



# India Infrastructure Update



J. SAGAR ASSOCIATES  
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Vol. 8 No. 1 January, 2005 • Produced by J. Sagar Associates • For private circulation only

## POWER

### Delhi suffers 233-mw power shortfall

The Union Government refused to arrange extra power for the national capital this season, when the entire northern region faced a severe shortage. Poor rains during the last monsoons affected generation of hydroelectric plants like the Naptha Jhakri, giving 84 mw less to Delhi. The extremely poor state of Delhi's power generation plants — which produce just 17 percent of the city's requirements — also aggravated the problem. Four units of the Rajghat, Gas Turbine and IP plants broke down, depriving the city of 182 mw. The Chamera, Uri, Auraiya and Anta plants, which supply power to the Northern Grid from which Delhi gets its share, are also closed.

Delhi's demand for power is expected to increase by 450 mw in 2006, the current peak demand of 3,860 mw going up to a peak demand of 4,310 mw in 2006-07.

Meanwhile, the Delhi government has given 'in principle' approval to the construction of the proposed 330-mw gas-based Pragati-II power station.

### REL reschedules UP project

Reliance Energy Ltd (REL) has revised the commissioning schedule of the 3,740-mw gas-based Dadri power project in Uttar Pradesh, postponing it by about two years to 2008-09. It hopes to use gas from the Krishna-Godavari fields, owned by Reliance Group company Reliance Energy Generation, if it succeeds in the bidding in a global tender.

### Power Grid opposes Reliance project

The Power Grid Corporation of India Ltd (PGCIL) announced its opposition to Reliance Energy Transmission Ltd (RETL) setting up transmission lines and sub-stations in the western

region independently. PGCIL, which has already obtained the Union Government's approval for the Rs 50-billion western grid project and is in the process of selecting a partner, is open to considering RETL as a collaborator in the venture. PGCIL has invited bids for the scheme, which would be implemented through the joint venture route with the public sector utility having a minority stake. The project is scheduled to be completed by 2009.

The Central Electricity Regulatory Commission (CERC) had asked for PGCIL's comments after RETL sought a license to lay 20 transmission lines and set up 13 sub-stations in the western region, covering Gujarat, Maharashtra, Madhya Pradesh, Goa, Chhattisgarh and Daman and Diu.

PGCIL already is in a joint venture with Tata Power Company in the Rs 110-billion 400-kv Tala Transmission Project, which will span 1,200 km from Bhutan to Delhi, when completed.

### AP finalizes HV power project

Andhra Pradesh has firmed up plans for a Rs 30-billion high-voltage distribution system that is expected to reduce transmission and distribution problems, including losses and theft of energy. The government, which has launched a pilot project in Tirupati in collaboration with Southern Power Distribution Company and the Andhra Pradesh Power Transmission Corporation (APTransco), expects to shortly constitute a committee of representatives from transmission and distribution companies that would supervise the entire project implementation. Sale of high-tension power to industry, which was only about 3,903 MU in 2000-01, reached 6,120 MU during 2003-04 and is estimated at 7,482 MU for 2004-05. It is projected to grow to 9,000 MU during 2005-06.

### NTPC close to finalizing Barh deal

The National Thermal Power Corporation (NTPC) has acquired 1,380 acres of private land for the 1,980-mw Barh super-thermal power project in Bihar and is close to finalizing a contract for the execution. With evaluation of price bids underway, it is reported that BHEL is the prime contender for the main plant deal. The Barh super-thermal project is to comprise three units of 660 mw each. With all three units being constructed simultaneously, the project is to be completed in 36 months.

NTPC is also expanding the 840-mw Kahalgaon power plant to a capacity of 1,000 mw.

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## More HV power for southern states

PGCIL commissioned the a high-voltage direct current (HVDC) back-to-back facility at Vishakapatnam, Andhra Pradesh, bringing an additional 500 mw of power to Andhra Pradesh, Tamil Nadu and Orissa. This also increases the capacity of the national grid to 9,500 mw.

PGCIL has also extended transmission lines from the Ramagundam power station in Andhra Pradesh to Neelamangalam, near Mysore in Karnataka.

## Khauli power by mid-2005

The Government of Himachal Pradesh announced that the 12-mw Khauli power in Kangra District would be commissioned by mid-2005 and that a feasibility study for a second phase of the project would be started immediately after. The government has set itself a target to generate 8000 mw additional power within the next five years as well as optimize the revenue and economic potential from hydel power generation and sales.

