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OVL rejigs strategy; opts for acquisition of producing assets in the near term

bl.interview

Richa Mishra
Hyderabad

The much talked about term today is “energy security” and with changing dynamics globally, companies in oil and gas exploration business need to not only have a higher level of risk appetite but also be mindful of the geopolitical situation. The situation has led almost all explorers to re-strategise their business and in sync with this shift, ONGC Videsh Ltd (OVL), the wholly-owned subsidiary and overseas arm of ONGC, has also worked around its strategy and is looking at acquiring more producing or near-term producing fields rather than rank exploratory ones.

OVL, which has major investments in Russia, is acutely aware of the challenges due to the present geopolitical environment. “We are aware of the challenges. Keeping in mind the investments we have there (in Russia), we are confident that we can work with our partners in order to maintain asset integrity and stabilise production at the optimum level,” Rajarshi Gupta, Managing Director, OVL, said.

In a quick chat with *businessline*, Gupta shared his thoughts on the way forward and that the company would surely look keenly at exploration acreages if the materiality, fiscal terms, conditions & stability, and political situation are conducive to make these kinds of long-term investments. Excerpts:

Most of the oil explorers have rejigged their



We are in close collaboration with our partners in Russia, and we remain invested in the country for synergistic growth in our quest for energy security.

RAJARSHI GUPTA,
Managing Director, OVL



investment strategy and are going for acquiring producing assets. Has OVL also reworked its business strategy?

Our primary business is Exploration & Production (E&P). But, with changing geopolitical dynamics and like most others, we too had to re-look at our business strategy, especially from the standpoint of anticipated change in the global energy mix, rapid growth in renewables, ESG goals, besides intrinsic challenges in the E&P space.

In the exploration business and for an onshore acreage, the gestation period from initial exploration, including seismic data acquisition, processing, interpretation, drilling, facilities, and development, till the production and sales stage, is anywhere between 6-8 years and for offshore it is 9-12 years.

During this time frame and in executing the various processes, if the geopolitical environment of the investment changes, there could be a significant risk. Additionally, there are risks of fiscal instability, price volatility, and demand uncertainty, besides other execution risks.

Agreed, that exploration is a risk-taking business, but a lot of issues have to be kept in mind before committing funds toward large and long-term investments. Even today, OVL has 8-9 active exploration blocks. But, in near term it would look at acquiring stakes in producing or near-term producing fields.

A decision on whether to go ahead with exploration acreage would principally depend on the subsurface materiality, fiscal conditions, geopolitical stability, and strategic fit which are being offered, besides the geopolitical situation in the larger region. Currently, OVL owns participating interests in 32 oil and gas assets in 15 countries.

In FY 2021-22, the production of oil and oil equivalent of gas (O+OEG) was 12.33 million tonne oil equivalent (MMtoe), which declined to 10.171 MMtoe in 2022-23. This decrease has mainly been due to force majeure conditions in Russia, extensive floods in South Sudan, licence expiry in a producing asset in Colombia as well as outages in a few other producing assets.

OVL, which has less than \$100 million of dividend

income lying in Russia because of Ukraine conflict, is not in a hurry to bring it back. You also mentioned some banking challenges. What are the challenges that still remain?

At present trade between India and Russia has increased and the quantum of proceeds from the trade has also commensurately increased. By comparison, our dividend amount is modest. OVL gets dividends on profits made by the operating consortium from selling oil and gas produced from the fields. Though there do exist some restrictions on repatriation of funds, we remain invested and are optimistic of an early and satisfactory resolution.

The dividend amount is parked in our accounts in Russia and there is no challenge there. Besides, we do have major investments in Russia and need funds to run our setups there. Therefore, there is no urgency to move it. However, in the eventuality that we do need to move the funds, then we would need to look at suitable banking channels.

We are in close collaboration with our partners and operator in Russia, and we remain invested in the country for synergistic growth in our quest for energy security.

Talking about Russia, what is the status on Imperial? You were looking for a technical partner there? Will you offer equity in the asset to the partner?

We are producing from Imperial. At present, it is business as usual for us there, but yes, we were looking at partners with expertise. In fact, we progressed on that

front in 2021 and in early 2022 had reached a fairly decisive level, but then in between things came to a standstill due to a changed geopolitical scenario.

We are relooking at this endeavour of bringing in a suitable strategic partner but this would take about 12-18 months for fruition. We seek local partners who have the technical, operational, and domain expertise. As regards how will the partnership work out, it is still early days, we can consider from a basket of options.

How would you evaluate the present health of OVL? What are your growth plans?

OVL has faced significant business challenges in the past year affecting its portfolio right from geopolitical events, increased regulatory oversight, tightening fiscal regime, unprecedented floods affecting operations, and ageing fields which has reflected in its declining production.

We are currently in a consolidation phase but expect to organically grow over the next 4-5 years by 4.5 MMtoe once our offshore assets in Mozambique and Brazil commence production. We are also very optimistic about block CPO-5, our operated project in Colombia where we believe significant upsides exist. We have also obtained extensions in exploration licence periods in South Sudan, Colombia, Bangladesh, Myanmar; in Vietnam, we have had licence validity of a producing field extended.

With all these steps we expect to organically grow our production number by almost 60 per cent from the present level in the next 6 years.

INVESTOR INTEREST to be dull until greater clarity emerges on oil price dynamics, say analysts

Saudi Move to Cut Crude Output Pulls OMC Stocks Down Further

Our Bureau

Mumbai: Investor appetite for oil marketing companies (OMCs) may subside in the near term after Saudi Arabia — the largest producer of oil — adhered to more production cuts, causing global crude prices to spike near \$80 a barrel. Analysts said the spike in crude prices beyond \$80 could start impacting the margins of these companies.

