

## 'g reening of Stock Markets'

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Wall Street, the mother of all stock exchanges has woken up to the potential of investment in renewables. On 23rd and 24th June 2005, the Grand Ballroom of the Waldorf Astoria Hotel, New York, witnessed a hitherto unfamiliar sight. Hordes of bankers, investment fund managers, attorneys and insurance brokers were singing paeans about investment in renewables. Six hundred of them were participating in the 'Renewable Energy Finance Forum-Wall Street 2005'. What was the motivation of these largely American venerable Lords of Mammon? It was certainly not the desire to see reduction in emissions of greenhouse gases. They were moved by sheer commercial sense; the fact that investment in renewables is increasingly emerging as a desirable option, ensuring more than adequate returns. Many sensible reasons were cited for the new formed interest. These included, "This is where the growth is...this is where the future is" and, "capital markets are starting to get comfortable with this space." Global investment in renewables in 2004 totalled \$28 billion as against \$6 billion in 1995. The annual growth of the sector is about 30 per cent. The most important reason for the change in outlook was the phenomenal volatility and increase in the price of fossil fuels like oil and natural gas, which crossed \$60 per barrel and \$7/MMbtu respectively in June 2005. In most renewable projects the fuel (eg. wind) is free and hence, the commercial risk involved is much less. In addition, the risk of investing in renewables is balanced by the fact that investors don't have to bear the risk of investing in fossil fuel based projects.



The best Indian example of such a risky fossil fuel based investment is the erstwhile ill-fated Dabhol (Enron) Thermal Power Project in Maharashtra. After protracted negotiations held over the past two years, the project is ready to be revived in its new avatar, 'Ratnagiri Gas and Power Ltd (RGPL), with a promise of delivering power at Rs. 2.30 per kWh, out of which Rs. 1.37 is earmarked for variable (fuel) costs and 93 paise for fixed costs. This tariff is predicated on the price of imported natural gas at \$3.6/MMbtu. But spot prices in the US have hit \$10/MMbtu, a three-fold increase in the last one year. This is driving up prices in the international market also. Contracts of gas from Gulf countries in the futures trading market are already being finalised at \$7 and \$8/MMbtu for 2007-2008! With gas-short countries like the US and India entering the global market, competition will continue to drive the prices high. The country and the lenders have already lost thousands of crores in the revival deal. Further, escalation in gas prices can drive the lenders i.e. public sector financial institutions to bankruptcy! It is very unlikely that RGPL can source gas from Oman or any other country at \$3.6/MMbtu for a long time. If it has to be contracted at \$7 or 8/MMbtu, the tariff could double to Rs. 4.60 per kWh or so. Comparatively, wind power generated by private investment in Maharashtra can be fed into the grid at the rate of Rs. 3.50 per kWh! When the Dabhol Thermal Project is floundering as an investment, a wind power company in India, viz. Suzlon Energy Ltd has announced a major public issue of its shares totalling approximately Rs. 1200 crores. This renewable power company recorded sales of Rs. 1943 crores in 2004-05 with a net profit of Rs. 385 crores. Many more such green companies would be entering the capital market with public issues in the near future.

I began by citing the recent interest shown by Wall Street in renewables. But since the early 1990s, stock markets in many European countries have been active in promoting ethical and green investments. In Europe, there are many stockbrokers devoted to and specialising in these areas. It is time for this concept to emerge and spread in India also. Environmental protection and sustainability of development cannot be achieved only by resistance movements and palliative remedies. Ecological metaphors like simple living, using shopping bags made of cloth or jute, organic farming, green consumerism, planting of trees, etc., are inherently good. But very often they are used by the urban upper or middle classes to exorcise their personal guilt. Environmental destruction and pollution are not the causes, but the symptoms. They begin in our minds, from the hallowed portals of policy makers and the rarified environs of corporate board rooms. That is where the solutions should be found and the mitigation should begin. You have to treat the causes, not the symptoms. When Wall Street has woken up to renewables, will Dalal Street be far behind?