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The Economic Times

'Current Prices Shouldn't Decide Oil Cos' Economics'

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ET INTERVIEW

DHARMENDRA PRADHAN
MINISTER, PETROLEUM & NATURAL GAS

'Current Prices Shouldn't Decide Oil Cos' Economics'

Minister says domestic producers need to wait till prices normalise and that PSUs have used low rates to fill reserves

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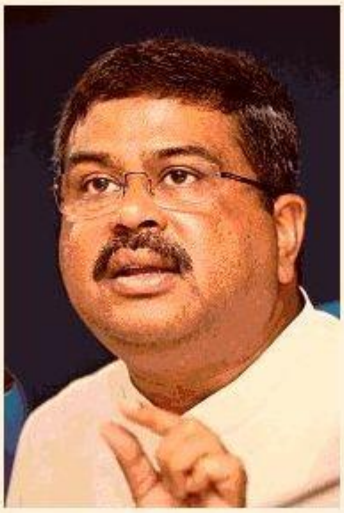

New Delhi: The government does not regard the recent plunge in oil and gas prices as a normal market-driven fluctuation that should determine the economics of domestic producers, petroleum minister Dharmendra Pradhan said, responding to mounting concerns about viability of Indian fields as their prices are linked to global benchmarks.

"Normally prices respond to demand-supply imbalance, but the current situation is highly abnormal with unheard of low demand. The price is now moving towards normalcy. It will stabilise at $40-$45. We have to wait for that," he told **ET** in an interview.

Domestic gas producers are worried about the impact of the abnormally low prices on the formula that determines local gas rates. Pradhan said he does not want Indian fields to become unviable although weak global prices would have an impact. "Producers should not make a loss. Companies like ONGC should not be hit ... However, overall low gas prices in the market will impact the finances of all gas projects, including that of deep water," he said.

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Crude Bill may Fall by ₹25Kcr ▸▸ 10

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Crude Bill may Fall by ₹25,000 cr

▸▸ From Page 1

Pradhan said there were also a positive aspect of the oil price crash. State refiners and oil marketing firms had deftly used the crash in crude prices to quickly tank up 20% of annual requirement that will save ₹25,000 crore in the oil import bill, he said. India's crude import bill would be \$79.3 billion in FY21 against \$101.38 billion for FY20 if the average price comes to \$45, he said.

He also said the petroleum sector would aggressively contribute to the strategy of public spending to rev up the economy as state oil firms will spend this year's approved capex of over ₹1 lakh crore in the remaining 10 months of the fiscal.

Pradhan said state oil marketing firms had operated admirably during the crisis situation when everything was shut, and provided fuel at a steady price. However, they will revert to daily price revision as the demand returns towards normal.

The Covid crisis would not impact the valuation of BPCL, the minister said. "BPCL is a well-established company with nearly 24% market share in transportation fuels and 26% share in LPG business. As such, the valuation of the company is independent of the transient conditions," he said.

PRIVATE INVESTMENTS

The minister said the government would keep encouraging the private sector as it believes in combining welfare initiatives with respect for wealth creation. "Private investment has a significant role in India's energy security and economic development," he said.

"There is unanimity on getting more capital and technology. People want more job opportunities. The government should be a facilitator in getting more and more investment. It should generate more revenue, which should be used for social welfare," Pradhan said.

On India's oil imports, Pradhan said refiners had tried to maximise purchases using all their tanks and available floating storage. "The crude requirement is expected to drop from 238.3 MMT in FY20 to about 224 MMT in the current financial year. If \$45 per barrel is estimated as average price of crude for FY21, the crude import bill will be \$79.3 billion as against crude import bill of \$101.38 billion for FY20," he said.

The government is also optimistic about Saudi Aramco's plans to build a refinery in Maharashtra, Pradhan said. "For the West Coast Refinery, the government of Maharashtra is trying to earmark another suitable site, after the original location did not work out. The decision in this regard is with the state government and keeping in view the economic revival required in the country post-Covid-19 lockdown, it is expected that a favourable decision regarding land allocation would be taken by the state soon," he said.

