ONGC News as on 13 June 2024 (Print)

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Passing the sell-by date

SWOT

KANIKA DATTA

In one of his first public statements after he took charge of the portfolio again, the new-old minister of petroleum and natural gas, Hardeep Singh Puri, categorically stated that plans to sell oil marketing major Bharat Petroleum Corporation Ltd or BPCL are "completely off the table". He explained that BPCL is a highly successful Maharatna, the term that refers to state-owned companies with a high degree of autonomy, so the government sees no need to sell its 52.98 per cent stake.

This is a notable shift in approach. Plans for BPCL's strategic disinvestment were announced in 2021 as part of the government's "Atmanirbhar Package". In 2022, they were called off for lack of buyers. Now the company has apparently become too valuable to sell. Also, the minister added, the government was not in favour of divesting its stake in oil companies.

Each new government that takes power is urged by the pink papers to focus on disinvestment as the most sensible means of bridging the government's ever-widening resource gap. This year was no different. But shifting policy goalposts has been the bane of the disinvestment programme for at least two decades. That explains why the government has met or exceeded its disinvestment targets just five times since 1991-92, despite all the institutional permutations and combinations of creating a separate ministry to an evocatively named department, Dipam, under the finance ministry. In the past decade, the government overshot the target just twice, in 2017-18 and 2018-19, mainly by dint of getting one set of public sector companies (Power Finance Corporation and ONGC) to buy others (REC and HPCL, respectively)

Yet, just three years ago, there was an exponential rise in expectations of a shift in the sluggish trajectory of disinvestment. In Budget 2021-22, the old-new minister for finance and corporate affairs, Nirmala Sitharaman, set out an elaborate policy of strategic disinvestment that purported to offer a "clear roadmap" involving strategic and non-strategic sectors. Under this template, the government was to have a "bare minimum" presence in four sectors. This included stuff like atomic energy, coal, petroleum, transport and banking and insurance.

In fact, BPCL figured with a bunch of companies under what Ms Sitharaman labelled "non-strategic" sectors. These included Air India, Shipping Corporation of India (SCI), Container Corporation (Concor), IDBI Bank, BEML, Pawan Hans and Neelachal Ispat Nigam and listing of the behemoth Life Insurance Corporation of India (LIC).

Of these, only three objectives have been met. The Tata group obligingly acquired Air India and Neelachal Ispat in January and July 2022 and LIC was listed in May. Pawan Hans' sale was scrapped after it was discovered that the successful bidder was entangled in legal cases. For IDBI Bank, the hurdles of regulatory approvals, security clearances and valuation differences have finally been cleared; now the government needs to decide between two foreign buyers and one Indian bidder.

SCI disinvestment was delayed because of the complications involved in hiving off its land and other non-core assets. Now that the Maharashtra government has approved a stamp duty waiver on the demerger of assets, SCI's disinvestment is part of the "first 100 days" agenda that the current government had drawn up before the elections.

But if a profitable company such as BPCL, which has a monopoly of the oil marketing business along with IOC and HPCL, struggles to find a buyer, it is hard to see why investors will queue up for SCI. For one, its share in India's export-import trade has steadily fallen. For another, even as SCI is being put on the block, the government is inexplicably planning to float a shipping company jointly owned by state-run oil, gas, steel and trading firms for importing cargo for their captive use. Since oil imports alone account for about a fifth of Indian imports, a buyer is unlikely to put money in a company that will potentially undercut a significant part of its business.

In fact, several companies languishing on the block reflect policy dissonances or a lack of coordination with parent ministries. For instance, BPCL certainly looks like a big jewel if you scan the profit & loss account. But prospective buyers are likely to hesitate once they know that petrol and diesel prices are opaque, being administered by the government despite many resolutions to free them these past two and a half decades. A stake sale of 30.8 per cent in Concor was approved by the cabinet in 2019. But the Railways has raised some concerns (unspecified) that has put this plan on the slow track.