Shares of state-owned OMCs retreated for the second straight day. Bharat Petroleum Corp (BPCL) ended nearly 1% lower at the end of Monday's trading after falling as much as 1.4% earlier in the session. Shares of Indian Oil Corp (IOC) and Hindustan Petroleum Corp (HPCL) also settled lower after falling 1-2%.

"There is a lot of uncertainty with respect to global growth rates and therefore demand and supply of crude oil," said Deepak Jasani, head of retail research, at HDFC Securities. "OMCs may remain under pressure

Prospects Uncertain

Company	Current Price (₹)	Last Close Change (%)
Chennai Petro	376	-1.04
BPCL	357	-0.85
HPCL	257	-0.60
IOC	89	-0.39
ONGC	155	0.42
RIL	2,480	1.01
Oil India	255	2.00
Asian Energy	112	3.70
HOEC	197	5.74



until more clarity on the dynamics of crude oil emerges."

On Monday, Brent crude futures rose 2.5% to touch \$78 a barrel. In the past four sessions, Brent crude is up nearly 7%.

This is after Saudi Arabia announced further cuts to its oil production. From July, its oil output will

drop to 9 million barrels per day (bpd) from around 10 million bpd at the end of May.

As the outlook for OMCs remains uncertain and is more dependent on global events, analysts even flagged concerns about crude oil touching \$100 a barrel on the back of consistent and timely production cuts by the

members of the Organization of Petroleum Exporting Countries (OPEC), a cartel of oil-producing nations, as well as the decline in US oil rigs.

"These cuts could result in large supply deficits in the second half of calendar 2023, they said.

"More broadly and medium term, my view is oil is in the foothills of a multi-year boom price cycle," said Bob McNally, founder and president of Rapidan Energy. "Only a recession can delay it."

McNally says Sunday's production cuts by Saudi Arabia will exacerbate supply deficits. At the same time, he expects the US economy to turn weaker, which will keep oil prices in a range. "It all depends on the underlying economy," he said.

At home, Jasani sees limited upside in oil refineries despite favourable valuations and attractive dividend yield. However, he remains doubtful if crude oil prices will sustain at higher levels despite repeated cuts by top oil exporters against a backdrop of bleak global growth outlook.

Recovery Slippery With OPEC+ Action

India's interest-rate upcycle can lengthen

A deepening divide between oil-consuming and oil-producing countries is forcing the latter to seek price support through production cuts. This could delay a global economic recovery. On Sunday, Saudi Arabia announced a second round of cuts after the Organisation of the Petroleum Exporting Countries plus Russia (Opec+) decided in April to pump less oil, following a G7 plan to cap Russian crude price. The April announcement propped up oil prices briefly. But weak demand in the US, EU and China brought it below the level Opec is comfortable with. Oil producers are seeking stable prices, and are likely to pile on the pressure given years of underinvestment in extraction. They claim the low investment is a fallout of climate commitments by consuming nations.

The West sees Opec+ actions as an overreaction to monetary tightening, vulnerabilities among banks and suspension of the US debt ceiling, all three contributing to raising credit costs. Opec's pursuit of stability in oil prices could force central banks to hold interest rates higher for longer. The discord between oil buyers and sellers makes the market more volatile by affecting reserve holdings and production from alternative sources such as shale oil.



Emerging economies like India that have less of a voice in the global energy market face an uncertain recovery path since the outbreak of hostilities between Russia and Ukraine. They have little recourse as oil and the dollar are weaponised. Increased volatility in crude prices also introduces new elements into the policy mix. Retail fuel price movements are bunching up as Indian refiners try to stabilise short-term movements in crude oil rates. This aids persistence of inflation. Indian interest rates are extra sensitive to oil prices because of the economy's heavy import dependence. This could lengthen the interest-rate upcycle. Securing cheaper crude from Russia creates lopsided bilateral trade that needs a settlement mechanism. Unstable energy prices also affect India's ambitious self-imposed targets on carbon emission.

Big, Bad Businesses? No

Why recent critiques of 'excessive economic power' of Indian conglomerates by Nouriel Roubini, Viral Acharya aren't supported by either global comparisons or data

Somnath Mukherjee



Has India's economic policymaking, especially on the industrial-manufacturing front, veered sharply towards creation of a few National Champion (NC) businesses, spanning infrastructure, manufacturing and even services?

The hypothesis has gone beyond gossipy speculation, with Nouriel Roubini (famously credited for "predicting" the global financial crisis in 2008) talking about it. More recently, Viral Acharya (former deputy governor, RBI) blamed the market power of "five conglomerates" (the names usually identified as putative NCs) for high inflation in India. Is it the dawn of Indian chaebols with disproportionate market influence?

Joan Robinson never gets obsolete – "Whatever you say about India, the opposite is also true" – pretty much defines everything about our country. It would seem the NC hypothesis isn't immune to that, despite sage analysts like Roubini and Acharya.

A business house owns India's only aircraft manufacturing company, perhaps the largest coastal shipping company, a construction business executing some of the largest public projects and the country's largest confectionery brand. National Champion? The business house in question is the Walchand Hirachand family, the time was pre-1947. That's a business house not quite well known today.

Immediately post-Independence, the policy thrust was to create only one NC for business – the Government of India! The question to ask though is not whether there are NCs – essentially conglomerates with diverse business footprint – but whether they imply a clubby private monopoly. Korean chaebols club, for example, hasn't had a new entrant for 50 years.

