

***Presentation made by Sunil Prasad, Secretary General, Europe India Chamber of Commerce (EICC) and President, Global Organization of People of Indian Origin in the European Commission Conference on "Power through Energy: The International Relations of Energy" on 14 July 2006, Brussels***

***"Global Energy Security and Stakes for EU and India"***

The notion of India as a competitor in my view is somewhat misplaced. India and the European Union are not competitors; they are partners in progress. It is not conflict but cooperation, it is not competition but collaboration, and it is not mistrust but mutual dialogue - that is the driving force behind the secrets of their strengthening Strategic Partnership which they entered into in 2004. This partnership adds a new dimension in their economic and political ties and represents a fundamental change in how the two parties approach the emerging geo-political and economic relationship.

In the context of this discussion, I would like to say that India's oil and energy diplomacy is driven by its vision based on ground realities in the midst of today's most volatile and unstable global energy scenario, and for securing affordable energy supply to meet its needs. William Blake had once said "Energy is the ultimate delight". Modern societies need energy to function, and for centuries we have lived off the energy resources that human beings were most able to find and best equipped to mine.

Energy production and consumption through innovative means has been a triumph of technology over nature. Turning plants into useful fuel; discovering a way to split uranium atoms to release power; using sonar technology and satellite imaging to find underground oil and coal reserves; shrinking the volume of natural gas by storing it at subfreezing temperature; running automobiles on fuels made from corn and sugar are some of the developments of our time. These developments have played a major role in the industrialization and human development of our planet.

In the modern age, increased consumption of energy is defined as an index of development. The challenge of ensuring global energy security has therefore become fundamental to the quality of life everywhere. I personally believe that the world has enough of energy to meet the demands provided it is fairly distributed, equitably shared and reasonably afforded.

Today, energy has become a tool of diplomacy, it has also become a source of conflict and destabilization – oil and energy have a troubled history - and as nations need uninterrupted energy supply at whatever the cost; it is reshaping relations between nations and new equations are being established. In their pursuit to achieve "energy goals" many countries are seeing fundamental change in their foreign policy never envisaged before. It is also bringing friends and foes together. Such is the "power" the energy has acquired today that it makes great sense to debate this issue and I thank the organizers for inviting me to share my views.

With the vast majority of the global population spread in marginal and emerging economies, the challenges of ensuring energy security and its affordability is a major issue. It is true that developed countries need sustainable energy supply to keep the pace of development, but it is also true that the developing countries are at disadvantageous position with rising cost and their vulnerability and to a large extent their lack of affordability in meeting their needs.

Nearly six years into the global "war on terrorism", there is still an incomplete recognition of the strategic importance of energy security with transparency and trust. In my view the current focus on energy security remains lacking and limited, with a rather outdated reliance on the traditional perspective of concentrating on the risks posed by instability and insecurity in the Middle Eastern oil-producing region.

The Persian Gulf, with roughly two-thirds of the world's oil reserve, is the strategic center of gravity of the global oil market. International energy security could be threatened by oil supply disruptions caused by internal instability, inter-state conflict, or the sabotage of oilfields, pipelines, refineries and other processing facilities, or oil tanker routes. The United States, EU, India and others who have stakes in the continued supply of energy from the region must prepare for all contingencies by assisting Persian Gulf states to enhance the security of their oil facilities while diversifying energy sources and oil imports to reduce dependence on potentially insecure Persian Gulf oil.

Before I touch the core topic of the debate, I would like to briefly share with you my views of the likely emerging world scenario which is relevant in the context of today's debate. The world economic scene in the next two decades is likely to be dominated by three factors: growing economic importance of India and China, the global power of influence gradually shifting to a world dominated by the United States and the emergence of united Europe as the power house. This assumption is based on several economic and political factors that are reshaping our world.

With US and India coming together on several global issues including India becoming its "strategic partner", most noteworthy accomplishment is the agreement on civilian nuclear co-operation, offers India and Europe an opportunity to go beyond text book agreements and formulate policies – both political and economic – to strengthen the EU India partnership through more concrete deliverables. Geo-political and economic reasons may have driven India and US closer, yet Europe will continue to be an important player in the world and especially in the economic development of India.

