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Saudi Aramco profit soars as oil prices, output jump

REUTERS

PAUL WALLACE &
MATTHEW MARTIN
May 15

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Aramco, which last week surpassed Apple to become the world's most valuable company, followed Big Oil rivals such as Shell and BP in reporting bumper earnings for the first quarter. Like them, the Saudi Arabian firm's results were boosted by crude's jump to \$110 a barrel after Moscow's attack in February.

State-controlled Aramco made net income of \$39.5 billion, up 82% from a year earlier, when global energy demand was still suppressed by the pandemic.

The company's free cash flow rose almost to \$31 billion, though it opted to keep its quarterly dividend



unchanged at \$18.8 billion. That enabled Aramco to reduce its leverage. Gearing, a measure of debt to equity, fell from 14% in December to 8% at the end of March. The gauge spiked above 20% during the pandemic as profit slumped, forcing Aramco to borrow more.

Aramco has benefited this year not just from oil climbing about 45%, but also from Saudi Arabia gradually increasing production along with other members of OPEC+. The kingdom's crude output averaged 10.2 million barrels a day between January and March, up 20%

year-on-year.

Production is meant to keep growing until at least September, when the current agreement between the Organization of Petroleum Exporting Countries and its partners — a 23-nation group led by the Saudis and Russia — expires.

Aramco's shares rose 3.2% to 41.95 riyals on Sunday, extending their gain this year to 29%. The company raised almost \$30 billion with an IPO in Riyadh in late 2019, though it's still 98% owned by the government. It is now valued at \$2.46 trillion. — BLOOMBERG

Saudi Aramco Q1 profit soars 82% on high oil prices

PAUL WALLACE, MATTHEW MARTIN
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The company's free cash flow rose



PROFIT CLIMBS

Earnings surge to almost \$40 bn
NET INCOME (\$ bn)



Source: Saudi Aramco, Bloomberg

PUMPING MORE

Quarterly output rises

PRODUCTION (million barrels/day)



Source: Aramco, Bloomberg

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Saudi Arabia is one of the few major petroleum producers trying to boost output capacity. Many others are cutting back on exploration as they shift to renewable energy and try to curb their greenhouse gas emissions. The Saudis have blamed the run up in prices on the fall in investment.

Aramco is spending billions of dollars to increase its maximum sustainable crude output to 13 million barrels a day from 12 million by 2027.

It's also aiming to raise natural gas output more than 50 per cent by 2030.

BLOOMBERG

Aramco's profit soars as oil prices see spike

Bloomberg

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Production is meant to keep growing until at least September, when the current agreement between the Organization of Petroleum Exporting Countries and its partners—a 23-nation group led by the Saudis and Russia—expires.

Aramco's shares rose 1.5% to 41.25 riyals early on Sunday, extending this year's gain to 27%. The company raised almost \$30 billion with an initial public offering in Riyadh in late 2019, though it's still 98% owned by the government. It is now valued at \$2.4 trillion.

Saudi Arabia is one of the few major petroleum producers trying to boost output capacity significantly. Many others are cutting back on exploration as they shift to renewable energy and try to curb their greenhouse gas emissions. The Saudis have blamed the run up in prices on the fall in investment and said demand for oil and gas will stay strong for decades.

FINLAND SAYS IT WANTS TO JOIN NATO

Bypassing sanctions, EU plans to buy Russian gas

Front lines shift in Donbas as Ukraine mounts counter-offensive

BLOOMBERG/ REUTERS

15 May

The European Union is set to offer its gas importers a solution to avoid a breach of sanctions when buying fuel from Russia and still effectively satisfy President Vladimir Putin's demands over payment in rubles.

In new guidance on gas payments, the European Commission plans to say that companies should make a clear statement that they consider their obligations fulfilled once they pay in euros or dollars, in line with existing contracts, according to people familiar with the matter. The EU's executive arm told the governments that the guidance does not prevent companies from opening an account at Gazprombank and will allow them to purchase gas in accordance with EU sanctions following Russia's invasion of Ukraine, the people added.

European companies have been scrambling for weeks to figure out how they can meet Moscow's demand and keep the crucial gas flowing without violating sanctions on Russia's central bank. Putin said on March 31 that if payments aren't made in rubles, gas exports would be halted. Europe depends heavily on the Russian fuel to heat homes and power industry.

Putin's demands to pay in rubles have divided EU member states, highlighting the dependence of some nations on Russian imports.

Finland is applying to join



EUROVISION 2022: Ukraine won the Eurovision Song Contest on Sunday, riding a wave of public support across Europe for the embattled nation and buoyed by an infectious hip-hop melody. Kalush Orchestra beat 24 competitors for the finale of the world's biggest live music event

defence alliance NATO in a historic move after neighbouring Russia's invasion of Ukraine ended the Nordic nation's long-held preference for military non-alignment.

