ONGC News as on 18 July 2023(Print)

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Date : 18 July 2023 | Page : 2

€500 million in EU's first phase funding for India green energy

Rhik Kundu
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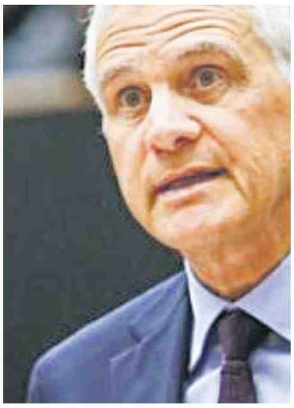
GANDHINAGAR

European Investment Bank (EIB), the lending arm of the European Union, plans to invest about €1 billion in India's renewable energy sector, EIB's vice president Kris Peeter confirmed.

EIB is in discussion with the Central government to lend €500 million during the first phase of the funding, he said.

The investmentwill be made in renewable sectors involving green hydrogen and solar panels. India is the largest investment destination of EIB outside Europe. "What India does for climate is not only important for India but also for the rest of the world," Peeters said. "There are a lot of important projects in India (that can be funded) from our perspective. We are also a climate bank and a bank with a huge experience in infrastructure," he added.

So far EIB has made about €4 billion investment in India. Of this, about €3 billion is in the infrastructure sector, particularly in public transport infrastructure like metro rail projects.



EIB vice president Kris Peeters.

EIB has funded metro rail projects in Agra, Lucknow, Kanpur, Bengaluru, Bhopal and Pune. So far we have invested primarily in infrastructure. But, climate change is equally important for India," Peeters said.

"India is very ambitious about solar panels and hydrogen. These will also be for exports," he added.

India is currently negotiating bilateral agreements with the EU, Japan and other countries to begin exporting green hydrogen, though it is expected to produce the fuel only by 2026.

India has initiated multiple green hydrogen pilot projects in a bid to achieve 8 million tonnes of capacity by 2030, according to the Union Ministry of New and Renewable Energy.

The government is currently supporting two green hydrogen pilot projects -- one in Gurugram and another in Bengaluru.

Other green hydrogen projects in the country that are not funded by the government include ones at Jorhat, Assam by Oil India Limited, Kawas, Gujarat by NTPC Ltd., and Bikaner in Rajasthan by ACME. "We have spoken with the hydrogen alliance, both government and the private sector," Peeters said."We believe in the ambitious target of the government. We are hopeful that these projects will be successful," he added.

Peeters said that India is a huge market for EIB. "This is why we are in India. We hope that we can stay here as India is one of the most important countries outside of Europe for EIB," he added.

Publication : The Telegraph | Editions : Kolkata
Date : 18 July 2023 | Page : 6

IOC mulls LNG terminal in Iraq

OUR SPECIAL CORRESPONDENT

New Delhi: India is looking to strengthen its energy ties with Iraq with plans for an LNG terminal in the West Asian nation and ONGC Videsh resuming exploration in a block under force majeure since 2003.

Officials said a team from state-run Indian Oil Corporation and Engineers India Ltd will soon visit Iraq and explore the possibility of setting up a liquefied natural gas (LNG) terminal and transporting of the gas to India.

Iraq does not possess the technology to capture gas from its hydrocarbon blocks, which are burnt and released into the environment.

Analysts said with a new nexus developing among China, Iran and Saudi Arabia, Delhi are reviewing its energy diplomacy in the region — building closer ties with Iraq is part of the exercise.

India is looking at an LNG terminal option to diversify supplies and strengthen its energy security. The transported gas will be converted back to LNG for city gas distribution as well as for use by the power, fertiliser and steel sectors.

ENERGY TIES

- Iraq flares up its gas. The terminal will capture the gas
- ONGC Videsh to resume exploration in a block shut down for 20 years
- Delhi bid to forge closer ties with Baghdad as Saudis, Iran and China come close

Iraq is one of the biggest gas-flaring countries as it lacks facilities to capture and process the gas to convert it into fuels or export it as LNG. As per estimates by global agencies, Iraq flares around 50 million standard cubic metres per day (mscmd) of natural gas. In 2022-23, India's LNG imports stood at 19.9 million tonnes, which is equivalent to 71.6 mscmd of natural gas.

The Centre is also looking at resuming operations at ONGC Videsh Ltd's exploration block in Iraq, which has been under force majeure since 2003.

