



**ONGC News as on 18 September 2023 (Print)**

## Govt asks companies to buy ships to transport oil, gas

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**NEW DELHI:** India's public sector oil and gas companies are looking at purchasing ships to transport oil and gas following a Union government directive aimed to ensure energy security, two people aware of the development said.

The move comes at a time of rising crude prices, a price cap on Russian oil, and a bar on the use of Russian ships for transporting oil and gas.

"The government has been asking oil companies to buy

ships...But where are the ships available," said one of the two people, adding that despite poor availability, large oil companies are likely to locate and procure them. Freight charges are key in terms of retail price calculation of petrol and diesel, which have remained elevated and unchanged for over a year now.

The second person said the suggestion is largely based on the pretext of the volatility in the energy market witnessed in the past year after Russia's invasion of Ukraine. Sanctions on transport through Russian ships by the West resulted in a lack of

ships and the emergence of several new transporters to move oil from Russia, which has become the top supplier of oil to India over the past year.

The volatility in the oil market and elevated prices do not augur well for the Indian economy, which imports 85% of its energy requirement. Retail fuel prices have been high, and petrol has been sold at over ₹100 per litre in some cities since May last year.

Although international oil prices have eased from the multi-year highs reached last year, prices have started to pick up again over the past two months. The

price of India's crude basket, which averaged \$74.93 per barrel in June, stood at \$94.17 per barrel as of 14 September.

Queries mailed to the petroleum ministry, Indian Oil Corp. Ltd, Bharat Petroleum Corp. Ltd, and Hindustan Petroleum Corp. Ltd remained unanswered till press time. The spokesperson of ONGC Videsh Ltd said the company is not aware of any such development.

The second person said the cost of retail fuel depends on several factors, including the price of crude, the expenses incurred on freight and insurance and

who the operator is, for which the Union government has asked energy companies, including the oil marketing companies (OMC) to purchase their own ships.

Freight rates soared last year due to the Russia-Ukraine conflict and the eventual blockade of the Black Sea route. Freight rates, however, have eased in the past year, and the Drewry's composite World Container Index as of last week stood at \$1,561.30 per 40ft container, compared to the year-ago period when it was around \$4,500 per 40ft container.

"Although the prices have

declined, they are still elevated than the pre-pandemic level," said a shipping industry participant. The Drewry's composite World Container Index showed that the index currently remains 10% higher than average 2019 (pre-pandemic) rates of \$1,420.

The move to purchase ships by state-run oil companies comes at a time when India is diversifying its oil import sources.

Russian oil, which constituted only 2% of India's imported oil, made up around one-fourth of the 235.52 million tonnes of crude oil imported by India.

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**Govt asks state-run oil firms to buy ships to transport energy**

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# Buy ships to transport energy: Govt to oil cos

Freight charges are key to calculations of retail prices of petrol and diesel

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NEW DELHI

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The move to purchase ships by state-run oil companies comes at a time when India is diversifying its oil import sources.

Russian oil, which constituted only 2% of India's imported oil, made up around one-fourth of the 235.52 million tonnes of crude oil imported by India. Further, oil imports from Russia rose nearly three-fold in the first quarter of this fiscal compared to the same period of FY23 at \$12.36 billion. The rise in imports from Russia coincides with a decline in the share of oil imports from West Asia, the traditional major oil supplier to India.

## Gentari, Edelweiss, Actis vie for O2 Power solar projects

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Three large bidders have entered the last lap for acquiring solar projects totalling 350 megawatts (MW) from O2 Power, promoted by Singapore's Temasek and European alternative asset manager EQT, two people close to the development said.

These include Gentari Sdn Bhd, a unit of Malaysia's state-run oil and gas company Petrolim Nasional Bhd; Edelweiss Infrastructure Yield Plus Fund's Sekura Energy Ltd; and private equity firm Actis Llp, the people said on condition of anonymity.

The transaction, having an equity and enterprise value of \$50 million and \$200 million, respectively, is being managed by EY, with these three bidders shortlisted from around a dozen non-binding offers (NBOs) that were submitted.

