ONGC News as on 13 July 2023(Print)

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Why retail fuel prices are frozen despite decline in crude prices

Richa Mishra
Hyderabad

A piece of news that attracted attention last month was when the Minister for Petroleum and Natural Gas, Hardeep Singh Puri, was quoted as saying that the public sector oil marketing companies (OMCs) may take a call on fuel prices if crude oil rates stayed stable. The Minister seemed to be indicating, according to the reports, that the oil retailers would be in a position to look at the issue if international prices remained stable and the companies had a good next quarter.

DATA FOCUS.

Theoretically, oil retail pricing is deregulated in India, but the reality is something else. The government of the day does artificially manage the pricing by sending informal instructions to the oil companies. India's oil retail market is mostly dominated by public sector undertakings — Indian Oil Corporation, Hindustan Petroleum Corporation, and Bharat Petroleum Corporation — with Indian Oil Corporation being the key player. There are private sector players too.

As on April 2023, the number of PSU retail outlets in India was Indian Oil: 36,285; Bharat Petroleum Corporation: 21,029 and Hindustan Petroleum Corporation: 21,186.

The price at which Indian refiners bought their crude oil (Indian Basket) in April 2023–24 averaged $83.76 a barrel; it cruised around $74.9 a barrel in May and June; and in July till now, it has averaged $76.62 a barrel.

But despite the price of crude imports moving down, retail selling prices for petrol and diesel have been frozen for more than 13 months now. And to add to this, the governments, both at the Centre and the States, play around with local taxes and levies. Petrol and diesel are still out of GST rates.

Where does all this leave the consumer?

The high fuel costs definitely dent the consumer's pocket. And with some States going to the polls in the coming months, no one would touch fuel prices, as they do impact the vote bank. Even if lower prices benefit are passed on to the consumers, there is also a situation when the governments, both at the Centre and the States, tweak the tax components, thus making little or no difference to the consumer's pocket.

OMCs, according to experts, are supposed to compute moving average prices based on prices in the previous fortnight, considering the exchange rate. Those tracking the sector say now they are making a good margin and probably creating a buffer in case crude prices move up during election time.

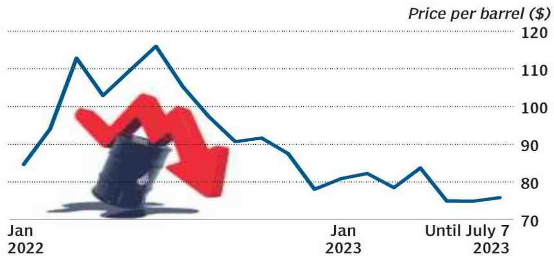
According to some, the government is doing a balancing act behind the scenes while taking the official position that OMCs are free to fix petrol and diesel prices!

Fuel prices stagnant

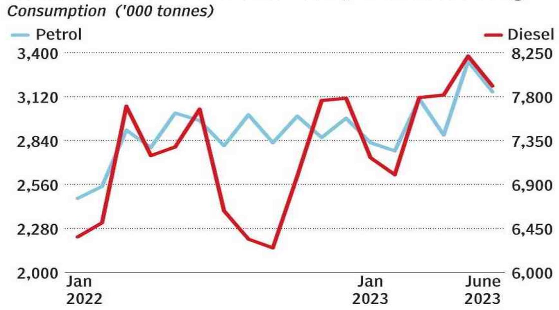
Fuel prices stagnant for more than a year *Price (₹/litre)*

Last price revision	Metro	Diesel	Petrol
May 22, 2022	Delhi	89.62	96.72
May 22, 2022	Chennai	94.24	102.63
May 22, 2022	Kolkata	92.76	106.03
July 15, 2022	Mumbai	94.27	106.31

But crude oil price has been coming down



Consumers lose out since consumption is increasing



Source: PPAC
Compiled by **AJ Vinayak**

Visualisations by AJ Vinayak

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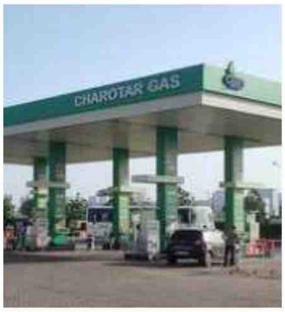
Charotar Gas Co-operative Society plans entry into green hydrogen space

Rutam Vora
Ahmedabad

As an energy transformation at India's grass-root levels, Anand-based gas co-operative Charotar Gas Co-operative Society Ltd is taking a giant leap towards green hydrogen generation and retailing from the soil of dairy co-operative behemoth Amul.

