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RIL ready to double its green energy investment to ₹1.5 tn

Company is planning to commence the transition from grey to green hydrogen by 2025

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MUMBAI

Billionaire Mukesh Ambani-led Reliance Industries Ltd (RIL) has said it is ready to double its investment in green energy to ₹1.5 trillion, at a time when large industrial houses worldwide are going green.

In 2021, RIL announced an investment of ₹75,000 crore to build its new energy business. "Once proven at scale, RIL is prepared to double the investment to scale up its manufacturing ecosystem. The investment of ₹75,000 crore with a readiness to double investment will further the company's goals related to energy transition, enhance renewable energy usage and operational economic efficiency, and broaden focused research for the new energy business," the company's latest annual report said.

A person in the know of RIL's investment strategy for new energy said it has already invested around ₹50,000 crore to develop a green energy giga-complex at Jamnagar in Gujarat. "It plans to invest at least ₹1.5 trillion in total into green energy capacities. After the initial ₹75,000 crore, the exact resources and areas where additional ₹75,000 crore will be invested is still to be decided," he said.

"RIL invested in and formed partnerships with leading companies in the fields of solar power, batteries and electrolyzers," the company said in the report. RIL is in advanced talks with leading electrolyzer technology players globally to establish a Giga-scale electrolyzer manufacturing facility in Jamnagar, it added.

"After proving cost and performance targets, the company also aims to pro-



Mukesh Ambani, chairman and managing director, Reliance Industries Ltd.

gressively commence the transition from grey to green hydrogen by 2025," according to the report.

RIL has been making significant progress in developing the Dhirubhai Ambani Green Energy Giga Complex, spread over 5,000 acres at Jamnagar. The ₹75,000 crore will be primarily invested in setting up solar and wind power units, and electric battery manufacturing plants.

RIL's increased investment target in new energy, the highest among Indian companies, but lower than global peers, assumes significance amid a drive to achieve net zero emissions, primarily spearheaded by Asian countries, which accounted for over 50% of carbon dioxide emissions in 2020. China, Taiwan, Indonesia, Singapore and Aus-

tralia have initiated large-scale wind and solar projects to fulfil their commitment to cleaner energy sources.

In India, RIL is competing with the Tata and Adani groups in the new energy space. While Adani Green aims to achieve 45 GW of renewable energy capacity by 2030 and is working towards its net-zero target by 2050, Tata Power said it will be investing \$9.5 billion in renewables over the next five years, as it aims to double the share of clean energy in its portfolio.

Several large global companies are also ramping up their investments in sustainable energy. Texas-based ExxonMobil and UK's BP plc seek to achieve net-zero emissions by 2050. While ExxonMobil is set to invest over \$15 billion by 2027 on lower-emission

initiatives, BP will raise investments on low-carbon energy by \$3 billion-\$5 billion every year until 2025 from \$1 billion in 2022.

Shell, which was one of the first oil and gas giants to announce its net zero ambitions by 2050, has lowered its original carbon emission reduction target by 20-30%, as it is required to keep its investments going in oil and gas to meet demand, the company said.

Shell has been investing around \$1 billion every year in low-carbon energy, such as charging for electric vehicles, hydrogen, biofuels and electricity generated by wind and solar power, and is preparing to increase it to around \$2 billion, depending on commercial opportunities, it added.

₹50,000 cr
RIL's investment in Jamnagar green energy complex

5,000 acres
Area of the Jamnagar green energy complex

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IndianOil Chairman Gets 1-year Extension

Our Bureau

New Delhi: The government has granted IndianOil chairman Shrikant Madhav Vaidya, a rare tenure extension beyond his retirement due at the end of this month.

ET was the first to report in June that the petroleum ministry had recommended a two-year tenure extension for Vaidya.

"The Appointments Committee of the Cabinet (ACC) has approved the proposal of the ministry of petroleum and natural



gas for re-employment on a contract basis of Shri Shrikant Madhav Vaidya, chairman, Indian Oil Corporation for a period of one year beyond the date of his superannuation i.e. w.e.f 01.09.2023 till 31.08.2024, or till the appointment of regular incumbent to the post, or until further orders, whichever is the earliest," a government memo said.

It is rare for the heads of state-run companies to get an extension. Vaidya would be re-employed immediately after his retirement at the end of August.

Last December, the government appointed Arun Singh as the chairman of ONGC for 3 years. Singh had retired as BPCL chairman just a few months earlier. Last week, the government relaxed rules to give Cabinet secretary Rajiv Gauba a one-year extension.



