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NATURAL GAS BIDDING

DGH invites agencies to establish e-platforms

Sale of gas can be carried out through any empanelled short-listed agency

OUR BUREAU/PTI

New Delhi, October 12

The Directorate General of Hydrocarbons (DGH) has invited proposals from agencies to set up e-platforms for natural gas bidding. This follows a Union Cabinet decision to standardise the format for sale of natural gas from discoveries where pricing freedom has been allowed.

The DGH said the sale of gas can be carried out through any one of the empanelled agencies that it short-lists.

The government, has since 2017, given pricing freedom for natural gas production from all fields other than the ones given to state-owned ONGC and Oil India Ltd on a nomination basis.

Firms such as the Reliance Industries-BP combine as well as ONGC (for non-nomination blocks) have been auctioning gas to users. They would typically devise a formula and seek bids from users.



The selected agency shall design, structure and implement the overall process of e-auction for the discovery of market price for natural gas produced in India ISTOCKPHOTO/SERGBOB

According to the DGH's terms, the agency should have experience in conducting e-auctions for any of the commodities such as coal, oil and gas, minerals, ores, stores, and machinery equipment.

It should also have a minimum turnover of ₹200 crore in the past three years. Agencies that have conducted the auction of spectrum can also apply.

DGH stipulations

DGH also said the agency shall design, structure and implement the overall process of e-auction for the discovery of

market price for natural gas produced in India while ensuring a transparent, fair and competitive process, in conformance with the guidelines issued by the Centre.

"The agency shall develop an optimum e-auction plan in consultation with the seller, while ensuring adequate safeguards against potential distortion of competition and transparency while taking into account the competition characteristics...The agency shall document the entire process of e-auction and provide all services incidental to the conduct of successful e-auction," the DGH added.

Domestic natural gas output falls 13% in Apr-Sep

FE BUREAU

New Delhi, October 12

DOMESTIC NATURAL GAS production fell 12.9% year-on-year (y-o-y) to 13,939 million metric standard cubic metre (mmscm) in the first half of the fiscal, as operations become increasingly unviable for energy production companies with government lowering selling prices. Gas output in September was down 11.2% y-o-y to 2,279 mmscm. Indigenous natural gas production caters to about 51% of the country's requirements,

while around 85% of the country's crude oil is imported.

As noted earlier by Care Ratings, the gross production of domestic natural gas will fall by 10.6% during FY21 as "no company would aggressively want to increase production or get into high-risk projects with such a low gas price". The current price for gas produced from local fields has been revised to an all-time low of \$1.79/mmBtu by the government, which is much below the breakeven point for most fields, the agency noted.

Domestic natural gas output

fell 2.8% y-o-y to 31,168.4 mmscm in FY20, reversing the growth trend recorded since FY18.

With more than 95% of its gas currently being sold at low government determined rates, ONGC expects to face a loss of around ₹7,000 crore in FY21 from its gas businesses. The average gas output cost of ONGC — which produces 80% of the domestic natural gas — is \$3.7/mmBtu. After several requests from ONGC, the government has formed a committee to modify the formula for determination of gas prices.

DGH invites agencies for gas price auction

NEW DELHI: Days after the Union Cabinet approved standardised norms for price auction of natural gas, the Directorate General of Hydrocarbons (DGH) on Monday invited offers for the empanelment of agencies for independently carrying out bidding on an e-platform.

In a 17-page notice, DGH said a gas seller has to engage any one of the empanelled agencies for the sale.

The government has since 2017 given pricing freedom for natural gas production from all fields other than the ones given to state-owned ONGC and Oil India Ltd on a nomination basis.

Firms such as the Reliance Industries-BP combine as well as ONGC (for non-nomination blocks) have been auctioning gas to users. They would typically devise a formula and seek bids from users.

They will continue to devise a pricing formula but will now have to seek bids on the electronic-platform of the empanelled agency of DGH.

“All the requisite technical and contractual information related to the process for discovery of market price of natural gas shall be provided by the seller,” DGH said.

The agency shall be required to independently carry out e-auction through its e-auction platform or electronic bid-

ding portal as per the specifics of the sale process and in accordance with the guidelines for e-auction.

DGH said the agency shall design, structure and implement the overall process of e-auction for the discovery of market price for natural gas produced in India while ensuring a transparent, fair and competitive process.

