ONGC News as on 04 July 2023(Print)

ओएनजीसी
ONGC
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ONGC plans to map 10 GW geothermal energy potential

MANISH GUPTA
New Delhi, July 3

STATE-RUN OIL and Natural Gas Corporation Ltd (ONGC) has drawn up a plan to map India's geothermal energy sources, with likely potential of 10 giga watt (GW), even as it aims to airlift drilling equipment in Ladakh to give its pilot project a second chance.

"India's geothermal energy potential is about 10 GW and its spread across the country. We plan to map it and use the information to best exploit the clean and green energy," said ONGC Energy Centre director general (DG) Ravi.

Geothermal energy is the thermal energy generated and stored inside the earth's crust. It comes from heat generated during the original formation of the planet and the radioactive decay of materials.

Last month, ONGC signed an agreement with Iceland GeoSurvey (ISOR) for the exploration and development of geothermal energy in India among other things. The ISOR relationship started with the Ladakh project last year.

"Initial studies have revealed that rich geothermal sources are there in Ladakh, Himachal, Gujarat, Andhra Pradesh and Chhattisgarh. We are concentrating first in Ladakh, then it will be Gujarat followed by in the south," he said.

The Geological Survey of India (GSI) and the ministry of new and renewable energy (MNRE) have done the initial survey. In Gujarat, Cambay Basin and Ankleshwar are the identified areas. In Andhra Pradesh, it's Kowthalam.

"Geothermal energy is clean, green and available 24x7. It generates no pollution and is sustainable. Otherwise most renewable energy sources are not available 24x7.

GREEN ENERGY

1 MW pilot project at Puga in Ladakh valley

10 GW India's geothermal energy potential

100 MW potential capacity of Puga-Chumathang reservoirs

Once the pilot project is proven we can advance to a commercial-scale power plant," said Ravi.

The state-run oil exploration company had to abandon its pilot project at Puga in Ladakh last year after facing shallow reservoir complications. However, the company has planned to start drilling again at the Puga site this year.

While weather allows access to Puga in Ladakh valley only between May and October, the ONGC officials are currently facing logistic challenges as several bridges are under construction down below. The oil company has now initiated talks with the Border Roads Organisation (BRO) and the Indian Army to see if the equipment and components can be airlifted so that the drilling can begin.

"If the drilling begins this year, we can expect the 1 MW pilot project to become operational next year. Once Puga is successful, second phase of drilling can begin at Chumathang, at an aerial distance of 12 kms. If the two reservoirs can be interconnected, we can have a 100 MW power plant," said the DG.

"However, we can know the actual capacity only after drilling and doing the reservoir study, checking the production and flow," he said.

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Date : 4 July 2023 | Page : 1, 7

Pawan Hans Sale Called off as Winning Bidder Disqualified

The government on Monday called off the strategic disinvestment of helicopter service provider Pawan Hans as the winning bidder – Star9 Mobility – was disqualified due to pending legal cases against it. This is unlikely to derail the FY24 disinvestment target, said an official. ▶▶ 7

Publication : The Economic Times | Editions : New Delhi
Date : 4 July 2023 | Page : 1, 7

Pawan Hans Selloff Nixed

Winning bidder Star9 Mobility disqualified due to legal cases

Our Bureau

New Delhi: The government on Monday called off the strategic disinvestment of helicopter service provider Pawan Hans as the winning bidder – Star9 Mobility – was disqualified due to pending legal cases against it.

In April last year, the government had decided to sell Pawan Hans for ₹211.14 crore to Star9 Mobility, a consortium of Big Charter Pvt Ltd, Maharaja Aviation Pvt Ltd and Almas Global Opportunity Fund SPC. Pawan Hans is a joint venture between the government and ONGC, which hold 51% and 49% stakes in the company.

Co's sale would have fetched relatively small amount, unlikely to derail FY24 selloff target

However, the sale was put on hold in May 2022 after it emerged that the Kolkata bench of National Company Law Tribunal had issued an adverse order against Almas Global Opportunity Fund SPC, a member of the successful consortium, in another case relating to a resolution plan under the Insolvency and Bankruptcy Code. Consequently, government did not issue the letter of intent for sale to the winning bidder.

As the strategic sale of the helicopter service provider would have fetched a relatively small amount, the annulment is unlikely to derail the government's FY24 disinvestment target of ₹51,000 crore, said an official. However, it brings to the fore various challenges facing the selloff drive.