India's first and only city gas distribution (CGD) player from the co-operative sector — Charotar Gas — is developing a solar energy-based green hydrogen project with support from innovation and incubation agency iCreate under the Government of India's Hydrogen Valley Project.

"The ₹18-crore green hydrogen facility will come up at Kanajari village in Anand district. We were the only CGD player to be eligible for the grant from the government for this project. Besides having iCreate, we have also roped in Sardar Patel University for their guidance in the project. In line with objectives, we will set up generation, storage, transportation and retailing infrastructure for green hydrogen. Our model retail outlet will come up shortly in Vallabh Vidyanagar," said Dharmendra Patel, Chairman, Charotar Gas.



Patel claims this will be Gujarat's first green hydrogen project and will be commissioned in the next 1-1.5 years. "There is a long wait for electrolysers supply," he said, explaining the long duration required for commissioning. Notably, Charotar Gas was among the stakeholders who participated in the first consultation meeting of the Hydrogen Valley Project held in Ahmedabad in April 2023.

EXPANSION PLANS

The gas co-operative currently sells over 52,000 standard cubic meter (SCM) of gas daily to its over 45,000 domestic consumers and 12 CNG stations, besides about 50,000 SCM gas sales to industrial and commercial users.

"We are planning to add a few more villages and four CNG stations in the next 1-1.5 years taking the tally to 16 CNG stations including five Company-owned and Company-operated model and the rest under dealer-operated dealer-owned model," Patel said adding that his vision is to cover 90 per cent households within the GA under PNG network.

In Vansol village of Umreth taluka in Anand, a farmer Ranchhodbhai Vankar recently shifted to PNG from gas cylinders. "We were hesitant about piped gas. But our village leaders and company officials explained to us the benefits of piped gas. It turns out to be cheaper than a cylinder and much more convenient too," he told *businessline*.

Patel said that in order to propagate PNG and CNG adoption, he sells cheapest gas to its consumers. "Our margins are not great. But we are not a private or public limited company. As a co-operative, our objective is to protect the interests of our members and consumers both." Charotar Gas sources spot gas from GSPC and APM gas from GAIL.

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BIG ORDER WIN

Rajesh Kamath, chief executive of Thyssenkrupp Industrial Solutions' chemical plant business

Thyssenkrupp Industrial Solution India has bagged a $100-million order from Indian Oil Corporation to build a polybutadiene rubber plant at Panipat refinery complex in Haryana

ओएनजीसी ONGC

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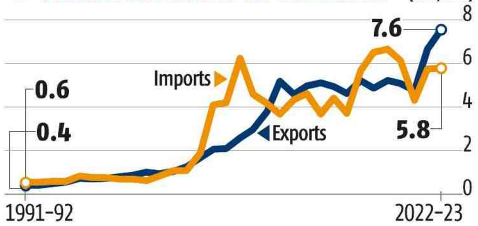
PETROL DOMINATES TRADE BETWEEN INDIA, FRANCE

The trade ties between India and France are at their deepest they have been in recent memory. The total value of imports and exports are higher than they have been for any period since at least 1990-91, the earliest year for which data was available from the Centre for Monitoring Indian Economy (CMIE). Prime Minister Modi's visit to France will serve to bolster various such areas of major bilateral cooperation. The surge in recent years has been led by higher exports than imports. India's exports to France totaled $7.6 billion in 2022-23. This is 14 per cent higher than it was in the previous year. The imports from France remained stagnant at $5.8 billion. The export figure is the highest seen in records going back 32 years (*chart 1*). A closer look at the components of exports shows that petroleum products dominate (*chart 2*). Data shows FDI worth $1.9 billion in 2019-20 and $1.3 billion in 2020-21. The average has been a few hundred million. The number for 2022-23 was $378 million. France accounted for 0.8 per cent of overall FDI flows into India in 2022-23 (*chart 3*).

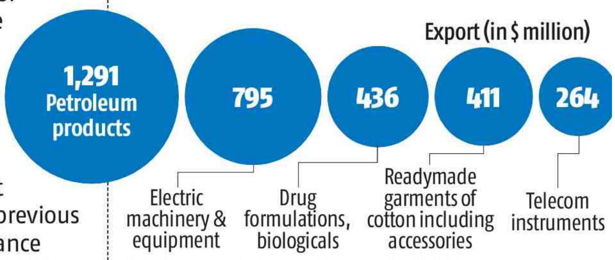
COMPILED BY SAMREEN WANI

1. TRADE HIGHEST IN DECADES (in $ bn)



Source: CMIE

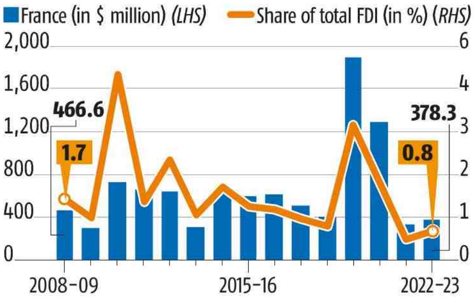
2. MAJOR EXPORTS



Note: Shows top five exports to France for 2022-23.