If selling relatively decent performers is problematic, the prospects for divesting zombie giants such as BSNL and MTNL with over 63,000 employees on their rolls looks pretty hopeless. The government has been urging both companies to speed up monetising their land assets, but even that's progressing at snail's pace. At the same time, the Tata group's struggles to make Air India an airline of some standard is unlikely to encourage other buyers to deal with employees with what one executive called "a public sector mentality". In fact, despite roadmaps and Dipams, that's been the outlook of the government too. Since 2014, the government has incorporated 96 new public sector companies, only a handful of them to hold non-core assets of companies on the block.

Publication : Echo of India	Editions : Kolkata
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No stake sale in Mumbai High, foreign co to provide tech solution to ONGC: Official

NEW DELHI, JUNE 12 /-- / Oil and Natural Gas Corporation (ONGC) will not give any equity stake in its flagship Mumbai High oil and gas fields to any foreign company and is only seeking help from global giants like BP Plc to help reverse declining output from the field, a top government official said on Tuesday.

The foreign company will get a share of revenue from incremental production plus a fixed fee for its efforts, while ONGC will continue to be the operator and incur all the capital and operating expenditure in implementation of the technical solution, the official said. All risks will be borne by ONGC, while the foreign partner will get the fixed fee even in case of a failure. "Mumbai High is a field that was given to ONGC on nomination basis and the company has no authority or power to sell a stake in any nomination field," the official said. "What ONGC has done is floated an international tender to seek technical services providers (TSP) to reverse years of decline in oil and gas production from the field.

"India is more than 85 per cent dependent on imports to meet its requirement of crude oil, which is converted into fuels like petrol, diesel and LPG in refineries, and roughly half of the consumption of natural gas, which is used to generate electricity, make fertilisers, converted into CNG to run automobiles and piped to household kitchens for cooking. Having spent USD 175 billion on import of oil and gas in the fiscal year ending March 31, 2024, the government is keen on raising domestic production to cut reliance on imports. But ONGC has not been successful in reversing the decline in output that has set in the 50-year-old field.

"Clearly, the production has been declining. So ONGC is now looking for some technical help from outside," the official in the Ministry of Petroleum and Natural Gas said. ONGC on June 1, floated an international tender seeking global technical services providers (TSP) with annual revenue of at least USD 75 billion. The TSP would have to do a comprehensive review of the field performance and identify improvements as well as implement suitable technological interventions and practices for improving production and recovery. Bidders have been asked to quote quarterly incremental production they can enable over the 10-year contract period, as well as the percentage share of the revenue they want from the sale of oil and gas produced over and above the baseline production. Bids are due by September 15, 2024.

The TSP, who would be selected on the basis of one offering the highest incremental production and the lowest revenue share, will also be paid a fixed service fee for its efforts, according to the tender document. The official said only the government can sell stake in a nomination field like Mumbai High and so far there is no decision to that effect. (PTI)

Publication : Morning India	Editions : Kolkata
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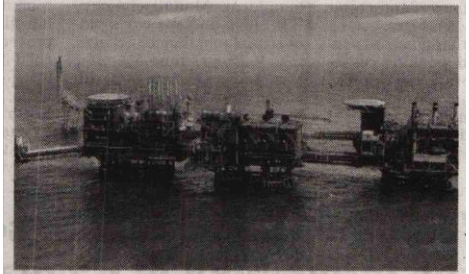
Mumbai High fields:ONGC seeks foreign ally to reverse declining output



MI News Service, Mumbai: State-owned Oil and Natural Gas Corporation (ONGC) is seeking foreign partners to reverse declining output at its flagship Mumbai High fields, offering a share of revenue from incremental production plus a fixed fee but not any equity stake. ONGC on June 1 floated an international tender seeking global technical services providers (TSP) with annual revenue of at least $75 billion, according to the tender document. The TSP would have to do a comprehensive review of the field performance and identify improvements as well as implement suitable technological interventions and practices for improving production and recovery, it said. Bidders have been asked to quote quarterly incremental production they can enable over the 10-year contract period as well as the percentage share of the revenue they want from the sale of oil and gas produced over and above the baseline production. Bids are due by September 15, 2024.