ओएनजीसी ONGC

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Date : 4 July 2023 | Page : 11

Cauvery Basin exploration: ONGC seeks waiver from sourcing norms

Abhishek Law
New Delhi

The Oil and Natural Gas Corporation Ltd (ONGC) has written to the Union Steel Ministry expressing concerns over possible "idling of its rig" in the Cauvery off-shore in the event of not getting the required casing pipes for drilling two ultra deep wells. The value of these specialised items are said to be close to ₹400 crore. Hence, the company has sought exemption from existing domestic sourcing norms as it wants to import these.

In a letter addressed to one of the senior bureaucrats in the Ministry and accessed by *businessline*, ONGC said, there are no Indian players who make such specialised steel items (called casings) required for its exploration activities. The company has requested for "exemption from the provisions of the revised steel policy" which gives preference to domestically manufactured iron and steel products in government procurement.

HEAVY LOSSES

"Considering the fact that there is no domestic manufacturer available and these casing pipes have long delivery periods, it is requested to provide us the approval for exemption of ......casing pipes at the earliest, so that procurement action can be initiated," the letter by one of its EDs says.

The company would require these casings for two ultra deep (oil) wells of Cauvery offshore, planned to be drilled in December. "Non-availability of casings would lead to idling of the rig and other resources, which may result in heavy financial losses for ONGC," the letter adds. ONGC's requirements include premium casing and accessories (of different specifications) worth ₹270 crore (and amounting to 15,656 tonnes in volume); casings with premium threads worth of ₹100 crore (1,860 tonnes in volume); and another set of specialised casings worth ₹15 crore.

ओएनजीसी
ONGC

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Date : 4 July 2023 | Page : 8

India's 2023-24 fuel demand to grow by mid-single-digit: Fitch

AGENCIES
NEW DELHI, 3 JULY

Fitch Ratings expects India's petroleum product demand in during 2023-24 to grow by a mid-single-digit percentage after a 10 per cent rise the past year.

The past year's growth was aided by the post-pandemic pent-up demand. "Medium-term product demand growth is supported by Fitch's expectation of 6-7 per cent GDP growth for India over the next few years, driven by the government's increasing infrastructure spending and a pick-up in industrial activity," Fitch said in a report titled 'India Oil & Gas Monitor: FY23'.

It expects the Indian oil marketing companies' (OMCs) marketing segment to turn profitable from 2023-24 after they incurred large losses in 2022-23 on high crude prices and unchanged retail fuel prices.

"This should enable the OMCs to partly recoup the FY23 losses in 1HFY24 before the fall in crude prices in recent months is reflected in retail prices."

Crude oil prices are expected to moderate from the highs of 2022-23, but remain elevated, which, Fitch said, will support robust cash flow generation for upstream producers such as Oil and Natural Gas Corporation Limited (ONGC, BBB-/Stable) and Oil India Limited (OIL, BBB-/Stable) in 2023-24.

On India's crude oil import dependence, Fitch said it will continue rising in 2023-24 due to strong demand for petroleum products and stable domestic crude oil output. India's crude oil imports rose by 10 per cent in 202-23 and the reliance on imported crude increased to 87.3 per cent (85.5 per cent 2021-22) of total demand.

Russia's share of Indian oil imports rose to 37 per cent by April 2023 from less than 2 per cent in March 2022, Fitch said, citing commodity data for the Harmonised System code 2709 as reported by India's Department of Commerce.

In the concluding part of the report, Fitch said it expects the oil marketing companies to continue dominating India's fuel retailing market, given their large capacity expansion plans against the private sector.

The share of state-owned outlets in fuel retailing increased to 90.5 per cent in May 2023 from 89.9 per cent in March 2022.

ओएनजीसी ONGC

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Date : 4 July 2023 | Page : 5

Fitch: State-run refiners likely to turn profitable in FY24

MANISH GUPTA
New Delhi, July 3

STATE-RUN OIL marketing companies (OMCs) are set to turn profitable in current fiscal after facing major losses in the previous financial year due to unchanged retail prices despite high crude prices, Fitch Ratings said on Monday.

"We expect the Indian OMCs marketing segment to turn profitable from FY24 as crude oil prices fall to Fitch's assumption of $78.8 per barrel... This should help the OMCs to partly recoup the FY23 losses in first half of FY24, before the fall in crude prices is reflected in retail prices," it said.

With the fall in crude oil prices the margins of the refiners have improved and this has fueled hopes that the OMCs should start passing on the benefit of the lower crude oil prices to the customers by cutting the fuel prices. However, the oil companies plan to make up for the losses made last year.

