Keynote Address – SLEMA Annual Sessions 1995

ENERGY IN INDUSTRY

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In addressing such a professional audience as the members of the SLEMA, I do not think it is necessary to give a detailed introduction of the subject to you. As a founder member of SLEMA I have been working with some of you on many energy related work areas, e.g. in assembling background data on the subject, helping in formulating policy, education and training and also in promoting new and renewable energy resources not as alternatives but complementary to main primary energy sources that the country depended upon.

Looking at the energy scenario, we are still dependent on the hydro electric systems to carry the bulk base load supported by the thermal diesel power stations to fill any shortfall. From the very bleak situation that we faced in the 1970's, the famous and now forgotten, Yom Kippur War and our frantic response to the threatening energy shortages and high prices was the government program for energy saving and conservation and search for alternative energy. To a large extent these were successfully carried out and a great deal of priority was given from the late 70's up to mid 80's.

The main points I would like to stress in this key note address are firstly, the rapid industrialization initially demanded geometrically disproportionate energy consumption and, increased mobility and affluence. Higher aspirations of a resurgent population demanded a much higher level of energy consumption. Unfortunately, during this particular period, the government which was responsible for the major economic and social restructuring which caused a reversal of life styles from soft energy paths and a high awareness and practice of energy saving and conservation led to opening of the flood gates of almost wanton consumerism irrespective of productive ends which would have met the country's economic targets. I refer in passing to such outstanding examples as the Hotel Lanka Oberoi when it was first commissioned consuming as much electricity as the whole township of Panadura consisting of about 5000 families and the explosion in the vehicle population leaping from a mere 100,000 to 400,000 in a matter of 5 years.

The second point I wish to make is that due to these rapid changes in the country, both the government and the people moved away from energy conservation, the search for greater energy efficiency, reduction in

* Deceased. Mr. Lecamwasam was a member of the Council of Distinguished Advisors of SLEMA for over five years. The advice Mr. Lecamwasam gave SLEMA during his tenure in office is greatly appreciated. He delivered the keynote address in the Annual Sessions of SLEMA in 1995. At the untimely demise of Mr. Lecamwasam, he was still a serving member of the Council of Distinguished Advisors. His untimely death has definetley caused a void in professional fraternity which can not easily be filled. We extend our sympathies to his wife and children.

overall cost of energy and search for alternative forms of energy into an era of high consumption. Distressingly, during this period the environment also took a beating and all the good work that had been done previously in controlling illegal deforestation, promotion of energy plantations and search for viable and practical non renewable energy sources were stalled; some local and foreign firms and individuals that promoted these activities lost interest and several international commitments to assist Sri Lanka in these activities closed down.

I do realize that I have strayed from my topic Energy in Industry but I think it is important that after more than 20 years in the business that some of the younger members are made aware of the background which has led us to the present situation where we were facing the ever present risk of an energy crisis, prospect of higher energy cost and the threat to our environment, whatever realistic option we choose to satisfy our burgeoning energy demands.

To close this historical note and to bring us up to the present let me pose the pessimistic scenario that we will have to face: As far as I am aware no decision has yet been taken to fill our short and medium term expected energy gaps. Whilst the rain gods have been favorable in recent years and industry and development have not taken off with the astronomical projections called for in our great leap to NIC status by year 2000, whatever we do now will be too late, inordinately expensive and will pollute the environment. Our duty is therefore to take urgent steps to alleviate the crisis and reduce adverse effects as best as possible.

I shall now dwell on the main theme of this keynote address. As you all know our country has still not become sufficiently industrialized to merit inclusion of "energy consumption in industry" as a major sector. Despite the proliferation of garment factories, a few hotels and the opening up of 3 export promotion zones and the encouragement given to investment, little has happened on the ground in terms of energy supply and encouraging consumption for productive use and other economically gainful activity. To take the three major areas of energy usage in industry - and I do so in the widest possible sense - excluding transport, the agro-industry sector still largely depends on fire wood - the use of wood for tobacco curing has fortunately decreased though in fact the tobacco output has increased.

