ONGC News 14.12.2020 Print

Reliance, others don't need govt nod for gas pricing

RELIANCE INDUSTRIES AND other producers of natural gas will no longer need official approval for gas prices if it is arrived at using the new guidelines, an official order said recently. The government has since 2017 given pricing freedom for natural gas produced from all fields other than the old fields of state-owned ONGC and Oil India Ltd. Firms such as Reliance Industries-BP combine as well as ONGC (for non-nomination blocks) have been auctioning gas to users, typically devising a formula and seeking bids from users. They will continue to devise a pricing formula, but will now have to seek bids on the electronic-platform of five pre-selected agencies, the order said.

HOEC to begin oil production from B-80 field in April

NEW DELHI: State-owned ONGC thought the discovery is too small to make economic sense. But Hindustan Oil Exploration Company (HOEC) in two years of taking over the B-18 block has not just discovered more resources but has invested enough to start oil and gas output from April next year.

HOEC Managing Director P Elango said the company will start producing 8,500 barrels per day of oil and oil equivalent gas from the B-80 block in April next year.

HOEC in September 2017 won the block in India's first auction round of small discovered fields that the state-owned firms had not developed for a variety of reasons.

ONGC had made an oil discovery in one of the five well it had drilled on the B-80 block that sits in Arabian Sea, off the Mumbai coast, but did not find economics to develop it. ONGC had established a 3,500 barrels per day production from one well. PTI

Core secy panel set to take up Shipping Corp disinvestment

Market capitalisation of the company stood at ₹3,910 crore as of December 11

NIKUNJ OHRI
New Delhi, 13 December

The cabinet secretary-headed core group of secretaries on divestment will, on Monday, take up the issue of preliminary information memorandum (PIM) and expression of interest (EoI) for privatisation of Shipping Corporation of India that may include conditions such as a one-year lock in period and a three-year business continuity plan.

The panel of secretaries will discuss conditions laid out for the privatisation, and suggest changes if required, said a top government official. The PIM and EOI are then expected to be taken by the alternative mechanism on strategic divestment on December 18, and will subsequently be made public. The alternative mechanism consists of the finance minister, the minister for road transport and highways, and the minister representing respective administrative departments.

The government's near-63.75 per cent stake, held in the shipping company, was valued at close to ₹2,492 crore

Once approved, this would kick-off privatisation of yet another public sector unit, besides the Bharat Petroleum Corporation. The sale, if completed in the current fiscal year, may help the government mop up divestment receipts at a time when its revenues are strained, and it's set to miss its ambitious divestment target of ₹2.1 trillion.

The conditions of the sale may include eligible bidders having a minimum net worth of ₹2,500 crore. The final decision on the net worth eligibility will be taken by the panel and subsequently by the political executive, the official quoted above said.

The market capitalisation of the company that owns a fleet of bulk carriers, crude oil tankers, container vessels, among others, was ₹3,910 crore as of December 11. About 63.75 per cent stake held by the government in the shipping company was valued at ₹2,492 crore, according to the closing price of the stock on Friday.

The PIM may also include a one-year lock in period for the new buyer, and a business continuity plan or keeping the company as a going concern for a period of three years. The new buyer will also have to retain existing employees for a year, the official said.

Crude at $55/barrel to add 34 bps to headline inflation: Barclays

FE BUREAU
New Delhi, December 13

RISING GLOBAL CRUDE oil price is seen to increase the already elevated inflation levels in the country, according to Barclays. "We estimate that a $10/barrel increase in the price of crude oil, to $55/barrel from $45/bbl, which implies a ₹5.8/litre increase at the pump, would add about 34 basis points to headline inflation over three to six months, assuming no change to petroleum taxes," analysts at Barclays said.

In the face of unprecedented tax revenue deficits this year, the Central government had hiked excise by ₹10 per litre on petrol and ₹13 per litre on diesel on May 5 (after raising taxes by ₹3 per litre for both petrol and diesel on March 14). This did not allow consumers to gain from lower global oil prices of $20-30/barrel in the March-May period, and helped the government's excise duty income to rise 41% annually to ₹1.6 lakh crore in the April-October period. However, crude oil price have clawed back to the current rate of $50/barrel on the back of Opec production cuts and anticipation of the Covid-19 vaccine.

