Opinion

FRIDAY, APRIL 26, 2019

STRENGTH IN DIVERSITY

Arvind Kejriwal, chief minister of Delhi

[India] has many religions and many castes. In all this diversity, India has unity. We can be Hindu, Muslim, Sikh of different castes but first we are Indian. This is our strength

If SC decides which account is an NPA, shut RBI down

Sadly, the apex court doesn't seem to realise that RBI's job is to keep the banking system safe, and it is preventing this

IT IS A pity that the country's top courts, from the NCLAT to the Supreme Court (SC), are passing orders that will hit RBI's ability to ensure the country's banking system remains as healthy as possible. The NCLAT continues to insist that the Committee of Creditors (CoC) ensures that operational creditors get a larger share of the money that ArcelorMittal is willing to pay for Essar Steel; the process of taking a defaulter to the NCLT is being driven by RBI. Right now, while financial creditors will get ₹41,987 crore as against their loans of ₹49,395 crore, operational creditors are to get ₹214 crore against their claims of ₹4,976 crore. While that sounds unfair, the Insolvency and Bankruptcy Code is clear that the CoC takes the final decision on any bids and, second, after the costs of the bankruptcy process are met and workers' dues for the last two years are paid, it is financial creditors that get the first priority.

While the State Bank of India (SBI) has done well to approach the SC to challenge this view of the NCLAT, the SC itself has passed some unfortunate orders on RBI's powers; to the extent the central bank's powers have been curtailed, SBI and other banks are also affected. By striking down RBI's February 12 circular recently, for instance, SC has ensured that the central bank can no longer force banks to declare an account as an NPA after even one day of default and to, second, take this account to the NCLT if a solution to the problem is not found within 180 days. While forcing banks to declare an account an NPA at the earliest sign of default is good practice since banks will have to do provisioning immediately, the automatic reference to NCLT is critical since it means that defaulters can no longer use political or other influence to get respite from banks; if they don't make good their loan payments, they can lose their company. Indeed, several defaulters started repaying loans to ensure their firms don't go to the NCLT. In a similar move, NCLAT has ruled that RBI cannot force banks to declare their loans to IL&FS as NPAs unless this is cleared by NCLAT.

While the SC bought the argument—that is why it struck down the February 12 circular—that not all defaults were the fault of the entrepreneur, it seems to be applying the same logic in the case of Reliance Infrastructure's Delhi Airport Metro Express (DAMEPL) and has said that RBI cannot insist the account is classified as an NPA till further orders. In this case, DAMEPL pulled out after it had concerns over the safety to the line and Delhi Metro Rail Corporation (DMRC) took over operations. DAMEPL also won an arbitration case against DMRC on this matter, for ₹4,500 crore, but the award was set aside by a division bench of the Delhi High Court. It is possible to argue that DAMEPL is not liable to pay the banks once it left the project or that, even if it is, it cannot do this until its gets the arbitration award. The point, however, is that this is not RBI's concern. If the loan is not serviced, for whatever reason, the bank has to declare it an NPA if the banking system is to remain healthy. Doing so will hurt banks since they will have to provision for the NPA, but once they get the money back—say, after DAMEPL gets the arbitration award—the banks can write this back into their accounts and declare higher profits (or lower losses) in that quarter. If the courts take over RBI's power to force banks to classify loans as NPAs, the central bank may as well give up its role as the regulator, in charge of ensuring banks don't go bankrupt.

Sebi right on Leela deal

Objections raised by ITC need to be examined thoroughly

GIVEN THE SEVERAL objections raised by ITC Limited against the proposed sale of properties by Hotel Leelaventure to Brookfield, the capital market regulator is right in stalling the sale to look into the transaction. ITC has claimed in the National Company Law Tribunal (NCLT) that it is being oppressed as a minority shareholder and filed the petition under Section 241 of the Companies Act, 2013; while the company holds just short of 8% in Hotel Leela today, its stake has gotten diluted following the conversion of ₹275 crore worth of loans into a 26% equity stake by JM Financial ARC.

Given how the performance of Hotel Leela has deteriorated over the years, a major transaction such as the one proposed—and one in which several of the hotel company's big properties are being sold—needs a closer look. It may be recalled that even after the lenders had restructured the hotel company's loans, it was unable to make good the dues. Also, the deal with Brookfield is understood to have been put together by JM Financial Limited which is part of the JM Financial Group.