VIRENDRA NATH DATT GIVEN ADDITIONAL CHARGE AS NFL CMD

NEW DELHI: State-owned fertiliser firm NFL said Virendra Nath Datt has been given additional charge as chairman and managing director (CMD) of the company. Datt has been director (marketing) of the firm since October 2018. "Virendra Nath Datt, Director (Marketing), NFL has taken over the additional charge of Chairman & Managing Director of the Company," NFL said in the statement. An MBA from Maharshi Dayanand University, Datt has over 35 years' experience with premier public sector enterprises such as GAIL and ONGC, besides the fertiliser Industry.

Topping up reserves saved India ₹5,000 cr

ENS ECONOMIC BUREAU @ New Delhi

THE filling up of India's new strategic petroleum reserves has saved the country around ₹5,000 crore in forex as oil companies capitalised on the lowest crude oil prices in decades this April, according to the Union Ministry of Petroleum. India currently has a strategic reserve capacity of 5.33 million tonnes of crude oil — just about enough to meet its oil requirements for 9.5 days —and officials say this capacity has been filled over the past month.

"Strengthening India's energy security and taking advantage of low crude price due to the Covid19 situation, India filled its strategic petroleum reserves to its full capacity, resulting in forex savings of ₹5,000 crore to the exchequer," the ministry tweeted.

The government had instructed state-run oil marketing companies such as Indian Oil, Bharat Petroleum, Hindustan Petroleum and Mangalore Refinery and Petrochemicals to import oil from the Gulf region and fill up the strategic reserves by taking advantage of the record low prices.

Meanwhile, the ministry also said that Indian Oil Corporation has received the first cargo of Urals grade crude oil from Rosneft of Russia in April amounting to two million tonnes of crude.

Prices remain volatile

While Brent crude prices topped the $40 per barrel mark early on Wednesday in anticipation of more output cuts from the OPEC+ group, prices began falling again later in the day after Russia and Saudi Arabia delivered an ultimatum that other members of the group who were not meeting earlier output cut commitments have to do so now.

If not, the two massive oil suppliers are likely to walk away from the agreement which has stabilised prices, analysts note.

Topping up reserves saved India Rs 5,000 cr

Jun 4, 2020 | Bhubaneshwar | Pg No.: 10 | | Sq Cm:182 | AVE: 363561 | PR Value: 1817805

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OMCs told to go 100% digital on LPG payments

To affect 80 million consumers, majority of whom are not used to e-transactions

SHINE JACOB
New Delhi, 3 June

The Union government has asked oil marketing companies (OMCs) to go for 100 per cent digitalisation on payments for liquefied petroleum gas (LPG) by March 2021. Hindustan Petroleum Corporation (HPCL) has taken the lead in ramping up its digital drive.

Though a step towards Digital India, the move is likely to have an impact on more than 80.3 million Pradhan Mantri Ujjwala Yojana (PMUY) consumers, a majority of whom are not exposed to digital transactions. According to multiple sources, among the three OMCs — Indian Oil Corporation (Indian Oil), Bharat Petroleum Corporation (BPCL) and HPCL — has already initiated steps towards achieving this target by "asking distributors for compulsory digital transactions."

"Though 100 per cent seems unrealistic, companies aim to touch around 60-70 per cent," said a top official from an OMC.

"The government has directed us to do it in a phased manner from June. At present, digital payment for cooking gas is around 18-21 per cent. We have asked the distributors to increase it to 25 per cent with immediate effect and then a phase-wise increase to 100 per cent by March 2021," said a senior official from an OMC. The three OMCs together have 278.7 million LPG customers, being served by 24,670 distributors.

Indian Oil, Bharat Petroleum Corporation and HPCL — together have 278.7 million LPG customers, being served by 24,670 distributors

"There is a revised target for cashless/digital payments for LPG refill delivery. Hence, your revised target of cashless/digital transaction is 100 per cent for FY21. Currently, this month's target is 25 per cent," HPCL said to its distributors.

HPCL has a total of 7.7 million LPG consumers, while IndianOil has 13.1 million and BPCL 7.1 million as of April, according to data available with the Petroleum Planning and Analysis Cell.

"Cashless payments are safe, convenient and transparent. During the current pandemic, it solves problems associated with carrying and exchanging currency, which passes through multiple unknown hands. Even for digital transactions, contactless devices and methods are being encouraged," HPCL said in response to *Business Standard* queries. Neither the petroleum ministry, nor IOC or BPCL responded to questions.