The TSP, who would be selected on the basis of one offering the highest incremental production and the lowest revenue share, will also be paid a fixed service fee for its efforts, the document said.

The Mumbai High field (previously Bombay High field) — India's most prolific oil field — lies some 160-kilometer in the Arabian Sea off the Mumbai coast. It was discovered in February 1974 and started production on May 21, 1976. The field hit a peak of 4,76,000 barrels of oil per day and 28 billion cubic meters of gas in 1989 and has since seen a gradual decline in output. ONGC believes the field still has a balance reserve of 80 million tonnes of oil and over 40 bcm of gas.

It is currently producing 1,34,000 bpd of oil and 13 bcm (less then 10 million standard cubic meters per day) of gas — accounting for almost 38 per cent of India's production and 14 per cent of consumption.

With the field seeing a steady decline in output, a stake sale had been considered on at least two occasions in recent years.

A panel in late 2018 considered "transferring" western offshore oil and gas fields of Mumbai High as also some fields in Mumbai offshore, Assam, Rajasthan, and Gujarat to private/ foreign companies.

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Day trading guide

23360 » Nifty 50 Futures

S1	S2	R1	R2	COMMENT
23300	23200	23420	23500	Go short on break below 23300. Keep the stop-loss at 23330

₹1574 » HDFC Bank

S1	S2	R1	R2	COMMENT
1555	1540	1580	1600	Go long only above 1580. Keep the stop-loss at 1575

₹1485 » Infosys

S1	S2	R1	R2	COMMENT
1470	1450	1495	1510	Go short now and at 1490. Keep the stop-loss at 1505

₹432 » ITC

S1	S2	R1	R2	COMMENT
429	426	434	437	Go short now and at 433. Stop-loss can be kept at 435

₹275 » ONGC

S1	S2	R1	R2	COMMENT
273	271	278	282	Go long now and also at 274. Keep the stop-loss at 272

₹2926 » Reliance Ind.

S1	S2	R1	R2	COMMENT
2910	2885	2950	2985	Go short only below 2910. Stop-loss can be kept at 2920

₹839 » SBI

S1	S2	R1	R2	COMMENT
833	829	846	855	Go long only above 846. Stop-loss can be placed at 844

₹3836 » TCS

S1	S2	R1	R2	COMMENT
3810	3780	3870	3920	Go short on a break below 3810. Keep the stop-loss at 3820

S1, S2: Support 1 & 2; R1, R2: Resistance 1 & 2.

Publication : Echo of India	Editions : Kolkata
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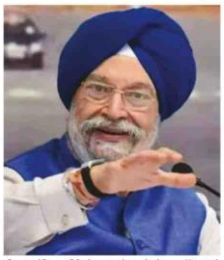
BPCL to build new refinery; India eyes oil deals with Russia and others: Petroleum Minister Puri



NEW DELHI, JUNE 12 /-- / State-owned Bharat Petroleum Corporation Ltd (BPCL) is looking to build a new oil refinery to meet the rising demand for fuels like petrol and diesel, Petroleum Minister Hardeep Singh Puri said Tuesday as he took charge of the ministry for the second time.

Listing his priorities in the Prime Minister Narendra Modi-led government's third term, Puri said finding and producing more oil and gas to cut India's import reliance, green hydrogen, natural gas and refining and petrochemicals will be top priorities. The government has in recent years ensured "availability, affordability and sustainability" of energy to citizens, he said. "We have performed well," the Union minister stated. And this will be the mantra in Modi 3.0 as well, he said. Spelling details of his priorities, Puri said attracting investors to oil and gas exploration and production in the ongoing bid rounds as well as in unique tenders like the one floated by ONGC seeking a foreign partner for raising output at one of India's old fields, Mumbai High, will be high on agenda. Also, the push towards producing and increasing usage of green hydrogen, an alternative to fossil fuels that has zero emissions, will continue, he said, adding use of biofuels would also be encouraged.