"So while oil's rebound is unlikely to destabilise India's external balances, the government is faced with a new domestic trade-off between fiscal stability and sticky inflation," Rahul Bajoria, chief India economist at Barclays said. If the government chooses to cut petrol and diesel taxes by ₹5.8/litre to offset rising crude oil prices, it would result in a loss of revenue of ₹87,200 crore.

Business Standard
Focus on hydrogen to meet zero-emissions target
Dec 14, 2020 | Delhi | Pg No.: 14 | | Sq Cm:504 | AVE: 1246643 | PR Value: 6233216

Focus on hydrogen to meet zero-emissions target

Options include generating hydrogen from coal, biogas, and through electrolysis

SUBHOMOY BHATTACHARJEE
New Delhi, 13 December

India plans to use hydrogen in a big way, including extracting it from coal, as part of a bouquet of measures towards achieving a net zero carbon emissions target. With China and 65 other countries having announced such a target already, the government is working on a feasible roadmap to make similar commitments.

Prime Minister Narendra Modi had indicated as much at the Climate Ambition Summit on Friday. "We must not only revise our ambitions, but also review our achievements against targets already set... India will not only meet its own targets, but will also exceed your expectations," he said.

Hence, the Ministry of New and Renewable Energy (MNRE) is asking for additional money for a hydrogen mission and has moved a cabinet note on it. The ministry has been supported by Niti Aayog member V K Saraswat, who has pitched for hydrogen extraction from a range of options, including coal and biogas. If the plan is adopted, the axe could, to some extent, fall on the expansion plans of the natural gas economy.

A simulation exercise by Niti Aayog shows that clean hydrogen could cut up to 34 per cent of global greenhouse gas emissions. But this needs a supportive policy environment. Hence the cabinet note for extra funds to expand the use of hydrogen. The Niti Aayog has also recommended that the gas pipelines being laid across the country should eventually be used to transport hydrogen.

Different ministries feel that it would be possible to adopt this mix of approaches as the price of renewable energy has reached a low of ₹2 per unit. Besides, globally, breakthrough advances in carbon capture technology are expected soon. This will leave more room for the use of coal to make hydrogen. Coal-based power generation can grow to 248 GW in FY27 from the current 206 GW (as on August 2020).

GOING GREEN

- Clean hydrogen could reduce up to 34 per cent of global greenhouse gas emissions
- India wants to deploy coal at one end and renewable energy at the other to extract hydrogen
- Hydrogen is not a fuel, but, like electricity, is an efficient carrier of energy
- MNRE estimates that each kilo of hydrogen can be generated in a range of ₹200 to ₹250, which is comparable to other energy prices

Hydrogen is mostly extracted from natural gas, but India, under its *aatmanirbhar* (self-reliant) route, wants to deploy coal at one end and renewable energy at the other to extract hydrogen. India has large reserves of coal and the price of electricity generated from renewable energy is falling every year. The country imports almost 50 per cent of the natural gas it consumes, and the percentage is expected to go up despite efforts to locate domestic sources. So it is attractive to use technology employing both these options. These demonstrations could put a question mark on India's hunger for natural gas.

There is hope that in five years, the technology for carbon capture and sequestration will have matured enough to make coal-based hydrogen generation a green option

However, an expert said that since natural gas will be required for the production of urea and as fuel for domestic cooking for the foreseeable future, the current levels of imports are unlikely to be affected. But there is no doubt that the government is now far more keen to tap into hydrogen than natural gas.

"India should exclusively focus on electrolysis until carbon capture and storage is a viable option for integration with coal-based hydrogen generation," Saraswat said at a recent energy sector event.

Hydrogen is not a fuel, but, like electricity, is an efficient carrier of energy. While automobiles and railways are moving to renewable energy-based generation of electricity, industrial units such as those that produce steel or cement cannot get the heat they need from these sources. Hydrogen, though, can generate the required level of heat.

The catch is that currently hydrogen is generated primarily from natural gas through a process known as steam methane reform. However, if it can be generated by splitting water in an electrolysis reaction, it becomes what is known as blue hydrogen — a renewable energy source.

Both MNRE and Niti Aayog mandarins believe that it is more economical to produce hydrogen through electrolysis. By 2025, electrolysis capacity globally is expected to grow 55 times compared to 2015.

They are also hopeful that in another five years, the technology for carbon capture and sequestration will have matured enough to make coal-based hydrogen generation a green option. The process is as follows: In a two-stage reaction of coal with steam under high pressure, the final output is hydrogen and carbon dioxide. The hydrogen shall be used while the technology of carbon capture will ensure that no carbon dioxide is released into the atmosphere. Since hydrogen extracted from natural gas also leaves a carbon dioxide residue, Indian experts reckon it is better to invest in the abundant domestic coal reserves to do the trick.

