

Weekly Briefing

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India's Energy Sector

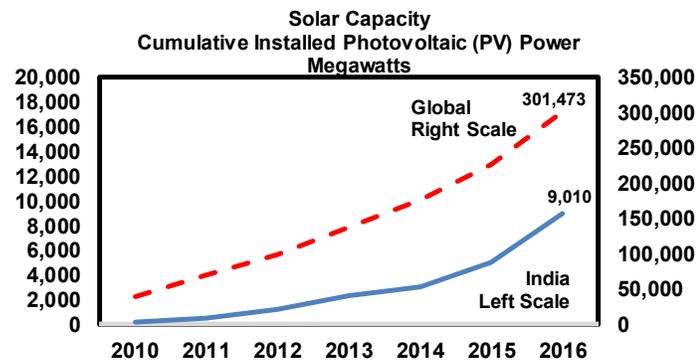
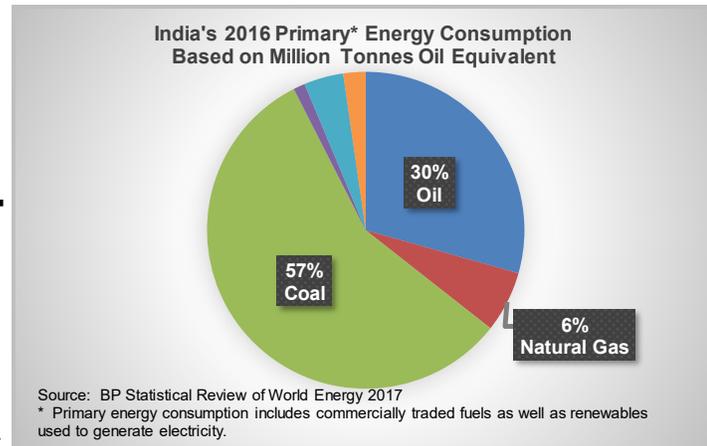
- India's economy is growing at one of the strongest rates as compared to any other emerging market.
- Energy demand growth also is vibrant — and spans from coal to oil and renewables.
- Vehicle sales are fueling growth in oil demand as consumers enter the take-off stage of economic development.

India's GDP growth of 5.7% in Q2 2017 (as compared to prior year) has fallen recently, but some of this slowdown is due to the introduction of a new sales tax regime and a restructuring of their monetary system. Even so, India is second only to China as a large emerging market growing above 5%. Strong economic growth also translates into vibrant energy demand.

- In 2016, India's primary energy consumption grew by 5.4% to 724 million tonnes of oil equivalent. This represented 5.5% of the world total consumption. Coal remains by far the largest source of domestic energy consumption at 57%, while oil represents a 30% share (see top chart).
- Natural gas represents 6%, while the three slices of the pie chart not labeled include nuclear energy (1.2%), renewables (2.3%), and hydroelectric (4.0%).
- Solar capacity in India grew by 25% last year, a solid pace but below the 33% global growth of solar (see 2nd chart).

One of important features of India's energy terrain is the transition to strong oil demand, driven in part by the growth in the automotive sector.

- India now ranks as the third largest oil consumer in the world. Out of the top 10 countries in terms of oil consumption, India's annualized growth since 2010 is the highest (see table).
- Many households in India have achieved "middle income" status where per capita GDP is in the \$5,000—\$15,000 range (in purchasing power parity terms). During this period, growth in the stock of vehicles typically accelerates.
- India is no exception in this regard. Car sales grew by 11% in September as compared to a year ago. Admittedly, some of this increased demand is due to discounts associated with their festive season, Diwali.
- Even so, automotive sales are likely to grow strongly in coming years as private mobility becomes more accessible.
- Prime Minister Modi, given the country's commitment to the Paris Agreement, has stated that India should target 100% electric vehicles by 2030.
- In early September, India's road transport minister Nitin Gadkari asked companies to start building electric and alternative fuel vehicles. A broader plan is reportedly being developed, including fiscal measures designed to stimulate electric vehicle production.



Oil Consumption

	2016 MMBD*	Annual Growth Since 2010 (%)
U.S.	19.6	0.4
China	12.4	4.6
India	4.5	5.2
Japan	4.0	-1.6
Saudi Arabia	3.9	3.3
Russian Fed.	3.2	1.8
Brazil	3.0	1.7
South Korea	2.8	2.6
Germany	2.4	-0.3
Canada	2.3	0.3

Source: BP Statistical Review of World Energy 2017
* Million barrels per day.