On securing supplies of crude oil, which is refined into fuels like petrol and diesel, he said India has diversified its sources of supplies including from Russia. From buying less than a percentage of its total imports, India emerged as the biggest buyer of Russian sea-borne oil, snapping up barrels sold at a discount as some Western nations halted purchases after Moscow's invasion of Ukraine in February 2022. "We are a longstanding partner of the Russian federation. We have had discussion with the Russians on long-term deals," he said. "I am confident that both our private and public sector players will sign long-term deals with countries where they see benefit in doing so." He said BPCL is looking to build its fourth oil refinery in the country. "The details are being worked out," Puri added. BPCL operates refineries at Mumbai, Kochi in Kerala, and Bina in Madhya Pradesh. It is aiming to raise capacity to refined crude oil from 39 million tonnes per annum to 45 million tonnes and the new refinery is part of that plan. The refinery is besides the one that Indian Oil Corporation (IOC) is building near Chennai, he said.

Puri said oil production from ONGC's eastern offshore KG-DWN-98/2 block will increase to 45,000 barrels per day "very soon" and gas production "will also start soon". Earlier on Tuesday, Suresh Gopi, the lone MP from the ruling BJP from Kerala, took charge as the Minister of State for the Ministry of Petroleum and Natural Gas. Puri was present when Gopi took charge. (PTI)

Publication : The Economic Times	Editions : Mumbai
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MEETING ON DRAFT REGULATIONS

Link Petro Pipeline Tariff with Rail Freight Rate: RIL

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New Delhi: Reliance Industries has told the downstream regulator that it didn't favour an annual escalation in petroleum products pipeline tariff and would like it to be linked to railway freight rates instead.

Reliance shared its views during a stakeholder meeting on draft regulations on the determination of petroleum and petroleum products pipeline transportation tariff. The meeting, organised by the Petroleum and Natural Gas Regulatory Board (PNGRB), was attended by executives of IndianOil, Hindustan Petroleum, GAIL and Reliance BP Mobility.

At the meeting, the PNGRB "expressed displeasure" that oil marketing companies, which mostly controlled petroleum product pipelines, "were not supportive" in sharing data, according to the minutes of the meeting. "In spite of that, draft regulations aim to provide reasonable transportation tariff to the pipeline entities and also to protect consumers' interest."

The draft has proposed a tariff escalation of 3.4% every year for pipelines commissioned before the notification of the PNGRB's tariff regulations of 2010.

"Reliance pointed out that with the proposed escalation of 3.4% in pipeline tariff, the pipeline tariff will surpass rail tariff by 2029, leaving little incentive for other users to shift to pipelines from rail and suggested to determine the tariff at 75-80% of the rail tariff rather than an annual tariff escalation," according to the minutes of the meeting.

The draft has proposed escalation of 3.4% every year for pipelines commissioned before notification of PNGRB's 2010 tariff rules

Hindustan Petroleum (HPCL), however, said the rate of 3.4% may lead to "under recovery of investments/operational costs" and suggested a 5% escalation.

GAIL, the nation's largest gas pipeline operator, suggested setting the escalation rate at 4.5% for the petroleum product pipelines in line with the natural gas transmission tariff or linking it to the wholesale price index of the previous five years.

Publication : The Economic Times	Editions : New Delhi
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BPCL adds Fuel to Capex Fire, Hires I-bank for ₹31kcr Loan

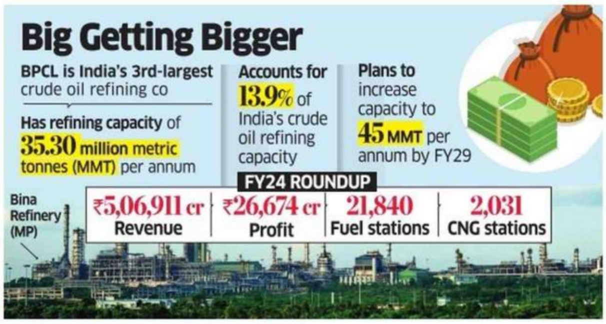
SBI Caps to arrange funds that will help co add capacity, set up ethane cracker in MP

Mohit.Bhalla@timesgroup.com

New Delhi: Bharat Petroleum Corp Ltd has mandated SBI Capital Markets to arrange a ₹31,000 crore loan for the planned capital expenditure at its Bina refinery complex located in Madhya Pradesh, according to people familiar with the matter.