ITC has observed in its petition that the bulk of the proceeds will go to the lenders; this seems fair because, even in the corporate insolvency resolution process (CIRP), lenders get top priority. Even operational creditors, as we have seen in several cases being heard under the IBC (Insolvency and Bankruptcy Code), are not in the same class as financial creditors. However, ITC has drawn attention to the fact that JM Financial ARC and the promoters of Hotel Leela are related parties and so should not vote on the sale proposal. Both the regulator and the NCLT need to weigh in on the rights and responsibilities of a player who is both a lender and equity holder. The transaction may or may not be above board—that will be decided by the courts and SEBI—but it will leave Hotel Leela virtually a shell company with only liabilities and no underlying business or assets. Again, any lender would look to recover dues by asking the promoters and management to sell assets but the process should be kosher since the amounts involved can be very large. In this instance, it is a hefty ₹4,250 crore.

Also, even if it is ultimately found that there is no merit in the allegation that JM Financial ARC pressured the promoters by referring the case to the NCLT, there is no harm in investigating the circumstances. Lapses in corporate governance are not unusual in corporate India; in fact, over the past few years, there have been enough and more instances of both mismanagement and fraud.

ActionPlan

The Global Deal for Nature gives a detailed action plan to try and tackle global warming, containing it to within 1.5ºC

OPPORTUNITIES TO ADDRESS both climate change and the extinction crisis are closing fast. It has become clear that beyond a 1.5ºC average rise in global temperature, the biology of the planet will get gravely threatened as ecosystems literally begin to unravel. At a time when the world is grappling with meeting the Paris Climate Agreement and trying to prevent the ongoing "sixth mass extinction on Earth", an international team of scientists has published a way forward—a Global Deal for Nature. Based on a co-dependence of biodiversity and climate mitigation, the study proposes a bold vision for what needs be done to ensure the functioning of the biosphere. The paper makes a strong connection between climate change and biodiversity loss. If we aren't able to solve the climate crisis, we will not be able to solve the biodiversity crisis. Conversely, if we aren't able to cease the destruction of forests and other habitats, we will likely be unable to stay below the threshold on 1.5ºC.

The Global Deal for Nature analysed how much of the planet we need to maintain to ensure that our ecosystems continue to thrive, and provide services essential for human life, including carbon sequestration. The Deal concludes that we need to protect at least 30% of the Earth's surface and sustainably manage another 20% by 2030. It also provides a framework for the proposed conservation drive across the most important areas for biodiversity, such as marine ecosystems, tropical forests and grasslands. These efforts to manage ecosystems sustainably, however, need to go beyond governments and bureaucrats and involve groups that would be directly affected by these policies, like the locals. Now, combining the Paris Climate Agreement with the Global Deal for Nature provides a clear pathway for action. It is left to the politicians and legislators worldwide to make sure the proposed action is carried out. Time is running out.

NO QUICK-FIX SOLUTIONS

IT HAS TO BE UNDERSTOOD THAT GROWTH IS A SLOW PROCESS AND CANNOT BE ACHIEVED BY EITHER CUTTING THE REPO RATE BY 100 BPS OR INCREASING THE FISCAL DEFICIT BY 1%

Limits to policy-induced growth

MADAN SABNAVIS

Chief economist, CARE Ratings

Views are personal

ARE THERE LIMITS to policy-induced growth? This question is in the air even as the debate over the efficacy of monetary policy and fiscal policy is still ongoing. In fact, when the financial crisis and its aftermath is examined, it does appear that notwithstanding the efforts made by governments and central banks, the world economy has not yet regained the robustness and confidence that existed prior to the crisis. Even China is struggling now and the policy of building more roads and trains helped to a large extent but has subsequently led to stagnation when consumption has lagged. The lesson is there is no quick-fix solution for growth; and, counter-intuitively speaking, if such a solution was there, it would have been used by now and there would be high growth everywhere.

Therefore, if one looks at India and the role of monetary policy, the feeling is that we are expecting too much from the repo rate. The government, corporates and the media have always been nudging RBI in different decibel levels to keep lowering the repo rate as if it were the 'be all and end all' for our travails. While critics tried to link policy with the Governor's preferences, this issue has also been addressed by having the MPC, where 6 members decide on the course of the repo rate and, so far, the majority has thought the same. Therefore, there is no individual bias involved in decision taking here.

Now, a common argument put forward is that banks have been slow to react to repo rate changes. This is the classic case of the transmission mechanism being sluggish. How far is this true? The data from 2001-02 to 2018-19 has been put together and the coefficient of correlation between the two i.e, changes in repo rate and changes in PLR or base rate have been mapped. The relation is actually strong at 0.65. Therefore, to say that banks have not been reacting positively is incorrect. Correspondingly, a secondary argument is that the quantum of response has been lower than that of the repo rate. Since the base rate and MCLR are both formula-determined, banks have to first change the deposit rate and then the lending benchmark rate changes accordingly. Banks have a conundrum. When deposit rates are changed, it is only incremental deposits that are either new or renewed ones that are subject to the new rates. In case of loans, most of them get repriced at the new interest rate. Therefore, the quantum of reduction in deposit rate tends to be higher than that in lending rate.

