

HORIZONS

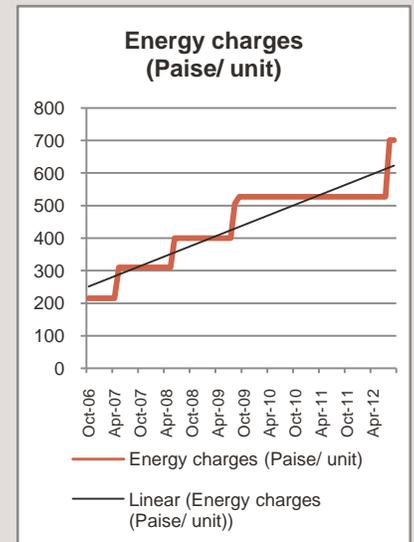
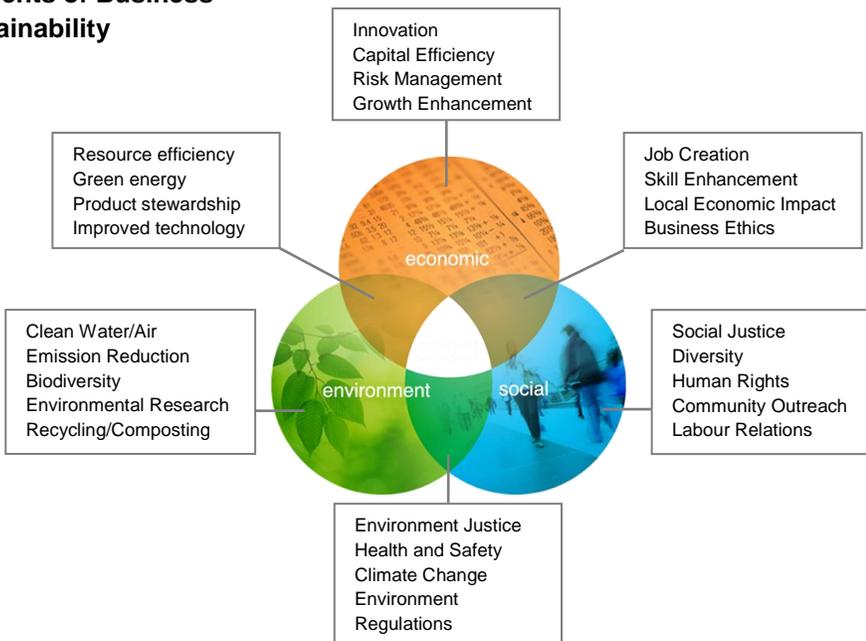
31 October, 2012



Sustainable Development is Serious Business

Over the past decade, organizations worldwide have faced uncertain market conditions, declining natural resources, increasing cost of production and aggressive competition. This, coupled with rigorous regulatory and policy changes has added to the need for them to strengthen business foundations through sincere efforts at understanding and implementing business sustainability. As understanding of business impacts, risks and opportunities evolves over time, ways of doing business are undergoing significant change. Companies are trying to enhance business performance by addressing not only financial challenges, but also social, economic and environmental factors.

Elements of Business Sustainability



Source: MERC Tariff orders for MS&EDCL

Limitations in domestic coal supply, high costs of imported coal and high technical and commercial losses in the network contribute to increasing consumer tariffs. For many industries, it is lack of power, not shortage that is pinching – high cost diesel generators are being used for running operations instead of backup.

Companies that have invested in Renewable Energy



20 MW, Wind,
Captive
consumption



8.7 MW, Wind; 0.4
MW Solar; Captive
consumption



51 MW, Wind,
Captive
consumption



15 MW, Wind,
Captive
consumption.

Shortage of coal is estimated to continue in the near future as environment clearance and land acquisition issues take time to resolve.

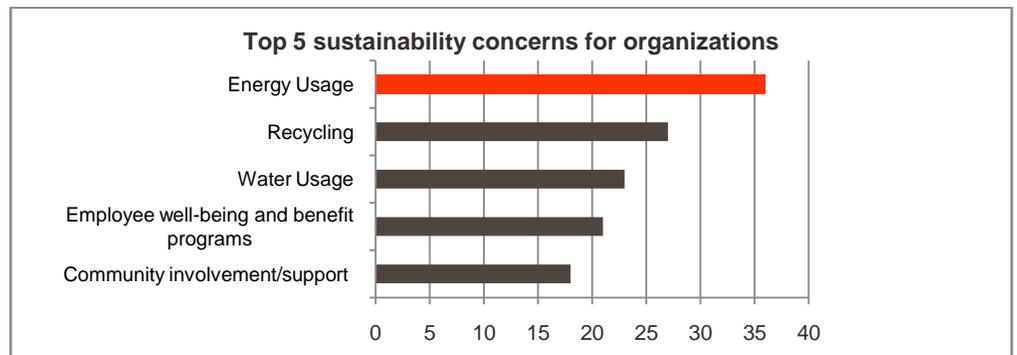
India's coal inventory fell drastically to 7.5 million tonnes – 13% lower than the previous month and lowest in many years even though there was a small rise in the coal production by CIL. This shortage is a risk for companies in terms of costs and shortage of energy. To mitigate this risk, many companies have either invested in Renewable Energy or have contracted with a third party supplier so that they can fix part of their electricity cost with predictable increase in the future.