Several local banks and financial institutions are expected to take up portions of the loan that could have a tenor of 15 years, they said. The expansion at Bina was announced in May last year with the foundation stone laid by Prime Minister Narendra Modi in September. The total project cost is estimated at ₹48,000 crore. The loan will cover a major portion of the project cost while the rest of the funding will come from BPCL as equity infusions.

BPCL didn't respond to queries. SBI Caps declined to comment.



India aims to fill global refining capacity shortages that have emerged due to the shutdown of unviable refineries in the aftermath of Covid-19.

The Bina refinery was originally formed as a joint venture between state-owned BPCL and Oman Oil in 1994. It became a wholly owned subsidiary of BPCL in 2021.

Refining Boost ▸▸ 8

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Refining Boost

▸▸ From Page 1

Once the new capacity is added, the refinery will be able to process 12 million metric tonnes of crude per year, up from the current 7.8 million metric tonnes per annum.

The capital expenditure plan also includes the establishment of an ethane cracker to break down natural gas to produce industrial chemicals such as ethylene, used in plastics manufacturing.

The setting up of the ethane cracker unit will encourage downstream industries in plastics and packaging in Madhya Pradesh, petroleum minister Hardeep Singh Puri had said at the foundation stone-laying ceremony, as per a government release.

Publication : The Statesman	Editions : New Delhi
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NBCC inks MoU with Oil India Limited: NBCC (India) Limited, a Navratna CPSE, inked Memorandum of Understanding (MoU) with Oil India Limited on 11 June, for Construction of OIL`s centralised core repository with advanced laboratory facilities at Guwahati, Assam. This work is valued at Rs 100 crore approximately. The MoU was signed by Shri SalomaYomdo, ED (E&D), OIL and Shri Pradeep Sharma, ED (Engg.), NBCC in the presence of Dr. Ranjit Rath, CMD, OIL, KP Mahadevaswamy, CMD, NBCC, Shri Saleem Ahmad, Director (Projects), NBCC and other senior level officials from both the organisation.

Publication : Business Standard	Editions : New Delhi
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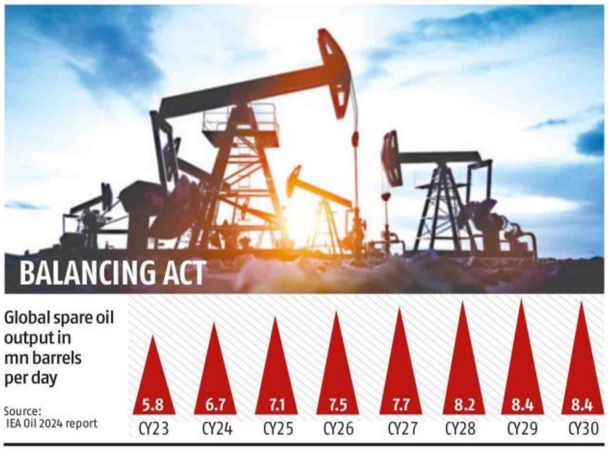
Global oil demand set to peak by 2029, warns IEA

Says India, China to be major demand drivers

SUBHAYAN CHAKRABORTY
New Delhi, 12 June



The global oil demand will peak by 2029 and begin to contract in the following year, the International Energy Agency (IEA) said on Wednesday. This contraction will result in a major glut by the end of this decade.

India's oil demand is expected to rise by 1.3 million barrels per day (bpd) by 2030, with its growth expected to be almost equal to that of China.