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**OIL joins elite league,
gets Maharatna status**

The Oil India Limited (OIL) is ecstatic as the central government elevated the country's national exploration and production major to Maharatna category, 13 years after it earned Navaratna status. OIL joined the league of 12 other public sector undertakings. It posted a consolidated annual turnover of ₹41,039 crore and net profit of ₹9,854 crore in the last fiscal. With a rich legacy of the first discovery of crude oil at Digboi in Assam in 1889, followed by post-independence discoveries at Naharkatiya and Moran in 1953 and 1956 respectively, OIL has been relentlessly engaged in fuelling India's energy needs over past many decades.



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IOC chairman Shrikant Vaidya gets post-retirement extension



The government has given a one-year post-retirement extension to Indian Oil Corporation (IOC) chairman Shrikant Madhav Vaidya – a rare event for anyone on board of a state-owned company. Vaidya, who took over as chairman of IOC on July 1, 2020, turned 60 on Monday and as per the rules was to superannuate from service at the end of the month. **PTI**



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Vaidya gets one-year extension as IOC chief

PRESS TRUST OF INDIA
New Delhi, August 7

THE GOVERNMENT HAS given a one-year post-retirement extension to Indian Oil Corporation (IOC) chairman Shrikant Madhav Vaidya - a rare event for anyone on board of a state-owned company.

"The Appointments Committee of the Cabinet (ACC) approved the proposal of the Ministry of Petroleum and Natural Gas for re-employment on a contract basis of Shri Shrikant Madhav Vaidya, chairman, Indian Oil Corporation Limited for a period of one year beyond the date of his superannuation ie with effect from September 1, 2023, till August 31, 2024, or till the appointment of a regular incumbent to the post, or until further orders, whichever is the earliest," an official order dated August 4 said.

Vaidya, who took over as chairman of IOC on July 1, 2020, turned 60 on Monday and as per the rules was to superannuate from service at the end of the month. But now, he will continue for one more year as the head of India's largest oil company.

This is one of the very rare occasions when a director on the board of a PSU has been given an extension of service beyond his retirement age. No chairman of a Maharatna PSU has been given an extension beyond 60 years recently.

D-G Hydrocarbons seeks land from SAIL on Essar Oil's behalf

Abhishek Law
New Delhi

The Directorate General of Hydrocarbons (DGH) has written to the Steel Ministry seeking land from SAIL's Durgapur Steel Plant (DSP) in West Bengal "on a short-term basis" so that Essar Oil and Gas can carry out exploration activities for coal-bed methane gas. DGH is under the Union Ministry of Petroleum & Natural Gas.

A land parcel of 50 metres by 50 metres has been sought and three possible options have been identified in and around Raghunathpur village in Raniganj in West Bengal.

SHORT-TERM LEASE

As per the letter by the Directorate, Essar has sought the land for drilling a core well, which belongs to SAIL. The land will be taken on short-term lease for a six-month period on "payment of applicable charges".

A copy of the letter, accessed by *businessline*, from Additional Director General of Directorate of Hydrocarbons states that Essar Oil has dug 370-odd wells for exploration of CBM in one of their allotted blocks, RG (East) - CBM 200/1, "and has planned few exploratory core wells based on referentially positive geological studies for initial assessment."

"Based on the studies, Essar

has identified one such well location that falls within SAIL (DSP) land acreage. Drilling of core holes will enable Essar to determine the available reserves and techno-commercial viability," the Directorate mentioned in its letter.

The letter has also sought intervention of the Ministry to ensure availability and expedite the land handover. Reportedly, Essar Oil too has written to the local office of SAIL seeking possession of the land. The matter is under discussion since December 2022, Ministry officials aware of it said.

In a separate letter, Essar Oil pointed out it has been granted a petroleum mining lease by the West Bengal government, and it executed a long-term gas sales and purchase agreement with GAIL. It is also connected with the national gas grid through the Urjya Ganga Pipeline.

Detailed research and analysis is required to prove presence of CBM and its commercial viability. Accordingly, as a part of the business expansion plan and to make India a gas-based economy, the company has planned a few exploratory core wells within the western part of the block. Post initial survey and inspection, a few core well locations have been identified for deeper CBM exploration. One of such location falls within DSP land," Essar mentioned in its letter.



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Govt may scrap tender for 4,675 e-buses

The Centre's plan to replace polluting diesel buses at public transporters with electric buses has hit a speed bump. Convergence Energy Services Limited (CESL) is considering cancelling its dry lease tender for 4,675 e-buses after a disappointing response from original equipment manufacturers.

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Govt may scrap 4,675 e-buses' tender on tepid OEM response

Firms refrained from bidding over concerns about high operational costs

NITIN KUMAR
New Delhi, 7 August

The government's ambitious plan to replace polluting diesel buses at public transporters with electric buses has hit a speed bump. Convergence Energy Services Limited (CESL), the state-run company that handles the acquisition of electric vehicles for central and state government departments, is considering cancelling its dry lease tender for 4,675 e-buses after a disappointing response from original equipment manufacturers (OEMs), *Business Standard* has learnt.