Data often queers the pitch for elegant hypotheses, it's not terribly different in this case. In the financial year ending

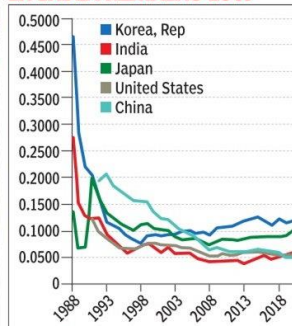


March 2022, of the top 20 listed companies by profits, six were public sector undertakings. There were four standalone IT services firms, four private sector banks/financial institutions, one standalone consumer company. Conglomerates, ostensible NCs, had merely five entries.

Interestingly, the top 20 companies contribute to a whopping 70-75% of the total profit pool of India Inc. In other words, if there are oligopolies getting created – and it's a global, rather than uniquely Indian trend – these 20 companies are the biggest oligopolies. But India's conglomerates don't seem to be the outsized beneficiaries.

Further, composition of the cohort itself has been dynamic. In 2015, there were five companies that didn't figure in the 2022 list – two conglomerates and three PSUs. In 2022, they were replaced by two PSUs, one standalone IT services company and two conglomerates (of which one is a new conglomerate with no representation in 2015). In short, it's a revolving door of oligopolies at the top,

ECONOMIC CONCENTRATION IN INDIA REMAINS LOW



Source | World Integrated Trade Solutions
Note | Graph Represents Herfindahl-Hirschman Market Concentration Index

rather than a static pool.

A lot of chatter about NCs has been around presumed dominance of some conglomerates in infrastructure. Some nuance is in order. The definition of infrastructure has changed dramatically over the years. Digital infrastructure, perhaps the most critical piece of national infrastructure today, is largely publicly owned.

Payments pipes – UPI, RTGS, NEFT – are all publicly owned. The primary health stack is publicly owned. God-developed ONDC will usher in a large public utility in retail e-commerce.

The general conversation around infrastructure often veers around the visible parts of it – power, roads, ports, airports, oil & gas. While these sectors, like most in infrastructure, lend themselves to oligopolies, the market shape is by no means one-way. The largest power generating company in the country is state-owned NTPC. Similarly, state-owned Power Grid Corporation of India owns more transmission lines than all

other transmission companies put together. In national highways, state-owned NHAI owns the bulk of the highways/expressways. In airports, where the private sector dominates, the top five airports in the country – Delhi, Mumbai, Bengaluru, Hyderabad and Kolkata – are owned by four different operators, only one of which can be described as an NC conglomerate.

Gauging the level of concentration of an industry or an economy, at an empirically rigorous basis, is a tough task. The Herfindahl-Hirschman Index (HHI) is a common measure of market concentration and is used to determine market competitiveness. The lower the measure, the less concentrated (or oligopolistic) the market/economy is deemed to be.

As can be seen from the chart, after several decades of free trade gains, market concentration trends returned in the late 2000s. Industries are getting more concentrated – but it's a global phenomenon. India's HHI scores are in line with large global and regional economies. Ergo, while the Indian economy has gotten more concentrated over the last few decades, it's hardly unique.

Unsurprisingly, the hypothesis of market power driving high inflation is unsupported by data. The bulk of India's inflation is food and commodities related. NCs (for that matter any organised sector company) have a marginal share of the food ecosystem, including retail, which is overwhelmingly unorganised. Commodities on the other hand are driven by global prices. The big commodity companies owned by some conglomerates are price-takers rather than price-makers.

In short, India isn't turning into a haven for a few monopoly NCs, some micro aberrations aside. The debate should shift to more important questions on increasing levels of investment and aggregate demand in the economy – increasing the cake instead of litigating whether someone is potentially getting an outsized share of the cake.

The writer is Chief Investment Officer, ASK Wealth Advisors. Views are personal

Oil prices rise as Saudi announces output cuts

IANIS / London

Oil-producing countries have agreed to continued cuts in production in a bid to shore up flagging prices, the media reported on Monday.

Saudi Arabia said it would make cuts of a million barrels per day (bpd) in July and OPEC+ said targets would drop by a further 1.4 million bpd from 2024, reports the BBC. OPEC+ accounts for around 40 per cent of the world's crude oil and its decisions can have a major impact on oil prices.

In Asia trade on Monday, Brent crude oil rose by as much as 2.4 per cent before settling at around \$77 a barrel. The seven hour-long meeting on Sunday of the oil-rich nations, led by Russia, came against a backdrop of falling energy prices.

● MPC JUNE MEETING

THE MPC WILL LIKELY STRIKE A CAUTIOUS NOTE ON FUTURE INFLATION WHILE ACKNOWLEDGING THE RECENT BETTER-THAN-EXPECTED INFLATION PRINTS

Expect status quo on stance

CONSENSUS EXPECTATIONS ARE for a status quo on the repo rate at the upcoming Monetary Policy Committee (MPC) meeting on June 8.

This is not surprising as headline CPI inflation continues to moderate, and the May CPI is expected to print at c.4.5%, lower than 4.7% in April. With domestic price pressures contained so far, headline CPI inflation is set to undershoot the MPC's Q1-FY24 (quarter beginning April 2023) forecast of 5.1% by c.30-40bps.

Also, lower global commodity prices—on concerns around China and Europe growth—have kept input price-driven inflationary pressures in check. Specifically, crude oil prices have stayed below \$80/bbl since April, lower than both the MPC's and market expectations of \$85/bbl—a likely peaking of global rates may also support a pause on rates.

Besides, domestic growth has held up better than expected, evidenced in the recent GDP release, which showed Q4-FY23 GDP growth of 6.1% and an upward revision to FY23 growth to 7.2% (from the initial estimate of 7%). This combination of moderating inflation and steady growth momentum provides the MPC room to stay on hold and assess the impact of rate increases (250 bps since last year) on the economy.

