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Business Standard
Govt looking to tweak low-performing CBG scheme
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Low-performing biogas scheme may be tweaked

SUBHAYAN CHAKRABORTY
New Delhi, 24 October

The ministry of petroleum and natural gas is looking to tweak the sustainable alternative towards affordable transport (SATAT) scheme to incentive more small-scale projects, especially in semi-urban and rural areas.

Launched in 2018, SATAT aims to incentivise production of compressed biogas (CBG) from various biomass sources. But the initial target of having 5,000 CBG plants over the next five years has faltered and a fresh approach is required to fast-track the opening of facilities, officials have told *Business Standard*.

Case in point, only 35 plants have come up under the SATAT initiative till July, the ministry has informed Parliament. Since then, only one plant has gone live in Punjab's Sangrur with a capacity of 33 tonnes of CBG per day. Constructed by leading German bio-energy company Verbio AG at a cost of ₹220 crore, it will process 300 tonnes of paddy straw per day. But despite the much-publicised launch of this latest plant, considered to be the largest of its kind in Asia, officials say setting up such high-ticket investment takes time.

"The setting up of large plants is expected to create many jobs and strengthen the waste-to-energy ecosystem. But a shift in focus is necessary to reach the committed goals of agri-based renewable energy production and reduction in stubble burning within the timelines planned by the government," a senior official said.

A greater geographic spread is required to effectively combat the challenge of crop waste disposal nationwide, he said.

"Therefore, smaller plants in rural areas and in urban fringes can be incentivised more under the scheme. For this, the operational parameters of these plants have to be changed. We are looking into it," he said.

High-cost outlay

SATAT ensures that oil-marketing companies (OMCs) provide floor prices for the off-take of CBG for the first 10 years through upfront long-term agreements. CBG produced at these plants are transported through a cascade of cylinders to the fuel station network of OMCs for marketing as a green transport fuel alternative. But industry insiders said these prices are too low, and the agreements provide them little room to alter the supply based on market conditions such as the seasonal availability of raw materials. They also argue that transportation remains a major difficulty.

The high cost of setting up plants, low remuneration model, and other factors have also dampened the interest of the industry. On the other hand, the government is also discussing ways to encourage the construction of more CBG plants in urban areas. Given the high amount of trapped methane in municipal waste, and the potential of removing waste currently headed for landfills.

According to estimates from the ministry of new and renewable energy, India has the potential to generate 1.5 metric tonnes per annum (MTPA) of CBG or bio-CNG through the treatment of municipal waste. A 100 per cent segregation of waste at source is critical for the same. This has been achieved only in only a few cities, such as Indore.

More talks planned

Interministerial discussions are also planned for a more focused approach on biogas production, another official said.

"Research institutes working with the government have suggested the need for reinstating the New National Biogas and Organic Manure Programme, which had run till March 2021," he said.

Run by MNRE, the programme helped producers in setting up biogas plants.

The government has till now undertaken a series of efforts to promote the setting up of CBG plants. These include the inclusion of CBG projects under white category' by the Central Pollution Control Board on a case-to-case basis and inclusion of CBG projects under priority sector lending by the Reserve Bank of India.

The department of fertilizers has ordered fertilizer companies to mandatorily offtake fermented organic manure produced by CBG plants.

FEW TAKERS

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- **The initial target of having 5,000 CBG plants** over the next five years has faltered
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The Economic Times

Reliance Set to Commission New Gas Condensate Field by Yr-end

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Reliance Set to Commission New Gas Condensate Field by Yr-end

PTI

New Delhi: Reliance Industries will commission its deepwater MJ gas condensate field in Bay of Bengal block KG-D6 by year end, boosting natural gas output to 30% of India's total. "With respect to the MJ gas condensate field project being pretty much on track, for the first gas production by the end of the year," said Sanjay Roy, senior vice-president for exploration and production, Reliance Industries, at an investor call post announcement of the company's second quarter earnings.

MJ is the third and last of a set of discoveries that Reliance and its partner bp are developing in the eastern offshore block. The two will use a floating production system at the high sea in the Bay of Bengal to bring to production the deepest gas discovery in the KG-D6 block.

This will boost RIL's natural gas output to 30% of India's total

"The offshore installation campaign has been completed. So, the subsea production system has been installed. The Phase-II drilling and completion campaign is currently underway, and we've completed one well, then we are on track for completion on seven wells," Roy said.

The FPSO Ruby, which was built by Samsung Heavy Industries in South Korea, is now at anchorage in Kakinada, India after completion of sea trials and commissioning of the hull and topsides.

After receiving the necessary approvals and loading of materials, the vessel will move to the field's location on Krishna Godavari basin Block for hook-up, offshore testing, pre-commissioning and commissioning activities.

"We have just finished sea-trials on that FPSO and now it's ready to sail in a few days towards the location," he said. "The next set of activities will include the hook-ups, the offshore testing, the pre-commissioning and commissioning, and thereafter the introduction of hydrocarbon for first gas production which is expected by the year end."

Reliance and bp are spending around USD 5 billion on three separate development projects in the KG-D6 block -- R-Cluster, Satellite Cluster, and MJ -- which together are expected to produce around 30 million standard cubic meters per day of natural gas by 2023.

R-Cluster started production in December 2020 and the Satellite Cluster came onstream in April last year. While the R-Cluster has a plateau gas production of about 12.9 mmscmd, the Satellite Cluster will have a peak output of 6 mmscmd. The MJ field will have a peak output of 12 mmscmd.

