ONGC News as on 14 July 2023(Print)

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OMCs to ride the low crude gravy train in Q1

City gas firms will see profits rise due to capped domestic prices, say analysts

SUBHAYAN CHAKRABORTY
New Delhi, 13 July

Lower crude oil costs and higher marketing margins are expected to raise the fortunes of oil marketing companies (OMCs) in the first quarter (Q1) of 2023-24 (FY24), while city gas distribution (CGD) companies could also benefit from lower spot prices of liquefied natural gas (LNG). However, in a break from the past, growth trends are expected to diverge for various segments within the broad energy sector.

Analysts expect the earnings from gas production to go down for upstream national oil and gas companies such as Oil and Natural Gas Corporation (ONGC) and Oil India (OIL) due to the introduction of the new domestic gas pricing regime on April 1. After showing steep losses over the first half of 2022-23 (FY23), the marketing margins of OMCs have steadily recovered in four months.

Analysts expect OMCs' results to be operationally better, owing to a major recovery in marketing gains of blended margins at ₹8–9 per litre of fuel sold in Q1FY24, up from ₹3 per litre in the fourth quarter (Q4) of FY23.

Analysts expect these higher margins, notwithstanding relatively lower gross refining margins (GRMs).

GRM is the amount refiners earn from turning every barrel of crude into refined fuel products. The benchmark Singapore GRM averaged a lower $4.1 per barrel in Q1FY24, down from $8.2 per barrel in Q4FY23.

In 2022, with the supply of refined products reducing as a result of supply disruptions of Russian oil and lower exports of petroleum products from China, GRMs had risen quickly to a record high of $25.2 per barrel. As a result, Indian refiners have seen their earnings go up.

But as Moscow raised supplies to the international market late last year to increasingly fund its war in Ukraine, GRMs quickly dropped. However, Indian OMCs have continued to secure oil at a discount from Russia.

"While refining profits will be lower, recovery in marketing margins will drive Q1 profit after tax (PAT) for OMCs to ₹242.7 billion, up from ₹211.2 billion in Q4," stated Prabhudhar Lilladher in a report. Meanwhile, softer domestic gas costs, sharply lower spot LNG prices, and lower-term LNG prices are set to raise PAT of CGDs by up to 25 per cent.

Gas producers face heat

It added that national oil companies like ONGC and OIL are expected to maintain production volumes but will see lower gas realisations, given that gas prices have been capped at $6.5 per million British thermal unit (mBtu).

As a result, the operating earnings of these companies may reduce by 36 per cent, and net earnings may drop 51 per cent on an annual basis, ICICI Securities pointed out in a recent note.

About 83.3 per cent of India's natural gas is produced by ONGC and OIL, while the remainder 16.7 per cent is produced by private companies and joint venture entities. In early April, the government amended the administered price mechanism for the domestic pricing model of natural gas in line with the recommendations of the Kirit Parikh Committee on gas pricing. One key government decision was to cap the rates for final consumers at $6.5 per mBtu. This is based on a new formula of gas prices being pegged at 10 per cent of the international price of the Indian crude basket.

The companies will, however, benefit from the Centre's move to ensure the windfall tax rate for crude is kept at a level that ensures a steady range of $72-75 per barrel net crude realisations for these companies.

With the drop in global prices, the Centre on May 16 cut the windfall tax on domestically produced crude to zero from ₹4,100 per tonne. It had kept unchanged the windfall tax on petrol, diesel, and aviation turbine fuel at zero.