> **The government needs to have the right policy framework in place and keep working away at capex in the budget**

Another interesting statistical relationship is that between change in rate of growth in credit and change in repo rate. It is low at 0.10 but positive which is against what theory dictates. The explanation is not hard to put together. Lowering the rate is just one part of the story where supply of funds is made cheaper. Firstly, even on the supply side, enough liquidity should be there or else it gets rationed out and here the government borrowing programme can be a 'crowding out' factor. Banks, too, have been cautious after the NPA debacle and have been cherry-picking clients and, hence, would not lend to companies where the NPA ratio is high. Retail lending has tended to benefit more from rate cuts.

Secondly, the demand side is important for growth in credit to take off. Here, some of the higher rated companies have accessed the bond market to raise funds. Further, with capacity utilisation rates being in the region of 70-72% (of late it has increased to 75%), there has been less reason for companies to borrow for investment. Most of the borrowing is for working capital and a number of companies have been deleveraging given the low growth conditions in the economy. Therefore, for growth in credit to take place, both demand and the willingness and ability to lend must increase. This is why there is a gap between interest rate action and growth in credit.

If monetary policy has its limitations, can something be done? In the US, followed by the Eurozone, unconventional policies have been followed like central bank purchases of non-government bonds. If supply of funds is an issue (which is not the case as RBI has been proactive with OMOs and LAF), can RBI think of lending to banks against corporate loans (corporate bond repo already exists).

The Keynesians argue that government spending is the way out and that we should pay less regard to the FRBM as it unnecessarily chokes up policy options. The point made is that the government should expand on the deficit which was what was done when there was the financial crisis in the west. In fact, at that time, the repo rate was reduced and the deficit then increased. This can become a part of the policy—so goes the argument.

A regression where GDP growth is mapped to both a change in repo rate and the level of fiscal deficit ratio from 1991-92 onwards gives some interesting insights. The overall explanatory power is reasonable (coefficient of determination) at 0.38. However, both the explanatory variables have a negative sign with the change in repo rate being 'not significant'. This means that while the decline in repo rate leads to an increase in GDP, the relation is not significant. In case of fiscal deficit, the coefficient is significant but goes with a negative sign, thereby meaning that a higher fiscal deficit leads to lower growth. Is Keynes wrong then?

Keynes had given the solution of fiscal expansion only for a recession when there is a glut as people do not spend and the only way out is to have the government spending. But India has not been in a recession which is defined as negative growth in two successive quarters. GDP growth has slowed down at times but has never been negative. Therefore, the efficacy of Keynes is strong when there is a sharp slowdown in growth. Otherwise, it could have a negative impact insofar as crowding out the private sector and pushing up effective interest rates is concerned.

What then is the solution? It has to be understood that growth is a slow process and cannot be achieved by either cutting the repo rate by 100 bps (as some economists argue) or increasing the fiscal deficit by 1% (as some Keynesians aver). The economy is led by the private sector and aggression from the government or central bank can have limited impact. In fact, hyperinflation in some countries in Latin America and Africa has been due to unbridled Keynesianism. Countries like China, Turkey, etc, have kept their cost of funds deliberately low to prop up growth which works to an extent, beyond which it becomes impotent.

The government needs to have the right policy framework in place and keep working away at capex in the budget. Central banks have to be cautious in rate cuts and not bow down to pressure. As cricket is the flavour of the season, growth is a five-day match affair, and hitting out wildly in the 20 over format can lead to a situation where all wickets fall before the 20 overs are completed and we run short of policy options.

RBI'S FEBRUARY 12 CIRCULAR

SC ruling doesn't undermine IBC

All cases which were admitted to IBC, including List 1 and List 2 cases, shall continue uninterrupted. Only IBC proceedings which commenced only because of the operation of the Circular shall be halted

AJAY SHAW

Partner at DSK Legal

THE CIRCULAR DATED February 12, 2018 (Circular) was issued by RBI for (i) overhauling all the earlier restructuring frameworks issued by it in the context of debt resolution such as CDR/JLF/S4A/5:25; and (ii) mandating banks/financial institutions pursue action under the Insolvency and Bankruptcy Code, 2016 (IBC) with respect to accounts in which lenders had an exposure of more than ₹20 billion and where no resolution plan for such an account was implemented within 180 days from the occurrence of default.

Prior to the Circular, RBI had come up with a first list, comprising of twelve defaulters (List 1) and a second list, comprising of twenty-five defaulters (List 2), against whom banks were mandated to commence proceedings under the IBC. By way of the Circular, RBI, rather than getting into a case- or sector-specific default, set out conditions under which banks were mandatorily required to initiate proceedings under IBC against a corporate debtor.