Source: Ministry of Commerce and Industry

3. LIMITED FDI INFLOWS



Source: CMIE

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10 countries likely to join biofuel group at launch

MANISH GUPTA
New Delhi, July 12

MORE THAN 10 countries are likely to be the founding members of the proposed Global Biofuel Alliance (GBA) at the time of its launch during the G20's Energy Transition Ministerial Meeting in Goa on July 22.

"The number of countries interested in joining the biofuel alliance is in double digits. Though this is not meant for all, countries that plan to be members are from all the continents," a government official said.

The BGA, which is backed by the US, Brazil and India, will be opened up for membership for all countries, including the G20 nations. Oil minister Hardeep Singh Puri has said that it is a priority under the India's G20 presidency.

India, USA and Brazil together account for 85% of global ethanol production with USA producing 55%, Brazil 27% and India 3%. The alliance is being seen as having a huge potential that can be a competition to OPEC.

International Energy Agency (IEA) estimates that the percentage mix of liquid and gaseous biofuels in liquid and gaseous fuels can grow from the current 1.6% up to 15.8% by 2050 in the net zero scenarios.

India plans to have special fuel stations across the country retailing E20 petrol by 2025. E20 fuel is a blend of 20% ethanol with petrol. It also plans to mandate the use of 1% of sustainable aviation fuel (SAF) for domestic airlines by 2025.

Singh, at an event on Tuesday, said that sustainable biofuels will significantly contribute in achieving net zero. Though it is economically viable, realisation of full potential is facing many hurdles including feedstock supply issue, technological limitations, policy framework, financing and investment, he said.

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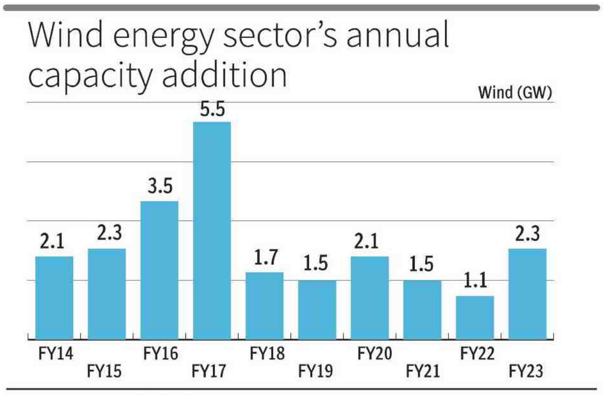
Wind sector adds 1.1 GW new capacity in Q1

G Balachandar
Chennai

The wind energy sector has added more than a GW of new capacity in a quarter after a long gap, a development that signals the revival in the segment after a subdued phase, caused by a shift in policy.

During the first quarter of this fiscal, the wind energy sector has added a new capacity of 1.1 GW, about one-fourth of the overall new capacity added to the grid during the period.



Source: I-Sec research, Bloomberg

While the solar power segment maintained its momentum in bringing new capacity to the grid, wind's new capacity addition took a hit in the past five-six years after the shift in government policy from a feed-in tariff regime to an e-reverse bidding mechanism in 2017. Since then wind's new capacity addition has been very poor.

"The reverse e-auction is a process where the bidders can compete online in real time. However, the wind capacities didn't materialise due to irrational assumptions by the bidders — on evacuation and land acquisition for the most suitable sites. The wind energy sector is not suitable for e-auction because of the complexity and inherent variability of the projects," said analysts at ICICI Securities.

Post introduction of reverse e-auctions, the annual capacity addition in the sector dropped significantly from 5.5 GW in FY17 to 2.2 GW in FY18 and since then the segment was stuck in a slow lane.

However, in a big cheer to the wind power sector, the government has done away with reverse auctions. Analysts say that three key steps that will lead to a revival of the wind sector — single-stage closed bidding in the place of reverse e-auction, the introduction of wind-specific renewable purchase obligations and the proposed plan to auction 10 GW of wind projects every year.