"HPCL has always been at the forefront of adopting new technologies to improve customer experience. The cashless payment methods were included at our retail outlets and LPG refill, many years ago. In the current situation, HPCL is proactively providing solutions, creating awareness and encouraging customers to use cashless mode of payments for LPG refills and at retail outlets," HPCL added.

State-run OMCs sold nearly 23.1 million tonnes of packed domestic LPG during 2019-20 and 16.1 million new domestic customers were enrolled too.

When asked how distributors are adopting to the new directive, Pawan Soni, general secretary, Federation of LPG Distributors of India, said, "Conversion from cash to digital/cashless payment mode will require a major behavioral change in the age-old habits of customers.

Things like customer awareness, ease of making digital/cashless payments, incentive schemes for both customers and delivery personals and innovative ideas like pre-delivery digital payments will play a key role in encouraging contactless digital payments."

HPCL dealers, however, are under greater pressure. "We are under pressure to accept digital payments and our agency has reached the 91 per cent-mark.

Customers in a small city like ours are using online mediums like GooglePay, PhonePay and Paytm," said Papu Kumar Saoo of Pappu HP, Gas Gramin Vithrak, a distributor from Jharkhand who has done the maximum number of online transactions for HPCL.

Indian Oil Corporation has said demand for petroleum products is picking up in India, too. REUTERS

Brent price touches $40 per barrel mark again after Black April

Utpal Bhaskar
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NEW DELHI

With the world slowly opening up for business, oil prices are up again after April's downward spiral, when demand almost vanished in a world under lockdown.

The international benchmark Brent crude was trading at $38.94 per barrel on Wednesday, and West Texas Intermediate (WTI) was at $36.27 per barrel at the time of going to press. Brent crude hit a 21-year low and US oil futures slumped to negative for the first time as the glut overwhelmed the world's limited storage facilities, triggering a wave of selling by traders in April. The prices have been up, supported by a gradual recovery in fuel demand, as the global economy began to reopen.

Oil prices have been up globally, supported by a gradual recovery in fuel demand, as economies are now reopening

"Dated Brent Prices may find pockets of support in June in the range of $35-40/bbl as supply shut-ins peak, demand recovers, and OPEC+ maintains discipline at their June 10 meeting," S&P Global Platts Analytics wrote in a report.

The cost of the Indian basket of crude, which comprises Oman, Dubai and Brent crude, averaged $56.43 and $69.88 per barrel in FY18 and FY19, respectively. It was $19.90 in April, according to data from the Petroleum Planning and Analysis Cell. The price was $38.66 a barrel on 2 June.

India's largest refiner, Indian Oil Corp. Ltd (IOC) said demand for petroleum products is picking up in India.

Energy consumption, especially electricity and refinery products, is typically linked to overall demand in an economy. India's power demand, which had nosedived during the lockdown, is slowly getting back to pre-lockdown levels.

"Asia has also been hit hard by the economic slump despite the opportunity to be first in line to recover from the Covid-19 pandemic among all major regions around the world. India in particular saw the worst year on year demand destruction in history last month, bringing Asia's April demand down by 5 million b/d year on year together with demand destruction in Southeast Asia, before it improved in May," the report added.

"However, risks of 2nd wave hits of Covid-19 globally have also increased. It is particularly challenging for Latin America, the Middle East and Africa, and to a lesser extent South Asia," the S&P report added.

India saves ₹5,000 cr on filling oil reserves

PRESS TRUST OF INDIA
New Delhi, June 3

INDIA HAS SAVED ₹5,000 crore in foreign exchange after it capitalised on the global low oil prices to fill its underground strategic oil storage to shore up insurance against any supply or price disruption, the petroleum ministry said on Wednesday.

While the 5.33 million tonne of emergency storage —enough to meet India's oil needs for 9.5 days — was built in underground rock caverns in Mangalore and Padur in Karnataka and Visakhapatnam in Andhra Pradesh by the government, state-owned oil firms were in April asked to buy import oil when global rates fell to a two-decade low.

"Taking advantage of low crude prices due to the Covid-19 situation, India filled its strategic reserves to full capacity," the ministry said in a tweet adding this led to a forex saving of ₹5,000 crore.

Oil prices globally had slumped after coronavirus pummeled demand.

