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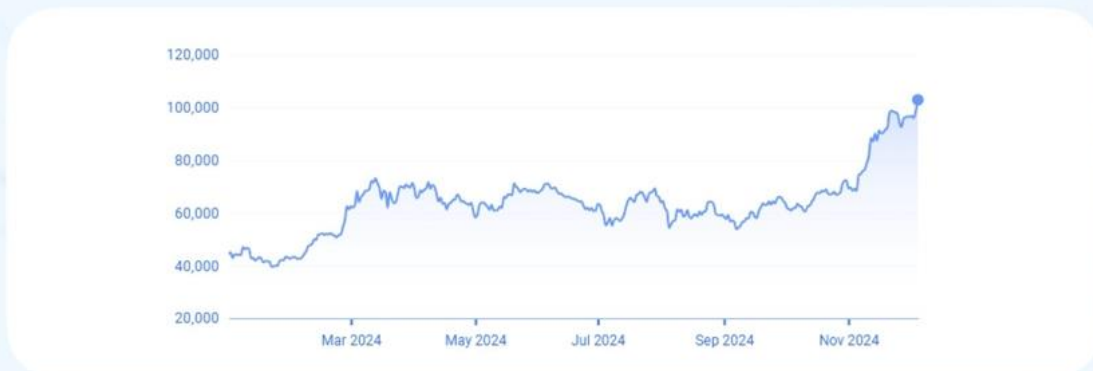
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1. Bitcoin Breaks \$100K: What is behind the cryptocurrency's surge?

Bitcoin surges past \$100

Bitcoin crossed \$100,000 for the first time recently, thanks to Donald Trump's reentry to the White House and the expectation that some of his administrative picks would show more regulatory lenience towards cryptocurrency than their predecessors.

The rally of Bitcoin against USD in 2024



Source: Google Finance

Bitcoin is up 130% for the year so far, with the post US election rally accounting for a significant portion of its gains. It had last seen a sharp increase after Trump chose tech billionaire Elon Musk to lead the new Department of Government Efficiency (DOGE). The acronym refers to Musk's favourite cryptocurrency Dogecoin.

Investors had predicted bitcoin could hit that mark if Trump were to be elected, since his entire campaign featured pro-crypto messaging.

How did Bitcoin rise to a historic high?

One key Trump pick is Paul Atkins, to lead the Securities and Exchange Commission (SEC) that regulates cryptocurrency. Atkins is widely considered a cryptocurrency advocate. Bitcoin touched \$100,000 just hours after his name was announced.

Under the Joe Biden administration, the SEC head Gary Gensler had cracked down on the crypto industry. The SEC sued companies for fraud and money laundering and assessed billions of dollars in fines.

Trump, once a crypto sceptic, turned around in the run-up to the 2024 Presidential elections. His campaign featured positive messaging around cryptocurrencies, such as the announcement of bitcoin as a strategic reserve, and favourable energy policies for crypto miners. His 180-turn on crypto was widely viewed as a way to attract younger male voters.

Trump has also launched his own cryptocurrency business called World Liberty Financial.

What could be the impact in India?

In India, the crypto journey has been topsy-turvy. Investors might not share the same enthusiasm as their American counterparts owing to factors like a high taxation rate on incomes from cryptocurrencies, and the banking sectors' less-than-kind outlook towards the asset.

In 2018, the Central Board of Direct Taxes had submitted a draft scheme to the finance ministry for banning virtual currencies. A month later, the RBI restrained banks from dealing in cryptocurrencies, a decision that had to be reversed by the Supreme Court in 2020.

Despite this, the banking regulator has been vocal about its problems with crypto-assets, having identified them as "a macro-economic risk". In July 2022, underscoring that the RBI had sought a ban, Finance Minister Nirmala Sitharaman said in Parliament that "international collaboration" would be needed for "any effective regulation or ban" on cryptocurrency as the digital currency is borderless in nature.

The government had, in 2022, imposed a tax on "any income from transfer of any virtual digital asset" at a rate of 30 per cent, along with a 1 per cent tax deduction at source (TDS) on each transaction.

However, a paper that was prepared by the International Monetary Fund (IMF) and the Financial Stability Board (FSB), at the request of the Indian G20 Presidency last year, called for licensing crypto service providers, while suggesting that an outright ban might not work given the borderless nature of cryptocurrencies.