The key focus for the market would thus be on the tone of the statement, the stance (currently at 'withdrawal of accommodation') and the voting pattern of MPC members on both the rate and the stance.

The MPC is likely to strike a cautious note on future inflation and maintain its 'withdrawal of accommodation' stance, while taking note of the better-than-expected inflation prints recently, for the following reasons.

ANUBHUTI SAHAY

Head (South Asia), economics research, Standard Chartered Bank



First, there is significant uncertainty on monsoon performance. The onset of the monsoon has already been delayed. While the Indian Meteorological Department (IMD) has forecast a normal monsoon in the June-September period, the probability distribution shows a 45% chance of a below-normal monsoon. Private weather agency Skymet has already forecast a below-normal monsoon for this year.

Good crop production and reasonable reservoir levels are encouraging. However, in case the monsoon disjoints (intertemporal and interspatial distribution will be equally important factors to watch), risks to benign food inflation so far could increase. This is especially true for segments like perishables.

While the government has suffi-

cient buffer stock for rice, which is the main crop in the summer season, inflationary pressures could rise on account of low stock of wheat and price pressures on pulses. The MPC is thus expected to patiently watch out the monsoon period before changing its vigil on inflation.

Second, global commodity prices have consistently surprised to the downside, primarily due to disappointment around China's growth. With a likely announcement on a stimulus package by China's policy makers, the impact on the commodity space will need to be closely watched. This also becomes important in the context of yet another round of crude oil production cuts by Saudi Arabia, which has pushed Brent prices higher to \$77/bbl.

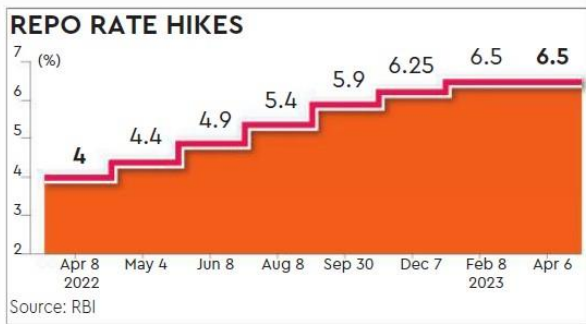
Third, any softening of stance in the June policy meeting could impinge the full transmission of policy rate increases so far. While the Weighted Average Call Rate (WACR) and mortgage rates have seen significant transmission, bank lending rates as captured by the Marginal Cost of Lending Rate (MCLR) have seen only 50-60% transmission. Any softening in stance/ tone could impede monetary policy transmission, in our view.

Similar to the April policy meeting, the MPC would want to contain market expectations of a rate cut in 2023, especially amid uncertainty on the monsoon and still-strong growth momentum; the market is currently pricing a 10 bps rate cuts in the next six months. Risks of better-than-expected domestic growth and its consequent impact on pricing power of goods/services providers will be another monitorable for the rest of the year.

In this context, the voting pattern of MPC members will be interesting to watch. To the market's surprise, the MPC unanimously voted for a pause in April, with slightly more cautious comments on the inflation outlook driven by monsoon uncertainties and the crude oil supply cut by OPEC+. Continued monsoon uncertainty is likely to keep the tone of the statement cautious, in our view.

Besides the MPC's rate decision and the tone of the statement, the market will closely watch for any guidance on Indian rupee (INR) liquidity. In recent weeks, the Reserve Bank of India (RBI) has announced measures to reduce volatility in overnight rates.

While the RBI may prefer to conduct operations to fine-tune liquidity to keep the WACR anchored to the repo rate rather than mentioning anything explicitly in its policy statement, any guidance will still be watched.



BPCL begins pilot project for ethanol-blended diesel

New Delhi: Bharat Petroleum Corporation (BPCL) and truck manufacturer Ashok Leyland have initiated a pilot programme to test the effectiveness of ED7 (Diesel blended with 7 per cent ethanol) fuel. The ED7 fuel, developed by BPCL-R&D, consists of 93 per cent diesel and 7 per cent ethanol. The blend has undergone rigorous testing and validation on the engine test bench in collaboration with Ashok Leyland, BPCL said. OUR BUREAU

Not much headroom to expand oil imports from Russia: S&P

Rishi Ranjan Kala
New Delhi

Even as India has emerged as the largest buyer of Russia's seaborne crude oil, surpassing China, the level of imports by the world's third largest energy guzzler is expected to remain in the range of 1.9 million barrels per day (mb/d) going ahead.

"We believe that India will struggle to increase imports of Russian crude much beyond 1.9 mb/d due to technical constraints in the refining system," S&P Global Commodity Insights told *businessline*.

Indian crude oil imports from Russia clocked an average of 1.9 mb/d in May this year, accounting for more than 40 per cent of the total in-bound shipments.

IMPORT VOLUMES

Daniel Evans, Global Head of Fuels and Refining at S&P Global Commodity Insights, said that he does not anticipate a "big swing" in crude oil export volumes from Russia.

"I think not on a sustained basis. We don't see a big swing, for example, from Russia exporting a mix of crude and product to exporting much more crude. I think they will continue to run the domestic refining system, remain self-sufficient on gasoline inside of Russia. That would put products in the international markets, but we are not going to see this big swing towards exporting more crude," he said on the increase in import volumes.

Evans emphasised that from a buyer's perspective, there are three questions that really could limit what people would be willing to take from Russia.

"One of them is econom-



LARGEST BUYER. Indian crude oil imports from Russia clocked an average of 1.9 million barrels per day in May REUTERS

ics, does it make more sense to buy more Russian crude? Technically, can you run more Russian crude through your refining system, and then strategically does it make sense to increase your dependence on a single supply," he explained.