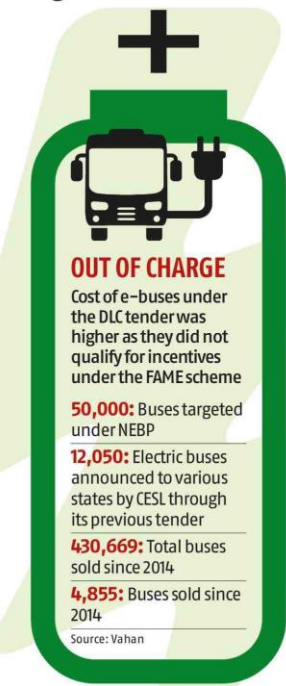
The tender, issued on January 4 under the National Electric Bus Programme (NEBP) Phase-II, failed to attract bids from established automobile makers such as Tata Motors, Ashok Leyland, and PMI Electro Mobility, leading to speculation about its cancellation.

The lack of participation from major OEMs had led to several extensions of the tender deadline, which eventually closed on June 9. Only EKA by Pinnacle Mobility Solutions bid for the buses. EKA declined to comment, citing its spokesperson's unavailability.

"As none of the OEMs submitted bids, the tender is likely to be scrapped. We are also considering revisiting the dry lease contracting model for future tenders," a senior government official confirmed.

Queries sent to CESL did not elicit a response till press time.

OEMs refrained from bidding due to concerns about high operational costs, the financial instability of state transport undertakings (STUs), and apprehensions about relinquishing control of the buses to STU drivers, sources said. Furthermore, the cost of e-buses under the dry lease tender was higher, as they did not qualify for incentives



monthly per-bus fee, discovered through a competitive bidding process, to the service provider. The dry lease period for different bus types (7/9/12 metre bus, standard floor/low floor, and AC/non-AC) is 10 or 12 years.

These buses were proposed to be deployed in Delhi (2,400), Kerala (775), and Telangana (1,500).

OEMs prefer the gross cost contract model, where drivers also belong to the OEMs and they maintain control of the entire operation. In this model, the authority pays a pre-decided per-kilometre fee. The lease period for different bus types in the gross cost contract model is either 10 years or 12 years (900,000 kilometres or 1.8 million kilometres).

Despite the setback, the government remains determined to electrify buses used for public transport, considering its significant social and environmental impact. In June 2022, it announced an ambitious plan to deploy 50,000 electric buses by 2027 under the \$10-billion NEBP initiative. This move is aimed to help India achieve its target of 40 per cent e-bus penetration by 2030 and net neutrality by 2070.

The current situation poses a challenge to the government's vision, as CESL, under its previous tender, has declared results for approximately 12,050 electric buses. However, the number of operational e-buses in the country is only 4,855, including buses sold outside the tender ambit.

Since 2014, India has sold a total of 430,669 buses, with electric buses accounting for just 1.1 per cent of this. The potential cancellation of the current tender raises concerns, yet the government is expected to review its approach and explore alternatives to accelerate the adoption of electric buses in the country's public transport system.

under the Faster Adoption and Manufacturing of (Hybrid & Electric Vehicles) scheme.

In the dry lease contracting model of procurement, the bus is owned and maintained by service providers for a specific rate and contract period, the responsibility of operation is with STUs. The authority pays a pre-decided

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Wind 'Turbinageddon' is a troubling climate omen

Siemens Energy's wind turbine problems may force a slower and more expensive energy transition

THE FINANCIAL COST of decades of climate inaction and the risks inherent in rushing to catch up were laid bare on Monday when a German industrial giant forecast a jaw-dropping €4.5 billion (\$5 billion) annual loss. Siemens Energy AG's woes stem chiefly from technical problems with a new generation of onshore wind turbines. Wind power is vital to cutting carbon emissions, and the industry has raced to launch bigger and more powerful machines. But the Siemens Gamesa wind business moved too fast and has now discovered abnormal vibrations arising from blades and bearings which may have to be replaced.

While the affected models represent only 4% of its installed fleet, the direct costs of rectifying the problems are estimated at €1.6 billion. The company faces further unexpected costs related to ramping up production of offshore turbines, as well as unfavourable tax effects. Bernstein Research analyst Nicholas Green has evocatively dubbed the problems Turbinageddon.

