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Ethanol Blending in Petrol Hits 8.1% on Better Supplies

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New Delhi: Ethanol blending in petrol has risen to 8.1% in the ethanol year 2020-21, up from 5% in the previous year and 1.5% in 2013-14, thanks to a raft of policy measures that helped increase supply through a combination of assured purchases at government-set remunerative prices and interest subsidy for production capacity expansion.

The government has been aiming to increase the share of biofuels in the transportation sector to cut dependence on oil imports, which account for 85% of the domestic needs. Petrol makes up 15% of oil consumption in the country and a 10% substitution by ethanol could bring down oil imports by 1.5 percentage points.

As more supplies become available, the blending ratio is expected to reach 10% this ethanol year, which began last month.

"Limited supply was the biggest constraint. The government has addressed this by providing a supportive policy regime," said Abinash Verma, DG, Indian Sugar Mills Association.

ओएनजीसी ONGC
The Financial Express
Greenflation crucial to energy transition
Jan 11, 2022 | Delhi | Pg No.: 6 | | Sq Cm:323 | AVE: 1057808 | PR Value: 5289041

Greenflation crucial to energy transition

Central bank monetary policies must deal with higher-for-longer fossil fuel prices

JAVIER BLAS
Bloomberg

THE ENERGY TRANSITION DEBATE has been largely dominated by this line of argument: Green energy is needed to address climate change, and households and business will benefit from it via lower prices. On Saturday, Isabel Schnabel, an influential member of the executive board of the European Central Bank, articulated another line of thought: the transition is needed, but's likely to prove inflationary.

Schnabel, a German economist, argued that greenflation is very real and, not only is it not transitory, it's likely to get worse. Central banks will need to react to it. Speaking at an ECB virtual panel over the weekend, she said: "While in the past energy prices often fell as quickly as they rose, the need to step up the fight against climate change may imply that fossil fuel prices will now not only have to stay elevated, but even have to keep rising if we are to meet the goals of the Paris climate agreement."

The comments signal a re-think among policymakers about the energy transition—already evident within the Biden administration, but now apparently spreading into Europe.

Many in the energy industry will be forgiven for schadenfreude: You can almost hear the collective "I told you so" from Houston. After all, if you reduce supply and don't lower demand, prices have only one way to go: up.

Or, as Schnabel put it: "At present, renewable energy has not yet proven sufficiently scalable to meet rapidly rising demand...The combination of insufficient production capacity of renewable energies in the short run, subdued investments in fossil fuels and rising carbon prices means that we risk facing a possibly protracted transition period during which the energy bill will be rising. Gas prices are a case in point."

To be sure, Schnabel isn't suggesting that governments should slow down the fight against climate change. She's warning, however, that the transition will have unintended consequences. Until now, the ECB had focused mostly on the impact of climate change on financial stability, including the effect of stranded oil and gas assets, rather than on the consequences of the energy transition itself.

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The current spike in oil, coal, natural gas and electricity prices suggests Schnabel is right in widening the focus. Brent crude is again above $80 a barrel, and many traders believe that $100 is a question of when rather than if. In Europe, gas and electricity prices have risen to record levels, often trading at five-to-ten times above their 2010-2020 averages. And coal has surged to a record high too.

There's more to come beyond energy commodities. As the world moves to electrify everything—from heating to driving—the commodities needed to power the green transition are in greater demand and, therefore, getting more expensive. Take lithium, a crucial element of electric car batteries: It has surged to a record. The same is true of copper, which is needed in every piece of electrical cable.

Greenflation will have fiscal and monetary consequences, Schnabel argues. Governments will need to support the families left behind as energy prices soar. She didn't say much about businesses, but it's clear that if Europe lets rising gas and electricity prices go unchecked, the region would lose its energy-intensive industries—from aluminum smelters to fertilizer producers. Central banks may have to abandon their traditional attitude of looking through energy price increases because the transition is likely to mean, on balance, both higher aggregated demand — via investment in green alternatives to fossil fuels—and also higher inflation.

In that regard, Schnabel is much closer to what officials think in Washington than in Brussels and at the International Energy Agency. For months, the European Commission has played down the risk around the energy transition, seeing only positives. Fatih Birol, the head of the IEA, has done largely the same.

The White House, however, has fined-tuned its energy transition message over the last few months. "If we want to solve climate change we need to do so while at the same time insulating the global economy from extreme energy shocks," said Amos Hochstein, the top American energy diplomat, in October. The Biden administration has called on OPEC+ to boost production, and even told its domestic oil and gas industry that more drilling was welcome.