RIL gas condensate field to start ops by end of this year

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The Indian Express
Relaince to commission new gas condensate fiels by the year-end
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PRESS TRUST OF INDIA
NEW DELHI, OCTOBER 24

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Saudi Crown Prince expected to visit in November

STATESMAN NEWS SERVICE
NEW DELHI, 24 OCTOBER

Saudi Crown Prince and Prime Minister Mohammed bin Salman is expected to visit India in mid-November to meet Prime Minister Narendra Modi on his way to the G20 summit at Bali in Indonesia, it is learnt.

Indications are that he will arrive early in the morning on 14 November and leave later in the day. The Ministry of External Affairs (MEA) is expected to announce the details of his visit early next month. The visit is at the invitation of PM Modi, who sent him a letter through External Affairs Minister S Jaishankar in September. Saudi Energy Minister Abdulaziz bin Salman visited India this week, ahead of the Crown Prince's visit, as OPEC+ took a decision on cutting oil production. He had simultaneously held talks with Chinese officials online. The visiting minister had held discussions with top Indian ministers, including Commerce and Industry Minister Piyush Goyal, Oil Minister Hardeep Singh Puri, and Power Minister R K Singh.

Islamabad is likely to keenly monitor the Crown Prince's visit to India, given the nature of the relationship between Pakistan and Saudi Arabia.

Lately, Saudi Arabia has been distancing itself from the terrorist activities promoted by the Pakistani establishment and has become a supporter of India in the war against terror.

The Indian Express
The twin challenge
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The twin challenge

Policymakers have little control over dollar and crude oil. It is impossible predict how these prices will move

MADAN SABNAVIS

THE TWO MAJOR irritants for India this year have been oil and the dollar. The two are a heady cocktail that has distorted all economic forecasts creating volatility that has never been witnessed earlier. Their impact is being felt across bond and stock markets, affecting the entire system. As a result, the RBI and the government have had to work overtime to mitigate the adverse effects on the economy.

When the Ukraine war broke out, oil crossed the $120 mark (in April and again in June). It was expected that $150 was not far off. However, the range of $100-110 was restored and soon enough the price was back to the Nineties as all global commodity prices cooled off, even as the Ukraine war continued.

However, there has been a twist in the tale. With the winter months approaching and Europe dependent on natural gas for heating, which now appears to be in jeopardy due to Russia turning off the taps, oil has received a boost even though the continent is looking more at coal. Add to this the fact that OPEC and its allies have decided to lower production by 2 million barrels a day and there is panic again. This shock is external over which neither the government nor RBI have any control. At best, they can react through appropriate policies.

High oil prices mean many things. Crude has a share of 30-33 per cent in total imports and any hike in prices increases the import bill. With exports declining due to the slowdown in global growth and imports increasing due to oil, the trade deficit and current account deficit will widen further. The trade deficit for the first half is $150 billion, and can touch $300 billion this year at this strike rate. This creates a problem for the current account deficit with components like software and remittances slowing down due to the recession in the west. Therefore, a balance of payments problem will surface. Ultimately it depends on how high oil will go. The RBI has assumed a $100/barrel. This looks reasonable at this point, but anything higher can create problems on the currency front.

Second, inflation per se will be an issue when prices are left to the market like ATF or LPG. But in the case of petrol and diesel, it will be a conundrum for the government. If the status quo prevails on price transmission, then oil marketing companies will have to bear the losses. If the government allows the market to correct, inflation will increase as it will also feed into intermediary costs such as freight.

Third, user industries of oil like chemicals, plastics and fertilisers will face a problem again. Higher input costs will put pressure on profit margins and any pass through will be inflationary.

Fourth, state governments will be better off as their VAT collections would increase automatically. However, the Centre may not gain as the excise duty is a fixed rate. The government would probably once again revisit the windfall tax on crude (as has been recently done) to examine if there is any additional revenue to be garnered. Such an environment always tends to spook markets. Bond yields move up every time oil prices rise while stock markets turn volatile normally in the downward direction.

As a consequence economic uncertainty will intensify once again. Alongside, there is the dollar conundrum which should be seen in conjunction with the oil. The dollar has been strengthening against all currencies. As the Fed tightens rates, which will carry on through 2023, the dollar will become stronger. Other countries are already in a weak economic zone and are tightening rates with a lag. The rupee is bearing the brunt of this development. There is no escape as the RBI intervention in any form can only temporarily support the decline in the rupee. In the last month or so, since the rupee crossed the 80 mark and gone past 83.

Another factor that will complicate matters is expectations. The recent news, for example, of global players deciding not to include Indian bonds in global indices might add to the negative sentiment in the market and exert pressure on the rupee.

The rupee depreciation also leads to importing inflation. All goods imported will come in at a higher rupee cost which will in turn push the RBI to act further. The weak rupee may not quite help exports because the competitive advantage that normally comes along with such depreciation would be low given that other currencies are also declining. Imports are unlikely to slow down as a growing economy requires inputs and raw materials. This will mean further pressure on the trade deficit. The government will gain at the margin as customs collections increase. But the critical reaction will be that of investors. If foreign portfolio investors withdraw then there will be further pressure on the rupee while inflows would help to cushion the rupee.

The problem with rising oil prices and a declining rupee is that these are external to the system over which there is little control. Taking a call on how these prices will move is akin to monkeys throwing darts. One can never tell as almost all forecasters have been proved wrong this year. The theory that RBI can intervene and protect certain levels of currency has its limitations. These travails have to be responded to as they cannot be controlled.

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Sabnavis is chief economist, Bank of Baroda and author of Lockdown or economic destruction? *Views are personal*