RBI's rationale for issuance of the Circular was public interest, interest of the national economy and to drive a behavioural change in the credit system. However, there were practical challenges being faced by the various stakeholders where in certain sectors like power, power producers were reeling under a default situation for reasons beyond their control. The power sector had made representations to the Central government in this regard and the 37th Parliamentary Standing Committee Report, on stressed assets in the electricity sector, was finalised in March 2018. The said report observed the need for synchronisation between the guidelines issued by RBI and resolution of systemic issues faced by the power sector.

The success of the IBC process is determined on the basis of value preservation of the corporate debtor on a going concern basis during the insolvency process and value maximisation for stakeholders at the end of the process. If the Circular were to be implemented, a lot of companies in sectors such as power, shipyard and sugar would be pushed into insolvency under the IBC, resulting in a 'garage sale' scenario.

Post the Circular, the prescribed period of 180 days to arrive at a resolution plan with consensus amongst all lenders under a contractual framework was becoming difficult to adhere to, and the resultant initiation of IBC proceedings was looming large in a number of cases. The Circular was thus challenged by corporate debtors across various sectors on the grounds that they were being pushed into the IBC process because of the time bomb set out in the Circular. The Supreme Court tagged all matters on this subject in *Dharani Sugar and Chemicals Limited vs Union of India & Ors.*

> **Banks and financial institutions, at their discretion, can still invoke IBC proceedings against any corporate debtor, with it being a statutory right**

In the Dharani matter, the Supreme Court struck down the Circular as being *ultra vires* Section 35AA of the Banking Regulation Act, 1949 (BRA), which empowers RBI to issue directions to banks to initiate IBC proceedings in specific matters basis authorisation from the Central government. However, the two conditions: (i) Central government authorisation; and (ii) the circular being in relation to a specific default, were not adhered to by RBI with relation to the Circular.

By striking down the Circular, the Supreme Court has removed the mandatory requirement of banks/financial institutions to commence IBC proceedings at the end of 180 days from default if no resolution qua a corporate debtor is found. However, banks/financial institutions at their discretion can invoke IBC proceedings against any corporate debtor, with it being a statutory right.

There has been a lot of hue and cry raised in different quarters as to whether the IBC process gets undermined on account of the Dharani matter and whether currently admitted matters to IBC may be ousted. In this regard, it is worth noting that the IBC process has not been undermined, and all cases which were admitted to IBC, including List 1 and List 2 cases, shall continue uninterrupted. Only IBC proceedings which commenced only because of the operation of the Circular shall be halted, and for this to happen, banks/financial institutions will have to confirm that a particular proceeding was initiated only because of the Circular for that proceeding to stop.

The framework with respect to CDR/JLF/S4A/5:25 does not automatically get reinstated on account of the Circular being struck down. Nothing prevents RBI from coming up with other circulars to address stress situations or another list of defaulters against whom IBC proceedings may be commenced, provided that such a list is issued in compliance with Section 35AA of the Banking Regulation Act.

LETTERS TO THE EDITOR

RCB on a roll

Royal Challengers Bangalore kept their slim playoff hopes alive by outmanoeuvring Kings XI Punjab in a thrilling contest at Bengaluru. Talismanic AB de Villiers fired on all cylinders and Marcus Stoinis paced his innings to a nicety as the home team put on an imposing 202. Despite a devil may care innings from the bat of Nicholas Pooran (46), the flurry of wickets towards the end dashed Punjab's hopes. This is RCB's third win on the trot and the manner in which they have changed gears in the last three matches is unbelievable

— Ravi Chander, Bengaluru

US imposing its will

The six-month US waiver for import of oil from Iran is coming to end. This situation is the real test of mettle of the government of the day to find the perfect way in maintaining relations with Iran on the one hand, and tackling sanctions by the US on the other. It is a matter of self-reproach that India has buckled under US pressure, countermanding its relations with Iran and hampering its own economy. India could have thwarted the US threat by convincing other countries to import cheaper oil from Iran and explaining the aftermath of banning as, with no doubt, the ban on imports from Iran will push up the price globally to $80-85/barrel from $70 currently. Now, with the announcement of not importing oil from Iran, India will not get the benefit of the special 60-day credit as against the usual 30-day and also now needs to pay for shipping and insurance which Iran used to provide for free. A question to all the countries aspiring to be the super power: until when are we going to follow orders as stated by the US? Why is US imposing its will on us? To be very clear, the US is a superpower but not the king