Schnabel's comments probably are an indication of the changing attitude in Europe. Record gas and electricity prices, plus eurozone inflation hitting 5%, probably helped. To find solutions, you first need to admit there's a problem. For the first time, the ECB is signaling there's an issue. The ball is now in the European Commission's court.

India Inc's overseas direct investment dips over 8%

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DECEMBER NUMBERS

India Inc's overseas direct investment dips over 8%

PRESS TRUST OF INDIA
Mumbai, January 10

OUTWARD FOREIGN DIRECT investment by Indian companies fell by over 8% to $2.05 billion in December 2021 in the current fiscal, data from the Reserve Bank of India (RBI) showed on Monday.

Domestic companies had invested $2.23 billion in their overseas joint ventures and fully-owned subsidiaries during December 2020 in the previous financial year.

Of the total investment made by Indian companies overseas during the month, $1.22 billion was in the form of issuance of guarantees, $464.39 million was equity participation and $367.17 million investment was made through loans, as per the RBI data on Outward Foreign Direct Investment (OFDI) for December 2021.

Major investors who infused capital in their overseas ventures included ANI Technologies — the promoter of mobility solutions provider Ola — which invested $675 million in its wholly owned subsidiary in Singapore, and Dr Reddy's investment of $149.99 million in a joint-venture in the US.

Reliance New Energy Solar invested $168.60 million in a JV and wholly owned subsidiary in Germany and Norway, while Gail India infused $70.17 million in a JV and a wholly owned unit in Myanmar and the US.

Mint

India likely to miss target for setting up EV charging stations

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India likely to miss target for setting up EV charging stations

India's electric vehicle (EV) industry may fall well short of its target of setting up a sufficient number of public charging stations, even as the government continues to push electric mobility. India would need 400,000 public charging stations by 2026, according to a June 2021 report. >P7

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High costs, low use may derail the development of EV charging infra

Shouvik Das &
Avishek Banerjee

NEW DELHI

India's electric vehicle (EV) industry may fall well short of its target of setting up a sufficient number of public charging stations, even as the government continues to push electric mobility.

India would need 400,000 public charging stations to serve an estimated two million EVs by 2026, according to a June 2021 report by Grant Thornton-Bharat and the Federation of Indian Chambers of Commerce and Industry (Ficci). However, on 16 December, Union power minister Raj Kumar Singh said in Parliament that India currently has only 1,028 public EV charging stations—almost 30% of which are in Delhi alone.

This implies that government bodies and private startups have their work cut out, say industry experts. Cab aggregator and mobility company Ola said last month it will be setting up 4,000 public EV charging facilities by 2022 as it aggressively promotes its new electric scooters. Besides, as part of government mandates, oil sector companies have also vouched to set up EV charging facilities.

TECHCIRCLE

Last November, petroleum and natural gas minister Hardeep Singh Puri said Indian Oil Corp., Bharat Petroleum Crop. and Hindustan Petroleum Corp. have set targets to set up 4,000 EV charging stations by the end of 2022. Distribution companies such as Tata Power, too, have set estimates, targeting 2,000 EV charging stations in 2022, Praveer Sinha, chief executive office and MD of Tata Power said last October.

Also last October, the National Highways Authority of India (NHAI) announced plans to cover 40,000 km of highways with EV charging facilities every 40-60 km apart. "We have bid out 100 wayside amenities and got a tremendous response. Each wayside amenity has received at least six-seven bids. Once the bids are awarded, it will take six months to complete," said Giridhar Aramane, NHAI chairman in an interview with *ThePrint* at the time.

India would need 400,000 public charging stations to serve an estimated 2 million EVs by 2026, according to a report. BLOOMBERG

Industry experts, however, remain sceptical. Rajesh Singh, founder and chief executive of eChargeBays, a Delhi-based startup that offers set-up and installation of private charging infrastructure, believes that many targets in the public charging infrastructure space could be inflated. "If you look at the past two years, less than 1,000 public chargers compatible with all EVs have been installed. If you look at high-voltage chargers of 50kW and above for passenger EVs in the public space, it wouldn't have crossed 200 in the past two years."

"The key point about EV charging stations is that they don't make money. Setting up a charging facility for an apartment complex or a commercial centre does not make any business sense. As a result, while there is a need for charging station operators, it's hard to organically build that demand," corroborated Arun Vinayak, co-founder of Exponent Energy.

HOLDING BACK

IN past 2 years, less than 1,000 public chargers compatible with all EVs have been installed

EXPERTS say facilities specific to India's needs are better than public charging points

There are other challenges, too. Experts point out that instead of setting up public charging facility targets, the key could be to adopt facilities specific to the Indian market.