## J&K to expedite Baglihar project

The Jammu and Kashmir Government announced that work on the 450-mw Baglihar hydel-power project would be speeded up. This came on the heels of the Pakistan Government's statement that it would seek arbitration by the World Bank if a bilateral agreement could not be achieved soon. Pakistan has raised objections over the design of the dam, claiming that violates the Indus Water Treaty, which disallows J&K to dam rivers that flow into Pakistan.

Because the J&K Power Development Corporation (J&KPDC) has signed an agreement with a consortium consisting of nine financial institutions to raise a loan of Rs 17.7 billion for timely completion of the project, the government wishes to avoid the delays that would arise once Pakistan formally seeks World Bank arbitration.

## BHEL to execute Kameng hydel project

Bharat Heavy Electricals Limited (BHEL) is to execute the 600-mw Kameng Hydro Electric Project in Arunachal Pradesh, contracted by the North Eastern Electric Power Corporation Limited (NEEPCO). At an estimated cost of Rs 2.4 billion, the Kameng project will comprise four units of 150 mw each. The project, slated for completion within just 54 months, is a run of the river scheme, situated at the downstream of the confluence of the rivers Bichom and Kameng.

## KSEB finds hydro power project non-viable

The Kerala State Electricity Board (KSEB) has revised the cost of the Kuriyarkutty-Karapara multipurpose project has been revised upward, bringing the projected cost of power to Rs 7.50 a unit. The cost estimate for the project was put at Rs

2.8 billion when it was finalized in 1994, but has since been inflated to a reported Rs 7.4 billion. The project is to generate 84 mw of power and irrigate 17,488 hectares of land in the drought-prone Kozhinjampara area in Chittur taluk.

The KSEB has asked the Water Resources Department to share the cost of the project.

One problem is that the project is likely to submerge 2,000-plus hectares of agriculture land and 13 hectares of the Parambikulam Wildlife Sanctuary land. A further problem is that the project would divert water from the Chalakudy river, which serves many drinking water and irrigation projects of Thrissur district. Consequently, the project has been almost shelved.

## NLC to execute Barsingsar project

The Neyveli Lignite Corporation (NLC) is to execute the 250-mw Barsingsar thermal power project in Rajasthan with Tata Consulting Engineers (TCE). The project involves construction of two units of 125 mw each.

## Coal-based power plant for Nalgonda

Krishna Godavari Power Utilities is planning to set up a 60-mw coal-based thermal power plant in Nalgonda District of Andhra Pradesh. Estimated to cost Rs 2.55 billion, the project is to be funded through internal accruals, equity and loans. The company, which expects to complete the project by early 2006, has signed a power purchase agreement with APTransCo.

## ADB to co-finance Gujarat project

The Asian Development Bank (ADB) announced it would invest close to Rs3.4 billion in clean energy generation projects in Gujarat and neighboring states through an equity and loan package. The project involves the construction and operation of a 1,095-mw gas-fired combined-cycle power plant and is being implemented by Torrent Power Generation Ltd. The power will be sold to the Surat Electricity Company Ltd, Ahmedabad Electricity Company Ltd and Power Trading Corporation of India Ltd under long-term power purchase agreements. The power plant is expected to begin commercial operations in November 2006 and achieve full completion in November 2007.

## Inter-linking rivers can yield 34,000 mw

The International Commission on Irrigation and Drainage Secretary-General has said that inter-linking India's rivers could yield an additional 34,000-mw hydel power capacity and increase irrigation substantially. A taskforce constituted by the Union Government suggested, in a report submitted in 2004, the inter-linking of 29 rivers across the country, 13 of which are Himalayan links and sixteen peninsular links. The Himalayan links alone could potentially yield an additional 30,000 mw of hydel power.



## Rehabilitation of tsunami-affected ports to cost Rs 10 billion

The government announced that the rehabilitation of the ports affected by the December 26 tsunami would cost about Rs 10 billion. Repairs alone at the Chennai port would cost about Rs 330 million, according to first estimates submitted by the port trust; dredging is expected to cost a minimum Rs 100 million.

The Andaman seaport alone suffered losses estimated at between Rs 1 billion and Rs 2 billion, with the Andaman port wharf and the passenger terminal suffering heavy damage, and two ships anchored at the port sinking. Damage to the 24-berth Chennai port has been valued at about Rs 120 million, while the total losses suffered — including damage to the wharf, hoppers, cranes, and several ships with their cargo — could be around Rs 200 million. Losses at the 13-berth Tuticorin port have been estimated at about Rs 5 million. In addition, there has been loss of business at all affected ports.

