

MONTHLY NEWS LETTER

ENERGY

August 31, 2010

Market Cap for POWER

As on 31 August 2010	Value (Rs. in Crores)	(%)
BSE Mkt. Cap	6,562,024.92	100
Index Full Mkt. Cap	656,635.54	10.01
Cap Adj. Market Cap	196,514.11	--

Intraday Graph of POWER



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Adani And Linc Energy Sign A\$3 Bn Coal Deal

India's Adani Enterprises has signed a cash and royalty deal worth A\$3 billion with Australia's Linc Energy by which the Indian major will get access to coal mines of the Australian company.

As per the deal, Linc will be given A\$500 million in cash and A\$2 per tonne in royalty for the first 20 years of coal production from the mine, Linc's Chief Executive Officer Peter Bond told the reporters.

"It's a fantastic deal for us. We also have the flexibility to sell the royalty agreement to monetise it into cash now, or hold it and receive the full benefit of 20 years of cash flow," Bond said in an interview.

However, Linc's shares were trading lower amid suspended pending announcements. The company's trade was down by 1.6% at A\$1.86, while shares in Adani Enterprises were up by 2.37% on Tuesday morning.

This is the the largest ever single mine investment by an Indian firm into Australia. Analysts believe the agreement could harbinger more investments from India in the wake of coal shortage in the country.

India passes civil nuclear liability bill

India passed a civilian nuclear liability bill Wednesday that paves the way for U.S. firms and other foreign companies to gain a foothold in India's nuclear

QUICK UPDATES

India must grasp the geothermal energy opportunity

(Source: Datamonitor) Within the renewables space, India has traditionally

energy market, which could exceed \$150 billion in coming years.

Prime Minister Manmohan Singh said the legislation marks the end of India's isolation in the global nuclear market.

"I categorically state that this bill completes in a way our journey to end the nuclear apartheid which the world had imposed on India," he said

Reliance, Essar Target BP's Assets in Africa

Nearly half a dozen of companies across the world are targeting for the BP's assets in African nations. Reliance Industries and Essar Oil are among them in race to capture the market.

BP, after the Gulf oil spill, has been penalized with billions of Dollars. The company, in order to meet its financial needs, is selling its African assets including its assets in Botswana, Malawi Tanzania and Namibia.

BP's selling units include aviation fuel stations, terminals and retail outlets. And the India's Reliance Industries and Essar are reported to have offered about \$400 to \$500 million for the assets of the global energy company.

Essar Oil is an oil refinery company based in Gujarat with the capacity of processing 10.5 million tonnes of crude per annum.

The UK-based energy major BP has been faced with billions of Dollars of penalty for the Gulf of Mexico oil spill which spewed oil from a well for about three months. The US government has penalized the company for this massive disaster.

invested in wind power and, more recently, solar power. However, it has yet to realize the untapped potential of geothermal energy, despite being one of the first countries to begin geothermal projects in the 1970s. Datamonitor believes that utilizing geothermal energy resources will allow India to address its severe energy supply-demand gap. India boasts a number of geothermal sources spread across the country. Indeed, the Geological Survey of India has identified more than 350 hot springs, with surface temperatures reaching up to 980 degrees Celsius. Among the major potential geothermal energy exploitation sites in the country are the Himalaya province, Cambay and Son-Narmada-Tapi. The Puga hot spring area of Ladakh has been recognized as the most intense geothermal field in the country. It is estimated to have the capacity to generate 30-40MW of electricity at a temperature of 240 degrees Celsius at relatively shallow depths. Overall, the geothermal energy potential in India is estimated to be around 10,600MW, five times the total power being produced in India from other non-conventional energy sources such as solar, wind and biomass. However, policymakers have not given due importance to geothermal energy. Unlike with other renewable sources, the government does not provide any benefits or incentives to attract investment in geothermal energy. In fact, a Central Electricity Regulatory Commission (CREC) directive which requires electricity utilities to purchase green power as a minimum of 6% of their installed capacities lists all clean sources except for geothermal energy. Of late, India's private sector has realized the geothermal potential and plans to launch projects in this area. For

Maharashtra Mulls On Setting Up SEZs For Wind Energy Farms

The Maharashtra government is considering on establishing Special Economic Zones (SEZs) for wind energy farms. The state, in order to provide uninterrupted and affordable power supply, is planning to set up SEZs.

The state government plans to encourage more companies to set up their projects in the state.

"I am toying with the concept of having SEZs for wind energy farms across the state where players from this segment will be encouraged to set up projects and supply power to the grid," state minister for New and Renewable Energy Ganesh Naik was quoted as saying.

The state has expressed its intention to make power supply available to the grid. Further, the government is considering incentive packages to attract more wind energy projects across a vast area.

"Since wind farms require vast land mass, I will explore the possibilities of ensuring that this acquisition process does not become an impediment to the implementation of the projects."

Govt Asks State Companies To Counter-Bid For Cairn

Indian government has asked the state-run companies like ONGC, Oil India and Gail to make a joint counter-bid for a majority stake in Cairn India after reports of Vedanta Resources' plan to buy control of oil and gas explorer Cairn India for \$9.6 bn.

example, LNJ Bhilwara Group has signed an agreement with Iceland-based Mannvit for the development of geothermal projects in India, while Tata Power plans to set up a 5MW geothermal plant in the Indian state of Gujarat. French company Alstom has also expressed interest in investing in geothermal projects in the country. However, the realization of these plans and any other initiatives will depend on the government's willingness to develop geothermal energy. Although geothermal plants involve high capital investments and risk at the exploration stage, once capital costs are recovered the cost of electricity generation is comparable with other sources like solar and wind. The electricity generation cost from new geothermal plants is around \$0.05-0.08 per kilowatt hour. Furthermore, as geothermal energy has many other applications (space heating, agriculture, balneology etc.), this has positioned it as a key element in the energy matrix of many countries. Geothermal power generation is also an exceptional source of energy for off-grid remote rural regions of the country. The electricity generated - even from small geothermal power plants of 5kW - can significantly change the energy availability and living standards in some rural areas such as Ladakh. The US leads the world in terms of geothermal electricity generation, producing around 15 terawatt hours per year from 77 geothermal power plants with a total installed capacity of 3,000MW. The Philippines and Indonesia are the leaders in Asia, with geothermal energy accounting for about 27% and 4% of their total electricity generation, respectively. Iceland, meanwhile, generates around 53% of its total

Vedanta Resources has offered to buy control of the stakes of Cairn India for \$9.6bn. However, Cairn India is valued at \$8.48 bn.

This is one of the biggest deals in India this year.

According to reports, the govt is insisting for a counter-bid to block the deal. The legal battle is now moving to the courts to sort out the issue, which may cause unease among global investors. Earlier, similar incidents happened in Russia and Venezuela, where the government forced ownership changes in the oil sector.

electricity requirements from geothermal sources. Given its insatiable energy demand, India cannot afford the luxury of wasting any reasonably accessible energy source. Geothermal energy can complement other renewable sources in meeting India's increasing electricity supply-demand gap, while at the same time helping to reduce emissions in the country. In light of these facts, Datamonitor believes that now is the time for India to launch its geothermal energy resources program and harness the full potential of this critical natural resource.

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