On account of the latest surge in cryptocurrencies, Bernstein in a recent note asked whether India can "afford to ignore Bitcoin". The note further added that the crypto narrative in India "has been caught in this false premise of Central bank digital currencies (CBDC) and what the government calls private crypto.

The note emphasised that Indian investors had "missed the strong proposition" of bitcoin by framing it as private currency. It said the cryptocurrency could be a way for governments to build reserves.

Relevance: GS Prelims & Mains Paper III; Economics

Source: Indian Express

2. Nagaland's Hornbill Festival, and why the Church has frowned at relaxing rules around it

Introduction



The 25th edition of Nagaland's famed Hornbill Festival is now underway amidst a wide public debate on relaxing the 35-year-old liquor prohibition law for the duration of the festival.

Tourism Minister Temjen Imna Along said that the government has granted tourists and stall owners permission to use Indian-made Foreign Liquor (IMFL) within the festival venue, the Kisama Heritage Village.

This move has been decried by influential church bodies, who

have long contested the effort to make alcohol, including traditional rice beer, publicly available at the state's largest gathering.

Lending the situation complexity is the state government's proposed review of the Nagaland Liquor Total Prohibition (NLTP) Act 1989.

Firstly, what is the Hornbill Festival?

The Hornbill Festival, organised by the Nagaland government, is the state's largest public event. Started in 2000 as an annual tradition, it aims to boost tourism by showcasing Naga heritage and culture, and thus act as a unifying force within the state. The festival acts as an umbrella of the major festivals celebrated by the 14 recognised Naga tribes in the state, each replete with its own traditions and practices.

The festival is the state's biggest tourist draw: In 2023, the 10-day festival witnessed a footfall of over 1.54 lakh, including 2,108 foreign tourists and 37,089 from different parts of India.

How does alcohol figure in the festival?

The Hornbill Festival holds a special place within the larger public debate on liquor prohibition in the state.

According to academic Theyiesinuo Kreditsu, "This is the only time in this dry state that Thutse or local rice beer is openly sold and liberally consumed with the consent of the government." In her paper, 'Prohibition and Naga Cultural Identity: Cultural Politics of Hornbill Festival,

Nagaland', she has identified the constant tussle between the Church and the organisers as a struggle to define the "Naga ethnic identity vis-a-vis Christian identity."

In the past, the Nagaland government has succumbed to pressure and enforced alcohol bans during the festival.

While the inclusion of local rice beer is being debated presently, Tourism Minister Along has supported easing restrictions on IMFL to welcome tourists to the state.

The Nagaland Baptist Church Council (NBCC) – the apex body of Baptist Churches in the state disagrees. It said, "The tourists are not visiting our state because there is a provision for visitors to drink liquor in Nagaland" but to "experience our culture and our heritage and our tribal way of life."

What is the prohibition law in Nagaland?

Complete prohibition was officially introduced in Nagaland in 1989 through the NLTP, backed by the Church and the state's apex women's organisation, the Naga Mothers' Association (NMA).

The arrival of American Baptists to Nagaland in the 1870s introduced new moral codes to a state where brewing rice beer was widely practised. The consumption of alcohol was subsequently painted as sinful behaviour with strict penalties for converts. Ethnographer J.P. Mills wrote that from the 1890s onwards, alcohol was strictly forbidden and transgressors would be expelled from the community.

Today 87% of the state's population is Christian, a majority of whom are Baptists. However, the preparation and consumption of rice beer has continued to this day.

Why is the state mulling a repeal of the prohibition law?

The government initiated a discussion on the efficacy of the prohibition law as a matter of urgent public importance in the last state assembly session in August. Drawing attention to the "Health Hazards of Spurious Alcohol", the government's Advisor on Excise Moatoshi Longkumer said there was a case for regulating alcohol use instead of prohibition.

He said that the "intended objectives" of the Act had not been met and the state continues to witness large-scale liquor smuggling from neighbouring Assam. He also pointed to the prevalence of bootleggers and spurious alcohol in the state, as well as people resorting to narcotics.

The government could also be motivated to stem the loss of excise revenue due to this policy. While the Nagaland government is openly considering a rethink, the Church's opposition continues to loom large over such a move.

Relevance: GS Prelims

Source: Indian Express

3. How Oilfields Amendment Bill aims to delink petroleum, mineral oil production from mining activities

Overview



To encourage domestic production of petroleum and other mineral oils, along with private investment in these sectors to reduce import dependence, the Rajya Sabha recently passed the Oilfields (Regulation and Development) Amendment Bill, 2024.