The tsunami-caused damage to lighthouses across India has been valued at a minimum Rs 40 million.

The government has asked Hindustan Shipyard to build four barges to be placed in the Andaman and Nicobar islands in place of the damaged jetties. A number of pontoons are also to be put in place in place of the damaged jetties. It also plans to install a VHF (very high frequency) communications system linking ports in the Andaman and Nicobar Islands.

## Oil companies to invest in port infrastructure

Oil and gas major Shell and the Essar Group are setting up a joint venture with Indian Railways for an infrastructure project connecting the Hazira port to the Delhi-Mumbai main railway line. The two companies are also considering forming another joint venture for a bulk cargo jetty at Hazira Port. The jetty would be for use by Essar Steel.

The proposed railway line is planned as part of Shell's plans to set up a container terminal at the Hazira port. While Shell originally constructed the Hazira port to serve its LNG operations, it has since drawn up an ambitious plan to develop part of the port into a commercial container terminal and is currently in talks with several international port majors for roping in a strategic partner for this venture.

For the Essar Group, the proposed railway would serve as an additional transport route for moving goods to and from its steel company.

## Shipping ministry suggests measures to deal with port logjams

The Union Ministry for Shipping has asked Indian Railways to explore the possibility of double stacking containers on freight trains running from the western ports to the northern hinterland. This would double the capacity of the freight trains and also

improve transport between the ports and the hinterland. The ministry has said that the modernization of ports needs to be supported by an efficient transport link to the hinterland, without which the bottlenecks in movement of goods would continue.

It is estimated that around Rs 500 million would be required to raise the overhead electricity cables and changing the structure of some bridges on railway lines in order to accommodate the increased height of the container stacks. The ministry has also proposed that, in the long run, the country would have to go in for a dedicated high-speed freight corridor, which could cost as much as Rs 58 billion.

Dubai Ports, which is setting up a new container terminal at Kochi, has also asked for better rail connectivity from the port to the hinterland.

The ministry is also looking at the feasibility for trade to spread movement of consignments between ports. While some ports are jammed, others have excess capacity.

## Indian airports prepare for the A380

Indian airports are being readied for the super jumbo A380 launched Airbus Industrie recently. Initially, only the Mumbai and Delhi international airports would be restructured, at an estimated cost of Rs 1 billion, to receive the super jumbo by early in 2006. The airports would need to construct new, large parking bays (the A380s have a wingspan of 79.8 meters) expand the airport terminal for greater space for handling passengers and luggage and other logistics, construct twin aerobridges (for the upper deck and lower floor passengers), and to strengthen the taxi track. The existing runways at the two airports are believed to be long enough to handle the landing and take-off. The Chennai and Kolkata airports are to be upgraded in the next phase.

The commercial run of the A380 in the region will start only in early 2006 when Singapore Airlines gets the first delivery of the new model from Airbus Industrie.

## Security audit of airports, ports

India has rejected a US proposal to conduct a security audit of all Indian airports before allowing free air connectivity between the nations. But the US is nevertheless going ahead with the proposed open-skies agreement with India.

Meanwhile, public sector Electronics Corporation of India Ltd (ECIL) has signed an MoU with OSI Systems Inc, the world leader in electronic cargo inspection systems to manufacture technology-based scanning and security systems. This is to facilitate Indian airports and seaports with the latest technology inspection systems to scan and identify explosives like RDX, contraband and drugs.

The government of India has designated ECIL as the lead agency for implementing such systems across the ports, airports and other important places in the country.



## Railways asked to streamline

Planning Commission Deputy Chairman Montek Singh Ahluwalia said that there is a need to create a Rail Tariff Regulatory Authority to create a distance between the operational arm and the tariff-setting function and ensure rationalization of tariffs.

Following this, Indian Railways announced that it is enhancing the availability of Plan funds for various railway projects and that the launch of the Rs 150-billion National Rail Vikas Yojana would remove capacity bottlenecks by strengthening the Golden Quadrilateral network, rail connectivity to ports and construction of four mega bridges. Alongside, cost reduction and financial streamlining initiatives are underway, including tariff rationalization, participation of state governments in various projects, participation of the Ministry of Defense in projects of strategic importance, and private participation in specific projects like the port links.