All three major refiners -- Indian Oil Corporation Ltd (IOCL), Bharat Petroleum Corporation Ltd (BPCL) and Hindustan Petroleum Corporation Ltd (HPCL) -- had not increased the retail fuel prices despite high crude prices last fiscal. They reported losses in the first two quarters of FY23, subdued net profits in the third quarter, and profits in the fourth quarter ending March 2023.

Fitch Ratings expects Indian refiners' gross refining margins (GRM) to moderate in FY24 from the record high in FY23 as "we expect an easing of tight industry conditions. However, we still expect FY24 GRMs to be above mid-cycle levels due to increasing demand after China's reopening and uncertainty over Russia's transportation fuel supply." The normalisation of product spreads has also prompted India to discontinue in recent months the special excise duties on exports of diesel and aircraft turbine fuel that were imposed in July 2022, it added.

The ratings agency expects India's petroleum product demand in FY24 to grow by a mid-single digit percentage after a 10% rise in FY23.

"Medium-term product demand growth is supported by Fitch's expectation of 6%-7% GDP growth for India over the next few years, driven by the government's increasing infrastructure spending and a pick-up in industrial activity," the agency said.

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Indian refiners start yuan payments for Russian oil

Reuters
New Delhi

MAJOR BUYER. India's oil imports from Russia rose to a record in May

Indian refiners have begun paying for some oil imports from Russia in Chinese yuan, sources with direct knowledge of the matter said, as Western sanctions force Moscow and its customers to find alternatives to the dollar for settling payments.

Western punishments over Russia's invasion of Ukraine have shifted global trade flows for its top export, with India emerging as the largest buyer of Russian oil even as it casts about for how to pay for it amid shifting sanctions.

China has also shifted to the yuan for most of its energy imports from Russia, which overtook Saudi Arabia to become China's top crude supplier in the first quarter this year.

"Some refiners are paying in other currencies like yuan if banks are not willing to settle trade in dollars," said an Indian government source.

Indian Oil Corp, the country's biggest buyer of Russian crude oil, in June became the first state refiner to pay for some Russian purchases in yuan, three sources familiar with the matter said.

At least two of India's three private refiners are also paying for some Russian imports in yuan, two other sources said.

All the sources declined to be named because of the sensitivity of the matter. None of private refiners — Reliance Industries Ltd, Russia-backed Nayara Energy and HPCL Mittal Energy Ltd — responded to requests for comment. Indian Oil also did not reply to a request for comment. It could not immediately be determined how much Russian oil Indian refiners have bought with yuan, although Indian Oil has paid in yuan for multiple cargoes, sources said.

Since the imposition of sanctions on Moscow, Indian refiners have mostly bought Russian crude from Dubai-based traders and Russian oil companies such as Rosneft, the Litasco unit of Russian oil major Lukoil, and Gazprom Neft, according to shipping data compiled by Reuters.

NON-DOLLAR PAYMENT

Indian refiners have also settled some non-dollar payments for Russian oil in the UAE dirham, sources said.

"First preference is to pay in dollars but refiners sometimes pay in other currencies such as dirham and yuan when sellers ask them," said the government source, who did not elaborate further and declined to identify any Indian companies paying in yuan for Russian oil.

India's oil and finance ministries did not respond to requests for comments.

India's imports from Russia rose to a record in May, with Russian crude oil accounting for 40 per cent of overall oil imports compared with 16.5 per cent a year earlier, denting purchases from Iraq and Saudi Arabia.

SANCTIONS MINEFIELD

While Western sanctions against Moscow are not recognised by India and its purchases of Russian oil may not violate them, Indian banks are wary of clearing payments for such imports. In May, State Bank of India rejected IOC's planned payment in dollars for a cargo delivered by Rosneft, two sources said.

"Whenever IOC will face problems it would push for payment in yuan," the person said, adding that IOC had asked Rosneft to consider supplying oil in vessels not managed by sanctioned entities.

Another state refiner, Bharat Petroleum Corp Ltd, is also exploring yuan payment for Russian oil, a separate source said. "Many traders (sellers) are insisting for yuan payments," the source said.

BPCL, ICICI, SBI and Bank of China did not respond to requests for comment.

ओएनजीसी
ONGC

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Date : 4 July 2023 | Page : 9

'Oil firms to turn profitable in FY24'

State-owned oil marketers are likely to turn profitable on fuel marketing in the current fiscal ending on 31 March 2024, following large losses in the previous year, Fitch Ratings said on Monday.