Gentari, Edelweiss and Actis



The asset has an enterprise value of \$200 million. BLOOMBERG

are actively scouting for opportunities in India's green economy and are also in the race for buying 185MW solar projects from Finnish state-run power utility Fortum Oyj, as reported by *Mint* earlier. Actis, which invests only in emerging markets, has so far committed \$2.1 billion to India. It is also vying for Macquarie Asset Management's Green Investment Group (MAM-GIG) platform Vibrant Energy, for which India's qua-

si-sovereign wealth fund National Investment and Infrastructure Fund Ltd is also in the race. Actis now has its third clean energy firm Blue Pine Energy, in the space, after selling Sprng Energy and Ostro Energy to Shell Plc and ReNew Power Ventures Pvt. Ltd, respectively.

An EY spokesperson declined to comment. Queries emailed to the spokespersons for Gentari, Petronas, Edelweiss, Actis and O2 Power on 12 September remained unanswered till press time.

O2 Power is a renewable energy platform in India, targeting around 5 gigawatts (GW) portfolio over the next five years. Founded by former ReNew Power executives—Parag Sharma, Peeyush Mohit, Rakesh Garg and Nimish Agrwal—O2 Power already has a 2.6GW portfolio, of which 600MW has been commissioned.

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## Gentari, Edelweiss, Actis vie for O2 Power solar projects

FROM PAGE 1

Mint has reported on several deals brewing in India's green energy sector, including Oil and Natural Gas Corp. Ltd (ONGC) competing for Fortum Oyj's Indian solar projects totalling 185 MW. Also, ReNew Energy Global Plc recently announced an equal joint venture with Gentari to develop 5GW capacity, wherein Gentari Renewables India Pte. Ltd will have a 50% equity stake in Nasdaq-listed ReNew's utility-scale 5GW renewable energy portfolio comprising solar, wind and energy storage projects.

India's green energy space has witnessed considerable interest, given the country's ever-increasing demand for power. Power demand reached a new record of 239.9GW recently, crossing India's power sector planning body, the Central Electricity

Authority's (CEA) projections of 230GW. India has an installed renewable energy capacity of 172GW, with an additional 128GW either under development or have been bid out.

India is also leveraging its green economy to forge global energy alliances. A recent case in point is India and Saudi Arabia signing an agreement to link their power grids through a subsea cable that will help the two nations with improving grid security in the backdrop of infirm power sources such as wind and solar.

India also plans to leverage the International Solar Alliance (ISA), the first treaty-based international government organization headquar-

tered in India, to help project its solar power expertise to other countries. India is also championing the One Sun One World One Grid (OSOWOG), which seeks to transfer solar power generated in one region to feed the electricity demands

**O2 Power is a renewable energy platform in India, targeting around 5GW portfolio over the next five years**

of others. The global grid plan has been spread across three phases. The first phase deals with the Middle East—South Asia—South East Asia (M E S A S E A) interconnection for sharing green energy sources such as solar for meeting electricity needs, including peak demand. While the second phase deals with the MESASEA grid getting interconnected with the African power pools, the third and final phase is about global interconnection.

FUTURES AT 10-MTH HIGH OF \$94 A BARREL

## Brent's Rise Leaves a Crude Impact on User Cos, Shares

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Mumbai: Rising crude price tends to be bad news for India as it has always weighed on the economy in the past.

Brent crude futures are at around \$94 a barrel — a 10-month high — due to supply cuts by oil producing countries, like Saudi Arabia and Russia. This has pushed market participants to begin evaluating the impact of the price rise with the country importing more than 80% of its oil needs.

Companies in various sectors such as paints, tyres, oil, cement, and aviation also feel the pinch of rising prices as crude is a key raw material for many of them. ET looks at the impact of rising crude prices on these sectors and the companies.

**OIL MARKETING COs (OMCs)**  
Analysts see profitability of oil refining and marke-

The foray of Grasim Industries into the paints business could put further pressure on margins.

"This industry will see a major impact also because its growth in the last couple of years has not been in double digits. The increase in raw material cost will pinch them," he said.