## Railways to go slow on electrification

Indian Railways announced that it would go slow on track electrification in the next 10 years. This decision follows a decade of aggressive electrification that resulted in 65 percent of the traffic being carried on electrified routes. It also said that completing the Golden Quadrilateral network would be given greater priority. The Railways has identified 2,600 km of tracks for electrification over the next ten years. This focuses on six routes, including the entire B-route of Northern Railways, the Pune-Guntakhal route and the Bina-Kota route; the electrification of these stretches would cost an estimated Rs 16 billion.

The plan, passed by the Railway Board, states that high-density routes are either already electrified or being electrified under the National Rail Vikas Yojana (NRVY). More than 5,100 km had been electrified during the Eighth and the Ninth Five-Year Plan periods.

## Railways concerned about freight capacity

While Indian Railways has improved its total revenue from freight by 10.2 percent and earnings in net tonne kilometres (NTKMs) by 8.17 percent in the nine-month period ending December 2004, over the same period in 2003, the government is concerned about the limited capacity and its inability to meet the growing demand. The existing railway lines are functioning at 140 percent capacity with some sections even touching 180 percent, leaving little room for increasing capacity for freight movement without laying new lines.

## Backlog in wagon orders increasing

Indian Railways continues to face a huge backlog in its orders for wagons. The orders for 5,417 wagons (2,014 placed with private and 3,403 with public sector units), which could not be executed in 2003-04, spilled over to 2004-05. Similarly, the

orders for 1,977 wagons (540 private sector and 1,437 public sector units) could not be executed in 2002-03 and were carried over to 2003-04.

Public sector units, seven in all, are especially slow to deliver. For 2004-05, the public sector wagon manufacturers together had in hand total orders for 6,036 wagons (including spillover of 3,403 from the previous year). However, till November they delivered only 997 wagons. During the same period, the five private sector manufacturers supplied 3,248 wagons out of the total order of 7,636 (including a spillover of 2,014).

In 2004-05, fresh orders were placed for 8,255 wagons — 5,622 with private builders and 2,633 with public sector companies. Together with the carry-over order for 5,417 wagons from 2003-04, the manufacturers had orders in hand for a total of 13,672 for execution by March 31, 2005. Till November 2004, only 4,245 wagons had been delivered.

However, railway wagon manufacturers say that the backlog is at least in part due to the delay in placing orders. Indian Railways has been asked to firm up orders at least 90 days before the beginning of a financial calendar in order to avoid spillovers from one year to the next.

## World Bank loan for roads

The World Bank approved a loan of US\$620 million to upgrade National Highway No. 28, specifically the stretch between Lucknow in Uttar Pradesh and Muzaffarpur in Bihar. The fourth project under the National Highway Development Program (NHDP) to be supported by the World Bank, this will help open up access to the north-east region at reduced transport cost. Commercial users account for 65 percent of the traffic on this highway. The Lucknow-Muzaffarpur stretch is a part of the 7,300-km. North-South East-West corridor, which is included in the second phase of the NHDP, which involves the upgrade of more than 14,300 km. of the national highways linking the four metros and arterial roads.

## Karnataka arterial roads to meet NH specifications

The Karnataka State Government announced that about 10,000 km of major district roads in Karnataka are to be upgraded to state highways and some of the arterial roads connecting national highways (NH) with interior areas would be re-laid as per the NH specifications so as to upgrade these to national highways. This decision comes in the wake of a High Court directive to the government to execute out road improvements by December 2005.

The state chief minister has urged the Union Government to reclassify upgraded arterial roads in Karnataka as national highways.

The government has transferred jurisdiction of the state highways to the Karnataka Road Development Corporation Ltd, leaving the PWD to focus on district and village roads and improving rural road connectivity.



## Telecom companies reluctant to give accounting data

After TRAI recently issued show-cause notices to several telecom companies for failure to submit audited accounts, most of the service providers said they are reluctant to share data with TRAI for fear that the information will become public. Some have also argued that TRAI is seeking too much information. The Cellular Operators Association of India (COAI) has also taken up the matter with TRAI, which says that the information is required to identify cross-subsidization practices, investigate cases of predatory pricing and other anti-competitive practices and to determine cost based charges.