The total global supply capacity is set to rise by 6 million bpd to nearly 113.8 million bpd by 2030, a staggering 8 million bpd above the projected global demand of 105.4 million bpd, the agency said, in its new oil market outlook.

Oil 2024, the latest edition of IEA's annual medium-term market report, examines the far-reaching implications of these dynamics for oil supply security, refining, trade, and investment.

"A ramping up of world oil production capacity, led by the United States and other producers in the Americas, is expected to outstrip demand growth over the 2023 to 2030 forecast period and inflate the world's spare capacity cushion to levels that are unprecedented, barring the Covid-19 period," the IEA said.

The growth in demand is expected to decelerate beginning in 2023 when it stood at 2.1 million bpd, IEA said. It added that the demand will plateau at 105.6 million bpd by 2029. "This slow erosion in global demand growth results in a net increase of 3.2 million bpd during the 2023-2030 forecast period," it said.

The total oil demand is nevertheless forecast to rise by 3.2 million b/d between 2023 and 2030, supported by increased use of jet fuel and feedstocks from the booming petrochemical sector.

The consumption of naphtha, liquified petroleum gas (LPG) and ethane will climb by 3.7 million bpd over the forecast period, fuelled by growth in LPG use for clean cooking. Based on current market conditions and policies, IEA predicts global oil demand will level off at around 106 million bpd towards the end of the decade amid the accelerating transition to clean energy technologies.

Surging EV sales, continued efficiency improvements of vehicles, and the substitution of oil with renewables or gas in the power sector will curb oil use in road transport and electricity generation, it said.

A large part of the growth will be dominated by Asian economies, especially in India and China, as oil demand's pivot to emerging markets continues before it potentially dips from 2027.

However, the demand from the two Asian economic powerhouses will develop in different ways, with transport fuels defying the global trend in India rising sharply.

India's GDP growth will remain by far the strongest among major economies, averaging 6.5 per cent over the forecast period due to structural tailwinds such as benign demographics, a burgeoning middle- class, and accelerating urbanisation and industrialisation.

Meanwhile, the growth is set to be driven by the petrochemical sector in China as rapid deployment of clean energy technologies and massive infrastructure investments in high-speed rail blunt demand for transport fuels.

By contrast, the demand in advanced economies will continue its decades-long decline, falling from 45.7 million bpd in 2023 to 42.7 million bpd by 2030, IEA said.

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2030 तक मांग के मुकाबले वैश्विक तेल आपूर्ति अधिक

शुभायन चक्रवर्ती
नई दिल्ली, 12 जून

अंतरराष्ट्रीय ऊर्जा एजेंसी (आईईए) ने बुधवार को कहा कि कच्चे तेल की आपूर्ति में लगातार देखी जा रही तेजी वैश्विक मांग को पीछे छोड़ देगी जिससे दशक के अंत तक तेल बाजार में अतिरिक्त आपूर्ति की स्थिति बन जाएगी। इस दौरान भारत में तेल की मांग वर्ष 2030 तक, 13 लाख बैरल प्रतिदिन बढ़ने की उम्मीद है जो चीन के बराबर वृद्धि है। एजेंसी ने सालाना ऑयल 2024 रिपोर्ट में कहा कि कुल वैश्विक आपूर्ति क्षमता में 60 लाख बैरल प्रतिदिन की बढ़ोतरी संभव है जो वर्ष 2030 तक 11.3 करोड़ बैरल प्रतिदिन हो सकता है। यह 10.5 करोड़ बैरल प्रतिदिन के लक्षित वैश्विक मांग से 80 लाख बैरल प्रतिदिन अधिक है। अमेरिका और उत्तर एवं दक्षिण अमेरिका के अन्य उत्पादकों के चलते वैश्विक तेल उत्पादन में तेजी की उम्मीद है।

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The world will be swimming in excess oil by end of decade, IEA says

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THE WALL STREET JOURNAL.

Global oil markets are expected to face a major surplus by the end of this decade, with spare capacity hitting levels only seen during the initial stages of the pandemic as demand growth slows and supply surges, the International Energy Agency said.