"Block 20", earlier known as Block 8, is a large on-land exploration block in the western desert of Iraq, spread over 10,500 sq km.

OVL had acquired a 100 per cent stake in the block by signing the exploration and development contract in November 2000, However, force majeure was declared in 2003 amid security concerns.

Meanwhile, the demand for diesel and petrol fell in the first half of July as the fury of the monsoon flipped travel plans and reduced the market in the farm sector, preliminary industry data showed.

Demand for diesel fell 15 per cent to 2.96 million tonnes on July 1-15 compared with the year-ago period.

Petrol sales dropped 10.5 per cent to 1.25 million tonnes during the period.

Adani denied licence

Oil regulator PNGRB has rejected Adani Total Gas Ltd's application for a licence to retail CNG to automobiles and piped gas to household kitchens in Noida on grounds that it does not meet the criteria.

The Petroleum and Natural Gas Regulatory Board (PNGRB) in an order dated July 14 said Adani Total Gas Ltd does not fulfil the requirements of law and so its application is rejected.

ओएनजीसी
ONGC
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Date : 18 July 2023
Page : 12

India's fuel price mirage

Lack of oil pricing reform is yielding supernormal profits for state-owned companies but dissuading global majors from investing

S DINAKAR
17 July

It is axiomatic from the pattern of their operations worldwide that global oil majors are willing to invest wherever oil flows, irrespective of whether the country is a democracy or a dictatorship. What these companies look for is policy and tax stability. That's because returns are earned over decades; it can take years of exploration to strike oil and cost hundreds of millions of dollars to drill a well. Predictably, they are wary of investing in a country in which the government announces reforms and concessions and then reverses them, potentially causing crippling financial losses.

India's fuel retail business is one such story.

This weakness was vividly demonstrated between November 2021 and March 2022 when India's leading fuel retailers IOC, BPCL and HPCL collectively incurred a substantial revenue loss of $2.25 billion though crude oil prices averaged $111 per barrel in March compared to around $82 in early November. Such losses would have left a private retailer bankrupt. Reliance and Essar had to close their retail operations 15 years ago after India reversed the first phase of fuel price reforms that lifted price controls from the original practice of state-set prices.

Investors are not blind to this. Opaque pricing of petrol and diesel, the dominance of state oil companies, and an unseen hand over fuel pricing have eroded India's credibility among investors, foreign and domestic. It has cost the nation tens of billions of dollars in investments that the Shells and Aramcos would have made without a need for billions of dollars in electric vehicle subsidies or production-linked investment schemes, an industry official said.

Since 2014, Reliance has added only around 200 outlets, Nayara around 5,000 and Shell 243. In contrast, in the last nine years, state refiner IOC added 12,400 outlets and coupled with fellow state oil companies the figures add up to nearly 30,000 outlets in the same time frame, according to oil ministry data. That compares with hardly 6,000 outlets set up by private sector retailers.

The slippery slope

- Lifting price controls on diesel, India's most consumed and most subsidised product, in October 2014, was one of the first decisive achievements of the Modi administration
- But opaque pricing of petrol and diesel, the dominance of state oil companies, and an unseen hand over fuel pricing have eroded India's credibility among investors, foreign and domestic
- Why would one invest in a business where the price of petrol and diesel has not moved an inch over the past year while international prices swing between $146 a barrel and $85 a barrel?
- The question remains whether oil companies will consider passing on such handsome gains to consumers. Allowing market forces to determine prices is critical to incentivise fuel retail investments

Currently, private sector retailers put together have less than 9,000 outlets compared to 78,000 for state oil companies. IOC leads with 36,400 outlets, with BPCL and HPCL operating over 21,000 outlets each.

It is hard to imagine that Reliance, which implemented a multi-billion dollar deepwater gas project in the 2000s, without prior exploration experience, and in record time in the KG basin, can only add a handful of fuel retail outlets in a $200-billion business that is growing at 5-6 per cent annually.

Despite the lucrative potential of India's fuel market and the blue chip credentials of refiner BPCL, New Delhi failed to find a buyer during the pandemic. This, at a time when Japan's 7/11 paid $21 billion in 2020 for US independent Marathon Oil's fuel retail business. Indian state oil companies have also failed to find investors for their downstream chemical units and refineries for several years.

"While the Indian retail fuel market holds significant growth potential, the industry currently faces challenges stemming from the prolonged freeze on diesel and petrol prices. This has resulted in substantial marketing losses and created obstacles for future investments," said Brajesh Singh, managing director and president, Arthur D. Little India.