**TYRE**  
Since crude is a significant component in manufacturing of tyres, higher crude prices are expected to impact tyre stocks negatively. "Crude is used for producing synthetic rubber and carbon black, which collectively contribute to more than 30% of the total raw material costs of tyres," said Ashwin Patil, Senior Research Analyst at L&P Securities. He said that increasing operating leverage from demand for autos, particularly in PVs and two-wheelers may offset part of the margin pressure though

### Stock Performances

	Time			
	5 D	2023 (YTD)	1-year	3-year
<b>OIL MARKETING COS</b>				
HPCL	-3.50	6.47	8.07	15.85
BPCL	-2.70	5.74	10.00	-7.52
IOC	2.48	18.40	32.59	1.11
<b>PAINTS</b>				
Asian Paints	1.79	5.01	-3.51	15.63
Berger Paints	0.26	24.39	13.70	-5.22
Kansal Nerolac	3.96	11.94	0.56	-46.25
<b>AVIATION</b>				
InterGlobe Aviation	-3.95	17.19	30.21	38.72
SpiceJet	-2.31	-1.05	-11.10	-59.41
<b>TYRE</b>				
Apollo Tyres	-1.86	14.70	30.39	111.34
Ceat	2.88	31.92	27.27	98.31
MRF	0.15	23.96	26.40	44.22
<b>CEMENT</b>				
UltraTech	3.16	24.41	35.16	65.15
Grasim	6.16	13.79	12.61	112.73
ACC	-0.13	-16.96	-23.29	25.25
Shree Cement	3.56	14.09	14.35	11.57

(Figures in %)

ting companies getting squeezed on account of the firming crude oil prices.

"Since gross margins are lower in diesel and petrol, bleeding in OMCs is expected to continue," said Swarnendu Bhushan, co-head of Research of brokerage Frabudhas Lilladher. "In OMCs, the refining margins are strong, but the marketing margins are lower. If the crude oil prices remain above \$90 post the second quarter, then margin downgrades can occur."

OMC shares will remain subdued, and the under-performance will continue. "ONGC, GAIL and Gujarat Gas are some stocks that can withstand the pressure from rising crude prices," said Bhushan.

#### PAINTS

Paint companies are likely to witness earnings downgrades, given the industry's heavy dependence on oil derivatives. "About 60-65% of the total raw material cost of paint can be attributed to crude oil derivatives," said G Chokkalingam, Founder, Equinomics Research. He said market leaders might be able to withstand the cost pressure, but the overall impact will be negative.

Investors will however do better by remaining selective about shares of tyre makers in the wake of elevated crude prices. "Stocks like MRF, Apollo and CEAT which are strong players in Personal Vehicles (PV) and two-wheelers in the listed space should get slight advantage over those who are strong in Commercial Vehicle (CV) and tractors space which are now in a slow lane and are expected to post lower growth this fiscal," said Patil.

#### AVIATION

The airline industry has been one of the most impacted by rising oil prices. Aviation Turbine Fuel (ATFs) makes up for over 40% of airlines' operating costs. Emkay Global said OMCs have hike domestic ATF prices in September by 14% from last month. The firm said recovering yields on account of the upcoming holiday season could help partly offset fuel cost pressures. But, a weakening rupee could lead to forex losses for aviation companies. Chokkalingam said market leaders like Indigo may be able to withstand the pressure better, though earnings will remain weak.

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**QUANTUM**  
**Biofuel alliance must  
turn to tech to tame costs**



The world wants to switch over from fossil fuels to biofuels, but there is a problem: biofuels derived from non-edible feedstock are expensive. Unless costs come down, initiatives such as the Global Biofuel Alliance may not take off. p7



● THE TIME IS NOW

# Biofuel alliance must turn to tech to tame costs

**KEY FACTOR.** For rapid adoption of biofuels, costs must come down drastically. This can only happen through breakthrough technology

M Ramesh

The world wants to switch over from fossil fuels to biofuels, but there is a problem: biofuels derived from non-edible feedstock are expensive. Unless costs come down, initiatives such as the Global Biofuel Alliance may not take off.

A litre costs around ₹110, compared with ₹65 of the first-generation biofuels (derived from edible items like corn and soya).

Since we cannot afford to divert agricultural lands meant to grow food for the production of biomass for biofuels, the need of the hour is the 2G biofuels. However, for rapid adoption of these biofuels, costs must come down drastically. The only way that can happen is through breakthrough technology. Broadly, there are two ways technology can help. One, by developing better catalysts that can increase yield and two, by finding ways of making other chemicals from biomass.

Biomass is essentially 'lignocellulosic'. It contains three elements—lignin, hemicellulose (branched polymer molecules) and cellulose (long chain polymer molecules).