REFINED PRODUCTS

Evans pointed out that India's rising domestic consumption and opportunities for increasing export of refined petroleum products is a "nice problem".

"On one hand we see a strong Indian economy relative to other parts of the world that's obviously positive for demand and contributes to keeping more of the domestic production in the market. On the other hand, we see the economics being favourable for increasing runs at a fairly high level. So, I think there is a balance to be found. Yes,

you got higher runs on one side, but you also got higher domestic demand to meet. In a way it is a nice problem," he added.

The domestic demand for refined products stood at 4.8 mb/d in 2022 and is expected to rise to 5 mb/d in 2023 and 5.2 mb/d in 2024.

On the Russia-India oil trade relationship, he said, "Our view is that some of the trade flows that have been established in the last 12-18 months are there for the foreseeable future. So, we do expect Russia to rely on the new customers it has found for crude and product."

S&P expects India to be a net exporter of naphtha, gasoline, jet/ kero and gas-oil. The net export numbers for the sum of those products stood at 1.1 million b/d in 2022 and is expected to be flat in 2023 calendar year. It is likely to decline to 1 mb/d next year.

RBI's crucial role in energy transition

The central bank's recent report has key measures to mitigate climate risks and attract investments in low-carbon assets

Shantanu Srivastava
Saurabh Trivedi

India's net-zero targets require approximately \$10 trillion by 2070. Mobilising such an amount requires collaborative efforts from everyone in the financial system.

The Reserve Bank of India's recent report underlines its key role in mitigating the risks of transitioning to a low-carbon economy. The report proposes several measures to attract investments for expediting India's energy transition.

In recent years, central banks and financial regulators worldwide have recognised the importance of addressing climate change risks that can significantly impact the financial system's stability and the broader economy.

Drawing on global cues, the RBI's report suggested several monetary policy and prudential regulations to mitigate climate risk while encouraging climate-friendly investments. The proposal includes a new scheme to lower borrowing costs for renewable energy

firms by extending priority sector lending and providing low-cost funds to banks. They also consider accepting Sovereign Green Bonds as collateral, offering more flexibility in margin requirements. Additionally, it proposes to adjust reserve requirements to support credit flows to green sectors.

These initiatives are commendable, but the RBI has several other levers for countering climate risks that will unlock domestic and international capital into Indian low-carbon assets.

On the monetary policy front, the RBI can alter the Collateral Framework for Statutory Liquidity Ratio (SLR) for commercial banks in the country.

Collateral requirements changes for SLR can support investments in low-carbon assets. Currently, only State and central government debt are SLR-eligible.

Sustainable debt issuance in India reached \$8.5 billion in the FY22, of which corporations raised a significant portion. Designating sustainable bonds from top-rated corporate issuers as SLR-eligible would boost the domestic sustainable finance market. The approach aligns with central banks like



RESERVE BANK. Climate imperatives
NAGARA GOPAL

the US Federal Reserve, the European Central Bank, and the Bank of England, which hold corporate debt exposure on their books.

Regarding prudential regulations, the RBI can establish the Countercyclical-Climate Buffers. Basel III norms introduced capital buffers for banks, namely the capital conservation buffer and countercyclical capital buffer (CCyB). While the RBI has implemented the capital conservation buffer, the CCyB is pending. Climate risk requires a dedicated capital buffer as it poses systemic risks. A climate risk buffer linked to loan composition can promote

lending to low-carbon assets.

The RBI can ease the External Commercial Borrowing (ECB) norms to draw foreign investment in India's clean energy sector. By recognising the sector as a separate industry and relaxing sectoral caps, the RBI can allow borrowers to raise funds beyond the current \$750 million per year limit.

Creating a dedicated hedging pool for clean energy companies borrowing through ECBs can make investing in green projects more attractive and financially feasible.

Further, India can attract billions of dollars of foreign investment in clean energy by strategically allocating a small portion of its \$580 billion forex reserves under the RBI's management for risk mitigation initiatives like currency hedging subsidies and credit guarantees.

The RBI's commitment to addressing climate risks and promoting sustainability would be instrumental in shaping a climate-resilient financial landscape.

Srivastava is an Energy Finance Analyst; and Trivedi is a Research Analyst at the Institute for Energy Economics and Financial Analysis

Renewable energy mix in total power generation to touch 35 per cent in FY27

G Balachandar
Chennai

Renewable energy sources (RES) are expected to make up more than one-third of total energy generation in the country by 2026-27, and about 44 per cent by 2031-32.

“The Indian power sector is poised to witness significant capacity addition from renewable energy sources, increasing variable renewable energy (VRE) penetration. The cost economics also indicates that RE-based capacity addition is expected to account for a larger share of the total capacity addition in the future. However, the large-scale addition of RE capacity would require additional flexible generation in the system to balance the grid,” according to a National Electricity Plan



document of the Central Electricity Authority.

Based on capacity addition targets, the expected electricity generation from renewable energy sources is estimated at 710 billion units, accounting for 35 per cent of the total energy generation in 2026-27.

This is expected to increase to 44 per cent at 1,172 billion units by 2031-32.

Solar is expected to be the major contributor, followed by hydro and wind energy.

In FY23, energy generation from RES stood at

203.55 billion units (up from 170.91 billion units in FY22), accounting for 12.53 per cent of the cumulative energy generated (1,624.47 billion units) in the country. The solar segment accounted for 6.28 per cent of the generation, and wind energy 4.42 per cent during the period.

RAJASTHAN LEADS IN RE Rajasthan led the States in renewable energy generation at 41 billion units, followed by Gujarat and Karnataka at 30 billion units each.

Tamil Nadu's total renewable power generation stood at 28 billion units. Maharashtra and Andhra Pradesh generated 17 billion and 16 billion units respectively in FY23.