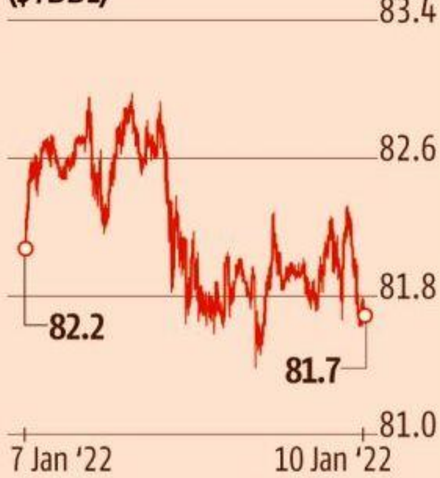
According to Vinayak, "94% of passenger vehicles are charged at home (in India), so they don't really need a public charging station right now." He added that the lack of organized parking spaces in India is also a big hindrance to setting up public chargers. "This is a big difference between India and a market like the US, where prices of cars are almost 4-5x as here. As a result, one thing that is required to boost public EV charging infrastructure in India, and help make it a viable business for the involved parties, is to come up with solutions customised to our market... To make public charging profitable would also be a task. India cannot simply adopt an international model," Vinayak explained. It is this lack of viability that could be pegging back 2022's initial estimates—despite tall projections from many.

Oil swings as easing supply issues wrestle strong demand

Oil fluctuated after recording the biggest weekly gain in a month as supplies returned in Kazakhstan while production in Libya remained volatile.

Brent crude rose to trade near $82 a barrel after earlier swinging between gains and losses. Libyan production increased to 900,000 barrels a day after pipeline maintenance was completed, although some of its ports could be closed for the next week due to bad weather. Some output was restored in Kazakhstan following widespread unrest.

BRENT CRUDE SPOT
($ /BBL)



Source *Bloomberg*

For the time being, demand has held up well against the spread of omicron across the globe and speculators have boosted their net-bullish bets on the global Brent benchmark to a six-week high as a result.

Traders are focused on China, however, which is continuing to battle outbreaks of the virus. The world's largest oil importer ignited a mass testing blitz in the northern port city of Tianjin as the country strives to maintain its zero-tolerance approach to Covid-19 in the face of more transmissible variants. "Crude oil trades steady with focus on robust demand and so far a limited fallout from the omicron surge," said Ole Hansen, head of commodities strategy at Saxo Bank A/S. **BLOOMBERG**

Business Standard

Shrink to fit: The year Europe's Big Oil starts to become Small Oil

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Shrink to fit: The year Europe's Big Oil starts to become Small Oil

REUTERS
London/Houston 10 January

Europe's Big Oil companies are planning to spend their windfall from high energy prices on becoming Small Oil.

Surging oil and gas prices in 2021 delivered billions of dollars in profits to top oil companies, in stark contrast to the previous year when energy prices collapsed as the coronavirus pandemic hit travel and economic activity.

Typically, companies would invest the lion's share of that cash in long-term projects to boost oil and gas production and reserves after the previous year's deep cuts.

But unlike any other time in their history, BP, TotalEnergies, Equinor and Italy's Eni are focusing on returning as much cash as possible to shareholders to keep them sweet as they begin a risky shift towards low-carbon and renewable energy.

"All of the large oil companies are managing decline to a degree," by shifting to fields that provide larger investment returns for shareholders and leaving more mature assets behind, said Ben Cook, portfolio manager with BP Capital Fund Advisors.

The growing pressure from investors, activists and governments to tackle climate change means that European oil giants are turning off the taps on spending on oil even as the outlook for prices and demand remains robust.

The two-pronged strategy of reducing oil output and boosting shareholder returns was underscored when Shell sold its Permian shale oil business in the United States for $9.5 billion in September, promising to return $7 billion to investors.

Investors in US companies can also expect their payouts to rise to record amounts, but Exxon Mobil and Chevron, the top US oil and gas companies, plan to continue ploughing money into new oil projects, encouraged by White House calls for more oil output to tackle high energy prices and inflation.

In 2022, European firms are set to return to investors a record $54 billion in dividends and share buybacks, according to analysis by Bernstein, while Exxon and Chevron are set to pay more than $30 billion combined.