The storages at Mangalore and Padur were half-empty and there was some space available in Vizag storage as well. These were filled by buying oil from Saudi Arabia, the UAE and Iraq.

The ministry said crude and LNG sourcing has been further diversified to

strengthen India's energy security.

Indian Oil Corp (IOC), the nation's largest oil firm, in 2019-20 entered into a long-term contract for sourcing crude oil from the USA.

It also signed a first-ever term contract for importing 2 million tonne of Urals grade crude oil from Rosneft of Russia in 2020, the ministry.

"First Russian cargo of 2 million barrels under the contract was received by IOC at Paradip on April 8, 2020," it said.

In just over two years, bilateral hydrocarbon trade with US increased from almost negligible in 2017 to 11% of total two-way trade, it said. "US is the 6th largest source of crude oil imports while India has become the 4th largest export destination for the US crude."

It, however, did not give details.

The Strategic Petroleum Reserve entity of India (ISRPL) built the underground storages at Mangalore and Padur in Andhra Pradesh and Visakhapatnam in Andhra Pradesh as insurance against supply and price disruptions.

Oil hits $40, cools off as doubts emerge over next step on Opec cuts

REUTERS
3 June

Oil fell after touching its highest since March at more than $40 a barrel on Wednesday, as doubts emerged about the timing and scale of a potential extension to the oil supply pact between Opec and its allies.

Saudi Arabia and Russia have a deal to extend the cuts by a month, but a policy meeting on Thursday rather than later in June is unlikely, sources said. Oil earlier dropped after *Bloomberg* reported that the Thursday meeting was in doubt.

"Prices were firm so far this week on the news that the meeting was earlier," said Olivier Jakob, oil analyst at Petromatrix. "The retracement today is definitely due to the latest headlines on Opec."

Brent crude futures for August were down 32 cents, or 0.8 per cent, at $39.25 by 1400 GMT, having earlier touched their highest since March 6 at $40.53. West Texas Intermediate (WTI) crude for July fell 5 cents, or 0.1 per cent, to $36.76.

Oil had been lifted earlier in the day by the American Petroleum Institute's report on Tuesday that U.S. crude inventories fell by 483,000 barrels. The government's official supply report is due later on Wednesday.

Both benchmarks have surged in recent weeks, with Brent more than doubling after hitting a 21-year low below $16 in April, when US crude turned negative.

The Opec+ group, comprising the Organization of the Petroleum Exporting Countries and allies including Russia, is cutting output by 9.7 million barrels per day (bpd) — about 10 per cent of global output before the coronavirus crisis — in May and June to support prices.

The talks have been focusing on keeping the current level of cuts beyond June. But a one-month extension would be shorter than some sources have said was under consideration.

Oil also weakened on reports that Gulf Opec producers are not discussing extensions to their deeper voluntary production cuts beyond June.

Business Standard

Strategic oil reserves help India save Rs.5K cr

Jun 4, 2020 | Delhi | Pg No.: 4 | | Sq Cm:90 | AVE: 223615 | PR Value: 1118077

Strategic oil reserves help India save ₹5K cr

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While the 5.33 million tonnes of emergency storage — enough to meet India's oil needs for 9.5 days — was built in underground rock caverns in Mangaluru and Padur in Karnataka and Visakhapatnam in Andhra Pradesh by the government, state-owned oil firms were in April asked to buy import oil when global rates fell to a two-decade low.

"Taking advantage of low crude prices due to the COVID-19 situation, India filled its strategic reserves to full capacity," the ministry said in a tweet adding this led to a forex saving of ₹5,000 crore. Oil prices globally had slumped after coronavirus pummeled demand.

The storages at Mangaluru and Padur were half-empty and there was some space available in Vizag storage as well. These were filled by buying oil from Saudi Arabia, the UAE and Iraq. The ministry said crude and LNG sourcing has been further diversified to strengthen India's energy security. Indian Oil Corp (IOC), the nation's largest oil firm, in 2019-20 entered into a long-term contract for sourcing crude oil from the USA. It also signed a first-ever term contract for importing 2 million tonnes of Urals grade crude oil from Rosneft of Russia in 2020, the ministry. PTI

CPCL board okays IOCL refinery JV

SPECIAL CORRESPONDENT
CHENNAI

The board of Chennai Petroleum Corporation Ltd. (CPCL) has given in-principle approval for the incorporation of a JV with Indian Oil Corporation Ltd. (IOCL) for implementing a 9-MMTPA refinery project in Nagapattinam district of Tamil Nadu. The estimated cost of the joint venture is approximately ₹28,983 crore, said CPCL in a regulatory filing.