The rating agency expects India's petroleum product demand to grow by mid-single digit percentage in the medium term, supported by forecast that the GDP will grow by 6-7% in the next few years, the government's increasing spending on infrastructure and a pick-up in industrial activity. "We expect the Indian oil marketing companies' marketing segment to turn profitable from the financial year ending March 2024 (FY24) as crude oil prices fall to Fitch's assumption of $78.8 per barrel, following large losses in FY23 due to high crude prices and unchanged retail fuel prices," it said.

This should enable the oil marketing companies (OMCs) to partly recoup the FY23 (April 2022 to March 2023) losses in first half of FY24, before the fall in crude prices in recent months is reflected in retail prices. **PTI**

ओएनजीसी ONGC

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Oil firms to turn profitable on fuel marketing in FY24

New Delhi, July 3: State-owned oil marketers are likely to turn profitable on fuel marketing in the current fiscal ending on March 31, 2024, following large losses in the previous year, Fitch Ratings said on Monday.

The rating agency expects India's petroleum product demand to grow by mid-single digit percentage in the medium term, supported by forecast that the GDP will grow by six to seven per cent in the next few years, the government's increasing spending on infrastructure and a pick-up in industrial activity.

"We expect the Indian oil marketing companies' marketing segment to turn profitable from the financial year ending March 2024 (FY24) as crude oil prices fall to Fitch's assumption of $78.8 per barrel, following large losses in FY23 due to high crude prices and unchanged retail fuel prices," it said.

This should enable the oil marketing companies (OMCs) to partly recoup the FY23 (April 2022 to March 2023) losses in first half of FY24, before the fall in crude prices in recent months is reflected in retail prices.

The government previously allowed the recovery of such losses in subsequent periods, before reversing the suspension of daily price resets.

State-owned retailers Indian Oil Corporation (IOC), Bharat Petroleum Corporation Ltd (BPCL) and Hindustan Petroleum Corporation Ltd (HPCL) did not raise petrol and diesel prices last year despite rise in crude oil prices. With oil prices now receding, they are now recouping the losses.

Fitch Ratings expected India's petroleum product demand in the financial year ending March 2024 (FY24) to grow by a mid-single digit percentage after a 10 per cent rise in FY23, which was aided by the post-pandemic pent-up demand. — *PTI*

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G20: The India Footprint

As India gets ready to host the 18th Leaders' Summit of the G20 on September 9-10 in New Delhi, we will bring you news, views and analyses in the run-up to the landmark event. We are starting today with a primer on the background of the G20 summit.

20

ओएनजीसी ONGC
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NEW DELHI COMES OF AGE

18th G20 summit to be biggest international event hosted by India

First in South Asia, summit to have the largest-ever delegation

SUBHAYAN CHAKRABORTY
New Delhi, 3 July

Come September, as the leaders of the G20 nations reach New Delhi for their annual summit, India will be hosting the largest and most significant international gathering in its history. The 18th Leaders Summit of the G20 will be held in New Delhi on September 9-10. The first summit in South Asia, it will host the largest delegation of 43 Heads of State and Government as well as the heads of international organisations.

A major milestone for India's growing economic clout and global footprint, it will also be a key validation of the country's evolving foreign policy, which has created a new space for India's rising geopolitical ambitions.

Founded in 1999 in response to several world economic crises, the G20 is the world's primary venue for international economic and financial cooperation.

Bringing together the 20 most powerful economies in the world, the grouping includes Argentina, Australia, Brazil, Canada, China, France, Germany, Italy, India, Indonesia, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, and the United States. The European Union too is a member.

The grouping represents about 85 per cent of global GDP, over 75 per cent of global trade, and about two-thirds of the world population. It may grow to represent a much larger chunk of humanity if India's proposal to expand membership to the African Union is accepted by all leaders later this year. Since 2008, the G20 nations have convened at least once a year, bringing together leaders for an annual gathering that has wide geopolitical implications. The annual summits have become the core of global policymaking on pressing financial, strategic, and economic matters over the past decade.

G20 भारत 2023 INDIA

THE INDIA FOOTPRINT

Eyes on India

In its G20 presidency, India is in the process of hosting 230 meetings across 32 different sectors, in more than 60 different cities in India. In the past, G20 meetings have been held in 9-10 cities by a host nation, External Affairs Minister S Jaishankar has said.