"When considering a pathway to keep the rise of global temperature within 2 degrees Celsius by 2050, hydrogen consistently plays a critical role. There is no other viable pathway to decarbonisation," the Niti Aayog member said. At current prices of renewable energy, MNRE estimates that each kilo of hydrogen can be generated in a range of ₹200 to ₹250, which is comparable to other energy prices.

Last week, Indian Oil and UK-based LanzaTech offered the media a demonstration of the process of capturing carbon dioxide using bio waste and refinery residues.

Western Times (English)

Asia needs flexible LNG deals not linked to oil prices: Dharmendra Pradhan

Dec 14, 2020 | Ahmedabad | Pg No.: 6 | | Sq Cm:172 | AVE: 77206 | PR Value: 386028

Asia needs flexible LNG deals not linked to oil prices: Dharmendra Pradhan

Dharmendra Pradhan said gas buyers and sellers need to adjust to changing market dynamics after lower spot gas prices in last two years have encouraged buyers to favour short-term and spot deals instead of long-term oil-linked deals.

Asia needs flexible liquefied natural gas (LNG) contracts with no links to oil prices to reflect changes to the market as demand recovers from the impact of the coronavirus pandemic, India's oil minister Dharmendra Pradhan said.

Pradhan said gas buyers and sellers need to adjust to changing market dynamics after lower spot gas prices in last two years have encouraged buyers to favour short-term and spot deals instead of long-term oil-linked deals.

The LNG price determination for Asian consumers is still oil-linked, and this requires an urgent revision, Pradhan said at an International Energy Forum event.

India, the world's fourth largest liquefied natural gas importer, is aiming to raise the share of gas in its energy mix to 15% by 2030 from the current 6.3% and is investing $60 billion by 2024 to strengthen infrastructure.

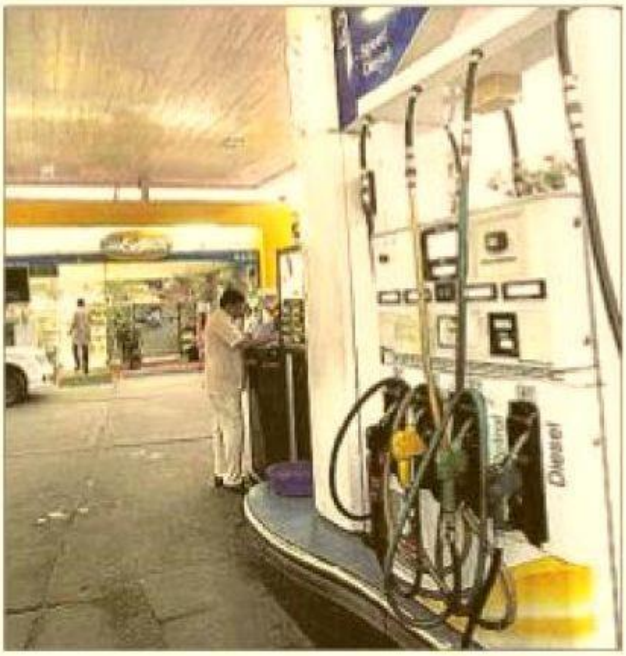
The country's top importer Petronet LNG is renegotiating pricing of gas bought under long-term deals with Qatar, after a spot price slump made oil-linked long-term deals unattractive.

There is greater recognition to immediately address the rigidities in its marketing structures in LNG sector," the minister said referring to clauses like destination restriction.

He said refined fuels and gas demand in India has recovered to pre-Covid levels and he hoped the country will remain a key global energy demand center.

India is doubling its natural gas grid to 34,500 kilometers and increasing annual gas import capacity to 61 million tonnes by 2022 from the current 42 million tonnes, he said.

India's fuel demand fell 5% in November



Petrol, diesel prices at a two-year high after successive hikes

PETROL AND DIESEL prices rose for the sixth day in a row last Monday, with petrol price going up by 30 paise per litre and diesel, by 26 paise. The rates for petrol in Delhi rose to ₹83.71 per litre from ₹83.41, while diesel price went up from ₹73.61 to ₹73.87 per litre, according to notifications from the Indian Oil Corporation. This was the 15th increase in rates since November 20. The prices are now at the highest level since September 2018. In 18 days, the petrol price went up by ₹2.65 per litre and the diesel rate by ₹3.41. The rate increase follows international oil prices rising by a third from lows in October-end. Brent crude oil is nearing the $50-per-barrel mark on hopes that COVID vaccines would lead to a demand recovery.