In the JV, IOCL and CPCL will together hold 50% stake (about 25% stake each) and the balance 50% will be held by a financial/strategic/public investors.

Hindustan Times

Dharmendra Pradhan

Jun 4, 2020 | Delhi | Pg No.: 12 | | Sq Cm:58 | AVE: 1444319 | PR Value: 7221596

Dharmendra Pradhan, Minister of Steel, Petroleum & Natural Gas chaired a video conferencing with officials from Ministry of Steel, Ministry of Road Transport and Highways, Ministry of Railways, INSDAG, SAIL and steel fabricators from Bhilai to work out a detailed plan for developing a steel fabrication cluster around the Bhilai Steel Plant.

The Times of India

Oil falls from $40 on demand doubts

Jun 4, 2020 | Delhi | Pg No.: 11 | | Sq Cm:38 | AVE: 783603 | PR Value: 3918013

Oil falls from $40 on demand doubts

New York: Oil prices fell on Wednesday after jumping for a while above $40 a barrel, the highest since March, then retreating as doubts emerged about the timing and scale of a potential extension to the pact between Opec and its allies to cut crude supplies. Oil prices were also pressured as US refined product inventories surged in the week, raising concerns about demand. REUTERS

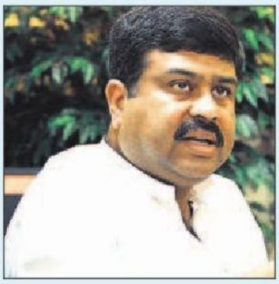
Hindustan Times
Over 85mn gas cylinders have been availed under Gareeb Kalyan Yojana
Jun 4, 2020 | Delhi | Pg No.: 7 | | Sq Cm:404 | AVE: 10048398 | PR Value: 50241990

faceto face

DHARMENDRA PRADHAN, Union petroleum and steel minister

'Over 85mn gas cylinders have been availed under Gareeb Kalyan Yojana'

Union Petroleum and steel minister Dharmendra Pradhan spoke to **Rajeev Jayaswal** about the challenge of delivering cooking gas cylinders to 274 million consumers during the lockdown period, the impact of the rise and fall in crude oil prices, the push for energy security, new supply contracts with the US and Russia, and the role public and private players in the oil sector, among other issues. Edited excerpts:



HT PHOTO

Soon after the national lockdown began, the government announced that it would give free cooking gas cylinders to poor households for three months. What is the progress?

The government has proposed to give free refills for PMUY (Prime Minister Ujjwala Yojana) consumers for a period of three months with financial assistance of ₹13,500 crore. The scheme has been operational since April 1. As on May 31, ₹8,494 crore have been transferred to the bank account of beneficiaries though DBT (direct benefit transfer). And the beneficiaries have availed the delivery of 852.49 lakh (over 85 million) cylinders under the PM Gareeb Kalyan Yojana.

Low oil prices provided good fiscal space to the government to mobilise resources to fight Covid-19. But crude oil prices have started rising now. Does this worry you?

This may not be a matter of worry. The OMCs (oil marketing companies) are basically dependent on cracks -- the difference in the prices of crude and petroleum products in the international markets -- for their profitability, and not on the crude prices alone. I would say that high volatility in prices is in nobody's interest. India always looks for a reasonable and responsible price regime.

Both the Centre and states raised levies and mopped up almost all benefits of low international crude oil. But petrol and diesel prices were kept frozen. Why?

The prices of petrol and diesel depend on the prices of these products in the international markets. Then there is the 15-day cycle to take the moving average of these products to estimate prices in the domestic market. Although crude prices came down, the product prices did not come down by the same percentage. The cracks actually became negative, hurting the books of Indian OMCs.

