PRIMUS PARTNERS

TRADE AND INVESTMENT BULLETIN

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India - a global hub for green hydrogen?

In January 2023, the Government of India launched the 'National Green Hydrogen Mission' with an estimated outlay of Rs. 19,774 Cr. This is being seen as a significant development in India's journey to decarbonization and fulfilling its climate goals to achieve net zero emissions by 2070. The newly released policy framework lays down the ambitious objective of making India a 'global hub' for the production of Green Hydrogen and establishing the world's largest electrolyser manufacturing capacity (60 GW).

Green Hydrogen

The term 'Green Hydrogen' represents that the element of 'hydrogen' has been produced via clean technology and in a climate-neutral manner, without the usage of fossil fuels. So, green hydrogen is produced through the process of 'electrolysis', where water is split into hydrogen and oxygen by using renewable sources of electricity such as solar power, wind and water. Green Hydrogen has been recognized as a key component of the global 'clean energy transition' and the march towards 'net-zero economy' due to which governments around the world are charting out their strategy for the use of this clean energy source. Green hydrogen has applications in sectors like *transportation* (particularly long-haul vehicles, shipping, and aviation) and heavy industries such as *chemicals* (for manufacturing fertilizers and ammonia), *petrochemicals & refining, cement,* and *steel,* as this clean energy source has the potential to directly replace fossil-fuel derived feedstocks in all these industries.

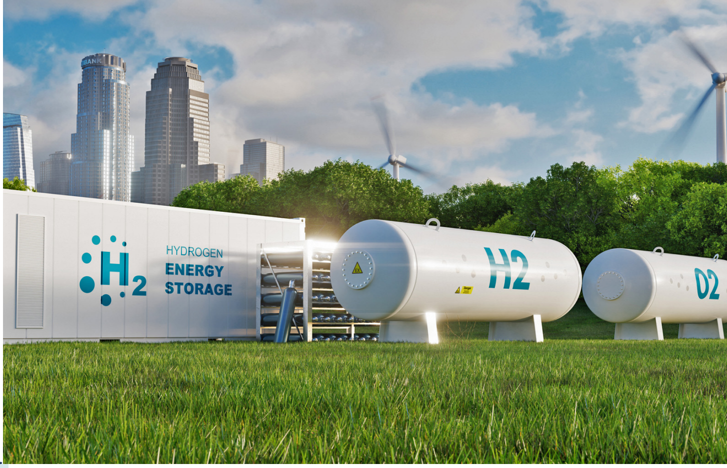
However, to produce 'Green Hydrogen' at a commercial level, the process of electrolysis needs to be significantly scaled up, and the production costs need to be massively brought down within the next decade or so. Recognizing this important task, a coalition of green hydrogen leaders with the support of the United Nations launched an initiative named 'Green Hydrogen Catapult' to bring down the cost and reach the target of 45 GW of electrolyzers by 2027.

National Green Hydrogen Mission

Keeping in line with its sustainability commitments and transition towards cleaner energy resources to fulfil the energy needs of the growing nation, the Indian government has adopted the National Green Hydrogen Mission. The objective is to establish a comprehensive ecosystem and provide systemic & financial support for the development of this 'sunrise sector', so that India can emerge as a global leader in the 'production, usage and export of green hydrogen' and its associated derivates (green ammonia, methanol etc.). The Ministry of New and Renewable Energy has been assigned the responsibility of overall implementation & coordination of this mission and the current stated target is to produce at least 5 MMT (Million Metric Tonnes) of green hydrogen annually by 2030.

The shift towards renewable energy is critical for India as the overt dependence on fossil-fuel imports makes the energy demands of the country volatile to geopolitical upheavals and supply-demand disruptions. In this line, India has already been making major strides in adopting renewable modes of energy which has been recognized globally and this mission is another major step in that direction.

As part of the policy aim, the mission is set to be implemented in two phases and it has three major components-demand creation; fixing the supply-side constraints and creating an enabling ecosystem. The first phase is expected to last from 2022-26 and the primary focus during this time will be indigenization of the value chain, providing the much-needed impetus to R&D and the upscale of production and uptake. The second phase is planned for 2026-30 where production of green hydrogen is expected to happen at commercial-scale based on the evolution of cost-mechanism, pricing and market demand to drive the 'deep decarbonization' of the economy.