“The agency shall develop an optimum e-auction plan in consultation with the seller while ensuring adequate safeguards against the potential distortion of competition and transparency while taking into account the competition characteristics,” it said.

Details such as salient features of a gas sales agreement, production profile, firm quantity on offer, take or pay obligations, composition of natural gas, and pre-qualification criteria for bidders would have to be published by the agency.

Also, payment terms, penalties for default on either side, bank guarantees and delivery schedules have to be detailed, DGH said.

After e-auction, the natural gas volumes will have to be allocated based on pre-defined criteria and mechanism.

DGH said the agency should have a minimum turnover of Rs 200 crore in the past three years.

PTI

BPCL, Prodair pact to supply liquid oxygen free of cost

BHARAT PETROLEUM CORPORATION said on Monday that the company along with its business partner Prodair Air Products has commenced the supply of liquid oxygen to government hospitals free of cost for combating Covid 19 pandemic.

Oil price drops as supply constraints begin to ease

Oil dropped for a second day as operations in the US Gulf of Mexico started to resume following Hurricane Delta, and Libya took a major step towards reopening its biggest field. Futures in New York fell towards \$40 a barrel after closing down 1.4% on Friday as oil workers in Norway called off a strike. Crude explorers and tugboat operators got back to work on Saturday after Delta, which had seen about 92% of oil production and 62% of gas output shuttered. The hurricane and hopes for more US stimulus contributed to a price jump of almost 10% last week. **BLOOMBERG**

Pradhan seeks Kuwaiti investments in India

PRESS TRUST OF INDIA
New Delhi, October 12

PETROLEUM MINISTER DHARMENDRA Pradhan on Monday invited Kuwait to invest in India as he saw the oil-rich Gulf nation as an important and trusted partner in achieving energy security.

Pradhan, on a two-day visit to Kuwait, first called on Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah, the Emir of Kuwait, to offer condolences on the passing away of its former Emir Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah.

He was carrying letters from President Ram Nath Kovind and Prime Minister Narendra Modi to the new leadership of Kuwait.

Vedanta's recurring structural problems

The failed delisting of Anil Agarwal's mining-to-electricity conglomerate is not the first time attempts to restructure his empire have hit controversy

JYOTI MUKUL
New Delhi, 12 October

Last week, a plan by Vedanta Ltd to delist from the two Indian stock exchanges failed when shareholders declined to tender shares citing a low strike price. The failure is a setback for the mining-to-electricity conglomerate owned by London-based billionaire Anil Agarwal to restructure his group's businesses. But it is not the first time that attempts to reorganise his opaquely structured empire have met with controversy.

With 49 subsidiaries, 15 of which are direct and remaining step-down entities (see chart), Vedanta is an unwieldy array of businesses with overlapping shareholdings that have often been used by the promoters to rescue one or the other of its companies, inevitably leading to shareholder discontent.

Understanding shareholder misgivings about Vedanta requires a brief recap of the group's business organisation in India. Agarwal has had operations in India since the 1980s through mining and aluminium company Sterlite Industries, but hit the headlines when he acquired Bharat Aluminium (Balco) and Hindustan Zinc as part of the Vajpayee government's disinvestment programme in the late nineties.

In 2007, Agarwal's London-based Vedanta Resources acquired Goa-based iron ore major Sesa Goa. In 2012, Sterlite and Sesa Goa merged to form Sesa-Sterlite. This renaming was preceded by some complex restructuring. In February 2012, Vedanta Aluminium and Madras Aluminium, both subsidiaries of Vedanta Resources, were consolidated into Sesa-Sterlite. At the same time Vedanta Resources' direct holding of 38.8 per cent in Cairn India, the Rajasthan-based oil producer it acquired in 2011, was transferred to Sesa-Sterlite together with the associated debt of \$5.9 billion. Overall, Sesa-Sterlite came to hold 58.9 per cent holding in Cairn India.

