

E&P projects are safe for now

Price volatility fails to affect onshore, offshore projects

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Oil price fluctuations have failed to affect the exploration and production (E&P) projects in India, both onshore and offshore. Drop in project costs by about 30 per cent is the main factor lending support to oil companies as well as contractors — making projects viable even when crude oil prices are low.

"The trend of awarding E&P service and material contracts of the state-run companies to private firms continues. The government is encouraging such providers to invest in India through the local content policy. The domestic private players, too, have started to look at the much larger business for private sub-contractors through integrated contracts. Awarding a long value-chain contract helps companies obtain better prices and run a lean organisation. Performance-linked contracts are not uncommon," said Deepak Mahurkar, leader, PwC India.

Crude oil producing companies do not have control over prices, as they are sold at rates linked to the global benchmark for that variety of the oil. Thus, the industry is now focusing on reducing the

PLAN OF ACTION

- E&P project costs drop 30% on cost reduction
- Cos enter performance-linked drilling contracts to cut costs
- Awarding a long value-chain contract helps companies bargain better
- Companies chalking out different models to lower project costs



costs, and hence has brought about a change in the model, said industry experts. Earlier, the entire integrated package was awarded at one go. Now, part of it is outsourced, which helps reduce production cost, they said.

Recently, global crude oil prices toppled from \$86 a barrel in October to around \$60. Given the fact that E&P is a long gestation business, short-term rally or dip in oil prices has limited influence on projects. In addition, for state-run player Oil and Natural Gas Corporation (ONGC) and Oil India, the absence of a fuel subsidy burden allows them more room to continue with development projects, irrespective of the oil price-level.

"After the 2014-15 oil price crash, the industry reviewed the costs and ways to reduce it. It found that project prices were high, and not sustainable for the long term. Since then, the industry has taken steps to reduce project costs. Recently,

projects in India have been awarded at about 30 per cent below budget," said Bhaskar Patel, managing director of TechnipFMC (India).

TechnipFMC is into sub-sea, onshore and offshore E&P contracts, along with surface technologies business in India. The company's year-to-date order book stands at ₹60 billion as against ₹17 billion for the entire 2017. "The cost reduction model is sustainable. Projects that were not viable at \$80-\$90 a barrel are now viable at \$40-\$50 a barrel. Projects that were not viable at \$50-\$60 are now viable at much lower per barrel costs," said Patel.

However, oil companies are chalking out different models in an attempt to lower their project costs. Ruia-owned Essar Oil, for instance, has been trying to do most of its development works through its in-house companies. "For us, outside service provider is only involved in

fracking. In the long term, we hope we should have our own set-up," said Vilas Tawde, managing director and chief executive officer of Essar Oil & Gas Exploration and Production (EOGEP). Fracking is a method of getting oil or gas from rock by forcing liquid and sand into the rock.

For other E&P players, better costs have come through integrated bids. "In order to execute these projects on time and within budget, an 'integrated project development' strategy, with an in-built risk and reward mechanism, has been adopted. This new strategy is being delivered in partnership with leading global oilfield service companies," said Vedanta in its earnings release.

More oil projects are likely to be on offer in the country. Around 55 blocks, spread across 10 sedimentary basins, under maiden bid round of Open Acreage Licensing Policy (OALP) were recently awarded after a gap of six years.

Under the Discovered Small Fields Policy (DSF II), the government expects investments in 60 discoveries with an estimated in-place reserve of over 195 Million Metric Tons of Oil and Oil Equivalent Gas. In addition, 14 blocks with a total area of 29,233 square kilometer will be launched for bidding under the second round of OALP Bid Round II.