'We're trying to attract big container ships'

Chief of Cochin Port Trust on the way ahead

V SAJEEV KUMAR

The resurgence of Willingdon Island, once a thriving business hub of all port-related activities, has been on top of the agenda for the Cochin Port Trust ever since the migration of container terminal operations to the Vallarpadam Island in 2011.

But the establishment of the liquefied natural gas (LNG) Terminal in the nearby Puthuvypeen Island in Kerala seems to have sharpened this focus, particularly with the completion of the Kochi-Mangaluru pipeline of GAIL.

The port will also be focusing on Willingdon Island to equip it for cruise tourism and setting up of captive berths (operated by companies for their in-house needs) as well as leasing out some berths based on the landlord development model with specific customers in mind, said M Beena, Chairperson, Cochin Port Trust.

The port management is pinning its hopes on Puthuvypeen to create around it a new area of development for LNG-based ancillary units by leasing out land to industries to boost revenues, she added.

At the same time, the port trust is in the process of redesigning Willingdon Island by transforming it into a global vista for rest, rejuvenation and recreation by encashing Kerala's tourism potential. A proposal to prepare a master plan to transform the island into a sustainable global tourism destination is on the table, Beena told *BusinessLine*.

With the GAIL pipeline, the port would see a rise in the volume of gas consumed by industries in the region. This would facilitate the terminal to double its capacity, which, in turn, would bring more earnings to the port as well as the State, she added.

The port plans to lease 1.20 hectares in the SEZ for 30 years to investors for setting up, near the LNG terminal, a cryogenic warehouse which can use the cold energy released from the terminal during the re-gasification process.

Calling the shots M Beena

The cryogenic warehouse can be used for storage — both for domestic consumption and export — of fruits and vegetables, meat and marine products, pharmaceutical goods and so on.

The port trust is looking to set up logistics parks, port-based industrial parks and warehouses on 100 acres at the south end of Willingdon Island along NH 966 B. The facility can act as a hub for freight movement, enabling aggregation and distribution of goods.

With major container lines resorting to cooperation for covering global trade routes through the sharing of ships of varied sizes and draft requirements, the draft available at the International Container Transhipment Terminal (ICTT) at the port might not cater to all the ships of a particular service, which was a limitation, Beena pointed out.

"There is a good ecosystem in Colombo and they are more business-friendly. We have to address several issues before moving forward for trans-shipment of containers in a big way," she said.

The port recently attracted big vessels of container shipping lines MSC and Maersk Line on an ad hoc basis and has been trying to make it a regular service. Discussions are also in progress with other lines to call at Cochin, Beena added. "We are trying to attract big container ships to Cochin on regular services," she said.

Diesel sales decline 7% in Nov, petrol sales up 5%

PRESS TRUST OF INDIA
NEW DELHI, 13 DECEMBER

India's diesel sales fell 7 per cent year-on-year in November after rising for the first time in eight months in October, industry data showed.

Sale of diesel, the most used fuel in the country, was, however, 8 per cent higher month-on-month.

Diesel consumption in November was 6.23 million tons, down from 6.7 million tons in the same period a year ago. It was, however, higher than 5.7 million tons demand during October.

The fall in consumption in November, after diesel sales had reached pre-Covid levels in September, shows the recovery is fragile, an industry official said.

Petrol sales rose to 2.4 million tons from 2.28 million tons, while cooking gas (LPG) sales were up 4.5 per cent to 2.36 million tons.

Aviation turbine fuel (ATF) sales fell 48 per cent year-on-year to 3,46,000 tons, but were 6.3 per cent higher month-on-month.

The total demand for petroleum products rose 2.5 per cent in October to reach 17.77 million tons. While petrol had reached pre-Covid levels in September itself, diesel consumption had returned to normal in October.

Diesel demand had spurted 7.4 per cent year-on-year in October, while petrol sales were up 4.5 per cent at 2.54 million tons.

The growth in diesel consumption was the highest in a year.

Industry sources said month-on-month diesel sales have risen in November, which is a good sign.

Fuel demand had slumped by 49 per cent in April after a nationwide lockdown, imposed to curb the spread of coronavirus, shut industries and took most vehicles off-road.