The oil industry, too, was faced with an extraordinary situation. There were no takers for the crude being produced; the world literally ran out of storage space for the crude and petroleum products. The reduction in demand has led to a peculiar situation where product prices are less than the price of crude. These negative margins and low crude prices do not reflect the real economics of oil refining and the pricing of end products. The pandemic has had a huge impact on government revenue. Therefore, mopping up resources has become inevitable to deal with this unprecedented crisis.

Global oil prices have softened. Is this the time to reduce India's import dependence on politically volatile Middle East?

To improve its resilience to disruptions in crude supplies due to geopolitical factors, India has significantly diversified its sources of crude oil over the years. Last year, we secured steady supplies of crude oil despite significant challenges to security in the Middle-East, particularly the attacks on Saudi oil facilities and the flare-up in US-Iran tensions.

Over the last four years, we significantly diversified sources of crude oil to reduce excessive dependence on the Middle-East. As the US became an exporter of crude oil, we took proactive steps to import crude oil from the US since 2017.

In February, our companies added Russia as a source for crude oil by signing a term-contract starting this year. Our companies are also exploring sourcing of crude oil from other regions, including North and South America.

On May 17, the government announced a PSE policy. Do state-run oil and gas firms come under the list of strategic sectors?

Oil and gas sector play a predominant role, as over one-third of the energy required is met by hydrocarbons. A considerable part of the infrastructure for the government's push to a gas-based economy, including untouched areas, is also being steered by CPSEs (central public sector enterprises).

It was announced that, in strategic sectors, at least one enterprise will remain in the public sector but the private sector will also be allowed. Does that mean there will be just one integrated oil PSU?

The government believes in creating a level playing field in which both public as well as private players compete with each other and contribute to the overall growth of the sector. Other decisions, like how many PSUs in which sector are strategic, are subject to market conditions prevailing in each sector.

This government recently completed the first year of its second term. What are the key achievements, and the road ahead?

The government recognises that our supply security is a critical element in ensuring our energy security. To diversify the import of crude oil, IOCL (Indian Oil Corporation Ltd) has entered into long-term contract with the US and Russia to source crude oil. Further, taking advantage of the low crude oil price, India is filling the strategic petroleum reserves (SPR) to their full capacity. This will save nearly Rs 5,000 crore for the government towards filling the vacant cavern. The government has taken several initiatives to encourage the use of alternative fuels and incentivise production of ethanol and biodiesel.

You also handle the steel ministry, which has been facing headwinds due to several reasons. What are your plans to boost this sector?

The main thrust of the steel ministry has been to bring in cost competitiveness, and thereby improve steel usage in India. The possible disruption in iron ore availability was addressed by policy changes enabling public sector captive units to carry out the market sale of the mineral, apart from ensuring a smooth carry over of regulatory permissions to new leaseholders post the auction. There has been a thrust to facilitate local industries for which the ISPs (integrated steel plants) of SAIL have come out with a programme to incentivise manufacturers.

EESL and GAIL sign MoU for trigeneration projects

GAIL (India) Limited and Energy Efficiency Services Limited (EESL) have signed a Memorandum of Understanding (MoU) for cooperation in development of trigeneration projects in the country.

The MoU aims at building a closer strategic partnership between the two companies by jointly exploring business opportunities in Trigeneration business segment. Under this MoU, GAIL and EESL shall jointly undertake studies and if found viable, 50:50 joint venture will be incorporated.

Santanu Roy, executive director (Business Development and Project Development) signed the MoU on the behalf of GAIL, while Amit Kumar Kaushik, executive director (Strategic Growth) inked the MoU on the behalf of EESL.

Trigeneration or Combined Cooling, Heat and Power (CCHP) typically involves natural gas-fired generators to produce electricity. The waste heat from flue gas is recovered to produce hot water/steam which in turn used for heating purpose and also in absorption chillers for cooling.

During the signing ceremony, Manoj Jain, CMD of GAIL, stated, "There is a significant market potential for trigeneration projects in India, particularly small industrial and commercial sectors and office buildings. As trigeneration business is at initial stage, the collaboration would enable to take first mover advantage in the business similar to GAIL's city gas business. Further, it would also push gas usage in new applications which is in line with GAIL's Strategy 2030. Accordingly, the strategic partnership between GAIL and EESL is a win-win situation for both the companies."