## TRAI orders cut in ADC

Calling long distance has become marginally cheaper. After the Telecom Regulatory Authority of India (TRAI) recently reduced the access deficit charges (ADC), some operators have reduced their national (STD) and international (ISD) long-distance call charges by 35 paise per minute and Rs 1.75 paise per minute, respectively. The new rates became applicable with effect from February 1, 2005. MTNL is reportedly preparing to file an appeal against the TRAI decision with the Telecom Dispute Settlement Appellate Tribunal (TDSAT). MTNL, which earned Rs 4 billion on account of ADC in 2003-04, stands to lose substantial revenues with the TRAI decision.

## Bharti offers service guarantee

India's largest GSM mobile phone company, Bharti has become the first Indian telecom company to offer a service guarantee, promising repair of dead phones within eight hours of receiving a complaint and error-free billing. It also offers an STD or ISD calling card worth Rs 100 to customers in cases of failure.

## Broadband spotlights landline phones

India's largest telecom service provider, the state-owned Bharat Sanchar Nigam Ltd (BSNL), and its sister concern Mahanagar Telephone Nigam Ltd (MTNL), have invested about Rs 7 billion for their broadband project. While BSNL proposes to provide the service across 198 cities, with an investment of about Rs 6 billion, MTNL plans a capacity of 10 million; MTNL is to initially install 350,000 lines involving an investment of Rs 840 million.

## Trai wants licence fee slashed by over 80%

TRAI has recommended that the entry license fee for the unified telecom license—that allows telecom operators to offer cable and other television including direct-to-home TV services, radio broadcasting services and internet telephony—should be slashed by as much as 80 percent. If the recommendations

are accepted, new entrants to the field would have a head start over existing operators, who would be landed with the liability of a significantly larger investment. While existing operators like Reliance Infocomm have paid several million (Reliance, for example, paid a little over Rs 6 billion and a penalty of Rs 14 billion) as entry fee for a unified license, a new entrant would be liable to pay around Rs 1.8 billion for offering access services, national long distance and international long distance services for the same number of connections.

## MSOs gear up

Multi-system operators (MSOs) are preparing to launch services—television and dedicated film and radio channels, voice and internet applications—from April this year. Both Himachal Futuristic Communications Ltd (HFCL) and Reliance Infocomm are laying cables using Nextgen technology, across north India.

## MTNL-BSNL merger plan in trouble

Financial issues are posing a problem in the proposed merger of MTNL and BSNL. To address the issue of BSNL's weak earnings per share, one possible option being considered is the acquisition of BSNL by MTNL at an equity value that would bring the EPS value of the merged entity to neutral. This is being put at around Rs 150 billion. Since MTNL is listed both in the domestic market as well as the New York Stock Exchange, BSNL would have to restate its accounts according to US Gaap standards.

## Mobile phone user base up 8%

The number of Indian mobile phone users grew by about eight percent in calendar year 2004, compared to the 164 percent growth seen in 2003. The subscriber base, which stood at 28.2 million in end-December 2003, jumped to 47.4 million in end-December 2004. The CDMA subscriber base rose from 6.2 million to 9.9 million in the same period, while GSM operators added over 15.2 million users during the year, reaching a subscriber base of 37.4 million by December 2004. A total of 19.2 million subscribers were added during 2004 compared to 17.5 million during 2003.

## TDSAT stay on Reliance Info case

The Telecom Dispute Settlement Appellate Tribunal (TDSAT) asked the Department of Telecommunications (DoT) not to take "precipitate" action in pressing for the penalty of Rs 1.5 billion it imposed on Reliance Infocomm for alleged violation of license conditions. Reliance has been charged with routing ISD calls as domestic calls. The license terms provide for a fine of Rs 500 million per circle for violating the license conditions; DoT has charged Reliance with violating the license terms in three circles.



## Panel for restructuring oil sector

Prime Minister Manmohan Singh set up a high-level committee to examine the restructuring of the petroleum industry. Under the catchy title, 'Synergy for Energy', the committee is to look at eight specific options for restructuring the industry. Aimed at enabling the public sector petroleum companies to emerge as global players, a major thrust of the restructuring will be to suggest measures that would circumvent "meaningless" rivalry among the companies. This would involve creating synergies for size and volumes, which would "make global companies sit up and take notice".

The Union Petroleum Minister also announced that the government would encourage public sector oil companies, including ONGC, to forge relationships with foreign oil companies as well as private Indian players. The minister also announced that the government plans to post trained diplomats as oil attaches in countries that were important from the oil perspective. He said it is surprising how the mandarins of the external affairs ministry were completely ignorant of the country's strategic needs from the oil perspective.