Oil-demand growth is forecast to slow down in the coming years, reaching 105.4 million barrels a day in 2030, as the rollout of clean-energy technologies accelerates, according to the Paris-based organization. Meanwhile, oil-production capacity is set to ramp up to nearly 113.8 million barrels a day, driven by producers in the U.S. and the Americas.

"This would result in levels of spare capacity never seen before other than at the height of the Covid-19 lockdowns in 2020," the IEA said on Wednesday. "Such a massive oil production buffer could usher in a lower oil price environment, posing tough challenges for producers in the U.S. shale patch and the OPEC+ bloc."

Despite the slowdown, global oil demand in 2030 is still forecast to rise by 3.2 million barrels a day from 2023, the agency said. The increase will be driven by strong demand from economies in Asia, particularly India and China. But rising electric-car sales, fuel-efficiency improvements and the use of renewables for electricity generation will increasingly offset gains.

In advanced economies, demand is forecast to fall from around 45.7 million barrels per day in 2023 to 42.7 million barrels per day in 2030. Excluding the pandemic, the last time that oil demand was that low was in 1991, according to the IEA.

Oil-production capacity is set to ramp up to nearly 113.8 million barrels a day. REUTERS

Meanwhile, global production capacity growth will be led by producers outside of the OPEC+ alliance-particularly the U.S., Brazil, Canada, Argentina and Guyana-which are forecast to account for three quarters of the expected increase to 2030.

OPEC+ oil production capacity is forecast to grow by 1.4 million barrels a day from 2023 through 2030, led by Saudi Arabia, the United Arab Emirates and Iraq. According to the IEA, the cartel and its allies will see their share of world oil production fall below 50% from this year onward.

Looking at the short term, the agency cut its forecast for global oil-demand growth to 960,000 barrels a day this year from previous estimates of 1.1 million barrels a day, as weak deliveries in OECD countries pushed global demand in a narrow contraction in March.

Oil-demand growth for next year is now forecast at 1 million barrels a day from 1.2 million barrels a day previously on lackluster economic growth, the increasing use of electric vehicles and efficiency gains. Total demand is expected to reach an average of 103.2 million barrels a day in 2024 and 104.2 million barrels a day in 2025.

Wednesday's reports came as Brent crude trades around $82 a barrel, while West Texas Intermediate is around $78 a barrel. Both benchmarks rallied about 3% earlier this week as traders seem to be buying the dip following an oil selloff sparked by OPEC+'s plan to unwind some of its production cuts.

Oil demand is expected to reach 105.4 mn barrels a day in 2030, as the clean-energy technologies rollout accelerates

Prices are supported by expectations that summer fuel demand and output curbs from OPEC+ will lead to a sizable deficit in the third quarter.

Still, bearish sentiment continues to dominate the market, with prospects of higher-for-longer interest rates in the U.S. damping the commodity's demand outlook.

The agency's projections remain well below OPEC's, as the cartel forecasts global oil-demand growth of 2.2 million barrels a day this year and 1.8 million barrels a day in 2025.

Total oil supply is now expected to be higher, reaching an average of 102.9 million barrels a day this year and 104.7 million barrels a day the next from previous expectations of 102.7 million barrels a day and 104.5 million barrels a day, respectively, the IEA said. Non-OPEC+ countries are still set to lead global supply, the agency said, with production expected to grow by 1.4 million barrels a day in 2024 and 1.5 million barrels a day in 2025.

OPEC+ production is forecast to fall 740,000 barrels a day this year if the group keeps its voluntary output cuts in place, and to flip to a growth of 320,000 barrels a day the next. The cartel and its allies agreed to extend voluntary curbs of 2.2 million barrels a day to the end of September and said they aim to gradually unwind them from October 2024 to September 2025, contingent on market conditions.