In-person participation during India's G20 presidency is among the largest ever. Over 12,300 delegates, from over 110 nationalities, attended G20-related meetings till late April, when the 100th G20 meeting in India was held. This included participation from G20 members, nine invitee countries, and 14 international organisations. Looking beyond the dignitaries, India is also welcoming a much higher number of overall foreign visitors as part of the G20. Earlier this year, the tourism ministry had projected an estimated 150,000 guests will arrive in India in 2023 to participate in events, including those being held by engagement groups outside the government umbrella.

Holding the G20 presidency, India has the prerogative to invite other allied nations to the summit. The Ministry of External Affairs has confirmed that Bangladesh, Egypt, Mauritius, the Netherlands, Nigeria, Oman, Singapore, Spain, and the UAE will be guest nations.

MAJOR OUTCOMES OF PAST G20 SUMMITS

1. WASHINGTON DC, US (NOV 2008) LED BY GEORGE W BUSH
- General agreement on cooperation in key areas to strengthen economic growth, deal with 2008 financial crisis

2. LONDON, UK (APRIL 2009) LED BY GORDON BROWN
- In principle agreement on $1.1 trillion global stimulus package to improve international finance, credit and trade

3. PITTSBURGH, US (SEPTEMBER 2009) LED BY BARACK OBAMA
- Boosting influence of major developing nations like India, China and Brazil, G20 became the new permanent council for international economic cooperation replacing the smaller G8

4. TORONTO, CANADA (JUNE 2010) LED BY STEPHEN HARPER
- Facing a fragile global recovery, nations agreed to cut budget deficits by half by 2030, and reduce debt-to-GDP ratio in each economy by 2016

5. SEOUL, SOUTH KOREA (NOV 2010) LED BY LEE MYUNG-BAK
- Agreement on shifting 6% quota and voting rights at the IMF to emerging and developing nations and adjustment of IMF's Executive Board's composition, the Basel III agreement

6. CANNES, FRANCE (NOV 2011) LED BY NICOLAS SARKOZY
- Launch of Agricultural Market Information System (AMIS) and endorsement of Action Plan on Food Price Volatility and Agriculture

7. LOS CABOS, MEXICO (JUNE 2012) LED BY FELIPE CALDERÓN
- Establishment of country-specific measures to strengthen demand, growth, confidence and financial stability under Los Cabos Growth and Jobs Action Plan

8. SAINT PETERSBURG, RUSSIA (SEP 2013) LED BY VLADIMIR PUTIN
- Amidst possible US military action against Syria, nations committed to previous pledges including rationalise and phase out inefficient fuel subsidies

PM Narendra Modi and Indonesian President Joko Widodo at the handover ceremony at the G20 Leaders' Summit, in Bali last year FILE PHOTO: REUTERS

9. BRISBANE, AUSTRALIA (NOV 2014) LED BY TONY ABBOTT
- Targeted goal of increasing economic growth by an extra 2% through commitments made, increasing infrastructure investment through creation of Global Infrastructure Hub

10. ANTALYA, TURKEY (NOV, 2015) LED BY RECEP TAYYIP ERDOGAN
- Summit mostly focused on political rather than economic issues due to the terrorist attacks in Paris, in which 130 people were killed, and a declaration on fighting terrorism was adopted

11. HANGZHOU, CHINA (SEP 2016) LED BY XI JINPING
- Hangzhou Consensus called on G20 to deliver more inclusive economic growth

12. HAMBURG, GERMANY (JULY 2017) LED BY ANGELA MERKEL
- A new emphasis on the need for trade deals to be reciprocal and non-discriminatory towards developing countries, reduced the previous emphasis on the primacy of liberalisation and the promotion of free market economics across the board

13. BUENOS AIRES, ARGENTINA (NOV, 2018) LED BY MAURICIO MACRI
- A gender mainstreaming strategy across the G20 agenda put gender equality at the centre of its governance, new resources for the International Monetary Fund (IMF) authorised

14. OSAKA, JAPAN (JUNE, 2019) LED BY SHINZŌ ABE
- The new 'Osaka Track' committed to promote efforts on international rule-making on digital economy, especially on data flow and electronic commerce, 'Osaka Blue Ocean Vision' aimed to reduce additional pollution by marine plastic litter to zero by 2050

15. VIRTUAL (NOV 2020) LED BY KING SALMAN
- Nations promised to collaborate on research and technology to battle the pandemic, and extend support to developing and under developing countries