Overall, the southern region accounted for the biggest share of RE generation at 83 billion units, fol-

lowed by the Northern region (59 billion units), and the Western Region (58 billion units).

By 2026-27, the total installed capacity of RES (including the large hydro segment) is estimated at about 337 GW, and by 2031-32 at 596 GW.

“The renewable sector in India is set to expand and supply electricity to an increasingly large number of people. From public transport to infrastructure for industry and societal development, renewable energy and the technological capability to store power for on-demand usage creates a new dynamic within the country to further explore green opportunities for the future. With the ambitious plan, the country can accomplish the dual goal of economic development and green-energy production,” said the report.

Registration of CNG vehicles up in May

Aroosa Ahmed
Mumbai

Compressed Natural Gas (CNG) vehicles witnessed an uptick in registrations in May after a dip in April.

A total of 30,358 CNG vehicles were registered in May, compared with 29,376 in April, according to Vahan data. "After a sequential dip in April by 8 per cent (owing to reduced supply by OEMs during the beginning of the fiscal) CNG vehicle sales grew 10 per cent sequentially in May.

Further, OEM production will be adjusted to cater to the rising demand for CNG vehicles on account of the price cut.

The improvement in the total cost of operation for a CNG vehicle versus alternative fuel types along with the establishment of more CNG stations will drive CNG sales across segments in the near term," said Pushan Sharma,



A total of 30,358 CNG vehicles were registered in May compared with 29,376 CNG vehicles in April according to Vahan data

Director - Research, CRISIL Market Intelligence & Analytics.

The cumulative sales of April-May 2023 are up 16 per cent on year, while the CNG penetration achieved in April and May 2023 is similar to that of Q4 FY23.

CNG PRICE CUT

Indian automobile companies are also introducing CNG variants of their vehicle models, with Tata Motors recently

introducing the Tata Altroz CNG. This comes after prices of CNG were reduced on April 6, after the Cabinet committee approved the new plan for domestic natural gas pricing.

The retail sales of CNG passenger vehicles increased 40.7 per cent, despite price rise in FY23, according to CareEdge Ratings.

"We believe that in the medium term, CNG vehicles will continue to see sustained strong demand growth, not-

withstanding the steep price rise witnessed in FY23. Now, with the reduction in CNG prices and its volatility under the newly administered price mechanism, the attractiveness of CNG as a fuel has further extended, which will boost CNG vehicle sales for FY24," said Yogesh Shah, Senior Director, CareEdge Ratings.

India can reduce pollution by 40% by not using fossil fuels: Gadkari

PNS ■ NEW DELHI

India can reduce its pollution by over 40 per cent by not using fossil fuels like petrol and diesel, while the country imports crude oil worth Rs 16 lakh crore every year, Union Minister Nitin Gadkari said.

"We can reduce 40 per cent pollution by not using fossil fuels like petrol and diesel," Gadkari said addressing Green Urja Conclave organised by Confederation of Renewable Energy Service Professionals and Industries (CRESPAI) in association with IIT-Delhi, IIT-Ropar and University of Delhi here.

He said, "We import fossil fuels worth Rs 16 lakh crore every year. It poses a big economic challenge for us. It also causes pollution. Besides, we also



import coal worth Rs 12 lakh crore. We need to reduce our new technologies and improvise those also."

He emphasised on the importance of institutions like Indian Institute of Technology (IIT) for bringing new technology for promoting clean and green energy.

He opined that the new technology should be need based,

economically viable and the raw material for it should be available.

He highlighted that India is targeting 500GW of renewable power generation capacity by 2030 and that the renewable energy installed capacity is at 172 GW in the country and India is at the fourth position in the world in terms of clean energy capacity.

"Our total power basket has 38 per cent share of solar energy", he pointed out.

Solar power cost came down to Rs 2.60 per unit while other green energy costs Rs 6.5 per unit, he pointed out.

"State government discoms (utilities which distribute and generate power) have a loss of Rs 16 lakh crore at present. They are following a good policy -- more generation more losses, no generation, no losses," he said.

DOLLAR GAINS AFTER STRONG JOBS DATA IN US

Rupee Sees Biggest Drop since March 14 on Likely Fed Hikes

Unit closes at 82.68 a dollar, down from 82.31 on Friday; rise in oil prices weigh too

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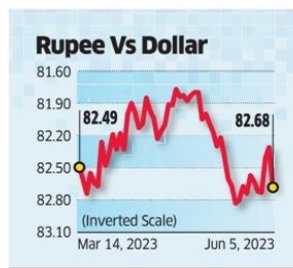
Mumbai: The rupee on Monday suffered its sharpest single-day fall against the dollar in two-and-a-half months as unexpectedly strong US employment data boosted the greenback by keeping alive the chances of more Fed rate increases.

The decision of the Organization of the Petroleum Exporting Countries (OPEC) to announce an oil production cut also hurt the rupee as importers rushed to lock in purchases of the dollar-denominated commodity.

The rupee closed at 82.68 per US dollar, against 82.31 Friday. Monday's move in the rupee marked the steepest single-day decline in the local currency since March 14, Bloomberg data showed. Data released after Indian trading hours on Friday showed the US non-farm payrolls rose by 339,000 in May, far more than a Reuters estimate of around 190,000 jobs additions.

"Upbeat US jobs and the debt-ceiling deal optimism allow DXY (dollar index) and 10-year UST yields to remain firm. The Chinese yuan remained under renewed pressure, adding to the rupee depreciation," said Kunal Sodhani, vice-president, Shinhan Bank.

