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Energy and India: The primacy of oil energy in a fast-paced economy”.

Expert Speaker: Mr. Vikram Singh Mehta
Chairman Shell India

Mr. Vikram Singh Mehta, Chairman, Shell India, delivered the keynote address at AMSEC's CIO Forum held on 7 May, 2010 at Trident, BKC. He shared his expert insights on “Energy and India: **The primacy of oil energy in a fast-paced economy”**.”

Gleaned here are the key perspectives from his address:

Global scenario:

- **Demand for energy is accelerating:** China and India are entering their most energy-intensive phase of economic development.
- **Supply will struggle to keep pace with demand:** Access to easy oil is becoming difficult. While demand from the OECD countries is declining, that from developing countries is increasing.
- **Environment is under stress:** Concentration of CO₂ in the atmosphere is not something that can be wished away.

Indian scenario:

- **Demand is growing:** India is a high-growth economy, life-style patterns are continuously changing, and the country is an inefficient user of energy.
- **Supply situation in India is far from robust:** The demand-supply imbalance is compounded by an insignificant contribution of alternate energy sources as exemplified by the rising import-dependence ratio.
- **India is an inefficient oil and gas producer:** GoI and ONGC have reduced their Eleventh Plan targets.
- **Incessant rise in oil prices add to the woes:** Oil prices globally are inherently volatile, led by demand, supply, and geo-political factors as well as non-fundamental issues that relate to speculation, dollar exchange rate, and infrastructure costs.

- **Concerns on E&P are even more serious:** India is not on the frontier of E&P technology due to an inherently bureaucratic structure of tendering for technology.
- **In marketing and refining, adhocism with pricing is a major concern:** In 2002, Govt regulated and market-determined pricing came into effect and it has not been reversed. The oil marketing companies are making losses of ~Rs 6 billion a day. The more dramatic impact of all this is the lack of investment in research and development.
- **Gas is a great white hope, but it calls for massive infrastructure:** Gas needs infrastructure, tankers, re-gasification terminals, or pipelines since it is not easy to store, which in turn require significant investments and a transparent regulatory environment.
- **Human resources would prove a major challenge:** Harnessing the right combination of experience and capabilities is the big challenge before the Indian oil companies.