The formal decision was made on Sunday and requires sign-off by the parliament,

President Sauli Niinisto said at a press conference in Helsinki.

The front lines in Ukraine had shifted on Sunday as Russia made advances in the fiercely contested eastern Donbas region and Ukraine's military waged a counteroffensive near the strategic Russian-

held city of Iziium.

Near the northeastern city of Kharkiv, where Ukrainian forces have been on the attack since early this month, commanders said they believed Russia had been withdrawing troops to reinforce positions around Iziium to the south.

Govt: Have constraints in availability of domestic coal

The country is facing constraints in the domestic coal availability and the rest of the dry fuel demand needs to be met with imports, according to the coal ministry. The ministry has also emphasised that coal block holders – both captive and commercial – have a major role to play in mitigating the coal shortfall situation.

Domestic coal production is about 800 million tonnes, according to the coal additional secretary, who is also the chairperson of an inter-ministerial panel on coal linkages for the power sector. **PTI**

Netherlands jumps 5 places to become India's 5th-largest export destination

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Netherlands jumps 5 places to become India's 5th-largest export destination

ASIT RANJAN MISHRA
New Delhi, 15 May

The Netherlands has emerged as India's fifth-largest export destination in 2021-22 (FY22), jumping from its 10th position a year ago. Exports to the fifth-largest economy in the European Union (EU) bolted 94 per cent to \$12.5 billion in the financial year ended March 31.

In FY22, the Netherlands surpassed Hong Kong, Singapore, the UK, Germany, and Nepal to become India's largest export destination in the EU.

Germany, which was earlier India's top European export destination (eighth position), has now dropped two ranks to 10th place.

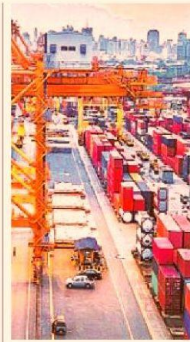
While the US (\$76.1 billion) remained India's top export destination in FY22, the United Arab Emirates (\$28 billion) trounced China (\$21.3 billion) to become the second-largest export market.

Bangladesh (\$16.1 billion), which has been rising through the ranks, improved one position to become the fourth-largest export market for India.

India's top exports to the Netherlands were aviation turbine fuel (\$2.6 billion), diesel (\$1.7 billion), smartphones (\$297 million), aluminium ingots (\$245 million), benzene (\$136 million), and prawn (\$75 million), among others.

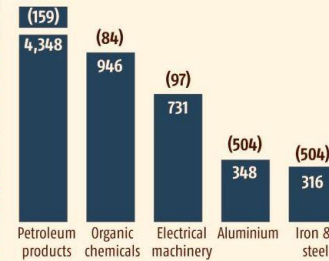
"A high level of commodity imports by the Netherlands from India is expected to have contributed to its rise among India's top export destinations. We have to see if it can sustain its rank as one of the top five export markets of India in 2022-23," said a senior government official.

In 2020, the Netherlands imported \$23.8 billion in refined petroleum, becoming the third-largest importer of refined petroleum in the world. Top sources of



TOP EXPORTS TO THE NETHERLANDS IN FY22

■ \$ million (% YoY in brackets)



refined petroleum for the Netherlands include Russia, Belgium, the UK, India, and the US.

India imported goods worth \$4.5 billion in FY22, such as soybean crude oil, waste and scrap stainless steel, aluminium scrap,

nickel, aircraft engine parts, among others.

India enjoys a trade surplus of \$8 billion with the Netherlands. The Netherlands is only the fourth country among India's top 20 trade partners with which India has a

RANKINGS OF TOP EXPORT DESTINATIONS OF INDIA

	FY22	FY21
1	US	1
2	UAE	3
3	China	2
4	Bangladesh	5
5	Netherlands	10
6	Singapore	6
7	Hong Kong	4
8	UK	7
9	Belgium	13
10	Germany	8

Source: Commerce Ministry

trade surplus, apart from the US, Bangladesh, and the UK.

India registered the highest-ever exports of \$422 billion in FY22, crossing the \$400-billion target set by the government on the back of higher commodity prices and post-

pandemic revival in global demand.

Indo-Dutch relations date back to more than 400 years. In 1604, the Dutch East India Company began trading in India, first establishing itself in Dutch Coromandel, notably Pulicat (or Pazhaverkadu), Tamil Nadu, looking for textiles to exchange with the spices they traded in the East Indies. Diplomatic relations between India and the Netherlands were established in 1947.

During his visit to the Netherlands to mark 75 years of diplomatic relations last month, President Ram Nath Kovind said over the past seven and a half decades, bilateral trade and investments between the two countries have grown remarkably.