Why would one invest in a business where the price of petrol and diesel has not moved an inch over the past year while international prices swing between $146 a barrel and $85 a barrel?

"The intention of fuel price freezes is to provide relief to consumers from increasing global oil prices but the impact on downstream investments is adverse," said Sourav Mitra, director-consulting, CRISIL Market Intelligence and Analytics. "A freeze on fuel prices introduces uncertainties and undermines the attractiveness of the Indian market with an inability to increase prices when global crude lurches upwards, and it hampers the profitability of private players." Mitra also said high taxation by both central and state governments makes it difficult for foreign players to compete against government oil marketing companies (OMCs).

Singh added that an unprecedented freeze on diesel and petrol prices for 137 days between November 2021 and March 2022 left private retailers, such as Nayara Energy (backed by Rosneft), Shell and Jio-bp, with the difficult choice of either raising prices and risking customer attrition or restricting sales to minimise financial losses.

Climate concerns have further queered the pitch for investments in fuel retailing. "Given the growing recognition of the role of fossil fuels in climate change, major players in the oil and gas industry, including BP, Shell and Exxon, are increasingly focusing on low-carbon investments and lucrative upstream assets," Singh said. "Unfortunately, retailing petrol and diesel falls under the downstream sector, and investment in downstream assets such as refineries and retail outlets appears to be of lower priority."

Lifting price controls on diesel, India's most consumed and most subsidised product, in October 2014 was one of the first decisive achievements of Prime Minister Narendra Modi's administration on stepping into office. "Instructions have been issued today i.e. on 18th October 2014 to make the price of diesel market determined with effect from midnight of 18th-19th October 2014. The prices of diesel will be market determined at both Retail and Refinery Gate level for all consumers thereafter," the government release said.

Despite the fact that Reliance, Essar Oil and Shell were burnt earlier — when similar reforms introduced by Atal Behari Vajpayee's administration was scrapped after a Congress-led coalition came to power — private retailers harboured hopes of competing with well-entrenched state OMCs on an even footing.

But fuel price reforms have turned into a mirage, dissolving gradually into oblivion over the years. If forecasts on first quarter earnings of oil marketing companies by Nomura Research and other analysts are to be believed, then Indian oil companies are expected to post healthy profits in the April-June quarter. Oil minister Hardeep Singh Puri said that oil marketing companies may consider cutting pump prices if the first quarter results are good.

Brokerage Nomura expects robust earnings at OMCs driven by a surge in marketing margins. Blended fuel marketing margins increased to ₹10.7 per litre in the week ended July 10, 2023, remaining sharply above normative levels of ₹3 a litre.

Diesel marketing margins have increased 6 per cent quarter-on-quarter to ₹10.9 a litre in 1QFY24, while Indian retail prices remain unchanged. Based on current prices, diesel marketing margins remain at super-normal levels (average margins are ₹2 to ₹3/litre) of ₹7.6 per litre.

IOC's Ebitda may increase to ₹22,800 crore in the April-June quarter vs ₹15,300 crore in the previous one; BPCL may increase earnings by 25 per cent to ₹14,000 crore vs ₹11,200 crore; and HPCL earnings may increase 91 per cent to ₹9,200 crore vs ₹4,800 crore in the same quarter period.

The question remains whether oil companies will consider passing on such handsome gains to consumers. Allowing market forces to determine prices are critical to incentivise fuel retail investments, CRISIL's Mitra said. Additionally, the country needs innovative business models with regards to sharing of existing infrastructures to act as an enabling factor for private sector participation in fuel retailing in India.

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Date : 18 July 2023 | Page : 24

DIVERSIFYING CRUDE SUPPLY BASKET

Refiners scout for term contracts amid uncertainty

SUKALP SHARMA
New Delhi, July 17

INDIA'S PUBLIC SECTOR refiners Indian Oil Corporation (IOC), Bharat Petroleum Corporation (BPCL) and Hindustan Petroleum Corporation (HPCL) are scouting for more crude oil term contracts on favourable terms as they look to reduce the share of spot cargoes in their oil imports and diversify their crude supply basket amid volatility and uncertainty in the international oil market, sources with direct knowledge of the matter said.