The publication of this policy document is a much welcome step in the right direction for India to emerge as a key global player in the global renewables market and accelerate its journey towards a clean and sustainable future. By taking the following steps we can further accelerate the growth of Green Hydrogen in India:

1. Incrto the following in the policy:
    - Incentives and funding for research and development
    - Clear regulations and guidelines on the production, storage, and distribution of green hydrogen.
2. Investment in infrastructure and research projects that will enable the production of green hydrogen in India. This includes investing in renewable energy sources such as solar and wind, as well as investing in advanced electrolyzers that can efficiently produce green hydrogen.
3. Creation of incentives for businesses and consumers to switch to green hydrogen as a fuel source. This could include providing tax breaks or other financial incentives for businesses that switch to green hydrogen.
4. Provision of incentives by the Indian Government to private companies to invest in green hydrogen production and use, such as tax credits, subsidies, and grants. Additionally, the government can partner with private entities to establish research and development initiatives to explore new green hydrogen technologies.
5. Awareness of the public to the benefits of using green hydrogen to reduce emissions and improve air quality.

Scaling Gati Shakti, and the new project announcements: What does it mean for India's manufacturing story?

India's manufacturing sector contributes around 17 per cent to the nation's GDP and employs around 27.3 million workers, playing a significant role in the Indian economy. Since the beginning of its tenure, the government has emphasized the creation of infrastructure and the development of the manufacturing sector as the key to boosting growth and employment in the country.

As per the National Manufacturing Policy, the government aims to increase the share of manufacturing in GDP from the current 17 per cent to 25 per cent with logistics forming a key component of the government's desire to position the country as a hub of manufacturing.

Infrastructure and the Gati Shakti Plan

The Gati Shakti National Master Plan was launched in 2021 to exacerbate infrastructure development, streamline the logistics process and raise the nation's competitive index.

The Gati Shakti Portal has been hailed as an infrastructural game-changer by many as it effectively uses technology to reduce red tape and unclog stalled infrastructure projects. The portal has over 900 layers of data of Central Ministries and 654 layers of data of States available at the click of a button.