TUNING DOWN

- Forms a two-pronged strategy of reducing oil output and boosting shareholder returns
- Firms are beginning a risky shift towards low-carbon and renewable energy
- **Pressure to go green:** oil giants are turning off the taps on spending on oil

THE FORECAST

- Dwindling of investments
- Oil production set to drop by over 15 per cent to below 6 million barrels per day (bpd) by 2030
- Investors in US companies can also expect their payouts to rise to record amounts
- Some oil production to remain key fuel in energy transition
- Natural gas output is set to increase

Smaller oil

As investments in new oil projects dwindle, oil production by Europe's top five energy companies is set to drop by over 15 per cent to below 6 million barrels per day (bpd) by 2030 after reaching a peak of around 7 million bpd in 2025, data from Bernstein Research showed.

Britain's BP has said it will cut its oil output by 40 per cent, or roughly 1 million barrels per day, by 2030 from 2019 levels.

Shell has said its oil output peaked in 2019 while Eni said its output will plateau in 2025.

With the energy transition entering full swing, investors have welcomed the renewed focus on their returns. Having trailblazed oil and gas extraction for over a century, from drilling in the Middle East to pioneering deepwater production, oil majors have a history of pouring billions of dollars into huge, complex projects which ran over budget and behind schedule, leading to a decade of poor returns after 2010.

"Strategies for the energy transition are becoming more defined, but investors won't buy a story given the failures of the past, so the companies will need to prove they can deliver on these strategies effectively and profitably," said Alasdair McKinnon of the Scottish Investment Fund.

Harvest time

Some oil production will remain a key fuel in the energy transition and natural gas output is set to increase as countries such as India and China look to substitute gas for the most polluting fossil fuel - coal.

At the same time, European oil majors are diverting spending to renewables such as wind and solar power, promising that returns from their low-carbon businesses will match or even grow beyond those of oil and gas in the long run.

Ucal Fuel closes 'unviable' plant in Puducherry

'Products have become obsolete'

SPECIAL CORRESPONDENT
CHENNAI

Ucal Fuel Systems Ltd. has decided to shut down its Pu ducherry unit from March 12 as it products have become completely outdated and fallen into disuse due to technology transition.

In a regulatory filing, the company said it had decided to stop completely manufacturing activities at its Plant II located at PIPDIC Industrial Estate in Puducherry from March 12.

Restriction on emission norms imposed by the government, technological change, and transition from BS IV to BS VI and to electric vehicles were the reasons attributed by the management for rendering its products completely outdated.

The sales turnover from Plant II had been on the decline since FY19

Further, alternative products in the fuel systems and diversification were considered to be far-fetched, besides, it faced intense competition.

"As such, there is no alternative business or business prospects to continue our operations,"it said.

The sales turnover from Plant II had been on the decline since FY19. From ₹140 crore it dropped to ₹23 crore in FY21. For the six months ended September 21, it was only ₹10 crore.

The firm was making two/three fuel management system parts, four-wheeler MPFI parts and four- wheeler carburetors at the plant.

SHORT TAKE

Big Oil payouts can be a gusher for shareholders

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In 2022, European firms are set to return to investors a record $54 billion in dividends and share buybacks, according to analysis by Bernstein. REUTERS

Demand fears fade, oil turns bullish in 2022

DEVIKA KRISHNA KUMAR and GRANT SMITH
LONDON, JAN. 10

Oil has started off 2022 with a bang. A market that was supposed to suffer a ballooning surplus instead surpassed $80 a barrel last week as global demand shrugs off the omicron variant, while a host of supply constraints hit producers from Canada to Russia.

With investment banks calling for higher prices, and options contracts invoking the prospect of crude spiraling above $100, the commodity is threatening to intensify the inflationary pain felt by major consumers.

Such a rally would be bad news for fuel-hungry countries. It would also be a big blow to US President Joe Biden, who invested a lot of time and effort in jawboning prices lower and orchestrating a global release of strategic petroleum reserves.

"The bullish sentiment has regained the narrative," said Michael Tran, a commodities strategist at RBC Capital Markets.

● WITH INVESTMENT banks calling for higher prices, and options contracts invoking the prospect of crude spiraling above $100, the commodity is threatening to intensify the inflationary pain felt by major consumers.

"With improving demand, tightening inventories, and questions of oil cartel OPEC's ability to ramp further, the directional arrows of progress point to further optimism."

Movements in the price of oil are felt more keenly and quickly than any other commodity because it passes almost immediately into the cost of end-products like gasoline, diesel and jet fuel.

This month there were riots across Kazakhstan after the government there allowed the price of liquefied petroleum gas — a key road fuel — to surge.

The dynamic means prices will be monitored closely by central banks that are trying to keep a lid on inflation.

— Bloomberg