India is the world's third-largest consumer of crude oil and depends on imports to meet over 85% of its requirement. Currently, about 70% of the public sector refiners' oil imports are through term deals, while the rest are through spot purchases, a senior government official said. Spot contracts, as the name suggests, are immediate purchases from suppliers or traders with the shortest-possible delivery cycle. On the other hand, term contracts are longer-term deals for oil purchases with fixed volumes and pricing mechanisms.

"We feel even 30% (spot purchases) are on the higher side. We want to reduce it so that our companies can better estimate and manage their financials, like spends on oil purchase and their debt levels. It is also an important tool to achieve our objective of diversification of our sources of crude oil and creates opportunities for discounts and beneficial payment terms," the government official said, requesting anonymity. The official did not elaborate on the optimal term-spot ratio that the refiners may be aiming for.

In April, India's largest refiner IOC signed a major term contract with Russian oil major Rosneft. FILE PHOTO

HOW IT WORKS

- Spot contracts are immediate purchases from suppliers or traders with the shortest-possible delivery cycle
- Usually, spot purchases are beneficial for refiners when supplies are abundant and prices are on the decline
- But in times of high volatility in prices as well as availability, term contracts are considered better as they provide surety of supply and an agreed pricing mechanism

In April, India's largest refiner IOC signed a major term contract with Russian oil major Rosneft. A Reuters report said that it was close to 1.5 million tonnes a month.

In June, Reuters reported that BPCL was in talks with Rosneft to ink a term deal for around 6 million tonnes per year of Russian crude. Efforts are underway at the government-to-government level between India and Guyana to secure oil supplies from the Caribbean nation, and there are indications that better payment terms are being negotiated with Iraq, already a top supplier of crude to India. In September last year, IOC inked term contracts with Brazilian oil producer Petrobras and Colombia's Ecopetrol. Over the past seven-eight years, Indian refiners had increased the share of spot purchases of crude in their portfolio to take advantage of low spot prices in a market with plentiful supplies. In the years preceding 2015, spot buys made up less than 20 per cent of the public sector refiners' oil purchases. Usually, spot purchases are beneficial for refiners when supplies are abundant and prices are on the decline. But in times of high volatility in prices as well as availability, term contracts are considered better as they provide surety of supply and an agreed pricing mechanism.

"When there is abundant availability (of oil) and prices are down, spot contracts are good. But imagine a situation with very high prices and a scramble for cargoes in the spot market. In such an environment, surety of supply is of paramount importance," an official said.

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Indian Oil signs LNG deals with TotalEnergies, ADNOC LNG

MANISH GUPTA
New Delhi, July 17

INDIA'S LARGEST REFINER Indian Oil Corp Limited has signed long-term deals with France's TotalEnergies and UAE's ADNOC LNG to procure 2 million metric tonne per annum (mtpa) of liquefied natural gas.

Under this long-term contract valid for 10 years starting 2026, TotalEnergies will be supplying annually up to 0.8 MMT LNG to Indian Oil. This will be the first long-term LNG contract for TotalEnergies in India.

Indian Oil signed a similar agreement with Abu Dhabi Gas Liquefaction Co Ltd (ADNOC LNG) to establish a long-term LNG sale and purchase agreement (SPA). Under this, ADNOC LNG will supply 1.2 mtpa of LNG to Indian Oil starting from 2026 for next 14 years (till 2039).

The long-term LNG deals were signed during Prime Minister Narendra Modi's visit to France last week.

Indian Oil has been looking for long-term deals to procure LNG as it wants to strengthen its gas infrastructure. As part of energy transition, Prime Minister Modi has set a target to increase the share of gas in India's energy mix from 6.2% currently to 15% by 2030.

ओएनजीसी ONGC

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Date : 18 July 2023 | Page : 9

ADNOC to supply gas to Indian Oil

State-run Indian Oil Corporation Ltd (IOCL) has signed an agreement with Abu Dhabi Gas Liquefaction Company Ltd (ADNOC LNG) for long term supplies of liquified natural gas.The companies have executed a head of agreement (HoA) to establish a long term LNG sale and purchase agreement, said people in the know of the developments.

Under this long-term contract, ADNOC LNG would be supplying LNG to Indian Oil starting from 2026 for next 14 years, till 2039 for an annual volume up to 1.2 million metric tonnes per annum (MMTPA). The agreement would diversify the supply source of LNG for IndianOil and would help in meeting the growing demand of cleaner and more sustainable fuel source.

Earlier, *Mint* had reported that Indian Oil is in talks with ADNOC for long term contracts of LNG supplies.