This approach also helps some companies to meet mandatory targets set by SEBI on Environmental, Social and Governance (ESG) disclosures.



Sustainable Growth – Focus on Renewable Energy

Environment is a key focus area for companies planning for sustainable growth. Further, energy usage is one of their topmost concerns.



Source: Evolution of sustainability practices, AICPA, CICA, CIMA

Renewable energy is not just a possible answer to climate change but more importantly, is a valuable source of energy and increasingly, an important part of the economy. In the recent American Presidential campaign debate for example, President Obama reiterated support for production tax credit to wind energy as it encourages investment in clean energy and creates jobs. RE is not without its downsides but it has many benefits to offer. Countries like India stand to gain a lot if they can contribute to all stages of the RE value chain – from R&D to manufacturing.

Difficult Times – A Test of Commitment

Commitment to sustainable development is tested under difficult economic conditions. The Kyoto protocol was adopted in the 90s to reduce the impact of GHG emissions. Developed countries took up mandatory emission reduction targets under this protocol. However, due to recent economic downturn, these countries are beginning to doubt their ability to meet their targets for 2016.

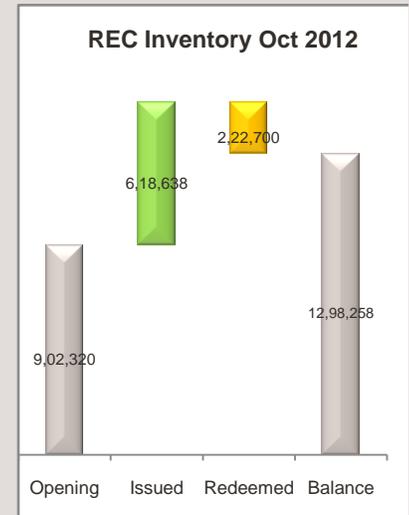
The challenge is even greater for developing countries like India. The electricity sector contributes more than 35% of the total GHG emissions in India. Increasing maturity of wind power, falling cost of solar power and introduction of programs like RPO and REC market have presented companies with an opportunity to take a step towards energy sustainability by shifting part / full consumption to renewable energy without taking a hit to the bottom line.

REC Market in October 2012



REC Trade October 2012		Buy Bids	Sell Bids	Volume Traded	Clearing Price Rs. per REC
Non-Solar	IEX	1,32,231	8,51,177	1,32,231	1,500
	PXIL	30,469	1,61,483	30,469	1,500
Solar	IEX	1,263	864	820	12,680
	PXIL	2,100	1,012	971	12,500

REC Inventory



Source: REC Registry

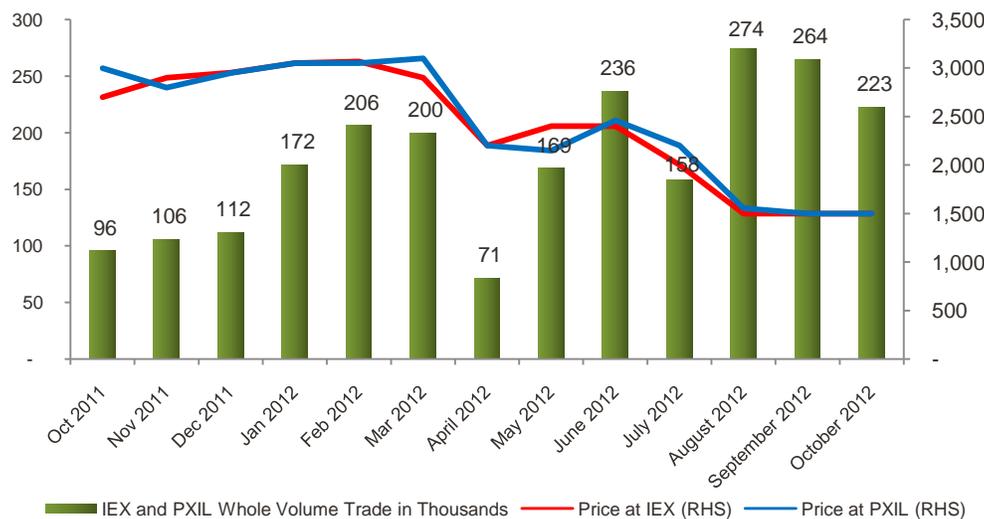
RPO Compliance to drive market in short term

With supply of non-solar RECs outstripping demand by six times, the trading session closed at the floor price. With inventory reaching a new high, next trading session could be a good opportunity for Obligated Entities to fulfill their obligation as prices may start rising from next year as the date for compliance for FY 2012-13 comes closer and due to possible enforcement of RPO compliance backlog.