Saurabh Kumar, MD of EESL, added, "The intervention potential of trigeneration technology in revolutionising India's energy landscape is significant. EESL is proud to pioneer the effort towards harnessing this potential with GAIL which will set a precedent for forthcoming trigeneration projects. I wish both the parties all the very best for the successful implementation of this initiative."

The Pioneer

India saves Rs 5,000 crore on filling strategic oil reserves

Jun 4, 2020 | Bhubaneshwar | Pg No.: 9 | | Sq Cm:139 | AVE: 346409 | PR Value: 1732045

India saves ₹5,000 crore on filling strategic oil reserves

PTI ■ NEW DELHI

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The ministry said crude and LNG sourcing has been further diversified to strengthen India's energy security. Indian Oil Corp (IOC), the nation's largest oil firm, in 2019-20 entered into a long-term contract for sourcing crude oil from the USA. It also signed a first-ever term contract for importing 2 million tonnes of Urals grade crude oil from Rosneft of Russia in 2020, the ministry. PTI

Samay Paribartan

India saves Rs 5,000 cr on filling strategic oil reserves

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SP BUREAU

New Delhi, Jun 3: India has saved Rs 5,000 crore in foreign exchange after it capitalised on the global low oil prices to fill its underground strategic oil storage to shore up insurance against any supply or price disruption, the Petroleum Ministry said on Wednesday. While the 5.33 million tonnes of emergency storage -- enough to meet India's oil needs for 9.5 days -- was built in underground rock caverns in Mangalore and Padur in Karnataka and Visakhapatnam in Andhra Pradesh by the government, state-owned oil firms were in April asked to buy import oil when global rates fell to a two-decade low.

"Taking advantage of low crude prices due to the COVID-19 situation, India filled its strategic reserves to full capacity," the ministry said in a tweet adding this led to a forex saving of Rs 5,000 crore. Oil prices globally had slumped after coronavirus pummeled demand.

The storages at Mangalore and Padur were half-empty and there was some space available in Vizag storage as well. These were filled by buying oil from Saudi Arabia, the UAE and Iraq. The ministry said crude and LNG sourcing has been further diversified to strengthen India's energy security.Indian Oil Corp (IOC), the nation's largest oil firm, in 2019-20 entered into a long-term contract for sourcing crude oil from the USA. It also signed a first-ever term contract for importing 2 million tonnes of Urals grade crude oil from Rosneft of Russia in 2020, the ministry. "First Russian cargo of 2 million barrels under the contract was received by IOC at Paradip on April 8, 2020," it said.

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India saves...

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In just over two years, bilateral hydrocarbon trade with US increased from almost negligible in 2017 to 11 per cent of total two-way trade, it said. "US is the 6th largest source of crude oil imports while India has become the 4th largest export destination for the US crude." It, however, did not give details. The Strategic Petroleum Reserve entity of India (ISRPL) built the underground storages at Mangalore and Padur in Andhra Pradesh and Visakhapatnam in Andhra Pradesh as insurance against supply and price disruptions.

Mangalore storage has a total capacity of 1.5 million tonnes. Of this, half had previously been hired by Abu Dhabi National Oil Co (ADNOC) to store its crude oil. The remaining half was in April/May filled by oil brought by state-owned oil firms. Padur, the biggest of the three storages, has a total capacity of 2.5 million tonnes (about 17 million barrels).

ADNOC had in November 2018 signed up to hire half of this capacity but never actually stored oil in it. At present, government-sourced crude fills up half of the Padur capacity, and the remaining 1.25 million tonnes of crude oil has now being sourced from Saudi Arabia. The 1.33 million tonne Visakhapatnam storage has a small amount of unfilled space which was filled with Iraq crude oil. While the oil to be stored in the three caverns will belong to the government, the government isn't paying for it. State-owned Indian Oil Corp (IOC), Bharat Petroleum Corp Ltd (BPCL) and Hindustan Petroleum Corp Ltd (HPCL) as well as Mangalore Refinery and Petrochemicals Ltd (MRPL) were asked to source oil from the Middle-East countries for storing the caverns, sources said, adding the government will reimburse them of this cost at a later date.

India meets 83 per cent of its oil needs through imports. Its refiners maintain 65 days of crude storage, and when added to the storage planned and achieved by ISPRL, the Indian crude storage tally goes up to about 87 days. This is very close to the storage of 90 days mandated by IEA for member countries.