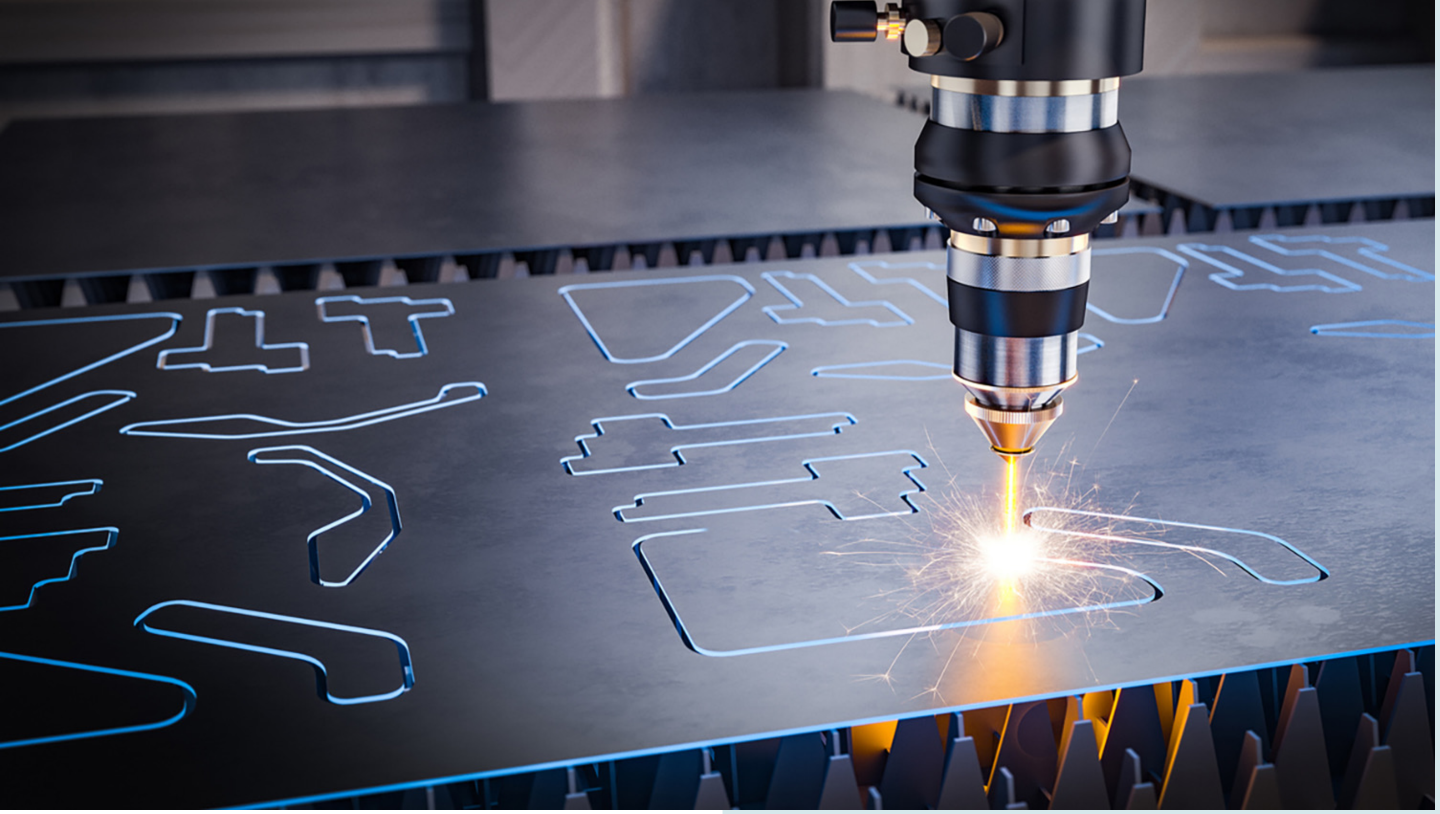
Of the 1,300 projects currently overseen by the Gati Shakti Portal, almost 40 per cent were delayed due to issues related to land acquisition, and forest and environment clearances, resulting in cost overruns. Gati Shakti has helped resolve nearly 1300 issues in projects for speedy implementation, with almost 200 critical infrastructure projects being sped up.

Currently, seven major ministries and departments, namely Telecom, Railways, Road Transport and Highways, Petroleum and Natural Gas, Ports and Shipping, Agriculture, and Food and Public Distribution, have started using the PM GatiShakti Platform for infrastructure planning and decision-making.

Government Emphasis on manufacturing

Over the past few years, the government has placed a renewed emphasis on the manufacturing sector, hoping to take advantage of the uncertainties caused by the COVID-19 pandemic and place India as an alternate destination for global manufacturing.

Initiatives such as Make in India, the National Manufacturing Policy, the Gati Shakti Master Plan, PLI schemes and the new logistics policy are all part of the government's plan to create a holistic ecosystem that incentivises domestic manufacturing. The government's decision to spend Rs 10 lakh crores on capital expenditure in Budget 2023-24 also highlights the priority it gives to the development of infrastructure, which is a prerequisite for a robust manufacturing sector.



The slew of initiatives and consistent efforts from the government have begun to yield results in several sectors with India becoming host to the world's largest mobile phone factory in 2018 by Samsung Electronics Co. and Ola Electric Mobility Pvt building one of the world's biggest electric scooter factories domestically.

The Production-Linked Incentive (PLI) scheme has also attracted investments worth over Rs 45,000 crore and created close to three lakh jobs in the country with production worth Rs 2 lakh crore, according to Niti Aayog.[3]

Further, as per a recent report, the PLI scheme in the electronics sector has led to global giants such as Apple becoming the single largest creator of blue-collar jobs in the electronics sector, generating 100,000 new direct jobs over the past 19 months. The scheme has also seen the country starting the production of 22 active pharmaceutical ingredients (API) or bulk drugs used for the manufacturing of life-saving drugs and high-end medical devices.