The Bill amends the Oilfields (Regulation and Development) Act of 1948. It draws a clear line between the law governing the mining of “minerals” — defined under the Mines and Minerals (Development and Regulation) Act, 1957 — and the Oilfields Act. If passed by Parliament, the Oilfields Act in its amended form would be limited to governing petroleum and other “mineral oil” production.

What is the Oilfields Bill?

As noted by Minister of Petroleum and Natural Gas Hardeep Singh Puri in the Statement of Objects and Reasons supporting the Oilfields Bill, when the Oilfields Act was first passed it was known as the Mines and Minerals (Regulation and Development) Act, 1948. This sole legislation governed and regulated oilfields, mines and minerals until 1957, when the present-day Mines and Minerals Act came into force.

To demarcate the spheres in which the two Acts would operate, the 1948 legislation was renamed the Oilfields (Regulation and Development) Act, 1948, and its language was amended to replace references to “minerals” with “mineral oils”. However, the Act does not define “mineral oil”, an oversight that the current Oilfields Bill aims to correct.

Other major proposed changes concern:

MINERAL OIL: The Bill defines mineral oils as “any naturally occurring hydrocarbon, whether in the form of natural gas or in a liquid, viscous or solid form, or a mixture thereof” and includes a long list of resources (such as crude oil, natural gas and petroleum) that would fall under this definition.

However, it clarifies that the definition will not include “coal, lignite and helium occurring in association with petroleum or coal or shale”, likely because regulation of coal and lignite is governed by the Mines and Minerals Act.

PETROLEUM LEASE: The original approach of replacing references to “minerals” with “mineral oils” has now been revived in the Oilfields Bill, which replaces references to “mining leases”

with “petroleum leases”. It has also been newly defined as a lease granted for “prospecting, exploration, development, production, making merchantable, carrying away or disposing of mineral oils”.

Subsequently, the provisions relating to the grant of mining leases and the Centre’s power to make rules on them would instead govern the granting and regulation of petroleum leases.

PRIVATE INVESTMENT: The Bill includes several provisions for encouraging investment from private players to spur domestic production of petroleum and other mineral oils. It clarifies that mining leases already been granted under the Act will remain valid and none of the leases will be “altered to the disadvantage of the lessee during the period of the lease”.

Further, the Bill scraps criminal punishment for those who contravene provisions of the Oilfields Act, replacing it with fines. As the 1948 Act stands, any violations of the Act or the connected rules passed by the Centre may be punished with up to six months imprisonment and a fine of Rs. 1,000. The Bill would replace this with a penalty of up to Rs. 25 Lakh, with the possibility of a further penalty of Rs. 10 Lakh per day starting from the date of the first penalty if the violations persist.

Criticisms and concerns

Several opposition members raised concerns about how the Bill would affect the rights of states, given that Indian states have the power to tax mining activities.

DMK Member of Parliament N R Elango demanded that the Bill be sent to a select committee for review, stating that the word “mining” is being “replaced only to take away the rights of the states”.

On July 25 this year, a nine-judge bench of the Supreme Court held that states had the exclusive power to tax mining activities and collect royalties from mining leaseholders. This power, the court held, stems from Entry 50 of the State List in the Indian Constitution, which gives states the power to impose taxes on “mineral rights”.

However, by reframing the Oilfields Act as providing petroleum leases instead of mining leases, and limiting the operation to mineral oils instead of minerals, it could be argued that the law would fall under Entry 53 of the Union List. It gives Parliament the power to create laws regarding the “Regulation and development of oilfields and mineral oil resources; petroleum and petroleum products; other liquids and substances declared by Parliament by law to be dangerously inflammable”.

Union Minister for Petroleum and Natural Gas Hardeep Puri attempted to allay these concerns, indicating that the state government would retain a measure of control as they would hold the authority to grant petroleum leases.

The possible environmental impact of handing the reins to private players was also highlighted by Communist Party of India MP P P Suneer, who said public companies such as the Oil and Natural Gas Corporation should be prioritised instead.

The provisions in the Bill further give private players a certain amount of discretion in how they operate, by removing the possibility of criminal punishment and contracts being modified. The Bill contains provisions addressing this by expanding the Centre's power to make rules to curtail carbon and greenhouse gas emissions and promote renewable energy projects at oilfields.

Relevance: GS Prelims & Mains Paper II; Governance

Source: Indian Express

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