It is necessary that international institutions and regimes transform and reflect the necessities of this changing scenario. If Europe fails to recognize these emerging factors, there is every possibility that Europe's interest will be hurt in the long run. In this context, the nuclear energy deal between India and US, as I mentioned, should be seen as symbolic of the new emerging world order. This new situation also calls for a pragmatic shift in Europe's thinking should they be wary of the developing relations between US and India.

By 2020 with 1.2 billion people, a fifth of the world population, India is likely to emerge as the 4th. largest economy. It ranks sixth in the world in terms of energy demand. Its economy is projected to grow 7-8% over the next two decades which will require substantial increase in demand for energy requirements.

India is becoming increasingly aware of the fact that its economy is highly vulnerable to supply disruption. Fed by a decade-long economic boom, India's ever-growing appetite for energy is quietly reshaping the way it operates in the world, changing relations with its neighbors, extending its reach to oil states as far flung as Sudan and Venezuela, and overcoming Washington's resistance to its nuclear ambitions.

In spite of big strides that India has made on way to achieving 10% GDP growth, the per capita consumption of energy in India is one of the lowest in the world. India consumed a little more than 350 kg of oil equivalent (kgoe) per person of primary energy in 2003 compared to about 1090 in China and the world average of 1688. The consumption in US was about 8000 kgoe equivalent per person. For EU, I presume it is 4600 kgoe.

Today, India imports about 70 percent of its oil; in another 20 years, the Indian government estimates that it will rise to an ominous 85 percent. India's demand for natural gas is also expected to grow, and most of it would have to be imported. According to a prestigious environment research Institute in India, the country will need to invest \$766 billion to meet the growing energy demand over the next 25 years. Oil imports constitute the single largest item in the country's total annual import bill.

India faces formidable challenges in meeting its energy needs and providing adequate energy of proper quality in various forms in a sustainable manner and at reasonable cost. To deliver a sustained growth of even 8% through 2031 which is necessary to eradicate poverty and meet its economic and human development goals, India would in the very least need to grow its primary energy supply by 3 to 4 times.

Though India has developed indigenous technological capability, the pace at which India can expand nuclear power generation is not encouraging for a variety of reasons including import of uranium. However, with the signing of treaty on nuclear energy between US and India, and with the Bill having an easy passage in the Senate and Congress, India is likely to develop nuclear power at a much faster pace.

With India's strategic relations with the EU, it makes the EU an essential partner as India assumes its rising position in the community of nations. It will help India's economy gain access to the energy it requires while reducing competition in global energy markets. The environmental benefit of nuclear power in India would be significant and would help to curb global warming. Indeed, nuclear energy offers a clean alternative because it does not emit carbon dioxide or other greenhouse gases.

Now, let me come to the core issue about India as competitor in the context of today's discussion. Both the EU and India are increasingly reliant upon global oil and natural gas markets to satisfy their energy needs. Both depend heavily for electric power generation and seek to increase their utilization of natural gas, renewable energy and nuclear power as well as pursue energy efficient practices to ensure a balanced and sustainable energy economy that will help preserve a clean environment.

Europe's energy needs are unlikely to grow to the same extent as those of the developing world particularly India and China, in part because of Europe's expected lower economic growth and more efficient use of energy. Europe's increasing preference for natural gas, combined with depleting reserves in the North Sea, will give an added boost to political efforts already under way to strengthen ties with Russia and North Africa, as gas requires a higher level of political commitment by both sides in designing and constructing the necessary infrastructure. But these are not without risks.

Both India and China are shopping for energy globally focusing on acquiring equity in oil and gas assets. India is the world's sixth largest consumer of petroleum products knocking on the doors of fourth largest South Korea to replace it. China, on its part, surpassed Japan in

2003 to become the second largest consumer of petroleum products with a total demand of 6.5 million barrels a day.

Already India's energy ambitions have led to developments unthinkable just a couple of years ago: a proposed pipeline to ferry natural gas from Iran across Pakistan; a new friendship with the military government in gas-rich Myanmar, formerly Burma, buying oil fields in Africa, etc. These are anxious moments for India as it plans its future strategies for securing energy demands in a sustainable manner.