Solar RECs Record Highest Traded Volume

The October trading session saw 1,791 Solar RECs traded – the highest volume so far. This can be attributed mainly to the increase in buy bids and sell bids at PXIL which for the first time overtook those of IEX. The total value of trade was recorded at Rs. 2.2 crores, also the highest so far.

Total IEX & PXIL Non-solar REC Trade



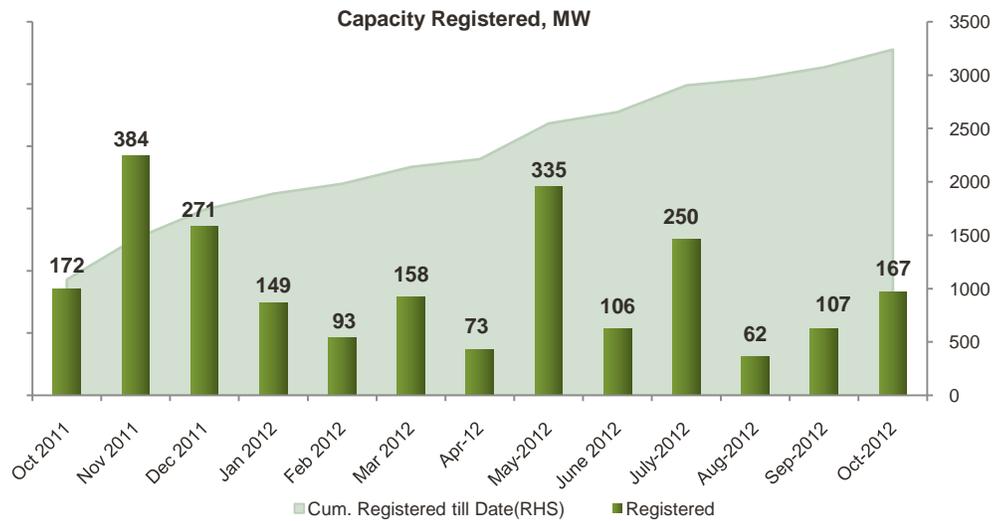
Source: IEX & PXIL

State-wise Registered Capacity, April 2012 to date

State	MW
Tamil Nadu	333
Maharashtra	283
Gujarat	140
Karnataka	127
Andhra Pradesh	71
Madhya Pradesh	34
Rajasthan	27
Uttar Pradesh	20
Uttarakhand	20
Bihar	12
Chhattisgarh	12
Punjab	11
Odisha	6
Himachal Pradesh	4
Total	1,100

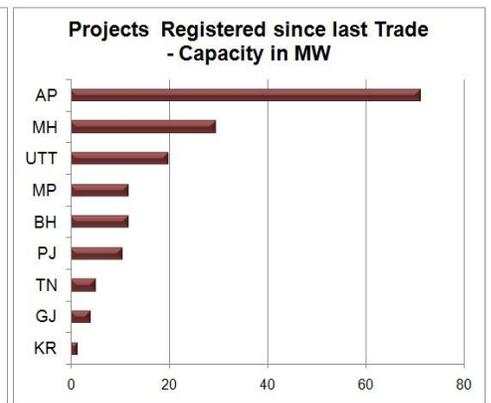
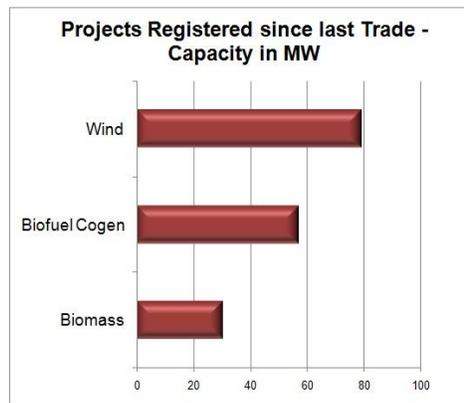
Source-wise Registered Capacity, April 2012 to date

Source	MW
Wind	810
Bio-fuel cogen	139
Biomass	127
Solar PV	18
Small Hydro	6
Total	1,100



Source: REC Registry

In total, 167 MW of capacity was registered of which 42% was registered from Andhra Pradesh in October. With this addition, the capacity registered in this financial year has touched 1,100 MW.



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Agneya is promoted by alumni of IIM Ahmedabad. We provide services in the following areas –

Renewable Energy – advising clients on the best possible portfolio of renewable energy (wind, solar, bio) across tariff regimes, technology options, electricity sales structuring and availing incentives like REC and GBI.

Renewable Energy Regulations – advising clients on regulatory aspects of electricity market, options for realizing the maximum value from their energy assets and minimizing costs related to regulatory compliance including addressing RPO.

Carbon & Energy – measuring carbon footprint, current/future energy profiling, and setting up energy management systems to assess risks and opportunities related to energy security and climate change.

Sustainability – building robust long term foundations for business i.e. managing economic, environmental and social aspects of business. These include establishing sustainability management framework and reporting as per GRI guidelines.

For further information on Renewable Energy Certificates or other services, please contact us at –

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