## For an Asian oil bloc

India launched a major initiative to bring together Asian oil consuming and producing nations, setting in motion a process for the formation of an Asian oil bloc in order to bring about stability in the Asian oil market. The January 6 meeting in New Delhi, hosted by India, had participants from consuming countries Japan, China and Korea and producers Saudi Arabia, Oman, Iran, Qatar, UAE, Indonesia and Malaysia. Saudi Arabia, the world's largest oil producer, declared its commitment to supporting the Asian efforts.

A united Asian market would help negotiate best prices for oil; negotiating individually with the powerful Organization of Petroleum Exporting Countries (OPEC) has led Asian countries to pay a premium for oil. But while Asian countries need long-term energy supply security, oil producers are equally concerned about demand security.

Asia is emerging as the fastest growing economic zone and consumes 40 percent of the global oil production of 82 million barrels a day. India ranks sixth in terms of global energy demand. A recent Goldman Sachs report has forecast that India's oil consumption would double in 10 years.

## Iran-India gas pipeline deal soon

India and Iran are expected to shortly finalize the technical details of the 2,775-km pipeline project for transporting natural gas from Iran to India via Pakistan. Iran has proposed the option of either providing for independent pipelines for Pakistan and India, or providing a single trunk pipeline with a branch for Pakistan; the second option is being more favorably considered. Talks in February are likely to firm up technical issues like price, quality and quantity of natural gas.

Iran is currently holding separate discussions on the proposed pipeline with Pakistan, which has asked for about 50 million standard cubic meters of gas. India currently consumes about 120 million standard cubic meters per day.

Shell India, meanwhile, has evinced interest to be a part of the 'peace' pipeline project and is looking to be part of the international consortium of bankers and oil firms that would build and operate the ambitious US\$4 billion project.

## India-Myanmar gas pipeline deal finalized

India finalized a tripartite agreement with Myanmar and Bangladesh for a US\$1-billion 290-km gas trunk pipeline that would transport gas found in offshore Myanmar, through Bangladesh. Indian firms GAIL India and OVL are partnering foreign companies for exploration work in the offshore gas fields. Bangladesh would earn about US\$125 million annually as transit fee of the pipeline, and will also benefit from a reciprocal permission for a transit corridor through India for hydel power from Nepal and Bhutan.

The gas pipeline will connect to an all-India network from Kolkata.

India, which has already pledged credit of US\$20 million to develop the Thanlyn refinery in Myanmar, has sought more oil and gas blocks in Myanmar for exploration and production.

## ONGC to start exploration off east coast

The Oil & Natural Gas Commission (ONGC) is to start on one of its biggest ever exploration jobs from March 2005. The five-year Rs 12-billion exploration and drilling project on the East Coast covers six blocks on- and off-shore West Bengal and Orissa. Starting with two offshore blocks in South Sunderbans and one on-land block in Contai, West Bengal, ONGC will commence exploratory drilling in another three blocks in the Mahanadi basin, Orissa, later in the year.

ONGC is also exploring the Bokaro region for coal bed methane (CBM) gas, as part of a larger plan to start commercial production of CBM by March 2007. The company expects to sequentially explore six coal blocks in the eastern region, five in Jharkhand and one in West Bengal.

## GAIL for operational synergy

Gas Authority of India Ltd (GAIL) has called for industry meets as a step towards creating synergies in the market for natural gas. The company said that the introduction of re-gassified liquefied natural gas (R-LNG) would bring about major operational changes within the sector since it requires precise distribution planning. GAIL plans to bring together major gas suppliers like ONGC Ltd, Oil India, Cairn Energy and British Gas and marketers like IOC and BPCL to plan for smooth handling of supply and distribution. GAIL itself is a major marketer, with a 60 percent share of the R-LNG market in India.

GAIL has recently invited global bids for LNG to be delivered FoB at its existing and proposed re-gassification terminals at Dahej in Gujarat and Kochi in Kerala on the west coast, and Ennore, Tamil Nadu, on the east coast. It also announced that it would hold a 33 percent equity share in the Ennore Regassification Terminal.