Q1 ESTIMATES

Q1FY24E	Net sales (₹ cr)	Chg (YoY %)	EBITDA (₹ cr)	Chg (YoY %)	PAT (₹ cr)	Chg (YoY %)
Reliance Industries	2,13,980	-2.4	38,082	-5.4	16,972	-5.5
IOC	1,90,575	-14.7	19,252	249.3	7,576	-
BPCL	1,11,461	-7.9	14,208	-	6,897	-
HPCL	1,03,174	-9.6	7,909	-	5,006	-
ONGC	33,571	-81.6	18,592	-1.4	9,664	-19.0
GAIL India	27,772	-26.7	2,924	-35.7	2,158	-33.7
Petronet LNG	15,637	9.6	1,241	16.6	780	7.7

Source: *Bloomberg*; Compiled by *BS* Research Bureau

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ONGC, IGGL pact on natural gas fields

INDRADHANUSH GAS LIMITED (IGGL) and Oil and Natural Gas Corporation Limited (ONGC) have signed three hook-up agreements to connect the latter's natural gas fields with the North East Gas Grid (NEGG) for transportation of natural gas. The natural gas will be transported from Jorhat, Silchar and Tripura Assets of ONGC to the consumers. PTI

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India looks to resume operations at stalled hydrocarbon block in Iraq

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NEW DELHI

At a time when Iraq has emerged as a major supplier of crude oil to India, the Centre is looking at resuming operations of state-run ONGC Videsh Ltd's (OVL) hydrocarbon exploration block in Iraq, which has been under force majeure since 2003, said two people with knowledge of the development.

One of the persons said Indian energy companies may look at investing in oil and gas assets in the West Asian country.

"Several aspects would be considered for resumption of operations at the stalled project and investments, including the security situation. There are some issues on which clarity would be required," said this person.

'Block 20', earlier known as Block 8, is a large on-land exploration block in the Western Desert of Iraq, spread over 10,500 sq km. OVL had acquired 100% stake in the block by signing the exploration and development contract in November 2000. However, force majeure was declared in 2003 amid security concerns.

OVL had acquired 100% stake in 'Block 20' by signing a exploration and development contract in November 2000. MINT

Force majeure is removes liability for unforeseeable and unavoidable catastrophes that prevent participants from fulfilling contractual obligations.

Both the subjects of investments and resumption of operations at the stalled projects were discussed during an India-Iraq Joint Commission Meeting (JCM) last month.

The JCM was held during the visit of Hayan Abdul Ghani Abdul Zahra Al Sawad, Iraq's deputy prime minister for energy affairs and oil minister. A petroleum ministry statement had said that during the meeting, union minister for petroleum and natural gas Hardeep Singh Puri highlighted the natural and traditional synergies between the two countries on account of India's position as a growing energy demand centre of the world.

He called for strengthening relations between the two sides, including in oil and gas, capacity-building and diversification of the trade basket. The JCM was held after a gap of 10 years.

He also underlined the readiness of Indian companies to explore investment opportunities in Iraq, the upgradation of infrastructure facilities of the oil and gas sector and their amenability for sourcing increased quantities of crude oil from Iraq based on appropriate pricing regime.

The Iraqi minister expressed his government's desire to welcome Indian companies to invest in Iraq, including in rehabilitation projects.

On 12 June, *Mint* reported that India is planning to build a liquefied natural gas (LNG) terminal in Iraq. The terminal will liquify some portion of the gas currently flared by Iraq and transport it to India, where it will be converted back to LNG for use in city gas distribution as well as power, fertilizer, and steel sectors.

In FY23, Iraq was the second largest exporter of crude oil to India, with total supplies of 50.31 million tonnes for $33.37 billion. It was the topmost supplier in value terms.

Queries sent to the ministry petroleum and natural gas, embassy of Iraq in Delhi and ONGC Videsh Ltd remained unanswered.