— Mayank Khatri, Ujjain

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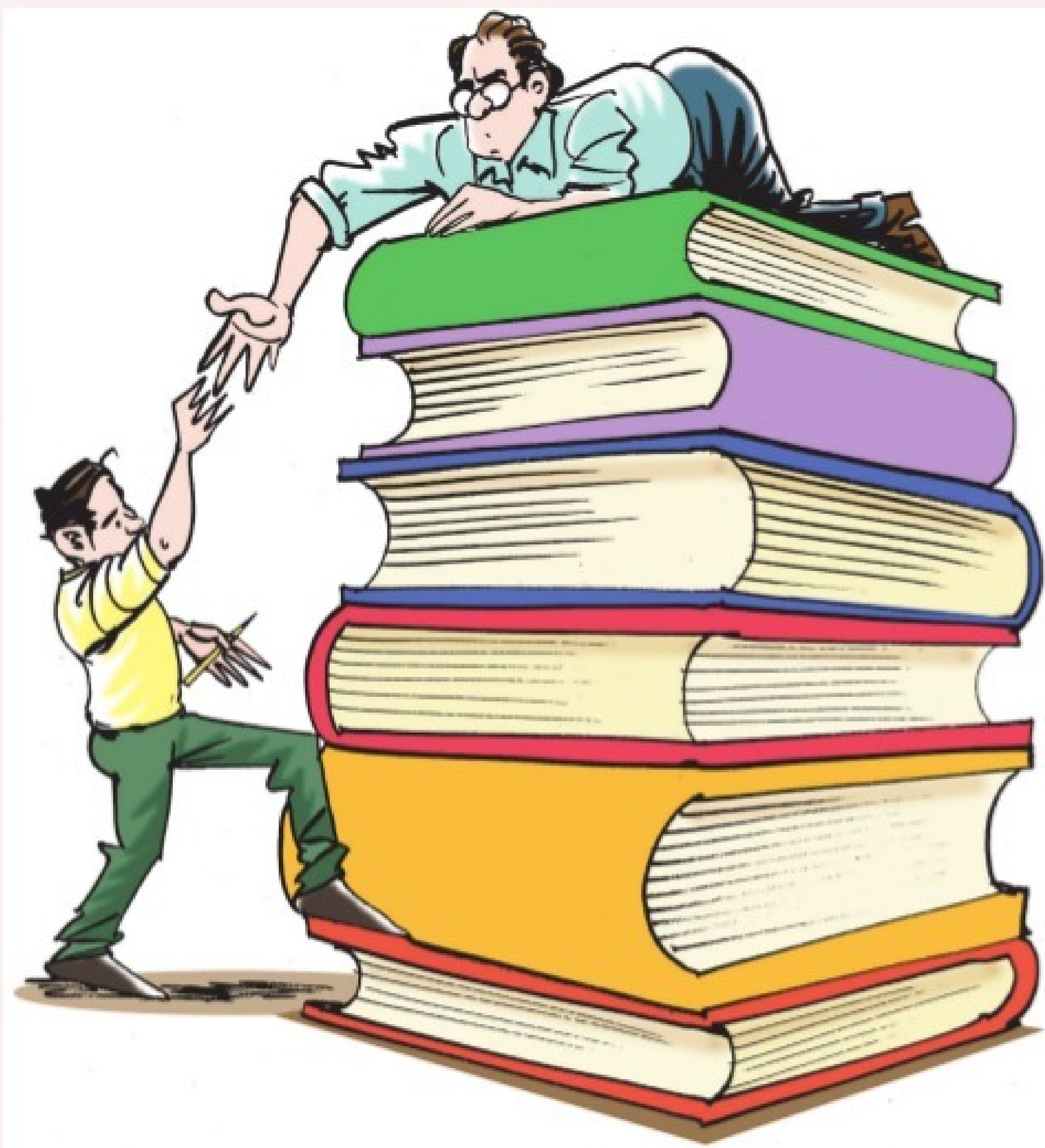


ILLUSTRATION: ROHNIT PHORE

ALOK KUMAR & SEEMA BANSAL

Kumar is adviser, NITI Aayog, and Bansal is director, Social Impact, Boston Consulting Group. Views are personal

IMPROVING LEARNING OUTCOMES

Shifting the focus from syllabus to students

We need a fundamental shift from a focus on syllabus completion to a focus on delivery of competencies. We also have to reimagine in-service teacher education system to provide relevant skills and support to teachers at scale. Lastly, we have to rethink vocational education in secondary schools

IT IS WIDELY KNOWN that learning levels in our country are poor by any benchmark. ASER reports every year that roughly 50% of Grade 5 children cannot read a Grade 2 text. Further, as students go through the school system, a significant percentage drop out (often due to low relevance or poor economic return from staying in school). Only about 30% of children enrolling in Grade 1 graduate from Grade 12. And of those who do, a majority do not possess the requisite skills to be readily employable. In our previous article ('Improving learning outcomes: Fix the chassis before tuning the engine'; *FE*, April 25, 2019; *http://bit.ly/2UVCYzx*), we talked about the major structural challenges of sub-scale schools and teacher vacancies. This is leading to multigrade, multilevel classroom environments, which, in turn, cause poor learning outcomes and low effectiveness of others interventions. With significant political will, in a committed 2-3 year timeframe, these challenges can be addressed and delivery structures in any state optimised for effective teaching-learning.

