmark 1.5-degree report also suggests that putting a price on carbon dioxide emissions would be central for getting global warming under control. The same year Nobel Memorial Prize in Economic Science was awarded to William D Nordhaus

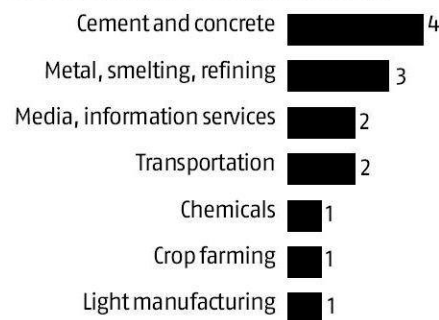
Although carbon price is considered a sensitive item to be included in the Paris agreement, businesses are already applying voluntary carbon prices on themselves

A GREENER LAND

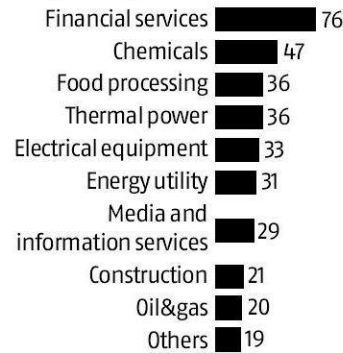
Number of global companies using or planning to use ICP



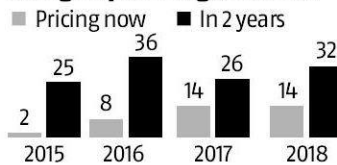
Sectors implementing ICP in India



Top 10 sectors implementing ICP globally



Number of Indian companies using or planning to use ICP



Indian companies using ICP

Companies	Price used/ tonne of CO2(US\$)
ACC	47.33
Ambuja Cements	29
Creative Group of Industries	Private
Dalmia Bharat Ltd	Private
Hindustan Zinc	16.89
Infosys Limited	10.5
Mahindra & Mahindra	10
Mahindra Sanyo Special Steel	11.35
Shree Cement	2.14
Tata Motors	14
Tata Chemicals	20
Tata Steel	10-34
Tech Mahindra	10
Tata Global Beverages	4.75

“for integrating climate change into long-run macroeconomic analysis” and among other things making a strong case for carbon pricing.

Businesses will play a key role in accelerating the shift to a low-carbon transition. Although carbon price was considered a sensitive item to be included in the Paris agreement, businesses were already applying voluntary carbon prices on themselves called the

Internal Carbon Price (ICP). ICP is slowly emerging as a powerful tool to assess and manage carbon-related risks and opportunities that may arise from the transition to a low-carbon economy. The Task Force on Climate-related Financial Disclosures (TCFD), a body established by Mark Carney, Governor of Bank of England, with Koushik Chatterjee, Executive Director and CFO of Tata Steel as a member, has listed ICP

as a key metric to assess climate-related risks and opportunities in line with its strategy and risk management process, thus putting it in the radar of all companies who aim to align themselves with the TCFD recommendations.

Current statistics

Since 2013, CDP, a not-for-profit charity, has been asking companies if they use or plan to use an internal price on car-

bon. In 2018, after aligning completely with the TCFD recommendations, this question has also evolved to track not only the number but also details such as objective, application and impacts of embedding an ICP. The numbers are promising with over 1,300 companies pricing or planning to price carbon in 2018. In India, there has been a 15 per cent increase in uptake of ICP with 46 companies pricing or planning to do so. At least 14 Indian companies are using an ICP and 32 companies anticipate incorporating ICP in the next two years. In fact, the 2018 Indian statistics looked more promising than the global one with increase in more Indian companies who plan to use an ICP over the next two years. This clearly shows a marked increase in awareness.

While globally the financial services sector reported the highest use of ICP, in India, it was the concrete, cement and metals and mining sector which reported the highest adoption of ICP in their CDP response. Notably, almost all reporting cement companies have a relatively ambitious ICP in India. ACC, employed the highest ICP of around \$47.33/tonne CO₂e, followed by Ambuja US\$29/tonne CO₂e.

The momentum is present on carbon price and it is only a matter of time before all companies adopt it and use it as a tool to integrate climate calculations into their economic system. A price on carbon in addition with other actionable climate policies within the organisational system is the need of the hour for a well-timed low-carbon transition.

The writers work at CDP India





ILLUSTRATION BY BINAY SINHA

M V Rajeev Gowda, a former professor at IIM Bangalore and Congress Rajya Sabha MP from Karnataka, tells **Archis Mohan** why the Congress-Janata Dal (Secular) coalition government will survive in the state and how the Union Budget has little to prevent India from sliding into an economic recession or, as he terms it, a "Modi slump".

'Coalition will restore balance and survive'

What is the latest on the political drama in Karnataka?

I think the coalition will restore balance and most likely survive the trust vote (scheduled tentatively for later this week in the Assembly). The situation is certainly looking better than the initial stages. The Bharatiya Janata Party (BJP) is trying to engineer that the government falls down, but the party in the state is itself a divided house. There is infighting in the BJP and they are busy plotting against their only vote getter in the state.