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IGGL, ONGC ink pact to transport natural gas

Guwahati: Indradhanush Gas Ltd (IGGL) and Oil and Natural Gas Corporation Ltd (ONGC) have signed hook-up agreements to connect the latter's natural gas fields with the North East Gas Grid for transportation of natural gas from Jorhat, Silchar and Tripura Assets of ONGC to the consumers, an official release said. IGGL is laying a 1,656-km-long natural gas pipeline connecting the capital cities and the demand centres of all the eight North-Eastern States. PTI

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GAIL conducts clean environment drive

GAIL (India) Ltd, the leading natural gas company, has been actively participating in the nationwide Swachhta Pakhwada initiative being held from July 1 to 15, 2023. It is a nationwide cleanliness awareness campaign initiated by the Government of India to promote cleanliness, hygiene, and environmental responsibility. As a part of the initiative, GAIL employees, students from GAIL Utkarsh Centres, and many others have taken the 'swachhta' pledge for proper waste segregation and correct disposal, including e-waste management. Furthermore, GAIL has conducted health and hygiene awareness camps through mobile medical units, highlighting the importance of menstrual hygiene among girls and women in rural areas, across various locations in Uttar Pradesh, Madhya Pradesh and West Bengal. The campaign aims to encourage individuals to embrace small steps that collectively contribute to a larger positive change in the society.

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EIB to offer €1 billion loan for Green Hydrogen Mission

DHRUVAKSH SAHA
New Delhi, 13 July

The European Investment Bank (EIB) will offer support to India's Green Hydrogen Mission by way of a €1 billion loan in projects of the green fuel ecosystem, which are in nascent stages, the multilateral agency said.

EIB Vice-President Kris Peeters will be visiting India this week for the G20 Infrastructure Investors Dialogue.

"Vice-President Peeters will confirm the EIB's interest in supporting the recently approved National Green Hydrogen Mission with a facility of up to €1 billion in support of the nascent Indian green hydrogen ecosystem and renewable energy projects," said EIB in a statement.

"He will highlight the EIB's interest in boosting India's renewable energy ambitions by backing renewable energy generation, as well as enabling technologies and infrastructure for energy storage, power transmission and distribution," it added.

The aim of the visit is to confirm the EIB's commitment to future investments under the EU-India Connectivity Partnership, in support of the European Green Deal and the EU Global Gateway strategy, and in support of India's own ambitious agenda on climate, renewable energy, connectivity and sustainable finance, in particular by supporting projects with strong climate action benefits, EIB said.

The EIB had joined India Hydrogen Alliance in February.

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Exxon to acquire Denbury in $4.9-bn deal

EXXON MOBIL said on Thursday it would buy Denbury in an all-stock transaction valued at $4.9 billion, giving the oil major access to the largest carbon dioxide pipeline network in the United States. **REUTERS**

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Oil prices hit near 3-month high as US inflation softens

STEPHANIE KELLY
New York, July 13

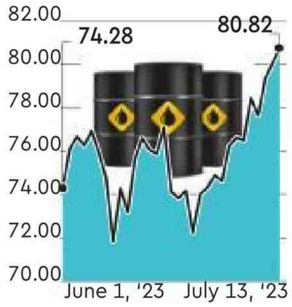
OIL PRICES GAINED on Thursday to their highest in nearly three months after US inflation data implied interest rates in the world's biggest economy are close to their peak.

Brent crude futures gained by 94 cents to $81.05 per barrel by 1459 GMT. The session high was $81.35 a barrel, highest since April 26.

US West Texas Intermediate crude futures rose 82 cents to $76.57. The session high was $76.90 a barrel, its highest since April 28.

Data on Wednesday showed US consumer prices rose modestly in June and registered their smallest annual increase in more than two years as inflation continued to subside.

Brent crude prices
($ per barrel)



"We've had very low inflation numbers today and that's been a headwind because of the fear the Federal Reserve is going to raise interest rates," Phil Flynn, an analyst at Price Futures Group.

Markets expect just one more interest rate rise. Higher rates can slow economic growth and reduce oil demand.

Oil prices have rallied around 12% in two weeks, primarily in response to supply cuts from top producers Saudi Arabia and Russia, said Craig Erlam, senior market analyst at OANDA.

The futures contract structure of the global benchmark Brent indicates the market is tightening and that OPEC could be succeeding in its mission to support the market.