While recent comments by Federal Reserve officials indicate the US central bank may skip a rate hike in June, the upbeat jobs data has made it difficult to rule out further tightening in coming months. Higher US interest rates lead to a stronger dollar, exerting pressure on emerging



market currencies, like the rupee.

The US dollar index rose well past the 104 mark on Monday, climbing to 104.26 during Indian market hours. The index was around 103.95 on Friday.

"Dollar demand in the NDF (non-deliverable forwards) market was also seen while oil prices rose as well after production cuts. Forward premium also saw a drop across the curve. For USD/INR, 82.30 continues to act as a good base while 82.90 is a resistance," Sodhani said.

Upbeat US jobs and the debt-ceiling optimism allow dollar index and 10-year UST yields to remain firm, say analysts

While most Asian currencies weakened against the US dollar on Monday, the rupee underperformed, ranking tenth among 11 currencies, Bloomberg data showed.

"An interest rate pause from RBI is also set to weigh on the currency as a narrow interest rate differential disincentivises investors," HDFC Securities research analyst Dilip Parmar said.

With US bond yields having risen at a faster clip than their Indian counterparts, interest rate differential between the two countries has shrunk, thus eroding the appeal of domestic assets for overseas investors.

Former BPCL official gets 7 e-challans for traffic violations he didn't commit

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NAVI MUMBAI: On May 5, Ravi Pratap Suryanath Singh, director at a private firm, was in Bhubaneswar on a work-related trip when he received a text message from the Maharashtra transport department that said he was penalised ₹2,000 for speeding in Chembur the day before.

There was nothing out of the ordinary in the message as the registration number was the same as that of his own car. But what perplexed him was the fact that his vehicle was parked at his Ulwe residence when he had left for Odisha. Curious, Singh rang up his son and enquired with him if he had taken the car out, but he replied in negative.

So, the first thing Singh, a former executive director at BPCL (Bharat Petroleum Corporation Limited), did on his return to Navi Mumbai last week was to check his vehicle's records on the website of the state traffic

department. To his shock, there were seven e-challans issued to him between November 2022 and May 2023.

"When I paid a challan in November 2022, I did not ponder when and where I had flouted the traffic rules. But the records showed that an e-challan was also issued in January, followed by four in April and one in May. I mostly travelled this year, so these challans surprised me," Singh told HT.

Singh said he had even planned to visit the Worli office of the traffic department to find out the details of his violations when he came to know that one could download an e-challan that too had a photo of the vehicle.

"While verifying the e-challans, I found that the vehicle in question was not my car. Someone had faked my car's registration number and used it on his vehicle which is identical to mine," he said.

Both the cars were grey-col-



Someone had faked my car's registration number and used it on his vehicle which is identical to mine

COMPLAINANT

oured Maruti Suzuki Ciaz with the same number plate but what helped Singh to discern the difference was the variant. "While the accused used a hybrid variant, I have a VXi variant with a back camera, which too was missing in the challan photos," Singh, 61, said.

A minute check also revealed that the fonts used in both number plates were different and so was the placement of screws, he

said. "Besides, there were four people in the conman's car who were not at all related to me."

A total of ₹10,700 was to be paid for the six e-challans with the fake number plate, Singh pointed out. "More than the money, I was worried that if the car was misused then I would be held responsible."

Based on Singh's complaint, the Nhava Sheva police have registered a case and are on the lookout for the accused.

"A total of seven e-challans were found for offences like speeding and not wearing seat belt. On checking the photos clicked by the CCTV cameras, the complainant realised that the make and colour were same, but the variant was different," a police officer said.

"We are working on this case in coordination with the Mumbai traffic police. We have found some leads and the accused will be arrested soon," senior police inspector Sanjeev Dhumal from Nhava Sheva police station said.

Govt working on incentives to push electric cooking

MANISH GUPTA
New Delhi, June 5

TO REDUCE DEPENDENCE on gas as cooking fuel, the government is working on aggregation models to promote electric cooking in kitchens, and is also likely to announce a set of incentives to encourage rural households to switch over.

“After the success of Ujjwala Yojana that brought in clean cooking protecting the health of rural women, electric cooking is going to be our new focus,” Ajay Tewari, additional secretary, ministry of power, said at an event here on Monday.

The ministry is planning to move from clean cooking to e-cooking but faces the challenge of expensive appliances. For this, it has engaged Energy Efficiency Services (EESL), a joint venture of PSUs under the ministry of power.

“We do not have (much) gas reserves in our country, so we need to preserve gas and switch to electricity and this has to come from renewable sources. We are developing some models where affordability is the biggest issue to be tackled,” he said.

India’s LPG consumption has gone up 83% over the past decade from 15.6 million metric tonne in FY13 to 28.5 MT in FY23, as per data from Petroleum Planning and Analysis Cell. About 90% of LPG is con-

sumed by households. Even the number of domestic piped natural gas (PNG) connections in India has shot up four times from 2.5 million in 2014 to 10.3 million in 2023.

Tewari said the ministry is working on several models where e-chulha or e-kitchen get electricity either from the grid or from the off-grid solar in rural households that may not be able to afford electricity bills due to e-kitchens.

“We want to come out with some aggregation model where carbon credits will also get aggregated which will offset some cost of the electricity consumed and EESL are good in aggregation modeling,” the joint secretary said.

EESL was instrumental in the success of LED Ujala scheme that helped bring down the cost of LED bulbs from ₹300-₹400 to less than ₹100. They also helped bring down the cost of e-bus models by one-third.

“We are moving towards an Indian model of e-cooking to serve Indian kitchens. If we have standard and affordable models, we should be able to cover all urban areas within 2-3 years. By 2030, we will like to cover as many households as possible under e-cooking. This will contribute significantly to our fight against climate change,” Tewari said. He said that if required some subsidy will be announced initially.