There are three other immediate issues, which need to be tackled at the same time.

One, children are far behind where they need to be, and teachers are focused on 'covering the syllabus' rather than bridging this gap. Given the teachers' unidimensional focus on completing the book, students are mostly unable to make any sense of what is taught to them, thus falling further behind each year.

Second, given the inadequately-resourced and poorly-staffed teacher training institutes, teachers themselves struggle—both with subject knowledge as well as the know-how to teach it. A recent Teacher Needs Assessment carried out in a state in central India suggests that 76% of primary teachers are themselves not fully familiar with Grade 5 competencies. Estimates suggest that 10 lakh teachers in India lack even the on-paper qualifications for the job, and only about 17% of applicants qualify as primary school teachers and 15% as middle school teachers after taking the standardised Teacher Eligibility Test.

Finally, our curriculum lacks relevance, particularly at the secondary level. Every child is taught trigonometry and rolling friction and details of the nervous system. Why? Education needs to provide pathways to both higher education as well as employment, and give students the choice between the two. The employment pathway currently is completely broken, and our current vocational system is not working. On the other side of the equation, employers struggle for skilled talent, particularly to meet the demands of a workforce ready to deal with a rapidly evolving economy.

So, how do we address these challenges? There are three solutions on offer.

First, we need a fundamental shift at every level of the system and in every person's mindset—a shift from a focus on syllabus completion to a focus on delivery of competencies. Instead of tracking how many chapters they've completed, teachers need to track what competencies their students have mastered. In the near term, given the current gaps in learning at all levels and to prevent children from falling further behind, we need campaign-mode remediation. Dedicated time should be carved out in the regular school day to bridge these gaps, and students should be taught based on their learning levels rather than grades. Teaching at the right level is a research-proven strategy that has worked in India across states. Programmes based on this strategy are being implemented in Haryana, Jharkhand, Madhya Pradesh and Odisha. These states have ensured teachers are provided concrete guidance through scripted handbooks, and students are given workbooks for rigorous practice. Steady gains in student learning are visible in state assessments as a result of this intervention.

India also needs to fundamentally reimagine its in-service teacher education system to provide relevant skills and support to teachers at scale. We need changes in curriculum as well as delivery model. The curriculum needs to ensure teachers master both the content they need to deliver as well as the approach to teach it most effectively. For example, a teacher first needs to understand herself why adding fractions requires conversion to a common denominator, and then she needs to be able to translate this understanding to her students by using hands-on material, concrete examples and real application. Training delivery needs to move from a standardised, cascade model to one that is personalised and delivered direct to teachers. Technology can play a role in delivering high-quality content to each teacher, where the learning pathway is customised for her based on her starting point and ongoing assessment. To supplement this, states need to explore innovative partnerships to deliver in-person training without the traditional training cascade.

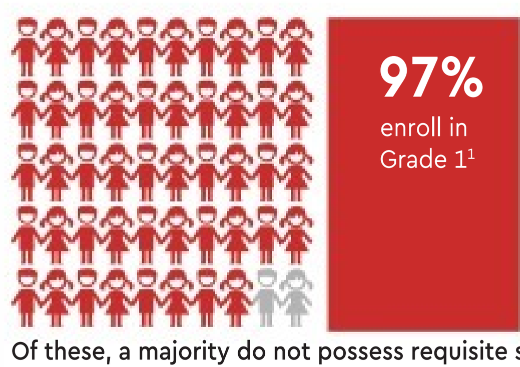
Finally, we need to rethink vocational education in secondary schools. Currently, about 8,000 schools across the country offer 1-2 trades in an attempt to vocationalise secondary education. The trades are outdated and schools don't have the necessary staff and infrastructure to deliver them. We need to first align on the objectives of vocational education—is it to provide multi-skill exposure and enable better trade selection post schooling, or to provide in-depth knowledge in a single sector and create direct employment pathways after school? Accordingly, we need to reimagine our vocational education curriculum and delivery, starting with an assessment of the relevance of trades offered. In terms of delivery, we need to choose between continuing the current smaller-scale model across multiple schools (and if so, better plan for the necessary infra and staff expertise) or pivoting to large-scale vocational centres where children stream into this path. Once streamed, they are exposed to a multi-skill curriculum with specialist teachers, well-resourced labs and apprenticeship. While this type of model has proven successful in countries like Germany and the Netherlands, feasibility, funding and resources need to be evaluated for India.