The wind industry should be flying high but instead is entrapped by a cornucopia of troubles. Projects are too often held up by red tape and nimbyism, while contracts signed years ago have become onerous due to material and logistics cost inflation. Chinese companies that dominate their home market are looking increasingly to expand overseas, pressuring pricing. An even bigger concern is that powerful new turbines may prove unreliable—small component irregularities can cause turbines to malfunction. The rotors of a high-spec onshore model span 170 m and a nacelle (the central structure) can weigh several hundred tons (the latest offshore turbine designs are even larger). Needless to say, it's not straightforward to repair massive equipment high above the ground and compensate wind park owners for forgone electricity production. Though Siemens Energy may be able to recoup some money from subcontractors and suppliers, most of the financial risks often lie with the manufacturer. Vestas Wind Systems and General Electric



have had their own warranty issues, but one can't necessarily conclude the entire industry has a problem. Gamesa has many homemade issues: the business has had six leadership changes in as many years, notes Bernstein. Oversight of its supply chain and communication about potential issues seem to have been lacking.

Regrettably, the latest problems became apparent only after Siemens Energy completed a €4 billion buyout of Gamesa's minority investors in December, thus ensuring even more of the financial risk accrued to itself. (For its part, German engineering giant Siemens AG is looking to reduce its part ownership of Siemens Energy; for now, it owns a 32% stake, spread across the company and its pension arm.) Siemens Energy is fortunate the rest of its activities—comprising things like gas turbines and electricity-grid connections—are performing well. The cash impact of fixing the technical issues will also be spread over several years. Management ruled out raising equity. However, turbine manufacturers may decide they need to raise prices and move more slowly to avoid similar issues. Siemens Energy is being more selective about order intake and has delayed turbine deliveries until it can get to the bottom of the current problems. Management has also vowed to "put stability and profitability first before growth."

These events may also push up wind companies' cost of capital amid lingering fears that problems with more turbines will arise—Siemens Energy has shed more than €6 billion of market value since the issues were first revealed in June.

These effects will tend to hold back the energy transition just at the moment we need it to speed up. It's the kind of thing that happens when you ignore a massive problem (climate change) for decades and then race to catch up.



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Coal PSUs announce plans for new thermal power plants

New Delhi: Coal India Ltd (CIL) and NLC India Ltd (NLCIL) plan to set up multiple thermal power plants across the country. According to a coal ministry statement, NLCIL, in partnership with the UP government, will construct a 3x 660 MW thermal power plant in Ghatampur near Kanpur. The project, estimated to cost ₹19,406 crore, will supply 1478.28 MW of power to Uttar Pradesh and 492.72 MW to Assam.

SAURAV ANAND

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BHEL's Q1 order inflows robust but earnings are unpredictable

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State-run Bharat Heavy Electricals Ltd (BHEL) results for the three months ended June (Q1FY24) are far from inspiring. Dismal operating performance led to wider losses. Loss at Ebitda level stood at ₹364 crore last quarter, up from ₹170 crore in Q1FY23, hurt by higher operating expenses and elevated provisions. This comes at a time when BHEL's net revenues have increased by 7% year-on-year to ₹5,003 crore. Investors are not pleased. The company's shares closed 2.4% down on Monday.

Going ahead, analysts expect the spike in operating expenses to normalise. On the order inflows front, the news is encouraging. In Q1, BHEL's order inflows jumped to ₹15,600 crore. This gave a fillip to the order book, which stood at ₹1.01 trillion as on 30 June. Note that last quarter's order inflows included a large Vande Bharat order for 80 train sets worth ₹9,600 crore which the company won in consortium with Titagarh Wagons Ltd.

Adjusted for this large order, the ordering was less than the execution in Q1FY24, according to Kotak Institutional Equities. That said, the brokerage is of the view that order inflow is a lesser

Shot in the arm

BHEL's order inflows in Q1FY24 got a significant boost from a large Vande Bharat train sets order.



Source: Company, Antique Stock Broking

problem, as pipeline of incremental ordering is healthy for thermal, defence and transport sectors. It is the difficulty of predicting profit-

ability that is the constraint, it said. Plus, competitive headwinds could lead to aggressive pricing, thus delaying margin recovery.

Lately, stocks of capital goods companies have garnered investors' attention given the government's thrust on capital expenditure. "In recent months, the narrative towards thermal energy has strengthened given the rising power demand and challenging Renewable Energy 2030 targets and need for thermal power to balance evening power demand (given solar availability is only during day)," said Subhadip Mitra, executive director, Nuvama Institutional Equities. Against this backdrop, thermal ordering should revive in medium term. This bodes well for BHEL's order inflows and long-term revenue visibility, he says.

The stock's up move this year can be partly explained by the ongoing optimism as well. So far in 2023, the BHEL stock has risen by 22% vis-à-vis 8% gain of the Nifty 500 index.

Apart from timely thermal orders, growth from the non-thermal areas such as rail, defence is key to track. Further, higher receivables could lead to a stretched working capital situation, hurting profitability outlook. "The recently released annual report shares prospects of working capital remaining high for next 2 years," said Kotak report. Slower than expected orders that can dampen revenue visibility is a risk.

SATISH KUMAR/MINT