16. ROME, ITALY (OCT 2021) LED BY MARIO DRAGHI
- Agreement announced on global taxation regime for multinationals with a 15% minimum corporate tax, a new target of channeling $100 billion of IMF funds towards poorest nations was set

17. BALI, INDONESIA (NOV 2022) LED BY JOKO WIDODO
- Russia and China jointly agreed Russia should not use nuclear weapons in Ukraine while most nations condemned Moscows actions in Ukraine

18. NEW DELHI, INDIA (SEP 2023) LED BY NARENDRA MODI

ओएनजीसी ONGC

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Serentica Renewables enters 1.25-Gw power delivery deals

Serentica Renewables on Monday said it had signed agreements with multiple industrial customers for delivery of over 1.25 Gw green energy. This is in addition to the 580 Mw power delivery agreements (PDAs) that were signed in March 2023, the company said. "To ensure the round-the-clock green energy needs of its customers, Serentica will install 4 Gw of renewable energy capacities across the country," it said. The projects will deploy both wind and solar capacities to be supplemented with balancing solutions like energy storage. PTI

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Power up green lending

ABHISHEK RAJ
DIVYA CHIRAYATH
The authors are with Climate Risk Horizons

PFC and REC have not diversified sufficiently into new energy technologies (wind, solar, battery storage, EV infrastructure) even as their coal power loan book shrinks

RECENT ANNOUNCEMENTS BY Power Finance Corporation (PFC) and REC Ltd to increase the share of clean energy in their lending portfolios is an important step forward in India's energy transition journey. The Power Finance Corporation plans to increase the share of green energy in its loan book from 10% to 27%, whereas REC intends to raise it from 6.8% to 25-30%. Together, both companies have announced plans to disburse around $64.8 billion (₹5.4 trillion) over the next seven years to finance clean energy projects.

This move by India's largest power sector lenders is long overdue and, by itself, still not adequate to finance India's energy transition. Estimates show that India needs to raise about $223 billion to meet its renewable energy target of providing half of its electricity through non-fossil fuel sources by 2030. The glaring gap between climate targets and the enormous capital required to finance them presents a significant opportunity for India's power sector lenders, who have been major funders of coal, to shift their financing from fossil fuels to renewable energy. A recent analysis of PFC and REC loan books, by Climate Risk Horizons, has shown that their ability to pivot to renewables is not just going to accelerate India's energy transition, but is also going to be the key factor in determining the companies' own growth.

The analysis finds that PFC and REC Ltd have not diversified sufficiently into new energy technologies (wind, solar, battery storage, EV infrastructure) even as their coal power loan book shrinks.

A large proportion of India's coal fleet has become uncompetitive and economically unviable, thanks to a steadily rising cost-competitive renewable energy industry and excess coal generation capacity. This has led to a decline in proposed new coal power projects, clearly mirrored in the lending portfolios of both companies—the share of coal lending has decreased from 71% to 47% for PFC and 45% to 40% for REC, since FY18. Given the declining rate of new coal plant construction in the coming years, a negative growth in both companies' conventional generation loan books over the coming years looms large.

While they are targetting a disbursal of $64.8 bn over the next seven years, turning in a decent profit as their coal loan book shrinks requires them to disburse $61 bn in the next three years alone

The growth rates of renewable energy (RE) in the loan assets of both companies have been much slower than the pace of India's capacity addition and will fail to compensate for the decline in coal lending. The proportion of renewables in PFC's gross loan assets has grown from 4% to just 10% between FY 2018–21 while its share in REC's loan book has been stable at 3–4%. In order to deliver a 10% net profit CAGR, PFC and REC will need an estimated 142% and 156% CAGR growth in their RE loan book, which requires them to disburse about $61 billion over the next three years. This disbursement amount can finance 89 GW of solar and 38 GW of wind capacity and would go a substantial way to helping India meet its renewable energy targets. The proposed increase in the share of RE lending by both companies, however, falls far behind the amount required to profit from the energy transition underway.

Excessive reliance on financing coal projects is set to slow down profits for both lenders; without a course correction in favour of RE investments, PFC and REC's net profit will grow at a mere 0.2% and 2.5% CAGR, respectively, from FY 2022-2025. Continued lending to coal projects will not only jeopardise the companies' profits but will also pose material and reputational risks, as increasingly cautious ESG-aligned investors will stay away from debt market offerings from companies that are also financing fossil fuels. The proposed increase of $200 billion in the green lending capacity of multilateral development banks announced at the recently held Global Financing Summit in Paris is welcome, but remains wholly insufficient to the challenge. However, it can play a catalytic role in unlocking more finance, underscoring the need for Indian NBFCs to enhance their green credentials to attract low-cost international climate finance.