NEW MECHANISM

There are several advantages to the new bidding mechanism. The cumulative capacity in any of the eight windy States will not be more than 2GW, a move that may ensure faster execution and uniform growth. Power from each State's bids will be pooled and offered to Discoms on a single tariff under power supply agreements.

wind project auctions will be bundled together. Multiple wind projects across various States and PPAs will be signed with the Discoms on the blended cost of the power across all the projects. This is likely to lead to an even spread of wind power projects across the country.

"Tamil Nadu is a wind-rich State compared with Maharashtra and so the cost for generating wind power in Tamil Nadu will be far cheaper than in Maharashtra. Thus, no Discom would have been willing to sign PPAs with Maharashtra-based projects owing to higher costs. However, when they combine the two projects, the blended cost is likely to remain cheap, pointed out the analysts of ICICI Securities.

With a slew of supportive policy measures, FY23 is expected to see the wind energy sector add 3.5-4 GW of new capacity to the grid.

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Sterlite Power bags new orders worth Rs 1,400 cr in Q4 FY23

NEW DELHI, JULY 12 /--/ Sterlite Power on Wednesday said it has bagged new orders worth Rs 1,400 crore during the quarter ended March 31, 2023. The set of orders, won across domestic and international markets, have strengthened the company's solutions business unit's order book to Rs 5,200 crore during FY23, Sterlite Power said in a statement. Sterlite Power has secured multiple new orders worth Rs 1,400 crore across its 'solutions' business that caters to products and specialized EPC (engineering, procurement and construction), during the last quarter of FY 2023," it said. Major orders secured during the January-March quarter are for upgrading transmission projects and supply of high-performance products. The company said it has bagged a major order from PowerGrid Corporation to upgrade/uprate its 400 kV Jharsuguda/Sundargarh - Rourkela line, to deploy its reconductoring solution. In addition, Sterlite Power would be building 220kV double circuit transmission lines for Serentica Renewables.

In product manufacturing, the company has bagged orders for conductors and OPGW (Optical Ground Wire) from eminent customers in the SAARC region. Orders include the PowerGrid Corporation of Bangladesh's river crossing project from Transrail as well as repeat orders from the USA and "LATAM region". The company will be supplying for Tata Power's NRSS XXXVI project, and L&T's 400KV Wayanad-Kasargode transmission line. Orders were also received from L&T for its 765 kV Navasari Padghe transmission corridor as well as from MTCIL (Maharashtra Transmission Communication Infrastructure Ltd) for its 132kV, 220kV and 400kV transmission lines. The business will also execute critical orders for cabling work in India and overseas including supply of cables for Chennai Metro Phase II, Indore, and Bhopal Metro projects. Sterlite Power is a leading power transmission developer and solutions provider. (PTI)

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Power availability rose to 22.30 hrs in rural areas, 23.3 hrs urban since 2014: RK Singh

AGENCIES
NEW DELHI, 12 JULY

The central government has brought in a "sea of change" in the country's power sector which has resulted in raising power availability in rural areas up from 12:30 hrs in 2014 to 22:30 hrs today, said Union Minister of Power and New and Renewable Energy RK Singh.

While in urban areas the national average power availability is 23:30 hrs a day, the minister noted. A two-day Review Planning and Monitoring (RPM) meeting was convened under the chairmanship of the Union minister on Monday-Tuesday. Officials from states and power companies were part of the review meeting.

The minister said the power sector in India has added 185 GW of capacity, transforming the country from power deficit to power surplus.

"We have connected the whole country with a single unified grid capable of transferring 1,12,000 MW from one corner of the country to another," the minister said.

"As a result of all this the power availability in rural areas has gone up from 12:30 hrs in 2014 to 22:30 hrs today; while in urban areas the national average availability is 23:30 hrs. Minister stated that together we have made the power sector viable. Today all current power purchase dues are paid on time, while the legacy overdues have come down from Rs 1,39,747 cr to Rs 69,957 cr."

Meanwhile, the central government has made changes to the prevailing power tariff system through an amendment in the existing rules, introducing a 'Time of Day'-based power tariff mechanism.

Rather than being charged for electricity at the same rate at all times of the day, the price you pay for electricity will vary according to the time of day after amendments are made to the Electricity (Rights of Consumers) Rules, 2020.

Under the proposed Time of Day-based system, the tariff during solar hours -- eight hours of a day shall be 10-20 per cent less than the normal tariff, while the tariff during 'peak hours' will be 10-20 per cent higher.

This proposed tariff would apply for commercial and industrial consumers with a maximum demand of 10 KW and above from April 1, 2024, and for all other consumers except agricultural consumers, from April 1, 2025.

"Time of Day tariff shall be made effective immediately after installation of smart meters, for the consumers with smart meters," the Union Ministry of Power said on Friday in a release in June.