In 2015, Sesa-Sterlite was renamed Vedanta Ltd, a subsidiary of (then) London-listed Vedanta Resources. A confrontation between sharehold-



The Indian empire

► **Vedanta Resources Ltd** (London-based company delisted in 2018; wholly-owned by Agarwal family's Volcan investment arm)

► **Holds 50.1% in Vedanta Ltd** (Formerly Sesa-Sterlite, Anil Agarwal's Indian holding company which he planned to delist)

► **Divisions:**
Sesa Iron Ore, Sterlite Copper; 600 Mw plant in Jharsuguda, Odisha
Aluminium; Cairn Oil and Gas

► **Subsidiaries:**

■ Hindustan Zinc	(64.9%)
■ Bharat Aluminium Company	(51%)
■ Talwadi Sabo Power	(100%)
■ Zinc International	(100%)
■ Black Mountain Mine	(74%)
■ Electrosteels Steel Limited	(96%)

(Figures in brackets indicate shareholding)

Source: Annual reports

ers and management started soon after. In 2016, Cairn India and Vedanta Ltd (the Indian subsidiary of Vedanta Resources) announced a merger. Shareholders of Cairn India were to get one equity share of Vedanta Ltd with a face value of ₹1 each. A month later, shareholders red-flagged the fact that Vedanta, with its sprawling portfolio, was gaining access to Cairn India's cash flows that would help the group cut debt. Vedanta was then forced to

revise the offer to include four 7.5 per cent redeemable preference shares per Cairn shareholder for the merger to go through in 2017.

Another controversial intragroup deal involved Cairn India Holdings, an overseas subsidiary of Vedanta Ltd, and Volcan, the Agarwal family's investment arm. In 2018, Cairn India Holdings bought Volcan's shares in Anglo American, the iconic South African miner that holds mining rights for diamond, copper and platinum mines, for ₹3,842 crore. This deal was done through a structured investment vehicle known as mandatory exchangeable bonds — that is, bonds that must be converted to shares on a specified date — issued by Volcan and secured by Anglo American shares. Though Vedanta said it made a net gain of about \$100 million in the eight months that it held these bonds, Agarwal is believed to have made even more substantial gains by exiting Anglo American in 2019.

In the same year, Volcan also bought out the public holding in Vedanta Resources, which was then delisted from the London Stock Exchange. Significantly, this delisting was announced soon after 13 protestors died in police firing outside Sterlite Copper, Vedanta Ltd's copper smelting division, in Thoothukudi (formerly Tuticorin), Tamil Nadu, in May of that year (the protests were against alleged violation of pollution norms). Around the same time, the Supreme Court imposed a mining ban in Goa, where the group's iron ore mines are located.

Though Agarwal had maintained the Thoothukudi plant

incident had nothing to do with the delisting exercise, environmental concerns have put its copper business on the mat for more than two years now.

After the London company was delisted, Agarwal told *Business Standard* in a July 2018 interview that, "with increasing maturity of the Indian markets, there is more liquidity which means that the need for a separate London listing is no longer critical". But this leap of faith in the Indian market was no more visible when Vedanta Ltd announced that it would delist here too.

Agarwal maintained he was simplifying structures, but company insiders admitted the delisting exercise came earlier than expected, primarily because there was no immediate visibility for small investors owing to uncertain economic conditions.

The worry this time, however, was not a group restructuring that moved cash reserves from one company to the other but the delisting price. The company had set ₹87.25 a share as the floor price based on a book value of ₹89.38. Proxy advisory firm SES maintained that a ₹17,400-crore write-off in the quarter ended June 2020 for the Covid-19 impact depressed Vedanta's book value substantially. Given the fact that oil prices — which would impact returns from the Cairn oilfields — were off their lows, SES argued that neither the book value nor the 52-week low reflected the true value of Vedanta shares.

Institutional investors such as Life Insurance Corporation (LIC), which holds 6.37 per cent, had also asked for a higher exit price — about ₹320 a share. The promoters could have made a counter-offer within two working days from the discovery of the final exit offer price, which is October 13, 2020, but they had raised \$3.15 billion to buy out public shareholders that translated to a maximum offer price of only ₹130-150.

The failure to get past this latest challenge is likely to be temporary since the group has always depended on acquisitions and restructuring to proliferate but this time it will have to contend with greater shareholder and regulatory oversight.

Oil Min seeks Kuwaiti investment in India

Pradhan says India sees Kuwait as an important and trusted partner in achieving energy security

OUR CORRESPONDENT

NEW DELHI: Petroleum Minister Dharmendra Pradhan on Monday invited Kuwait to invest in India as he saw the oil-rich Gulf nation as an important and trusted partner in achieving energy security. Pradhan, on a two-day visit to Kuwait, first called on Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah, the Emir of Kuwait, to offer condolences on the passing away of its former Emir Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah.