PFC and REC's announcements promising an increased share of RE lending must also be supplemented with institutional steps to strengthen climate risk governance and management. The electricity sector's decarbonisation presents both material risks and immense growth opportunities that cannot be seized without embedding climate risk in the overall risk management framework, including capital allocation, loan sanction, and portfolio monitoring.

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Torrent to blend green hydrogen with natural gas in CGD network

FE BUREAU
Ahmedabad, July 3

TORRENT POWER, A leading integrated power utility company, has taken a significant step towards India's low-carbon future. The company is starting work on a green hydrogen pilot project for blending with natural gas in the city gas distribution (CGD) network.

The pilot project is based on Alkaline Electrolyser and is expected to complete in ~8 months. Under this project, ~2.5% GH2 will be blended into the CGD network, marking an important milestone in the company's foray into GH2 business in India.

GH2 is produced using electrolysis of water powered by Renewable sources. Blending GH2 with the existing natural gas supply allows for a gradual transition towards a cleaner and more sustainable energy mix. This Gorakhpur-based pilot project for Torrent Gas will be one of the largest private sector blending projects in India. It is Torrent's first step towards incorporating GH2 in its business operations and, coupled with its strong presence in RE, is looking to grow as a leading end to end GH2 solution provider to industrial & commercial players in India.

Torrent Power currently has an installed power generation capacity of ~4.1 GW, which consists largely of clean generation sources such as gas (~2.7 GW) and renewables (~1.07 GW) including solar and wind power generation. Torrent Power, with a turnover of about ₹25,000 crore is the integrated power utility of the diversified Torrent Group.

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Saudi, Russia extend oil production cuts

Bloomberg
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Saudi Arabia will prolong its unilateral oil production cut by one month, keeping a lid on supply even as the market is expected to tighten. Its OPEC+ ally Russia also announced fresh curbs on exports.

The Saudi output reduction of 1 million barrels a day that started this month—which comes in addition to existing curbs agreed by OPEC+—will continue into August and could be extended further, according to a statement published by state-run Saudi Press Agency. The cuts will take the kingdom's production to 9 million barrels a day, lowest level in several years, sacrificing sales volumes for what has so far been little reward in terms of higher prices.

The Saudi output reduction of 1 million barrels a day started this month. REUTERS

Oil prices jumped, with Brent crude rising 1.3% to $76.39 a barrel as of 10:34 a.m. in London.

The Saudi effort will be assisted by Russia, which will reduce oil exports by 500,000 barrels a day in August, Deputy Prime Minister Alexander Novak, said in comments published by his press service. Still, Moscow has dragged its heels on cutbacks agreed with OPEC+ so far this year.

> Poor demand in China has capped crude near $75 a barrel, below the level Saudi Arabia needs to cover its budget

Lackluster demand in China has capped crude near $75 a barrel, below the level Saudi Arabia needs to cover its budget. Against this backdrop, the extension of the kingdom's cuts was no surprise, with almost all traders and analysts surveyed by Bloomberg predicting this outcome.

Oil prices were widely expected to rally this year, but have instead sagged about due to fears about the strength of the economy as interest rates climb. Supply is still expected to tighten in the second half, but Wall Street forecasters including Goldman Sachs Group Inc. and Morgan Stanley have abandoned projections for the return of $100-a-barrel crude.

Consuming nations like US have railed against Organization of Petroleum Exporting Countries and its allies for their policy of constricting supplies, accusing the cartel of exacerbating inflation and endangering a fragile economic recovery.

ओएनजीसी
ONGC

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Power Ministry working on 'reconductoring' to upgrade, boost transmission capacity

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India has installed power generation capacity of 4,17,688 MW (as of May 31, 2023), which is expected to double by 2030. So, there is a need to upgrade the transmission system so that it is able to carry that much more energy.

While there are plans to lay new transmission lines, the Ministry of Power is also working on "reconductoring" — doing up the existing lines so that more energy could be put through — something like broadening an existing highway.

The Indian national grid, with voltage levels up to 765 kV AC and 800kV HVDC transmission systems, is spread over 4,72,345 circuit km. It consists of Inter-state transmission systems and Intra-state transmission systems (Intra-STS). An issue in building new lines is securing 'right of way' (ROW); as such, 'reconductoring' is being thought of as another means of improving the country's transmission capacity.