With the government's thrust on infrastructure as a tool to boost growth, scaling the Gati Shakti Master Plan, along with other Industrial policy initiatives can go a long way in providing a fillip to the Indian manufacturing story.

How does the new MSME Credit expansion impact the biggest employment engine?

For the Indian economy to grow, the growth of MSMEs lies at the very basis. Micro, Small and Medium enterprises are home to business houses with a turnover of under 250 crores that qualify to graduate to enterprise level beyond the threshold value of turnover.

The country currently boasts of a strong MSME sector with over 30% contribution to national GDP and 11 crore employment generated. As per recent estimates, there are a total of 6.34 crore registered MSMEs in India with a 99.47% domination in the Micro segment followed by 0.52% Small and 0.01% of Medium companies. Out of these 1.4 crore of the enterprises are GST registered.

The government has also been an active supporter and enabler of the strengthening of the MSME sector. Launch of recent initiatives such as the Emergency Credit Line Guarantee Scheme (ECLGS) and Udyam Portal have given more teeth to the operational enterprises. 6.6 crore people have been direct and indirect beneficiaries of the ECLGS saving 12% of outstanding MSMEs from turning into NPAs worth close to Rs 2.2 Lakh Crore.

The progress of the sector is also made evident by the growth of credit to the sector on a year-on-year basis. Recovering from the ill effects of a pandemic induced slow down, the availability of credit to the MSMEs has swelled up by Rs 52,800 crore in the current financial year as against the loss of Rs 61,000 Crore in the last fiscal.

With the announcement of a new credit guarantee scheme to the MSME sector announced by the Finance Minister in the Union Budget, the financial bandwidth of small-scale operators is set to grow. The availability of a new line of credit with the initial outlay of Rs 9000 crores and availability of collateral free credit is estimated to reduce credit cost by 1%, a huge difference for the small-scale borrowers. This will also ensure the availability of Rs 2 Lakh Crores for various sectors across industries.

The availability of low-cost extra credit will give the sector its long due financial stimulus. Infusion of greater liquidity into the hands of enterprises will also lead to greater employment opportunities, thus providing the requisite economic nudge. The availability of concessions such as 95% refund in case of failure of execution of contract will also increase the risk appetite of young and new age entrepreneurs.

For a country like India, contribution from MSMEs go beyond just numeric contributions to the GDP. Over 20% of the total registered MSMEs are led by women, over 52% of the total enterprises are in rural India any step towards strengthening the sector has direct benefits percolating to the civil society. The availability of more credit at concession coupled with tech explosion by means of adoption of digital services will further enhance financial inclusion.

By taking decisions such as the independent strengthening of the MSME sector, the government of the day has once again renewed its commitment towards 'inclusive development for all' and leaving no stone unturned in ensuring democratization of social benefits for laying the foundation of strong new age society.

Expert Speak

Mr. Jasvinder Mukar
Founder & Director, Cornerstone Auxiliary Services

A career expert who has spent over 20 years developing portfolios around modern trade & retail channels. He is considered amongst the leading young entrepreneurs in the region to revolutionize the retail and F&B paradigm in developing cities

Background

In February 2022, India and the UAE signed the Comprehensive Economic Partnership Agreement (CEPA) to bolster economic ties and enhance bilateral trade & investment. The agreement added an important new dimension to the long-standing ties between the two nations and opened doors to new opportunities for the private sector to collaborate, scale and expand at a more global level.

In the year since the signing of the CEPA, India and the UAE have worked to increase cooperation through the establishment of an India Business Council – UAE Chapter (UIBC-UC), which was attended by more than 200 leading businesses from India and the UAE, a formal trilateral cooperation initiative between India, UAE and France1 and new quadrilateral grouping named I2U2, comprising India, Israel, the United Arab Emirates, and the United States.[2]

As per the FY22 Economic Survey, the UAE was the second largest export destination for India in the fiscal year 2021-22 after the United States and the second largest trading partner for the year 2021 with an amount of around US$ 45 billion. With the signing of the CEPA, bilateral trade in goods is expected to reach $100 billion within five years and trade in services is expected to reach $15 billion.