Meanwhile, Russian crude exports rose by 100,000 barrels a day in May to 7.7 million barrels a day, while export revenue fell 0.6% compared with the previous month to $16.8 billion, the IEA said. Russia's oil production is expected to decrease by 260,000 barrels a day this year to 10.7 million barrels a day as the country carries out deeper OPEC+ production cuts, but supply is forecast to remain broadly steady through 2030 supported by the Vostok Oil project in the Arctic.

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No projects in India to turn around oil output: IEA

Rishi Ranjan Kala
New Delhi

Ageing oil fields, western company exits and investments geared towards natural gas are impacting oil production in Asia Pacific with no major projects to turn around the faltering production in India, the International Energy Agency (IEA) said on Wednesday.

The IEA in its latest oil report pointed out that non-OPEC+ Asia Pacific oil production continues to falter with China being the only exception due to high reinvestment rates and a strong government mandate to increase output in the short-term.

The other medium-sized producers such as India, Indonesia and Thailand continue on managed declines with no major projects in the queue to turn around faltering production, it added. "Indian output will get a small uplift in 2024 as the 50,000 barrels per day (b/d) offshore Krishna Godavari Basin Cluster-2 project ramps up and the onshore Rajasthan Basin posts a modest increase. From 710,000 b/d in 2024, output falls to 570,000 b/d in 2030," the IEA has projected.

Regional volumes have fallen by 700,000 b/d over the last decade and are poised to decline by a further 13 per cent, or 870,000 b/d, by 2030, it added.

OUTLOOK. Indian output will get a small uplift in 2024

FUEL DEMAND

Even as India's attempts to enhance crude oil production have not been on expected lines, demand for diesel and petrol in the world's third largest energy consumer is expected to be the highest globally.

India's demand is forecast to grow by more than any country other than China between 2023 and 2030, the IEA has projected adding that, unusually, in a global context, an increase of more than 1.3 million b/d will be dominated by rising demand for road transport fuels, with a comparatively small role for petrochemical feedstocks and underlying growth comfortably outpacing deployment of clean energy technologies.

"In the second half of this decade, India will become by far the most important contributor to overall growth. Gains of 900,000 b/d between 2025 and 2030 will be well ahead of China's 570,000 b/d and three-quarters of net global gains over the final five years of our forecast," it added.

Road diesel, the most used product in India and closely linked to industry and commerce, will account for 520,000 b/d of 2023-2030 growth (38 per cent of the total).

"Similarly, gasoline will register a rise of 270,000 b/d (20 per cent of the total) as car ownership becomes more widespread. This is far more than in any other country in our projections," the agency said.

The IEA attributed the projected growth in auto fuels to India's expanding industrial sector and rising vehicle ownership.

"India is set to be the world's fastest growing major economy for the third year running in 2024. Manufacturing and industrial activity has been especially strong and a massive domestic consumer market, labour force and supportive demographics should see this continue. The nation's population, which recently overtook China's to become the world's largest, is projected to increase by 6 per cent during our forecast period, and higher average incomes will further support mobility demand," it added.

REFINING CAPACITY

Growing domestic demand and export prospects is aiding India in expanding its refining.

IEA said India witnessed a remarkable surge in its refining capacity over the past few decades, with close to 3 million b/d in growth from 2006 to 2023. With a total refining capacity of 5.8 million b/d, India has firmly established itself as the fourth largest refiner.

"Recent expansions have been the result of investments in refining infrastructure as well as refiners' strategic pivot towards integrating petrochemicals. India has 23 operating refineries, with plans for further expansions, including one new greenfield project and multiple modernisation projects...," it added.

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Crude Oil perks up on stock drawdown forecasts

London: Oil prices ticked higher on Wednesday after three key forecasters, the International Energy Agency (IEA), the US Energy Information Administration (EIA), and producer group the Organization of the Petroleum Exporting Countries (OPEC) predicted that global oil inventories would fall in the second half of 2024, boosting prices. Brent crude futures were up 76 cents, or 0.9 per cent, to $82.68 a barrel, while US West Texas Intermediate (WTI) crude futures were up 86 cents, or 1.1 per cent, to $78.76. Both contracts rose by $1 or more earlier in the session. REUTERS