### **GAIL loses Panna-Mukta gas**

The consortium comprising British Gas, Reliance and ONGC, which operates the Panna-Mukta-Tapti gas fields, announced that the production-sharing contract would be modified so that the consortium no longer has to sell the gas to GAIL, which had refused to pay the revised price of natural gas produced from Tapti field. The consortium raised the ceiling price of Tapti gas to US\$5.6 per million metric British thermal units (mmbtu) from US\$3.1 per mmbtu.

The consortium has begun talks with Gujarat State Petronet Corporation, which is one of the potential buyers.

### **Panel recommends lower transportation charges**

The interim report of the gas tariff commission set up by the government has recommended a cut in the transportation charge for the 2,800-km. Hazira-Bijaipur-Jagdishpur (HBJ) pipeline which passes through Gujarat, Madhya Pradesh, Rajasthan, UP, Delhi and Haryana. The commission has reportedly suggested the charges be reduced by 40.95 percent to Rs 679 per million standard cubic meters. GAIL and other industry representatives have said that the government needs to appoint a regulator to look into tariff, depreciation, delivery price and related issues holistically rather than institute such ad hoc measures.

### **IOC-Cairn deal for Rajasthan output**

Indian Oil Corporation and Cairn Energy are entering into a crude purchase agreement, whereby IOC will buy all the output from Cairn's recent find in Barmer, Rajasthan for a 15-year period. The high-wax sweet crude is likely to yield mostly kerosene and diesel and very little petrol and naphtha. Cairn expects a production of 80,000 bpd to 100,000 bpd oil once it starts production in 2007-08.

Meanwhile, Cairn has contested certain levies on crude oil production, holding that the cess and royalty applicable (amounting to Rs 900 per tonne), should be paid by partner ONGC, which has recently taken a 30 percent stake in the project. The confusion over the levy has arisen because the Rajasthan block is a pre-NELP block and while the government has provided total exemption on cess and royalty for the NELP blocks, there appears to be no clear policy on the cess in pre-NELP cases.

The Union Law Ministry recently said that both companies

should pay the levy in the ratio of the equity held.

### **Global energy majors eye India**

Saudi Aramco, the world's largest oil company, accounting for 13 percent of the total crude oil capacity globally, is looking at investing in India, primarily at acquiring a stake in existing refining and marketing assets. Aramco has been in talks with IOC for a stake in the Paradip refinery. It has also been discussing with the Union Petroleum Ministry the possibility of Indian companies investing in upstream projects in Saudi Arabia, including a partnership with ONGC in developing a cluster of gas fields in Saudi Arabia.

Meanwhile, India's recent NELP-V roadshow at London evoked interest from Shell, British Gas, Total, Cairn and British Petroleum. Another roadshow for investors is planned for Amsterdam.

### **PSUs eyeing petro sector**

Public sector companies like the National Thermal Power Corporation (NTPC) and Shipping Corporation of India (SCI) have formulated ambitious plans for investment in non-core areas. NTPC is exploring the viability of a foray into LNG imports while SCI plans to bid for container terminal operations.

NTPC is looking at importing LNG on its own for the proposed expansion of its Kayamkulam power project and has appointed Crisil to initiate a feasibility study. SCI is planning to bid for the proposed fourth container terminal at Nhava Sheva.

### **Equador invites India to bid for blocks**

Equador has invited Indian oil companies to bid for the next round of oil blocks which will be put up for bidding in May 2005. Ecuador is seeking investments of about US\$2500 million to build its downstream oil and gas sector. ONGC has already evinced interest in buying part of Canadian firm EnCana's stake in a cluster of oil fields in Equador.

### **OVL to further Russian interest**

ONGC Videsh Ltd. (OVL) and Russian oil major Rosneft have agreed in principle to jointly bid for blocks in Sakhalin-III, which are likely to be put up in March. The two, already partners in Sakhalin-I, are also in talks to pick up a 15 percent stake in Yuganskneft, the largest oil producing plant of Yukos.

However, Mikhail Khodorkovsky, the largest shareholder of Yukos, has warned that any organization that buys a stake in any of Yukos' assets would be likely to face legal action.

Meanwhile, in India, though the proposed OVL bid for the Yuganskneft stake has been cleared by the ministries of petroleum, law and finance, it has been opposed by the ministry for external affairs. A technical team is already in Moscow, however, to carry forward the proposed bid.



## Cities prepare for waste disposal

The Andhra Pradesh Chief Minister has directed the Hyderabad Urban Development Authority (HUDA) to set up effluent and sewerage treatment plants in the industrial areas under Rajendranagar municipality, in consultation with the Pollution Control Board. Surface and groundwater sources have been severely polluted in the areas as a result of the discharge of untreated industrial effluents.