The Congress and JD(S) leaders have blamed the BJP for the situation. However, there are enough internal contradictions within the Congress, and between the alliance.

A couple of things have happened after the Lok Sabha results came out (in which BJP won 25 of the state's 28 seats). Some people have become reckless and adventurous. They are emboldened and believe their power to

threaten has increased, and that by lining up these MLAs wanting to quit they can bring down the government. However, this counter threat of disqualification will take care of that.

What has actually happened is that several MLAs wish to be ministers, but any council of ministers can accommodate only so many. A large number of MLAs have been multiple times legislators, and there is very little to argue that somebody does not deserve (to be minister). In such a situation, there is a need to come up with a formulae or criteria that would decide who gets a ministry and not, that includes being able to persuade people who have been ministers for a long time to step aside and give scope to newer people. Many issues need to be sorted internally by the party leadership by taking the MLAs into confidence. I think that has been going on, and every time a cabinet is formed it is formed after certain amount of time is spent arriving at a consensus.

The developments in Karnataka, Goa, Telangana... Are these also a sign of hopelessness among Congress leaders because of the confusion bedevilling the party at the top?

Not at all. Actually, the Congress is a well-structured organisation. The state units, their heads, general secretary in-charge of state units — all those systems and processes are absolutely in place. We are eagerly looking forward to working on the transition and with the leadership of the party, guided by our former president (Rahul Gandhi) in active role.

As for Goa, of the two Lok Sabha seats in the state, we won one. Many of the MLAs who have defected are Christians, who have benefitted from the Congress support base but are just using this opportunity to become ministers right now. So one of the larger themes is, just as we saw in Telangana (where Congress MLAs joined the ruling Telangana Rashtra Samithi) and Andhra Pradesh, people want instant gratification. They were elected as MLAs, and they need the next step now (of becoming ministers) and that is pretty much what is going on.

In your Rajya Sabha speech during the Budget discussion, you said the country was on the verge of recession. Are you not being alarmist when the government has promised investments of Rs100 trillion in infrastructure?

Oh really! You know that is the biggest jumla. They have given us a committee in response to questions on where is that money going to come from. Why would anyone trust this government's management of the economy? Look at the GDP figures, which have seen continuous decline in the last four quarters. Look at any of the economic indicators — automobile sales are down, foreign direct investment is low, savings are down, consumption is down, and revenue from GST is down. However, the government is talking 8 per cent growth and a \$5 trillion economy.

We are concerned that the government is in denial about these things. By the way, I do not have to make these statements about recession myself. This is what I hear from industry, from other economists. I had written an article sometime back stating that this is going to be a "Modi slump". This is a "Modi slump".

The government has identified disinvestment a key area to generate resources, but you say they have no strategy.

Look at their previous track record. They had the ONGC and LIC buy stakes in other PSUs

in the name of disinvestment. I am not saying they do not have the capability. Some of the initial disinvestment was done by Arun Shourie during the Atal Bihari Vajpayee-led NDA government. However, they certainly are not doing anything of significance that would make it work properly. The things about disinvestment to watch out for are whether the government would sell the family jewels to crony capitalists. This is not the kind of disinvestment we expect. I would certainly like to see who comes and buys Air India, or Jet Airways.

On the face of it, there seems confusion on disinvestment within the Congress. Some oppose all disinvestment, but people like P Chidambaram and you have a more nuanced approach to the issue.

There is a difference. We say we should move out of non-strategic non-core sectors, and that is what our manifesto for the Lok Sabha election said. What is happening with this government is that it is selling out of desperation. They do not know how else to raise the money. They are unable to run the economy in the manner that it generates resources of its own. One part is desperation and the other part is bringing back crony capitalism, with a leading defence public sector undertaking in the process of being sold to industrialist Anil Ambani.

When senior Congress leader P Chidambaram said this government has mooted no structural

reforms, Finance Minister Nirmala Sitharaman said the previous Modi government carried out as many as 16 structural reforms.

Out of the 16, which are the ones that qualify as structural reforms under the BJP government? I would readily concede that the goods and service tax and the insolvency and bankruptcy code are two structural reforms under the BJP. To claim that Start Up Stand Up India was a structural reform in the absence of having created anything dramatic, or Pradhan Mantri MUDRA Yojana is such a reform, these hardly count. The FM's effort was more to mock Chidambaram.

Journalists have been barred from entering the Ministry of Finance unless they have an appointment. How do you see this?

It is part of this government's effort to control and stifle the media. It has increased tax on newsprint and stopped advertisements to some of the country's most reputed media houses and now this. These are all ways of strangling media freedom.



M V RAJEEV GOWDA
CONGRESS RAJYA SABHA MP
FROM KARNATAKA

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Oil at \$66.72 a barrel as storm limits output

London: Oil prices were little changed on Friday as US Gulf of Mexico crude output dropped by more than half from disruptions caused by a tropical storm, but concerns over global crude surplus in months ahead limited gains. Brent crude futures settled at \$66.72/barrel, climbing 20 cents. **REUTERS**



HPCL kick-starts Swachhta Pakhwada

The Hindustan Petroleum Corp (HPCL) began observing a fortnightly Swachhta Pakhwada from July 1 to promote awareness and engage masses towards achieving the objectives of Swachh Bharat Abhiyan. HPCL has been building toilets at schools and villages.