"The Netherlands is now the third-largest investor in India. Likewise, India is also emerging as one of the top investors in the

Netherlands. The Netherlands is a pioneer in water management and scientific know-how. Last year, Prime Minister Narendra Modi and Prime Minister Mark Rutte jointly launched the Indo-Dutch strategic partnership on water. Both sides are closely working together to implement several joint projects in this sector. Agriculture, health, port and shipping, science and technology, higher education, and urban development have been identified as other priority areas of cooperation," he added.

The Netherlands is the fourth-largest source of foreign direct investment into India with cumulative \$39.3-billion investments in India between April 2000 and December 2021. There are over 200 Dutch companies present in India, including major Dutch companies like Royal Dutch Shell, Unilever, Philips, AkzoNobel, DSM, KLM, and Rabobank.

A comprehensive blueprint

National Gas Grid, an integral part of PM Gati Shakti Master Plan, will ensure availability and accessibility of natural gas 24/7 across the country



MANOJ JAIN

Natural gas has been gaining traction as a key alternative and an ideal fuel to support the energy shift in favour of cleaner and greener energy sources. As a part of its commitments to address climate change in COP21, the Government of India has promised to reduce its carbon emissions by 45 per cent by 2030.

However, the paradox of balancing the need to meet the energy demands of a billion people while at the same time mitigating environmental pollution is no mean task. It is in this context that the government is making a push for India to transition into a gas-based economy.

A gas-based economy has been identified as crucial for *Atmanirbhar Bharat*. Infrastructure developments along with market reforms have offered great potential for natural gas uptake across sectors in India. However, there are multiple uncertainties associated with natural gas due to geopolitical issues, market dynamics and volatility of international and national gas prices, which need to be addressed.

Increasingly determined efforts, including multi-billion investments, are being put in by players across the value chain to transition towards a natural gas-based economy. The vision of the Govt. of India for a 'One Nation One Gas Grid' is a clear indication of India's commitment towards building a gas-based economy.

To improve coordination between different departments and remove logistical impediments and connectivity hurdles among major infrastructure projects, PM Gati Shakti National Master Plan for Multi-modal Connectivity has been launched. A digital platform has been initiated to bring together 16 ministries



PM Gati Shakti is spearheading India's transition towards a gas-based economy

for integrated planning and coordinated implementation of infrastructure connectivity projects. The National Gas Grid is also a key infrastructure project of the Master Plan.

For this flagship initiative of the government, GAIL has been nominated as a nodal agency for mapping of infrastructures on the BISAG-N portal. Necessary coordination with the PNGRB-authorized pipelines, infrastructure operators, PNGRB-authorized CGD entities, Indian Strategic Petroleum Reserve Limited (ISPRL), Central PSUs / bodies under the administrative control of MOPNG & PNGRB will be done for collating the relevant infrastructure details and their mapping on the BISAG-N portal. Apart from these, mapping of Compressed Bio Gas plants would also be carried out.

The National Gas Grid will integrate all the natural gas pipelines of the country into a nationwide gas grid, ensuring availability and accessibility of natural gas 24/7 across the country. With an estimated investment of over Rs one lakh crores, once completed, the gas grid will encompass a total gas pipeline network of more than 35,000 km. This will result in wider spread of natural gas networks and also ensure an out-

reach of PNG to households and commercial establishments and CNG for transportation. Expansion in the natural gas sector would lead to generation of employment opportunities for people during and after the project implementation phase, increase in commerce and industry and an overall improved quality of life for people because of clean, cost-effective and environment friendly fuel. It will also address the crucial challenge of curbing environmental pollution and mitigating climate change.

Four pipeline projects, consisting of three natural gas and one of crude oil, are part of the Gati Shakti Master Plan. The following are the three high-impact natural gas pipeline projects:

1. Mumbai-Nagpur-Jharsuguda Natural Gas Pipeline: This pipeline project will pass through four states — covering twelve districts in Maharashtra, three districts in Madhya Pradesh, eleven districts in Chhattisgarh and one district in Odisha at an investment of around Rs 8,000 crores.

2. North-East Gas Grid (NEGG): The North-East Gas Grid being laid by Indradhanush Gas Grid Limited — a Joint Venture Company of

ONGC, GAIL, OIL, IOCL and NRL — is another high-impact pipeline project passing through the eight Northeastern states of the region including 12 districts in Assam, seven districts in Tripura, four districts in Meghalaya, two districts each in Mizoram, Nagaland, Manipur, Sikkim and one in Arunachal Pradesh; being connected through two hill districts in West Bengal at the estimated cost of over Rs 9,000 crores.

3. Gurdaspur-Jammu-Srinagar Natural Gas Pipeline: This Natural Gas Pipeline will pass through Punjab and Jammu & Kashmir at an estimated cost of Rs 6,400 crores.