Agra has launched a project to evaluate the city's waste disposal needs, the study undertaken jointly by the Agra health department and USAid. Agra generates about 628 metric tonnes of waste every day, while the Agra Nagar Nigam's present collection and disposal capacity is for 325 metric tonnes only. Alongside, in Madhya Pradesh, the Housing and Environment Minister has asked town planners to evolve a feasible solid waste management scheme and Aligarh, once called 'the garden city', is focusing on disposal of its daily load of 1,250 kg of medical waste while the Kozhikode Municipal Corporation has recently licensed Poabs Enviro Tech Pvt Ltd to operate a solid waste treatment plant on its behalf.

In Jaipur, the Rajasthan Government is considering allowing private initiatives in the disposal of solid waste and garbage. It has decided, alongside, to allow the construction of public toilets on a build-operate-and-transfer (BOT) basis.

The Kolkata Municipal Corporation, meanwhile, is considering the problem of disposing of the 500 tonnes of electronic waste (e-waste) that is generated in the city annually. This includes discarded computers, TVs, circuit boards, toners, batteries, cell phones, VCRs, tape recorders, copiers, fax machines, electronic toys and appliances, all of which include toxins like lead, cadmium, chromium, lead acid, carbon zinc, zinc chloride, zinc carbon and plastic. The Centre for Quality Management System (QMS) at Jadavpur University, Kolkata, is working on evolving an effective e-waste management system that would minimize the hazardous impact of inappropriate disposal of such waste.

In the south, however, Bangalore has already ordered the construction of a Rs 350-million facility to handle the city's huge accumulation of e-waste. The waste management center, to be set up near Dabaspet, will be able to handle up to 40,000 tonnes of e-waste a year. Over the years, the state has accumulated 200,000 tonnes of e-waste.

According to the Jadavpur University QMS Centre, India

generates over 7,000 tonnes of e-waste every year from old computers and cellular handsets alone. Alongside, studies by the international non-government organization Toxics Link and a recent study by the Industry Council for Electronic Equipment Recycling, on behalf of the British Environment Agency, have disclosed that thousands of tonnes of e-waste are being exported to Asian countries from the developed world, in violation of international laws.

The Jadavpur University Centre has also evolved a disposal machine-based system for disposing plastic and other petrochemical wastes. Indian cities are yet to arrange for safe disposal of such waste at a per capita plastics consumption of around 4 kg while industry is vying for increasing the levels to meet the world average of 18 kg per capita. At the current level of consumption generation of plastic waste is estimated at about 1.5 kg per person per annum.

## SC orders destruction of waste oil

The Supreme Court ordered destruction of waste oil in 133 containers lying at the Jawaharlal Nehru Port Trust lands at Mumbai as the contents were found to be hazardous. The court passed the order on a petition by the Research Foundation for Science which alleged that huge amounts of toxic waste oil is being dumped in India in violation of anti-dumping rules. The waste is to be destroyed by incineration by a monitoring committee appointed by the court, with the polluters paying for the cost of destruction.

The court also asked the Customs Department to respond to allegations that about 170 similar containers are lying at the Nhava Sheva Port in Maharashtra.

## Rajasthan for private initiative in slum development

The Rajasthan Government announced that it would invite private investment in developing residential schemes for the urban poor and improving the slum areas. The government plans to allot land acquired by the Urban Development Department to private developers for developing residential complexes, provided 15 percent of the developed plots are allocated to individuals whose land has been acquired. Where that is not possible, cash payment will be made as compensation for the land acquired.

### J. Sagar Associates, Advocates & Solicitors

84-E, C-6 Lane,  
 Sainik Farms,  
 New Delhi 110 062  
 India  
 T: 91 (11) 26518714/15/16  
 F: 91 (11) 26518717/26560980  
 E-mail: newdelhi@jsalaw.com

4121/B, 19th A Main  
 6th Cross, HAL II Stage Extension  
 Bangalore 560 038  
 India  
 T: 91 (80) 2520 0045  
 F: 91 (80) 2520 0044  
 E-mail: bangalore@jsalaw.com

Vakils House, 18 Sprott Road  
 Ballard Estate  
 Mumbai 400 001  
 India  
 T: 91 (22) 56561500  
 F: 91 (22) 56561515/16  
 E-mail: mumbai@jsalaw.com