India needs US and EU's active support to enhance its nuclear energy resource, get rid of the NPT regime constraints and find its way into the 45 member Nuclear Suppliers Group – all EU member States are members of this Group and therefore their support would be very important for civil-nuclear cooperation. And since there is no unilateral bounty - gifting in international relations, India must also be meticulously attentive to US and EU interests and willing to meet its expectations of reciprocal cooperation. Indeed, India has behaved as a very responsible nuclear nation and therefore it is to the benefit of EU and US to work with India closely. The signing of the agreement on Indian participation in the International Thermonuclear Reactor (ITER) is historic and reflects the maturity of their relations.

Nuclear fusion is the fuel of the future with enormous potential for clean and virtual limitless energy production, but it needs lot of investment. India is already participating in the high level dialogue with the US on peaceful application of fusion science and related fundamental research topics for meeting its energy demands. India's ongoing energy dialogue with the EU through the working groups on different areas of cooperation is very important but it needs to widen its areas of coverage and expand its application.

It would be useful if EU can take a "cue" from the ongoing US-India dialogue on the application of fusion energy and work out a meaningful framework for inclusion of fusion technology in their objectives and plan. This will help EU to keep pace with the developments between US and India on scientific cooperation.

It is important that EU and India join together to enhance research and development into finding another source of energy. According to some scientific resources, the oil reserve in the Gulf counties is likely to dry in four decades, the fear of which if comes true, the cost of energy will climb unpredictably sky high with complete economic chaos in the world. Are we prepared to face these challenges and how? This is a global issue that needs urgent attention and preparedness.

It is also important that both EU and India and the international community quickly make long term strategy on energy security - specifically by reducing the exclusive reliance on gasoline and diesel fuels and finding alternative source of energy. Institutional framework for sustainable energy security must be therefore explored.

These are the concerns that have prompted the U.S. and India to launch a new energy dialogue that reflects the transformed strategic relationship between the world's two largest democracies.

In view of the EU adoption of a proposal to harmonize a common energy policy called "Green Paper" which outlines how a European Energy Policy could meet the core objectives of energy policy; sustainable development, competitiveness, and security of supply, it would

be useful to take the proposed political dialogue with India on the issue at par with the EU member states.

Several factors, economic and political, have coalesced in recent years to thrust India into a prominent role on the global stage and it is therefore not surprising that EU and the US are increasingly looking to India to secure the realization of their interests in the complex world of Asian geopolitics and energy security.

There is some concern about the growing India-China energy cooperation. The European Union must not take the exaggerated view of the increasing energy co-operation between India and China. The India-China Memorandum of Understanding on broad co-operation should be seen by the Europe in the context of the two countries becoming the largest buyer of energy in future. The Strategic community should realize that the common ground on energy with China is limited to economic benefits as any competition between the two would only risk increasing the cost of energy which will create uncertainties in the world economy.

This also should be seen as India prepares itself to becoming a strong partner of the Asian Energy Forum which will eventually act as a trigger for stitching up a large Asian Economic Community. If India and China with nearly 70% of the world's prime consuming population, were to grow at 8% plus over the next two decades, they will have to institutionalize resource sharing within the evolving sub-regional architecture in Asia. India is aware that energy is the single most important issue on which the EU and the US would be watching India-China co-operation.

The two countries account for almost 35% of the growth in the global demand for energy. Despite the cooperation, Indian and Chinese companies may find themselves competing with each other though it suits the two sides they may continue to attempt a dialogue to mitigate mutually damaging competition for assets.

From the foregoing I can conclude that the EU together with India need to initiate an institutional process of ensuring global energy security and lay the foundation of realizing a comprehensive vision for a secured, sustainable, equitable, efficient, productive, transparent and affordable global energy policy.

There is lot of scope for co-operation with European countries. From a longer-term perspective and the need to maximally develop domestic supply options as well as the need to diversify energy sources, renewables remain important to India's energy sector and in fact solar power could be important in India.

India is also developing wind energy at a faster pace and has already the fourth largest installed capacity in the world. A renewable energy source is environmentally friendly. It is locally available making it possible to supply energy earlier than a centralized system. Renewables also provide employment and livelihood to the poor in the far-flung rural areas.

Before I conclude, I would like to stress that green energy is sustainable energy, sustainable energy is safe energy and safe energy is the future on which our development will depend, our environment will survive, our planet will survive, human beings will survive.

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The above speech was delivered during the Conference Session in the Panel Discussion: *"Europe's Competitors"*.