There is no doubt that the aforementioned infrastructure projects will have a multiplier effect in transforming India into a gas-based economy. The rapidly progressing City Gas Distribution networks and use by industrial and commercial consumers in retail sectors will eventually ensure that there is a constant demand for natural gas, justifying the investment in the pipeline infrastructure. Today the reach of the City Gas Distribution network has started increasing manifold with different rounds of Geographical Areas (GA) authorisations by the Natural

gas regulator. A total of 294 GAs have been authorised for the development of the CGD network, spread over 630 districts and covering 98 per cent of the population and 88 per cent of the country's geographical area.

It is pertinent that India's journey towards the future is driven by progression from traditional fuels like coal and oil to greener and cleaner fuels like natural gas and renewables.

PM Gati Shakti — National Master Plan for Multi-modal Connectivity — aims to develop world-class infrastructure in India. It is also a step closer towards making India a USD five-trillion economy by synchronisation in implementation of various projects using the GIS base for spatial analysis and planning alongside evidence-based decision making. It will facilitate identifying vital interventions for enhancing and updating the Master Plan. It will act as a tool for route planning, land acquisitions, permissions and congestion reduction, and will evaluate logistics efficiency gains, by using latest satellite imagery for visual understanding. It will also have dash-board based periodic monitoring of progress of infrastructural projects besides ensuring better coordination among all the stakeholders.

PM Gati Shakti will help gas sector infrastructure in online access, document submission and processing of application forms for laying of pipelines. Besides saving time and effort, online monitoring of applications can also be done. There will be seamless integration with all departments concerned — reducing timelines for clearances and approvals.

The writer is Chairman & Managing Director, GAIL (India) Limited on PM Gati Shakti Project and National Gas Grid. Views expressed are personal

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FPIs pull out ₹25,200 cr from markets in May so far

NEW DELHI: The relentless selling of Indian stocks by foreign investors continued, as they pulled out a little over Rs 25,200 crore from the Indian equity market in the first fortnight of this month, on hike in interest rate globally and concerns over rising COVID-19 cases.

“Headwinds in terms of higher crude prices, rising inflation, tightening monetary policy etc weigh on indices. Besides these, investors are worried about growth expectations while inflation remains elevated globally. Hence, we believe FPIs flows are likely to remain volatile in the near-term,” Shrikant Chouhan, Head - Equity Research (Retail), Kotak Securities, said.

Foreign portfolio investors (FPIs) remained net sellers for seven months to April 2022, withdrawing a massive net amount of over Rs 1.65 lakh crore from equities. PTI

Fuel to fire

The focus must be on Russia ending the war and not on expanding NATO

Russia invaded Ukraine on February 24 apparently to stop NATO's further expansion into its neighbourhood. But in less than three months, the same invasion has pushed two countries in that neighbourhood to consider NATO membership. Last week, the Prime Minister and President of Finland, which has stayed neutral since the end of the Second World War, said they hoped their country would apply for NATO membership "without delay". Sweden, which has stayed out of military alliances for 200 years, stated that NATO membership would strengthen its national security and stability in the Baltic and Nordic regions. If these two countries now formally apply for membership, it would be the biggest strategic setback for Russian President Vladimir Putin whose most important foreign policy focus has been on weakening NATO. Particularly alarming for Russia is the case of Finland, with which it has a hostile past. Stalin invaded Finland in 1939 demanding more territories. Though the Red Army struggled in the initial phase of the war, it forced Finland to sign the Moscow Peace Treaty, ceding some 9% of its territory. But a year later, the Finns, in an alliance with the German Nazis, attacked the Soviet troops. Peace was established along the 1,340-km Finnish-Russian border after the Nazis were defeated in the Second World War. Now, Ukraine appears to have deepened the security concerns of Finland and Sweden.

It is still not clear whether these countries would be inducted into NATO any time soon. Within the alliance, decisions are taken unanimously. Turkey has already expressed its opposition to taking the Nordic countries in. While the U.S. and the U.K. are pushing for NATO's expansion, Germany and France have taken a more cautious line. Hungary, which has deep ties with Russia and has already held up the EU's plan to ban Russian oil imports, has not made its views clear. But the mere declaration of intent by Finland and Sweden to join NATO has sent tensions in Europe soaring, with Russia threatening 'military and technical' retaliation. Normatively speaking, Finland and Sweden are sovereign countries and free to take decisions on joining any alliance. It is up to NATO to decide whether they should be taken in or not. But a bigger question these countries as well as Europe as a whole face is whether another round of expansion of NATO would help bring in peace and stability in Europe, particularly at a time when the continent is facing a pre-First World War-type security competition. It would escalate the current crisis between nuclear-armed Russia and NATO to dangerous levels. Already the several rounds of NATO expansion and Russia's territorial aggression have brought the world to its most dangerous moment since the 1962 Cuban missile crisis. Russia should immediately halt the war and all the stakeholders should focus on finding a long-term solution to the crisis.