The ministry faces the challenge of expensive appliances, for which it has engaged Energy Efficiency Services

Bets on coal, tobacco pay off for PPFAS

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NEW DELHI

Even as ESG investing gains traction globally as one of the hottest strategies, one Indian fund manager's bet against the trade has proved to be a big boon.

The Parag Parikh Flexi Cap Fund boosted holdings of Asia's largest cigarette maker ITC Ltd. and the world's top miner by production Coal India Ltd. at low valuations three years ago, when some large investors balked at them. Those bets helped the fund deliver a return of 14% so far this year, outperforming 90% of its peers.

"For some time the whole thinking in the investing world was that everything



Rajeev Thakkar, CIO, Parag Parikh Financial Advisory Services

should be ESG and how can you have fossil or tobacco companies," Rajeev Thakkar, who manages about \$4 billion as the chief investment officer for Parag Parikh Financial Advisory Services Ltd., said in an interview last week.

Global funds, especially

money managers based in Europe, have been trimming their exposures to tobacco, coal and oil companies in recent years to comply with their environmental, social and governance mandates.

That drove the valuations of companies in these sectors to "ridiculously low levels," and that's when we realize there lies a great opportunity, Thakkar said.

European funds' ownership of ITC shares declined by about 5% over the past five years, according to data compiled by Bloomberg. ABRDN PLC, Deutsche Bank AG and Principal Financial Group Plc are among

funds that narrowed holdings in the firm, which earns more than 40% of its revenue from tobacco.

ITC's shares trailed the Sensex for five out of eight years through 2020 but have

The fund has ITC as its second-largest holding and Coal India as the tenth-biggest, according to the latest filing

turned into one of the benchmark's best performers since then, a period during which Thakkar raised his fund's holdings in the Kolkata-headquartered firm, which

counts British American Tobacco Plc among its key stakeholders.

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Blending fiats not right way to sustainable jet fuel: IATA

India is weighing a directive mandating airlines to use blended sustainable jet fuel by 2025

Anu Sharma
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NEW DELHI

The Indian government's policy on making use of sustainable aviation fuel mandatory for airlines may not be as effective as envisaged and can result in higher prices of the fuel due to limited production currently, International Air Transport Association (IATA) director general Willie Walsh said on Monday.

"The US approach to SAF is the most advanced with a system of tax credits to drive up production levels. This will be more effective than purchase mandates being considered as far and wide as Singapore, India and Europe. When there is not enough supply, a purchase mandate will drive prices up, stall innovation and limit competition long before supply increases," Walsh said while addressing IATA's annual general meeting in Istanbul.

In the US, producers of sustainable aviation fuel or green fuel are eligible for a tax credit of \$1.25 per gallon. The qualifying green fuel must reduce greenhouse gas emissions by 50%. If the green fuel reduces greenhouse gas emissions by more than 50%, then it is eligible for an additional \$0.01 per gallon for each percentage point reduction up to \$0.50 per gallon.

Sustainable aviation fuel is any fuel that has similar properties to conventional jet fuel but generates lower carbon emissions.

In India, the government is considering issuing a directive mandating airlines to use blended sustainable aviation fuel (SAF) by 2025.

"We have put together an advisory saying we will look at 1% blending of sustainable aviation fuel by 2025, 2% by 2026, and 5% by 2030," Union civil aviation minister Jyotiraditya Scindia told Mint in April.



In the US, producers of sustainable aviation fuel or green fuel are eligible for a tax credit of \$1.25 per gallon.

The civil aviation ministry also proposed that Indian airlines participate in a joint venture to produce green fuel. The ministry has asked carriers whether they will be willing to hold a 25% stake in the joint venture.

The concept of sustainable aviation fuel is developing and airlines are exper-

imenting with the green fuel by operating demonstration flights. In May, AirAsia India operated a commercial passenger flight from Pune to New Delhi using a 1% blend of indigenous sustainable jet fuel. SpiceJet, IndiGo, Air India and Vistara have also taken steps towards sus-

tainable fuel-powered flights and a sustainability framework. "By 2025, if we target to blend 1% SAF blending in jet fuel, India would require around 140 million litres of SAF per annum. More ambitiously, if we target for 5% SAF blend, India requires around 700 million litre of SAF per annum,"

million liters. With the right supportive policies, reaching 30 billion liters by 2030 is challenging but achievable. That would be about 6% of the 450 billion liters annual production capacity we need in 2050," Walsh said.

He added that stakeholders need to address the problem of insufficient production capacity to meet the demand for green fuel by increasing the number of pathways for SAF production and diversifying feedstocks.

"And if there is an early policy decision that is needed, it is to establish global standards for a SAF book and claim system that can fairly allocate SAF credits with no double counting. It will help facilitate economies of scale in SAF production. And it will avoid the long-distance shipping (or even importation) of SAF, which would only degrade its climate credentials," Walsh said.

SHADES OF GREEN

AVIATION ministry also proposed that Indian airlines participate in a JV to produce green fuel

THE qualifying green fuel must reduce greenhouse gas emissions by 50%

THE ministry has asked the carriers whether they would be willing to hold a 25% stake in the JV

AS per IATA, current production of green fuel is less than 0.1% of the need to reach net zero emissions.

petroleum minister Hardeep Singh Puri had said in April. As per IATA, the current production of green fuel is less than 0.1% of the requirement for achieving net zero carbon emissions. "But the trend is positive. In 2022, SAF production tripled to 300

million liters. With the right supportive policies, reaching 30 billion liters by 2030 is challenging but achievable. That would be about 6% of the 450 billion liters annual production capacity we need in 2050," Walsh said.

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