THERMAL CAPACITY

A recent 'Draft paper on Reconductoring of Transmission lines' produced by the Central Electricity Authority defines reconductoring as "a process of stringing of new conductors on existing towers using the same RoW, to increase the thermal capacity of transmission lines." A 'conductor' is the cable that carries electricity.

However, this may require modification or replacement of some towers in cases where the load bearing capacity of the tower is not sufficient. It would also require replacement of terminal bay equipment with high rating equipment, commensurate with the rating of new conductors, the paper says.

The paper, which has been put up for public comment, notes that a key issue in reconductoring would be the choice of tariff mechanism – regulated tariff or tariff derived by a competitive bidding process.

Representations have been received from transmission associations as well as industry over allocating reconductoring works under RTM to the transmission licensee of the original line, the paper notes. Their apprehensions include higher implementation cost and lack of transparency in RTM, it says.

On the other hand, if it is put under competitive bidding, questions would arise over the ownership of the asset. In a typical situation of shared ownership, where the towers are owned by the existing licensee and the conductors by the new, "disputes may arise on sharing of tariff as towers are owned by one licensee, and the conductor by another licensee," the paper says. Further, if problems arise on the availability of the transmission lines, there would be a "blame game".

These are some of the many issues that would need to be resolved before reconductoring is brought in.

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Total and Shell accused over Russian gas trade

London: Energy giants TotalEnergies and Shell defended activities linked to Russia after a critical report into their trading in natural gas despite the war in Ukraine. The campaign group, Global Witness, said TotalEnergies was the third-biggest player in Russian LNG last year and Shell the fourth, behind two Russian companies. AFP

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Tangedco slashes power tariff for EV charging stations by 50%

Reduction made in accordance with state govt's green tariff policy, effective from July 1

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IN a significant move towards promoting sustainable transportation, Tamil Nadu Generation and Distribution Corporation, in accordance with the state government's green tariff policy, has announced a 50% reduction in energy charges (from ₹12 to ₹6 per unit) for electric vehicle (EV) charging stations.

This decision, endorsed by the minister of power, aims at encouraging the adoption of EVs and facilitating utilisation of solar energy.

Tangedco has implemented the reduction effective from July 1. Simultaneously, fixed charges have been reduced by a staggering 400% -- from ₹300 to ₹75 between 9 am and 4 pm. However, it is important to note that electricity tariff for commercial and industrial establishments will witness a marginal increase of 2.18% as part of the overall policy adjustment.

A senior official told *TNIE*, "This initiative is expected to alleviate concerns regarding range anxiety among EV owners by ensuring a well-established network of charging stations, taking inspiration from successful models observed in the US, China and Europe".

Under the ambit of the faster adoption and manufacturing of electric vehicles (FAME) - II scheme, Tamil Nadu has been granted approval for the establishment of 281 charging stations, a development that will undoubtedly bolster the state's charging infrastructure, the official said.

Highlighting the advantages of this tariff adjustment, another official said, "As per the state government policy, the current tariff structure will remain unchanged for the next two years, ensuring stability for consumers."

The official also said Tamil Nadu, with an installed solar capacity of 6,689.23 MW, ranks fourth in the country. Solar generation costs stand below ₹3 per unit, making it an economically viable alternative. Leveraging this abundant resource, Tangedco is actively pursuing new solar projects and extending exclusive benefits to EV charging stations, encouraging daytime charging of EVs.

EXISTING AND NEW TARIFF FOR EV (IN ₹)

OLD			NEW		
TIME SLOT (IN HOURS)	ENERGY CHARGES	FIXED CHARGES	TIME SLOT (IN HOURS)	ENERGY CHARGES	FIXED CHARGES
5 am to 10 am & 2 pm to 6 pm	10	100 (0-50kw)	6 am to 9 am & 6 pm to 10 pm	9	25 (0-50Kw)
6 pm to 11 pm	12	300 (50-112kw)	9 am to 4 pm	6	75 (50-112kw)
10 am to 2pm & 11 pm to 5 am	8	550 (above 112kw)	4 pm to 6 pm & 10 pm to 6 am	7.50	138 (above 112kw)

PIC: EXPRESS

TN has solar capacity of 6,689 MW

Tamil Nadu, with an installed solar capacity of 6,689.23 MW, ranks fourth in the country. Solar generation costs stand below ₹3 per unit, making it an economically viable alternative.