> Public schools need to offer a meaningful education that can help bridge the demographic divide, and truly transform children's life chances

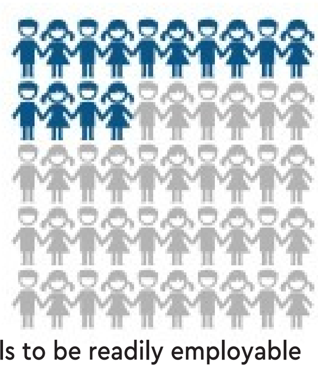
If our school education system has to maintain its relevance, it is imperative that we create some of these fundamental shifts. Public schools need to offer a meaningful education that can help bridge the demographic divide, and truly transform children's life chances. If we can do this, our future can be truly bright.

(This is the second in a three-part series.)

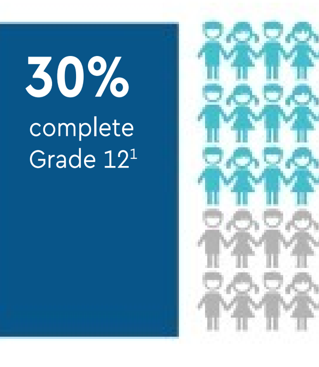
Student performance



97% enroll in Grade 1[1]



30% complete Grade 12[1]



50% Grade 5 children can read Grade 2 text[2]

70% Teacher don't know grade level competencies[3]

Of these, a majority do not possess requisite skills to be readily employable

Source: 1.DISE 2. ASER 2018 3. Sample BCG survey and analysis in one state

REAL ESTATE INDUSTRY

Helping address water crisis?

SANJAY DUTT

The author is MD & CEO, Tata Realty

Real estate can lead conservation efforts in environmental sustainability

URBAN AREAS GLOBALLY ARE reeling under a severe water crisis, the recent example of Cape Town being the extreme case. Groundwater tables are falling, and surface water bodies are disappearing either due to extreme temperatures or disruption in surface flow patterns. Freshwater is scarcer than ever before, also due to the burgeoning population with first-world needs and requirements.

India, with 1.32 billion people, is facing the worst water crisis in recorded history. NITI Aayog's Composite Water Management Index (CWMI) report pointed out that the country's water demand is predicted to be twice the supply available, implying a subsequent 6% loss in GDP.

The second largest employer in the economy is real estate. A CREDAI-JLL report noted that India's real estate sector is expected to reach $180 billion and the contribution of the residential segment to GDP would almost double to 11% by 2020. Real estate is, therefore, uniquely positioned to lead conservation efforts in environmental sustainability.

Water is used in real estate in two cycles: construction cycles wherein developers build in features and technologies to reduce, reuse and recycle water, and operational cycles where they facilitate, educate and incentivise end users to practise sustainable use of water.

Reduce, reuse and recycle are the mantras for environmentalists, be it waste, energy or water—the key factors to 'development'. Real estate developers, in particular, have the opportunity to ensure sustainable use of water, by employing efficient water management practices in their projects.

Water-efficient plumbing fixtures, rainwater harvesting systems, water meters, etc, all contribute to water management. Utilising a well-designed plumbing system in a building can save gallons of water per day. Rainwater harvesting systems are an effective method of water conservation and are mandated by both municipal authorities and the ministry of environment, forest and climate change. This method holds enough water for a day's or two's requirements and the excess water is percolated into the soil using rainwater harvesting pits. In the absence of a storm-water system in the locality, efforts can be taken to have a zero discharge system where the geology of the site is conducive to the objective. If geology and site gradients do not permit the same, then the excess storm water can be channelled into natural swales.

> Automated irrigation systems help in landscaping and ensuring greenery—these can bring down microclimate temperatures in a project by almost 2° Celsius

Waste-water treatment and reuse for flushing and landscaping are also implemented. The real estate industry is moving towards these not only as a matter of environmental responsibility, but also as a means to provide financial benefits to end users. Some developers are installing water metering devices to ensure not only pure billing of the supply used, but to also monitor supply units through meters, thereby helping curb unnecessary use of water.

Certain real estate developers are taking water management efforts a step further. For example, some developers are looking at reducing water demand for irrigation through water-efficient management and techniques. For example, automated irrigation systems help in landscaping, minimising water requirements for plants, and ensuring greenery. This, in turn, can bring down microclimate temperatures in a project by almost 2° Celsius.

With growing awareness, water management practices are becoming an influential factor in investing in a home. Competent water management helps address one's social responsibility while also bringing down water bills. This ultimately drives developers to pay attention to the overall sustainability aspect of their projects.

It goes without saying that some real estate developers are driving measures to build structures innovatively to be able to maintain a sustainable environmental balance. In order to conserve the limited available freshwater and groundwater reservoirs, adopting a combined suite of measures is a must.

