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# 'India and China are our primary growth markets'

CLP India, part of the Hong Kong-based CLP group, and one of the biggest foreign investors in India's infrastructure sector, is being represented by **RICHARD KENDALL LANCASTER**, the group chief executive, in an Indian business delegation to China, coinciding with Prime Minister Narendra Modi's visit to that country later this week. In an email interview with **Jyoti Mukul**, Lancaster says the group looks at India and China as growth centres and is open to investing in India's transmission sector. Excerpts:

Q&A

RICHARD KENDALL LANCASTER
Group chief executive, CLP

**The CLP group has operations in both India and China. From this perspective, how do you look at your participation in the Indian business delegation to China? What would be your message to the Indian government since CLP is one of the largest foreign investors in India?**

We are grateful for and honoured by the opportunity to participate in the CEO Forum. As a company headquartered in Hong Kong with operations across Asia Pacific, CLP is proud of our unique position of being a significant contributor to the power sectors of both China and India. This is a great opportunity for us and we would like to extend our warm welcome to Prime Minister Modi.

CLP entered the Indian power market in 2002 and is now one of the largest foreign investors in India. More recently, we have been encouraged by the new government's commitment to develop critical infrastructure. The Indian government recognises the importance of growth in the power sector and has moved to address several unresolved matters which have impacted the industry, such as fuel supply. We are confident that further improvements in these areas will continue to be made.

**How would you compare the group's experience, in terms of investment climate, in India to that in China? As foreign investors in the two countries, what is your assessment of the energy sector in the two countries? Where can they synergise?**

As foreign investors, we feel welcome in India and China, where demand for electricity and energy infrastructure are immense. In addition, both countries are offering supportive policy measures to encourage development of renewable energy, particularly solar and wind projects. Given CLP's own Climate Vision 2050 to reduce the carbon intensity of our generation portfolio, we will continue to invest in renewable energy projects.

CLP excels in the fields of power plant technology, project management and operations. We leverage our capabilities to deploy key skills to where they are needed in China and India. We definitely achieve synergies in terms of skill transfer, resource planning, and procurement. In addition, we bring both local know-how and international experience into these markets. Our Jhajjar Power Station in Haryana is a good example, where CLP brought in high-efficiency supercritical coal fired equipment from China, our expertise in building and managing greenfield coal projects and good corporate governance. Likewise in China, we leverage CLP's international network on fuel procurement to import coal from Indonesia to our plant in Guangxi.

**What is the group's overall investment plan? Which are the focus areas?**

CLP's overall strategy can be summarised in three words: Focus, delivery and growth. We will focus on areas where we have scale, competitive advantage and capability. This strategy includes four components. First, Hong Kong will remain CLP's core business. Second, we have identified India and China as our primary growth markets. We will continue to develop greenfield projects of conventional and renewable energy in these two markets. Thirdly, to the extent that capital is available, we will explore secondary growth opportunities in select Southeast Asian countries. And fourthly, we shall focus on restoring the value of our Australian business to the group.

**Has the group dropped its plan for selling off two of its Chinese power plants? What are the group's next moves for rationalisation of its portfolio?**

Our strategy in mainland China is to pursue majority-owned projects. That's why we signed an agreement to divest our minority interests in two coal-fired projects last year. However, the transaction was not completed because certain regulatory registration procedures remained outstanding before the agreement lapsed. Nonetheless, we will continue to rationalise our portfolio with a focus on wholly- and majority-owned projects.

**India shares the challenge of natural gas shortage with China. What is your outlook for gas-based power generation in the two countries?**

While coal remains the major source of fuel in both India and China, we expect power generators to use more natural gas down the road as the countries move to cap coal consumption to reduce emissions. In China, the government has set a target for natural gas to comprise over 10 per cent of the country's energy consumption by 2020, up from its current share of about 6 per cent. India, on the other hand, has announced to reduce its emission intensity by 20-25 per cent by 2020 and to add renewable energy capacity.

As a first step, both countries will need to tackle the issue of natural gas shortages by improving local supplies and increasing imports. And we look forward to more supportive policies in this regard.

**How do the two countries compare when it comes to the viability of power generation, transmission and distribution? Do you plan to invest in transmission and distribution segments in India and China, as well?**

At the moment, we are present only in the generation space in these two markets. However, we continually evaluate opportunities. We are keen to explore other areas provided we have the right opportunity. CLP is already one of the biggest external independent power producers in China.

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