



# STOCKING UP

**CENTRE IS USING THE BREATHERS TO TANK UP FUEL STORAGE AS WELL AS INDIA'S STRATEGIC OIL RESERVES**

BY NEVIN JOHN

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**he collapse** in oil prices on March 9 after Saudi Arabia started a price war with Russia has crashed crude oil prices to their lowest since 2003. That is a double blessing for India, the world's third-largest crude oil importer which meets over 80 per cent of its oil needs from abroad. One, it reduces India's crude import bill drastically, a big relief when rupee has been weakening against the dollar.

More importantly, the government is using this opportunity to tank up fuel storage facilities to meet

the demand surge when the lockdown is lifted. In the post-COVID situation, availability of adequate fuel is critical to restart the economy.

The Centre is also using this opportunity to top up the 5.33 million tonne capacity strategic crude oil reserves at Visakhapatnam, Mangalore and Padur. This is enough to meet the country's fuel needs for 10 days. But at a time when economic activity will come on board slowly, this stock will last longer.

According to the Petroleum Planning & Analysis Cell of the government, in the first 11 months of FY2020, India imported 207 million tonnes crude spending \$95.5 billion (₹6.73 lakh crore). In FY2019, India had imported the same amount of crude during the period spending \$103 billion (₹7.83 lakh crore). With global demand plummeting, it is unlikely that crude prices will rise anytime soon. That could mean a much

**\$95.5 billion**

India's crude oil import bill (₹6.73 lakh crore) in FY20

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lower fuel import bill in FY2021. It would also provide a hedge for a government that has rolled-out a ₹1.7 lakh crore relief plan for the poor.

As things stand, there are no plans to shut down refineries; they would be running at much lower capacity. Refining majors Indian Oil and Bharat Petroleum plan to cut production by 30 per cent. Reliance Industries has increased petrochemicals production, reducing fuel output to deal with the situation. It will decide on production cut based on market demand for transportation fuel, said sources in the company. Indian Oil sources claimed that they are supplying 30 lakh LPG cylinders daily. That number could start to rise over the next few days as cooking at home has increased sharply. Cheaper crude usually reduces India's foreign currency outflow and helps strengthen the rupee through higher economic activity. However, the sharp fall of the rupee against the US dollar, when more cases of the coronavirus were reported in the country, could play spoilsport by increasing import costs.

These are tough days, but it is important to ensure that there is adequate supply of fuel for defence, air cargo services, hospitals, ambulance and the government. **BT**

@nevinjl