GLOBAL OIL GAMES

India playing a shrewd hand

The country is ensuring its growth story is not hampered by lack of energy

A AHMAD

A foreign and energy affairs analyst with a focus on West Asia

WITH DEEP SECTARIAN Shia-Sunni divisions polarising countries in West Asia, US President Donald Trump's bid to isolate Iran by imposing sanctions on Tehran's export of oil and the emergence of the US as a major oil producer has changed the landscape of the oil industry in a manner that was unthinkable earlier.

At the India Energy Forum last year, Saudi foreign minister Khalid al-Falih praised PM Narendra Modi for making it easier to do business in the country and reassured New Delhi that Saudi Arabia was 'committed to meet any shortfall that may arise due to sanctions on Iran.' This was followed up by a meeting between PM Modi and Saudi Crown Prince Mohammed bin Salman on the sidelines of the G20 Summit in Buenos Aires. The result of such efforts is that the fall in Iranian oil exports to India has so far been successfully offset by an increase in Saudi oil exports.

But maintaining regular oil supply is just one of India's concerns. Another key area for Delhi to focus on is setting up of large-scale refineries to process crude oil. The government has made a move in this direction by involving Saudi Arabia and the UAE in developing an integrated refinery and petrochemicals complex at Ratnagiri in Maharashtra. A MoU to this effect was signed by Saudi ARAMCO and the Abu Dhabi National Oil Company (ADNOC) to jointly develop the Ratnagiri Refinery & Petrochemicals Ltd (RRPCL). Once finished, RRPCL will be capable of processing 1.2 million barrels of crude oil per day (60 million metric tonnes per annum) and will rank as one of the world's largest refining and petrochemicals projects.

Such moves show the world and specifically West Asia's recognition of India as an energy power. This could be seen in February last year when ADNOC awarded a consortium of Indian oil firms 10% stake in Abu Dhabi's Lower Zakum concession. This is the first time that Delhi received a stake in Abu Dhabi's national oil and gas resources. This partnership was cemented when oil minister Dharmendra Pradhan confirmed that Indian companies would jointly bid with UAE-based companies for projects in the UAE ensuring that the 'energy relationship between India and the UAE had gone beyond that of a buyer-seller relationship.' Pradhan also said that India had agreed to form a partnership for a strategic crude oil storage facility in Mangalore. Under the partnership, ADNOC is storing 5.86 million barrels of crude oil in India's underground facilities.

The growing energy relationship with the UAE is just one of India's acquisitions globally in the energy field. Indian Oil Corporation (IOC), the country's largest oil firm, has acquired Royal Dutch Shell's 17% stake in Oman's single largest oil-field—Mukhaizna—for $329 million.

Moving away from West Asia, the other key relationship for India is Russia. Apart from joint participation by Indian and Russian state-held oil and gas companies in more oil and gas projects in Russia, the major coup for India is the fact that Russia is supplying LNG to India. As Russian supplier Gazprom docked in Dahej, Gujarat, last year, Pradhan called it a 'golden day in India's energy roadmap.' Speaking to reporters, he then said, 'First we renegotiated price of LNG from Qatar, then reworked Australian supplies and now gas from Russia under renegotiated terms have started to flow.' India will import LNG worth an estimated $25 billion over the contract period of 20 years from Russia.

Looking to India's immediate neighbourhood, the increased interest shown by New Delhi in gas pipeline projects is a positive sign. The India-Bangladesh Friendship Product Pipeline (IBFPP) is a key example. With both countries having entered into an agreement in April 2018 during foreign secretary Vijay Gokhale's visit to Bangladesh, the 129.5-km pipeline was inaugurated in September last year. Going from Numaligarh Refinery in Siliguri to Parbatipur in Bangladesh, the pipeline is the second transnational pipeline after the India-Nepal pipeline also inaugurated last year and provides an annual capacity of 1 million metric tonnes from Dhaka to Delhi. As Pradhan tweeted at the time, 'Oil and Gas engagements are an important pillar of the growing bilateral cooperation between India and Bangladesh. The Neighbourhood First policy of PM Narendra Modi has given an impetus & provided Notun Projonmo-Nayi Disha to our bilateral relations.'

The government has looked not only to attract investment in the exploration and production sector, but also to develop domestic oil production, which has been declining over the years. Policy reforms such as a new exploration licensing policy that offers marketing and pricing freedom for gas producers and a higher gas price for output from difficult fields have been the key policy changes made to ignite interest in the country's upstream sector.

In an uncertain geopolitical landscape accompanied by unpredictable behaviour by state actors today, India will constantly need to recalibrate policy and balance relations to ensure its interests are maintained. But so far the government's outreach towards other nations and policy initiatives at home seems to be paying dividends ensuring that India's growth story is not hampered by lack of energy.