One of the primary objectives of India's renewed optimism with trade deals was to significantly boost domestic exports by reducing or striking out trade barriers, particularly import tariffs for MSMEs and other businesses, as MSMEs account for almost 50 per cent of the country's exports. The CEPA between India and UAE has helped provide a boost to India's exports to the UAE through the elimination of a 5 per cent import duty on 97 per cent of its tariff lines equivalent to 99 per cent of imports from India.

CEPA Impact on Exports

➢ The zero-duty market access granted by the UAE covers a large number of labour-intensive sectors, such as gems and jewellery, textiles, leather, footwear, plastics, medical devices, agricultural and engineering products, apart from automobiles, most of which are heavily dominated by the MSME sector in India.

➢ The positive effect of the free trade agreement can be seen in the increased exports of non-petroleum products from India. During June 2022-January 2023, India's non-oil exports rose by 5% to USD 15.2 billion from USD 14.5 billion in the same period the previous year. During the same period, Imports rose by only 3 per cent to USD 16.8 billion.6

➢ As per data from the government, India's exports to the UAE are expected to cross USD 31 billion during the current fiscal due to robust demand from labour-intensive sectors such as gems and jewellery, machinery and automobiles. Before the implementation of the CEPA, around US$ 26 billion worth of Indian products were subjected to a 5% import duty by the UAE.

➢ In January 2023 itself, around 6,057 certificates of origin were issued to exporters to avail of concessional duty advantage under the trade pact.8 During June 2022-January 2023, India's exports of gems and jewellery and electrical machinery to the UAE rose by 16 per cent and 29 per cent to USD 3.8 billion and USD 2.6 billion respectively.

A fillip to Indian MSMEs

i. The trade pact, the first among India's revamped trade strategy will allow many small businesses to expand their reach to newer countries. Further, as the UAE is well integrated with the global value chains and acts as a gateway to the gulf, Africa, and even Europe, it provides Indian businesses with an opportunity to boost the production of labour-intensive commodities as well as more tech-based new-age sectors such as fintech, edtech, among others.

ii. While India had previously signed multiple Free trade agreements, they were unsuccessful in expanding the country's exports. However, unlike the country's previous FTAs with countries such as South Korea, Japan, and ASEAN, which weren't very big export markets for India, the UAE and Australia have been among the most favourable destinations for exports from India. As the UAE provides a huge market for labour-oriented products like textiles, gems and jewellery, and leather, among others, the agreement has massive potential to create economic opportunities in India's MSME ecosystem.

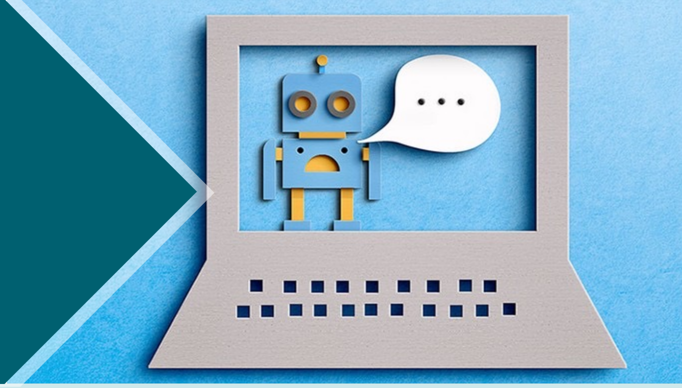
III. India's renewed trade policy is not only aimed at boosting domestic exports but also at protecting domestic industries from global fluctuations and promoting the domestic manufacturing industry. As large businesses are relatively better placed to absorb global shocks, the new trade pacts have taken special care to protect the vulnerable domestic MSME sector from the sudden surge in imports from UAE at any given point of time till the agreement is in existence.

IV. To protect domestic MSMEs from a sudden surge in imports due to tariff concessions to the UAE, the trade agreement has a "permanent safeguard mechanism." As per the agreement, Under the bilateral safeguard mechanism, the applicable duty will be restored to the most-favoured-nation (MFN) level of duty on the date of the application or immediately before the day of entry into force of the agreement.