The 69-day nationwide lockdown was followed by local and state-level restrictions. Restrictions have eased only slowly and in phases, and localised restrictions in containment zones remain.

The onset of the festive season has fuelled a rise in consumption, but public transport is not back to normal levels yet as schools and educational institutions continue to remain shut in most parts of the country.

IOC refinery: Indian Oil Corporation Ltd (IOC), the nation's biggest oil firm, has boosted refinery run to 100 per cent of the capacity as reopening of the economy spurred demand for fuel, a company statement said. All the refineries of IOC operated at 100 per cent of the capacity in November, up from 88.1 per cent in the previous October month and 98.6 per cent in the same period last year. This festival season boosted demand for consumer goods, leading to more diesel-run trucks hitting the road to deliver everything ~ from clothes to air conditioners. PTI

The Asian Age
Oil rises from the ashes as a Covid recovery bet
Dec 14, 2020 | Delhi | Pg No.: 7 | | Sq Cm:404 | AVE: 1412785 | PR Value: 7063925

HOT MONEY | AGAIN **Positive global trends buoying traders' desire for both real and paper barrels**

Oil rises from the ashes as a Covid recovery bet

ALEX LONGLEY & JAVIER BLAS
DEC. 13

Brent crude topped $50 a barrel last week for the first time since March, a milestone for an oil market that's been grinding its way back out of a deep slump for months.

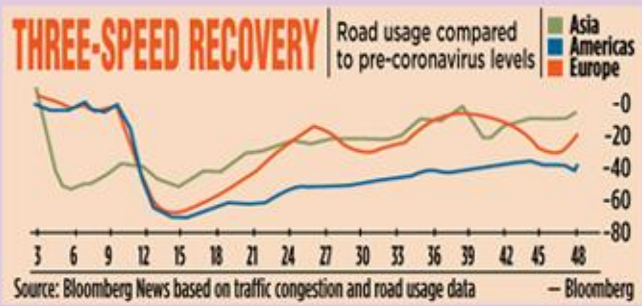
Things aren't back to normal yet, but the positive signals are proliferating. The enormous glut of fuel that accumulated this year on everything from tiny barges to giant supertankers is being steadily depleted.

While the coronavirus pandemic is worse than ever in the US, demand in Europe is bouncing back as a second wave of lockdowns eases and Asia continues to pull in huge volumes of crude.

But there's more to this than a realignment of supply and demand--huge financial flows are also driving the price rally. In a world that's expecting to see travel recover sharply next year, crude has become a hot Covid-vaccine trade.

"Oil is the cheapest of all reflation assets," said Amrita Sen, co-founder of London-based consultant Energy Aspects Ltd. "With vaccines slowly rolling out, we expect investors to start returning to the oil sector and for prices to continue firming."

In some corners of the world, the recovery in demand is almost complete. India's largest refiner said last week its plants are processing at full capacity and it's expecting a v-shaped rebound in fuel use. Consumption of petrol is also at or near pre-Covid levels in China and Japan, the world's second and fourth biggest oil consumers.



European motorists are hitting the roads again as governments relax national lockdowns in countries including the UK, Spain, and France, according to an index of road usage and traffic compiled by Bloomberg News. Road freight is sharply higher as companies rebuild inventories and the Christmas shopping season gets in full swing.

As demand is recovering, the Organization of Petroleum Exporting Countries and its allies are keeping tight limits on production. The group cancelled January's 1.9-million-barrel-a-day supply hike and will instead add no more than 500,000 barrels a day to the market each month in 2021. Estimates for US shale oil output are still falling.

Cargoes of crude are changing hands at higher prices from the North Sea to the US shale heartland of Midland, Texas as consumers trawl the globe for extra supplies. Saudi Arabia raised the cost of its oil for Asia--a benchmark for the world's refiners--by the most since August last week.

A more subtle shift in the market has also got traders excited. For most of December, nearby crude futures have been trading at a premium to later-dated ones, a price structure known as backwardation.

That buying of contracts at the front of the so-called price curve is evidence that managed money is flowing into the market, Eagle Commodities said. The steeper the backwardation, the greater the return from holding futures from one month into the next, which encourages further buying in a "self-reinforcing cycle," the brokerage said.

In recent weeks, cash has poured back into energy markets. Holdings of energy contracts rose by $3.6 billion through early December, according to JPMorgan Chase & Co, driven by inflows into Brent and West Texas Intermediate. Investors pumped money into US exchange-traded energy funds last week, with a swing of almost $400 million from the prior period's outflows.