As socially responsible organizations and of course conscious of the cost of fuel and security of supply, these companies have made their tobacco curing barns more efficient leading to a 30% reduction in fuel usage and converting several barns to paddy husk firing for curing tobacco. Their efforts to use LPG as an alternative fuel has not been successful due to the high cost of LPG in this country. The companies are still continuing their energy conservation programs and search for alternate fuels and have had very successful record with their energy plantations and afforestation programs.

Regarding the use of energy in primary and manufacturing industries, with the ongoing development process in the country there have been some growth in the light engineering service sector but sadly not in manufacturing or in heavy engineering where in fact, the old established major engineering companies and state organizations have closed down in favour of imports and foreign contractors. The basic

industries such as steel, cement, glass and sugar have continued to be the main bulk users of energy accounting for nearly 70% of energy usage in industry.

The major energy supplies in the country are still through state monopolies which control supply, quality, quantity and price, both for the purpose of obtaining government revenue as well as using the pricing mechanism to manipulate usage/social engineering. It is worth noting that in our open market economy, we are thus placed in a disadvantageous position vis-à-vis international competition, where some countries subsidize the fuel cost for production whereas in Sri Lanka it is quite the reverse. e.g. use of cheap electricity for lighting places of religious worship, government institution etc. where the "user pays" formula does not operate and higher prices are charged for industrial commercial use.

Here, we must recognize and discuss the philosophy and objective of business organizations which must necessarily focus on profits. In a simplistic analysis the major cost factors would be labour, materials, energy and overhead and thus management would be very interested in reducing all these cost to increase their margins. Social responsibility and environment considerations would necessarily be key areas of concern for any organization interested in longer term survival but I would like to stress that these are not charitable organizations and the most successful would be driven by hard economic sense, of course within a socially and politically acceptable frame work.

I would now like to conclude with my own reasoning why this topic has been chosen as a subject for a key note address at your annul sessions. After all you must be fairly well acquainted with most of the general information presented here, what we need is to focus on issues and determine priorities. I venture to suggest that we need industry as a vehicle for development and this in turn will demand greater amount of energy. We must therefore accept the fact that both are necessary and vital ingredients synonymous with growth and our desire for an improved quality of life. Unfortunately, we now have to cope with an import bill where 40% of our export earnings go to pay for our energy needs. We have to recognize the need to use the bulk of our imported fuel for productive ends and the government needs to give the necessary motivation.

At the tail end of 20th century when the developed world is far ahead of us in technology and quality of life, we are still lagging behind in providing basic amenities to our people. The comforts of a civilized society entering the 21st century are only a dream. A study of the more advanced countries even in our region shows that much higher per capita energy consumption (almost 20 times as much of ours) has been a sine qua non of growth and development. We have therefore to encourage more rapid and more productive industrialization in a competitive environment. Efficient use of the right types of energy must be encouraged by the state through motivation and education.

The government and various business chambers should encourage industrialists to select types of energy which are the most appropriate in a national sense and economical to use and ensure that there efficiencies of usage and productivity are at an optimum. It is well known in the hotel sector there is little regard for control of energy costs in comparison to other costs

and this, despite a well known 5 star hotel winning and energy conservation award several years ago. In the Sri Lankan context we have already tapped about 80% of our available hydro resources within the constraints of economic feasibility and environmental acceptability. All other practical sources of supply within the medium term will have to subsist on imported energy (oil, coal and gas) placing us at risk in supply as well as price. Therefore, we must at the same time whenever option allows us, seek energy from renewable sources and take soft energy part in our daily lives.

Government and chambers have a great responsibility to plan for the future and set realistically achievable goals based on the socio economic targets for the country. They must learn from the mistakes and successes in other countries. With the horrendous effects of the on going war, over the past 13 years or so, it is amazing we continue to advance economically against all odds. Expansion of our industrial base in form/content and attitude is absolutely essential if we are to make our great leap forward a reality.

Increased effort and more productive and efficient use of energy are thus keys to becoming competitive in the open market economy, the new world order is leading us to. The SLEMA and it's members should be at the forefront in advising the government, business, industrialist and play a leading role which will benefit the country, the Association and the membership too at a personal level.

Ladies & Gentlemen, I Hope this brief presentation has given you some food for thought and I wish you every happiness and success in your endeavors.