Conclusion

In its renewed trade policy, India has taken sufficient time and deliberated upon all major provisions to create a balanced trade deal that provides a fillip to domestic exports while also keeping a check on the influx of imports. The government has also engaged in consistent post-agreement measures such as the establishment of a UAE Chapter of the India business council and discussions over the possibility of trade in rupee-dirham to take full advantage of the India-UAE Comprehensive Economic Partnership Agreement (CEPA).

Would ChatGPT replace human resource?



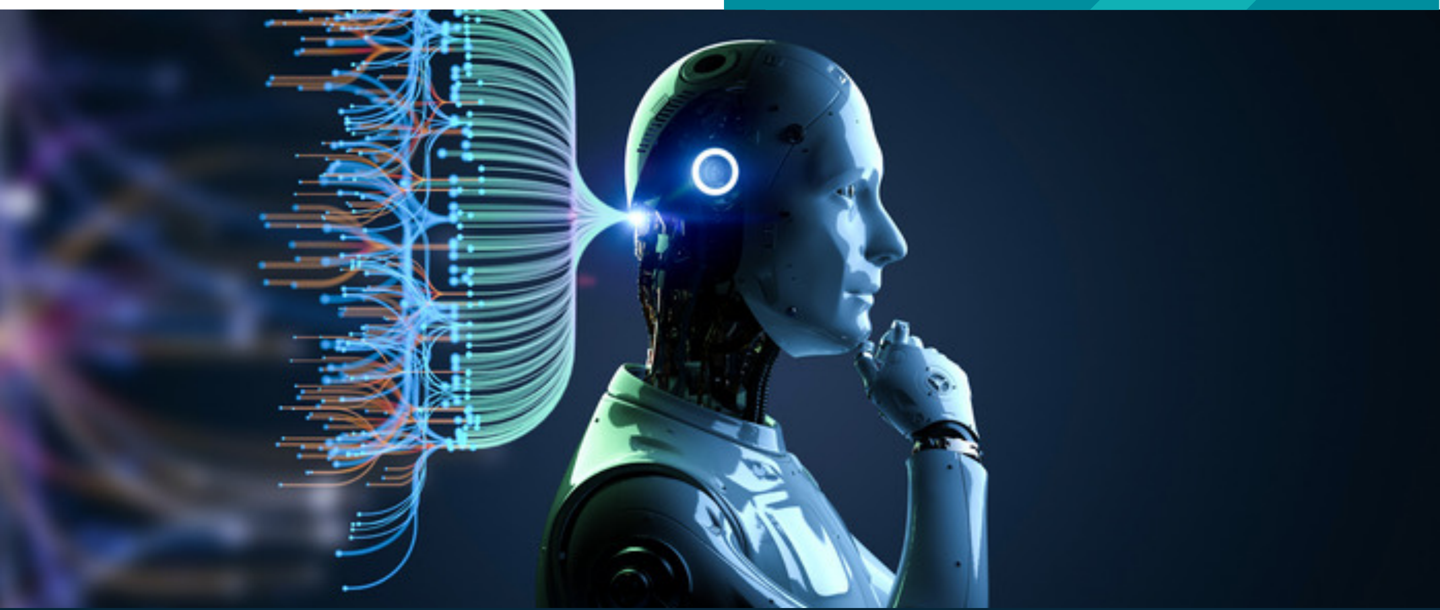
The OpenAI offering ChatGPT has given the tech sector a significant boost. It is a prototype dialogue-based AI chatbot that can comprehend natural human language and produce impressively detailed written text that resembles that of a person. Despite being a chatbot, it can respond to requests with a startling level of accuracy by producing written content such as essays, stories, poems, even software code and lecture notes. ChatGPT frequently produces content that is surprisingly well-written and well-researched, in contrast to other fundamental writing AI techniques.