He was carrying letters from President Ram Nath Kovind and Prime Minister Narendra Modi to the new leadership of Kuwait.

“On behalf of Govt. of India, PM Shri @narendramodi and the people of India expressed sincere condolences to the Al-Sabah family, the Kuwait Govt. and its people, on the sad demise of HH Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, Late Emir of the State of Kuwait,” Pradhan tweeted.

The late Emir was known as the ‘Dean of Arab Diplomacy’ for his vast diplomatic experience contributed immensely to regional peace, security and stability, he said. “A humanitarian



leader, (he) was instrumental in strengthening our bilateral ties, and always cared for the Indian community in Kuwait.”

“A proponent of peace and a statesman par-excellence, HH Late Emir’s friendship and his commitment towards a strong bilateral relationship between our two great countries was always cherished by India and its people,” he added.

According to Pradhan, the Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah thanked President and Prime Minister and the people of India for their condolences. “He stated that India Kuwait relations are historic and will continue to progress for mutual benefit,” Pradhan said.

The minister thereafter held a meeting with Kuwaiti Oil Minister to discuss bilateral engagements. “Had a good meeting with HE Dr. Khaled Ali Al-Fadhel, Minister of Oil and Acting Minister of Electricity and

Water, State of Kuwait. We discussed on how to enhance our energy partnership, including two-way investments in the oil & gas sector,” he said.

India, Pradhan said, sees Kuwait as an important and trusted partner in achieving energy security. “Invited HH Al-Fadhel to invest in India as a part of the #AatmaNirbharBharat initiative and be a part of India’s growth story,” he added.

Kuwait Emir Sheikh Sabah Al Ahmad passed away at a US hospital on September 29. He was 91. Kuwait is a strategically important country for India in the Gulf region. It is India’s sixth-largest crude oil supplier.

The Indian community with a strength of about 10 lakh is the largest expatriate community in Kuwait and is regarded as the community of first preference among the expatriates.

Professionals like engineers, doctors, chartered accountants, scientists, software experts, management consultants, architects; technicians and nurses; retail traders and businessmen are present in Kuwait, though a large proportion consists of unskilled and semi-skilled workers.

Protest hits fuel supply to J&K, Ladakh

HARPREET BAJWA @ Chandigarh

THE farmers' protest in Punjab has led to the fuel supply shortage in J&K and Ladakh. The union territories bordering Pakistan and China are reportedly getting 70% supply via road as the goods trains have been cancelled due to the agitation.

Rahul Gupta, general secretary of J&K Petroleum Dealers Association told this paper over phone that prior to the agitation, petrol and diesel reached Jammu by rakes from refineries at Panipat in Haryana and Bathinda in Punjab. The supplies were then taken onward through tankers to the 675 petrol filling stations.

"As much as 1,200 kilolitre of petrol and 1,500 kilolitre of diesel are being consumed daily across J&K. But we are getting around 70% of the supply. As of now, around 200 trucks arrive at Jammu depots with fuel from various oil companies, but we need at least 300 trucks daily," said Gupta. These oil tankers in Jammu take a lot of time in clearing the paperwork. "It is a time consuming process," says Gupta.

A few rakes are stuck in Karnal, Haryana, and others near Jalandhar in Punjab due to the agitation. In Ladakh the fuel stocks have to be stored due to the winter season, he said, adding around 3,000 trucks are coming daily to Kashmir from Delhi to take apple consignments.

Gupta says the supply situation can turn critical as fuel is supplied to the Army and other security forces. Kerosene is also used in a large quantity in J&K in the winters.



Top court issues notice to Centre on two petitions

The Supreme Court on Monday issued a notice to the Centre on two petitions challenging the three farm laws recently passed by Parliament. A bench headed by CJI S A Bobde asked the Attorney General K K Venugopal, who was present for the virtual hearing along with Solicitor General Tushar Mehta to file a response on the petition. The petitions were filed by Chhattisgarh Kisan Congress' Rakesh Vaishnav and DMK MP Tiruchi Siva. However, the bench refused to entertain the plea of advocate M L Sharma to quash the legislations, and asked him to withdraw his petition.

Indian Oil employees sit at a dry fuel station in Jammu | PTI