सरकार ने केंद्रीय लोक उपक्रमों के ईटीएफ से 17,000 करोड़ जुटाए

नई दिल्ली, 1 दिसंबर (भाषा)।

सरकार ने केंद्रीय लोक उपक्रमों के ईटीएफ की नई पेशकश के जरिए 17,000 करोड़ रुपए से अधिक जुटाए। घरेलू स्तर पर एक्सचेंज ट्रेडेड फंड (ईटीएफ) के जरिए यह अब तक जुटाई गई सबसे बड़ी राशि है।

सीपीएसई ईटीएफ के लिए अनुवर्ती निर्गम पेशकश (एफएफओ) शुक्रवार को खत्म हुआ। इसके लिए 27,300 करोड़ रुपए का अभिदान मिला जबकि निर्गम का कुल आकार 14,000 करोड़ रुपए था। सरकार ने 27 नवंबर को केंद्रीय लोक उपक्रमों के एक्सचेंज ट्रेडेड फंड की चौथी किस्त जारी की थी। एफएफओ खुलने के पहले दिन बड़े निवेशकों ने उनके लिए आरक्षित शेयरों के मुकाबले 5.5 गुणा अधिक निर्गम के लिए बोली लगाई है। उन्होंने 13,300 करोड़ रुपए मूल्य की बोली लगाई।

एक अधिकारी ने बताया कि निर्गम के जरिए 27,300 करोड़ रुपए का अभिदान प्राप्त

हुआ है। उन्होंने कहा कि हम सीपीएसई ईटीएफ एफएफओ से प्राप्त 17,000 करोड़ रुपए से थोड़ा अधिक अपने पास बनाए रखेंगे। उन्होंने बताया कि शाम पांच बजे तक सवा लाख आवेदन मिले। पहले 8,000 करोड़ रुपए का निर्गम जारी किया गया था। इसके अलावा इसमें अधिक अभिदान आने पर 6,000 करोड़ रुपए की अतिरिक्त बोली स्वीकार करने का विकल्प (ग्रीन शू विकल्प) भी रखा गया। निर्गम का कुल आकार 14,000 करोड़ रुपए था।

अधिकारी ने कहा कि और अधिक अभिदान रखने की गुंजाइश थी लेकिन इससे कुछ सरकारी कंपनियों में सरकार की हिस्सेदारी 53 फीसद से नीचे आ जाती। सीपीएसई ईटीएफ में 11 सरकारी कंपनियों के शेयर शामिल हैं। इन कंपनियों में ओएनजीसी, कोल इंडिया, आइओसी, आयल इंडिया, पीएफसी, आरईसी, भारत इलेक्ट्रॉनिक्स शामिल हैं। ईटीएफ में नई कंपनियां एनटीपीसी, एसजेवीएन, एनएलसी और एनबीसीसी हैं।

Soon, tanking up in Delhi to be cheaper than in UP

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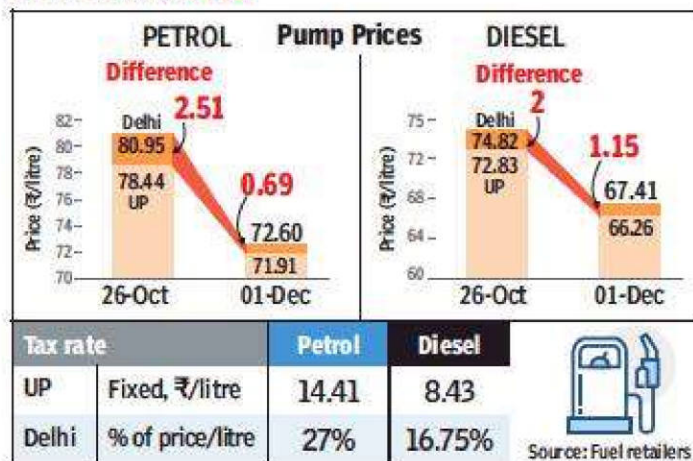
New Delhi: Petrol and diesel will become cheaper in Delhi than UP in a few days, restoring an advantage the capital's motorists lost on October 5 when UP chief minister Yogi Adityanath matched the Centre's move to offer relief from high oil prices by reducing tax on fuel while his Delhi counterpart Arvind Kejriwal did not budge.

The continuous decline in pump prices for the last one-and-a-half months has shrunk the difference between fuel prices in the two states by 67% for petrol and over 42% for diesel in the last 30 days alone.

Ajay Bansal of All India Petroleum Dealers' Association, an umbrella body of petrol pump operators, said the current trend of price reductions by state-run fuel retailing companies indicate price of petrol will fall by Rs 1.10 a litre and diesel by Rs 1.32 in the next six to seven days.