The premium of a front-month Brent contract to a six-month February 2024 contract <LCOc1-LCOc7> rose to $2.64 a barrel on Wednesday. At the end of June, the front-month contract was at a discount to the six-month contract. — **REUTERS**

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Exxon to buy Denbury for $4.9 bn in carbon dioxide pipeline push

Exxon Mobil Corporation agreed to buy Denbury Inc. for $4.9 billion, its biggest acquisition in six years, in a deal that will provide the oil giant the largest network of carbon dioxide pipelines in the US. The all-stock transaction values Plano, Texas-based Denbury at $89.45 a share, the companies said on Thursday. **BLOOMBERG**

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Renewable sector likely to add 45 GW

Renewable energy sector is poised for a major expansion, with projections suggesting an increase of around 45 gigawatts (GW) by the fiscal year 2025, according to a report from CareEdge Ratings. This boom in capacity is attributed to a substantial project pipeline and an attractive bidding roadmap luring developers into the space. CareEdge anticipates annual additions to the renewable energy capacity to oscillate between 20 and 25 GW over the upcoming two fiscal years, driven by a robust pipeline of over 55 GW assets in development. "We anticipate annual renewable energy installations to hit around 20 GW in fiscal year 2024, primarily from solar, followed by over 25 GW in the subsequent year, culminating in an overall increase of 45 GW over the next two fiscal years," the report stated. A key catalyst in the expected surge of solar capacity is the one-year suspension of the approved list of module manufacturers (ALMM). **SAURAV ANAND**

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GREEN ENERGY

'India achieves 173GW renewable energy capacity'

PTI / New Delhi

India has achieved 173GW of installed renewable energy capacity while another 120GW is under various stages of implementation, a top official said on Thursday.

This assumes significance in view of India's target of having 175 GW of renewable energy capacity by 2022, which included 100 GW from solar, 60 GW from wind, 10 GW from bio-power and 5 GW from small hydro-power.

India's installed renewable capacity is 173.61GW which includes 67.82GW of solar, 43.19GW of wind energy, 46.85GW of large hydro and 4.94GW of small hydro (of up to 25MW each), according to the latest official data.

"India's efforts for accelerating energy transition have been robust and decisive. Out of the total installed renewable energy capacity of over 173GW currently, India has the fourth largest high capacity in the world with another 120GW (of renewables) at various stages of implementation," said New & Renewable Energy Secretary Bhupinder Singh Bhalla while addressing the US India Energy Summit on Thursday in the capital.

He further stated that the recent decision by the government to invite bids for 50GW of renewable energy capacity annually for the next five years, that is from the current (fiscal) year till 2027-28, is a resolution to transform the energy sector at a massive scale.

This aligns with India's commitment to achieving 50 per cent of its installed capacity from non-fossil fuels, he pointed out.

The rapid push to develop robust offshore wind industry, the nation's hydrogen mission, the PM-KUSUM scheme (for the agriculture sector), rapid deployment of solar parks, implementation of PLI (production linked incentive scheme), national bioenergy programme and ongoing efforts to scale up rooftop solar are evidence of India's commitment to accelerate the energy transition and contribute to climate action, he noted.

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Minister inaugurates 'Green BHEL' initiative

Union Minister of Heavy Industries, Dr. Mahendra Nath Pandey, inaugurated the 'Green BHEL' initiative during a visit to the company's corporate office at New Delhi. Dr. Nalin Shinghal, CMD, BHEL; directors on the board of BHEL, and other senior officials

welcomed the minister. The minister appreciated BHEL's roadmap for becoming 'Net Zero' by 2047, which is in line with Prime Minister's vision of India achieving 'Net Zero' by 2070. He also reviewed the various diversification initiatives undertaken by the company for enhancing long-term competitiveness which will aid in sustainable growth of BHEL and assured MHI's full support in all its endeavours.