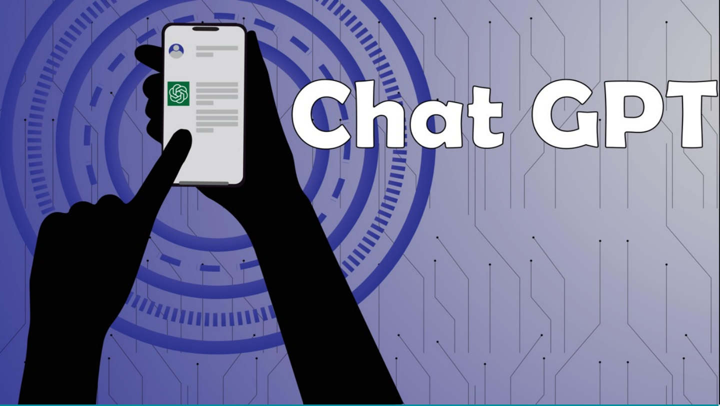
Customer support, data entry, and content creation are a few examples of tasks that could potentially be automated using ChatGPT and other language models.

Instead of replacing human skills, these systems are made to support and enhance them. While ChatGPT and other AI systems have the potential to automate specific duties and eliminate specific jobs, it is crucial to think about how AI can be implemented in a way that is advantageous for both businesses and employees.

A few examples of occupations that OpenAI may affect include those in the legal sector, manufacturing, transportation and logistics, finance, customer support, telemarketing and tele sales, content creation, retail and e-commerce, healthcare, and construction. The list could undoubtedly expand, but none of the positions will necessitate particularly human skills given their nature.

In addition to dependability and accuracy, Chat GPT can write passably well, but the content it creates lacks interest and engagement, probably because it simply repeats what it discovered online. It is vital to keep in mind that the AI is only providing you with responses based on the keywords entered by the user because it lacks the human ability to fully understand these words. The capacity to analyse a subject thoroughly and develop original arguments is a key component of being a writer. ChatGPT is unable to perform this action.





Even though relying on AI for software development is probably not the best plan, it is obvious that we need human developers to create the software that people use on a daily basis. AI could be used as a coding tool to handle lower-level tasks, much like how security operations centres use automation for scanning, monitoring, and initial incident response.

ChatGPT is ideal for a clear, focused purpose. The outcomes are less compelling when used to solve a more complicated issue. For example, no matter how much information a user gives, it won't be able to create the XML needed to set up Salesforce for a yoga practice.

Furthermore, it's critical to take into account how AI will affect various sectors of the economy and communities, as well as to take proactive measures to reduce any negative effects and assist anyone who may be negatively affected by employment loss. It's critical to keep in mind that AI is only as effective as the data it was trained on and the objectives it was intended to accomplish. As a result, it's critical to use AI sensibly, ethically, and with awareness of its constraints.

AI will not "replace" human value; rather, it will complement and enhance human efforts. Whether ChatGPT will replace copywriters and other creative jobs in advertising is a topic of much debate at the moment. People frequently forget that because the technology mainly uses natural language processing, it heavily depends on the input provided to it. On the other hand, creativity greatly benefits from the cultural environment that develops because of personal experience. However, the links developed by a human brain will always be more rapid and extensive than those in an AI. However, when united, it will be far superior to what each could be on its own.

About Primus Partners

Primus Partners has been set up to partner with clients in 'navigating' India, by experts with decades of experience in doing so for large global firms. Set up on the principle of 'Idea Realization', it brings to bear 'experience in action'. 'Idea Realization'— a unique approach to examine futuristic ideas required for the growth of an organization or a sector or geography, from the perspective of assured on ground implementability.

Our core strength comes from our founding partners, who are goal-oriented, with extensive hands-on experience and subject-matter expertise, which is well recognized in the industry. Our core founders form a diverse cohort of leaders from both genders with experience across industries (Public Sector, Healthcare, Transport, Education, etc.), and with varied specialization (engineers, lawyers, tax professionals, management, etc.).

PASSION for providing solutions to help clients achieve their goals

RESPECT For all and alternate viewpoints

INTEGRITY of thoughts and actions

MASTERY of our chosen subject to drive innovative and insightful solutions

US Representing the Primus collective, where each individual matters

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