Cellulose is the one that gets converted into biofuels. This is where catalysts will help. Scientists are working on developing better catalysts.

Hemicellulose can be made into valuable chemicals, called 'platform chemicals'—mainly into furan dicarboxylic acid (FDCA), which can replace the petroleum-derived terephthalic acid used in the manufacture of PET bottles.

Lignin, a glue-like substance that binds cellulose and hemicellulose together in plants, is generally considered to be a waste and the joke among chemical engineers is that you can make anything from lignin,



**CHALLENGES GALORE.** The biofuel industry needs governments' support to confidently bet on new technology

except money. Lignin is used as fuel for industrial boilers, but researchers say that the high-carbon content biochemical can be mixed with bitumen for surfacing roads, locking-in carbon. Research is also happening in valorising hemicellulose and lignin. Valuable by-products from these can bring down the cost of the main produce—biofuels.

But, the critical research is in developing catalysts—chemicals that do not participate in the reaction but enable them.

Researchers have only recently begun exploring various catalyst candidates for biofuels. "Till now, only a few catalysts have been explored, which can break these strong polymers into useful chemicals and biodiesel," says a January 2023 paper by researchers Tripti

Chhabra and Venkata Krishnan of IIT Mandi, published in the journal, *Fuel*.

In another scientific publication titled 'Nanotechnology based technological development in biofuel production: Current status and future prospects', the authors, Zaher Ud Din Sheikh, et al, of the Central University of Jammu, J&K, note that "in biofuel production, nanoparticles can be broadly categorised into carbon based, metallic, ceramic and semiconductors." The paper delves into the merits of each.

The conversion of cellulose into (sugar monomers such as glucose and xylose, and then into) biofuels is by a process called 'enzymatic hydrolysis'. Nanoparticles, especially magnetic nanoparticles, can assist

in making the biomass conversion process more economical, the paper argues. It notes that nanoparticles of metal oxides are good, as they "enhance electron transfer and boost enzymatic activity and thereby increase biofuel production." Further, nanoparticles of silver and gold promote the growth of microbes, which again help increase biofuel yields.

Scientists are taking nanoparticles a step further, tweaking their composition, size, shape and properties—a branch of science called 'nanoarchitectonics'. Chhabra and Venkat Krishnan have worked the nanoparticles of a metal oxide, called niobium pentoxide (Nb<sub>2</sub>O<sub>5</sub>) into a flower-like structure (florets) to further enhance its properties.

Prof R Vinu of the Department of Chemical Engineering, IIT Madras, has developed a 'lignin-first approach', which stands the biorefinery on the other leg. In this, the lignin is first separated and converted into phenols for use in some industries such as perfumery. The rest of the biomass, rich in cellulose and hemicellulose, is a better feedstock for the biorefineries, says Vinu.

**LAB TO INDUSTRY**

So, the biomass is there in the agricultural fields—India produces 750 million tonnes every year. The technology is there in the labs. However, technology, especially the new generation catalysts, are miles away from commercialisation. Dr Milind Patka, President (Biofuels), GPS Renewables, a 11-year-old Bengaluru-based biofuels manufacturer, told *Quantum* that no technology provider has offered the company any yield-enhancing nano catalyst. Vinu points out, it is one thing to develop a catalyst in the lab but quite another to mass-produce it.

The Ministry of External Affairs' statement announcing the launch of the Global Biofuels Alliance, speaks of "facilitating technology advancements". Technology is there; but it needs the governments' support to journey from the labs to the industry. The jump from the labs to the industry is fraught with challenges. The industry needs to be given confidence to bet on a new technology. Patke feels that the government can help by mandating the oil marketing companies like IOC and BPCL to buy some amount of 2G biofuels from the market.

We value your feedback. Do send your comments to [quantum@thehindu.co.in](mailto:quantum@thehindu.co.in)



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### **Policy predictability needed for EV investments: Ather Energy**

Policy predictability is needed to make investment plans for accelerating electric mobility in the two-wheeler segment, according to electric two-wheeler maker Ather Energy Chief Business Officer Ravneet S Phokela. The company expects 100 per cent electrification of the domestic two-wheeler market by 2030 even as it prepares to start exports to an India-like market in the near future.

PTI