Privatisation needs both intent and courage

If the government stays the course, it will not only be able to address the issue of resource crunch but also lower taxes, and boost growth and employment.

RIGHT FRAME OF MIND

RAVI SHANKER KAPOOR



pray, is the Narendra Modi government's policy on PSUs and disinvestment? Well, to begin with, there is no longer a department of disinvestment; as per the ruling dispensation's penchant for inspirational acronyms, it has been replaced with the Department of Investment & Public Asset Management or Dipam.

The government's push to privatisation will be a big boost to the economy, provided it stays the course. Intent seems to be there, but the same cannot be said about courage, as we shall see. Still, the announcement that the 28 public sector undertakings or enterprises (PSUs or PSEs) are on the block is welcome.

"The government has given in-principle approval for strategic disinvestment of (sic) 28 CPSEs [Central PSEs] including subsidiaries, units and joint ventures with sale of majority stake of Government of India and transfer of management control," Minister of State for Finance Anurag Thakur recently informed the Rajya Sabha.

What is significant is that the PSUs to be sold are not just loss-making ones like Air India and its subsidiaries, but also profitable companies like Dredging Corporation of India, Rural Electrification Corporation Limited (REC), and Hindustan Petroleum Corporation Limited (HPCL).

So far, so good. But what,

Since the Congress-led United Progressive Alliance government was dependent upon the support from the Left (from outside) for four years (2004-08), the commies torpedoed the privatisation programme. In May 2004, A.B. Bardhan, the general secretary of the Communist Party of India, had famously said "Disinvestment *bhaad mein jaaye* (Let disinvestment go to hell)". It triggered, among other things, a stock market crash. They also forced the government to downgrade the ministry of disinvestment; it became a department and brought under the Ministry of Finance.

Modi I went one step further: it removed the very term "disinvestment" from the name of the department. So, unsurprisingly, Dipam's vision is to: "1. Promote people's ownership of Central Public Sector Enterprises to share in their prosperity through disinvestment. [and] 2. Efficient management of public investment in CPSEs for accelerating economic development and augmenting Government's resources for

higher expenditure."

And its mission is to: "1. List CPSEs on stock exchanges to promote people's ownership through public participation and improving efficiencies of CPSEs through accountability to its shareholders. 2. To bring in operational efficiencies in CPSEs through strategic investment, ensuring their greater contribution to economy. 3. Adopt a professional approach for financial management of CPSEs in the national interest and investment aimed at expanding public participation in ownership of CPSEs."

Notice that nowhere does the word disinvestment, let alone privatisation, occur in vision and mission. This is in sharp contrast with the position of the Atal Bihari Vajpayee government. Two decades ago, Finance Minister Yashwant Sinha had the gumption to use the word "privatisation" in his Budget speech.

Later, Disinvestment Minister Arun Shourie not only sold PSUs but also provided cogent reasons for privatisation; it was carried out not with stealth or for the purpose of reducing the fiscal deficit. In fact, the money accrued to the exchequer was minuscule as compared to the later minority stake sales. Privatisation was a statement of intent, an ideological positioning, rather than an exercise in revenue generation for the Vajpayee government.

For privatisation is the most visible and poignant of economic reforms: by disposing of PSUs, government emphatically rolls back its intervention in the economy, gives credence to the axiom that the business of government is not business, and opens up space for the animal spirits entrepreneurship to

take charge.

Modi, however, doesn't seem willing to express this truth, even if he is letting his ministers to sell off PSUs. On the positive side, today he is far more powerful than Vajpayee ever was: earlier, administrative ministries derailed many a sell-off, something that's not possible now; earlier the RSS and its affiliates also hurt disinvestment, but today the RSS is much more amenable. One hopes that he and his government don't get jittery by some snide remark like "*suit-boot ki sarkar*". If that happens, it would be curtains for privatisation, for only Modi can stop Modi.

Finance Minister Nirmala Sitharaman has set a target of Rs 105,000 crore in 2019-20 from disinvestment, an increase of 31% over the last year's figure. If the government shows a serious intent, it can collect much more than the target. HPCL, which reported a net profit in excess of Rs 6,000 crore last fiscal, has a market capitalisation of over Rs 43,500 crore. REC, which had a profit of over Rs 5,764 crore in 2018-19, has an m-cap of almost Rs 29,000 crore. This means that even if the government sells 51% equity in these two PSUs alone at the current prices, it could garner around Rs 36,000 crore. But it is a well-known fact that once the market is sure about the transfer of ownership to a private entity, the PSUs' equity fetches a much higher price.

If the government stays the course, it will not only be able to address the issue of resource crunch but also lower taxes and, more importantly, boost growth and employment.

Ravi Shanker Kapoor is a freelance journalist.