For now, positive trends in fuel consumption are buoying traders' desire for both real and paper barrels. There could be more hot money coming down the pipe. *—Bloomberg*

Auto major set to reenter diesel segment next year

PRESS TRUST OF INDIA

New Delhi, December 13

Maruti Suzuki India is looking to enter the diesel segment once again next year as the vertical continues to draw a lot of customers, especially in the high-selling SUV and multipurpose vehicle segments, as per industry sources.

The auto major had discontinued diesel models with the onset of stricter BS-VI emission norms from April this year.

According to sources, MSI has initiated the process to upgrade its Manesar-based powertrain plant so that it can start rolling out BS-VI diesel engines starting middle or festive season next year. The company also plans to utilise the BS-VI compliant diesel powertrain in the Ertiga and Vitara Brezza to start with in the domestic market.

Maruti may bring back diesel models next year

MARUTI SUZUKI India, the country's largest carmaker, is looking to re-enter the diesel segment next year as the vertical continues to draw a lot of customers, especially in the high-selling SUV and multipurpose vehicle segments, as per industry sources, reports **PTI**. The auto major had discontinued diesel models with the onset of stricter BS-VI emission norms from April this year.

Oil companies halt auto fuel price rise as crude firm but static

New Delhi: Petrol prices march towards all time high levels has been temporarily halted by the oil marketing companies (OMCs) as they chose to keep the retail rates of petrol and diesel static for sixth consecutive day even though global oil prices remained firm with crude close to $50 a barrel.

Accordingly, there was no change in retail price of auto fuels on Sunday with price of petrol remaining at Rs 83.71 a litre and diesel Rs 73.87 a litre in Delhi. Across the country as well the price of the two petroleum products remained unchanged.

OMCs have gone on a pause mode at a time when news of successful coronavirus and expectations of big pick up in demand had kept crude on the boil with prices breaching $50 a barrel mark. Crude, however, has remained static for late few days reducing any pressure on upward revision in fuel prices.

Petrol prices was very close to breaching the all time high level of Rs 84 a litre (reached on October 4, 2018) when it touched Rs 83.71 a litre on Monday. But the March has been halted ever since then with no price revision by the OMCs.

Global crude prices have risen almost $10 a barrel in last one month to reaching over $50 a barrel now. But even at this level, it is far less than than average crude price of $80.08 a barrel in October 2018 when petrol prices reached highs of Rs 84 a litre in the Capital.

With Sunday's pause, fuel prices have now increased on 15 of the past 24 days with petrol prices rising by Rs 2.65 per litre and diesel by 3.41 a litre.

Petrol prices had been static since September 22, and diesel rates hadn't changed since October 2. Though retail pricing of petrol and diesel has been deregulated and oil marketing companies were following a daily price revision formula, the same was suspend ended for almost two months to prevent volatility in international oil markets from impacting fuel prices regularly during the pandemic. *IANS*

Britain to end state support for fossil fuel sector exports

LONDON: Britain said Friday that it is ending state support for fossil fuel industry exports, and shifting government assistance to low-carbon and renewable energy projects abroad.

The announcement by Prime Minister Boris Johnson comes a day before he co-hosts a virtual summit with more than 70 world leaders to mark the fifth anniversary of the Paris climate accord.

Britain already declared earlier this month that it plans to cut its greenhouse gas emissions by at least 68 per cent by 2030.

By taking ambitious and decisive action today, we will create the jobs of the future, drive the recovery from coronavirus and protect our beautiful

planet for generations to come, Johnson said in a statement.

The UK government said it will end export finance, aid funding and trade promotion for new crude oil, natural gas or thermal coal projects, with very limited exceptions.

The policy means an end to government support in the form of overseas development aid, export finance or trade promotion for the extraction, production, transportation and refining of crude oil or thermal coal outside Britain. The same will apply to natural gas, except for some gas-fired power plants and other projects that would be in line with the phase-out of fossil fuels by mid-century laid out in the Paris accord.

Fossil fuels have enjoyed a large share of UK export credits for decades supporting 21 billion pounds ($ 27.8 billion) of oil and gas exports in the last four years alone.

The UK government has finally seen sense, that we need to match our action on climate change at home with an equivalent effort overseas," said Alison Doig of the London-based Energy and Climate Intelligence Unit. AGENCIES