This is good news for the capital's petrol pump operators who had seen sales drop, especially at

CLOSING GAP



outlets in areas bordering UP, as motorists preferred to tank up in the neighbouring state where fuel had become cheaper by Rs 3 a litre after the October tax relief.

The sharp price movement is because of the way the two states tax fuel. UP has a fixed rate, while Delhi has an ad-valorem system. In UP, the tax amount does not rise or fall when the retailers change the price. But since Delhi charges VAT as a certain per cent of the fuel price, VAT swings sharply with any price change.

The ad valorem system amplifies the impact of any price change. So it is good when price goes down but pinches harder than in a fixed rate regime when rates head north.

According to IndianOil, the country's largest fuel retailer, petrol price has cumulatively declined by Rs 9.59 per litre and diesel by Rs 7.56 per litre in Delhi since October 17 as oil companies have passed on the benefit of sliding crude prices and stable rupee-dollar exchange rate.

Saudi prince, Putin grin as oil deal reports emerge

Buenos Aires, Dec. 1: Saudi Crown Prince Mohammed bin Salman showed himself to be no pariah on Friday at the G20 summit, with a beaming Vladimir Putin welcoming him but European leaders warning him over the killing of a dissident journalist.

Less than two months after Saudi Arabia outraged allies when a hit team murdered Jamal Khashoggi in the kingdom's Istanbul consulate, Prince Mohammed flew into Buenos Aires to take his place among leaders of the top 20 global economies, a sign that he intends to remain firmly in charge.

In an image that quickly went viral online, Russian President Putin and the 33-year-old prince grinned broadly and gave each other an effusive handshake as if they were long-lost friends reunited at the G20. Their embrace comes amid reports that Russia and Saudi Arabia have reached a pact to cut oil production when the OPEC cartel meets on December 6 in Vienna, to help shore up falling crude prices. Kirill Dmitriev, the chief of Russia's sovereign wealth fund, told reporters that Putin would meet the prince on Saturday and discuss boosting Saudi Arabia's \$2 billion investment in Russia.

But the prince appeared to receive a more critical reception from French President Emmanuel Macron, who was overheard on a microphone voicing concerns. — AFP

KEY MOMENTS AT THE G20

THE HANDSHAKE

All eyes were on Saudi Crown Prince Mohammed bin Salman and how leaders would greet him. He mingled easily and got a resounding handshake from Vladimir Putin.

PUTIN STYLE DIPLOMACY

■ During a meeting with Macron, Putin drew a map

of Kerch Strait off Crimea to buttress his position that Ukrainian ships intruded into Russian waters — a claim denied by Kiev.

WHAT'S IN A NAME?

■ The US, Canada and Mexico signed a new agreement, though it could not agree what to call it.

पवन हंस निजीकरण : कर्मचारियों ने प्रभु से मिलने का समय मांगा

मुंबई, 1 दिसंबर (भाषा)।

पवनहंस के कर्मचारियों ने शुक्रवार को सरकार से आग्रह किया कि लाभ में चल रही कंपनी का निजीकरण करने से पहले कर्मचारियों से जुड़े सभी मुद्दों और सामाजिक सुरक्षा मुद्दों का समाधान किया जाए। उन्होंने नागर विमानन मंत्री सुरेश प्रभु के साथ तत्काल बैठक की भी मांग की है।

निजीकरण की पूरी प्रक्रिया पर सवाल उठाते हुए फोरम ने कहा कि केंद्र की मौजूदा नरेंद्र मोदी सरकार अगले साल होने वाले लोकसभा चुनाव से पहले पवनहंस हेलिकॉप्टर की अपनी विनिवेश योजनाओं को आगे बढ़ाना चाहती है। पवनहंस संयुक्त कर्मचारी फोरम (पीएचजेईएफ) ने गुरुवार को प्रभु को लिखे पत्र में कहा कि यह संयुक्त फोरम कर्मचारियों की तरफ से आपसे अनुरोध कर रही है कि कंपनी की बिक्री खरीद समझौते/अनुरोध प्रस्ताव के मसौदे को अंतिम रूप देने से पहले कर्मचारियों की चिंताओं के समाधान के लिए मुलाकात का समय दें।