In another development, IndianOil and TotalEnergies Gas and Power Ltd are set to execute a HoA to establish a long term LNG sale and purchase agreement. **RITURAJ BARUAH**

Publication : The Indian Express | Editions : New Delhi
Date : 18 July 2023 | Page : 13

India dials Iraq as Russian oil loses charm

ENS ECONOMIC BUREAU
NEW DELHI, JULY 17

INDIA'S PUBLIC sector refiners are in talks with their traditional West Asian suppliers of crude oil, particularly Iraq, to increase purchases amid a significant decline in discounts on Russian crude and likelihood of payment-related problems as Moscow's flagship Urals crude trades above the G7 price cap of $60 per barrel, as per a senior government official.

The discount on Russian crude has contracted drastically in recent weeks and public sector refiners are not looking to buy from Russia if they are charged more than the G7 price cap, said the official, who did not wish to be identified.

India has asked Iraq to consider better payment terms, like increasing the credit period to 90 days from the current 60, in lieu of higher offtake of Iraqi oil by Indian public sector refiners Indian Oil Corporation (IOC), Bharat Petroleum Corporation (BPCL), and Hindustan Petroleum Corporation (HPCL).

"It is the cleaner deal," the official said, referring to buying oil from India's traditional suppliers like Iraq. "Iraq has been supportive and a good trade partner. They have given us good discounts in the past as well," the official added, but did not elaborate on the discounts and additional volumes under consideration. Prior to the war in Ukraine, Iraq was India's largest supplier of crude oil. Russia, which used to be a marginal player, emerged as India's largest source of crude over the past 15 months, thanks to deep discounts offered by Moscow to Indian refiners. Russia currently accounts for over 40 per cent of India's oil imports by volume.

FULL REPORT ON
www.indianexpress.com

Publication : The Free Press Journal
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Page : 9

IndianOil launches Phase V of 'Parivartan- Prison to Pride' & Phase II of 'Nayi Disha - Smile for Juvenile'

Shrikant Madhav Vaidya, Chairman, IndianOil, launched Phase V of 'Parivartan- Prison to Pride' and Phase-II of 'Nayi Disha - Smile for Juvenile' on Monday, in the presence of top international IndianOil sportspersons and prison authorities. Inaugurating the next phases of the unique social stewardship programme, Chairman, IndianOil, said, "We are extremely proud of this 'beyond business' intervention. Going beyond the physical and mental well-being, it aims for a positive transformation in the lives of prison inmates and juveniles, through sports. Sports, has been successful in instilling discipline, teamwork and perseverance and giving a purpose. In fact, the various global recognitions that we have received so far for this endeavour, strengthen our resolve to push the envelope further to make a tangible impact."

Publication : The Free Press Journal | Editions : Mumbai
Date : 18 July 2023 | Page : 7

IOC signs LNG deals with Adhoc, TotalEnergies

India's top oil firm IOC has signed deals to import liquefied natural gas (LNG) from UAE's Abu Dhabi Gas Liquefaction Co Ltd and TotalEnergies of France on a long-term basis. Indian Oil Corporation (IOC) signed the deals during Prime Minister Narendra Modi's visit to France and the UAE last week.

Publication : The Tribune | Editions : New Delhi
Date : 18 July 2023 | Page : 12

IndianOil's CSR initiative

Sukla Mistry, Director (Refineries), IndianOil, recently handed over newly constructed public convenience facilities at Asiad Village Complex to Secretary, Asiad Village Complex, New Delhi, as part of its CSR initiative.

Publication : The Hindu Business Line | Editions : New Delhi
Date : 18 July 2023 | Page : 8

Crude oil slips as Chinese GDP dents demand hopes

London: Crude oil dropped by more than one per cent after weak Chinese economic growth fuelled concern over demand in the No 2 oil consumer. Brent crude fell \$1.39, to \$78.48 a barrel by 1015 GMT and US West Texas Intermediate crude dropped by \$1.34 to \$74.08. REUTERS

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Delhi-NCR power plants must blend coal with 5% crop residue pellets

Our Bureau
New Delhi

Coal-based power plants in the Delhi-NCR region have to mandatorily use a minimum of 5 per cent blend of pellets or briquettes made from crop residue along with the dry fuel.

The Ministry of Environment, Forest & Climate Change on July 11 made the changes in a bid to regulate the utilisation of crop-residue by thermal power plants.

The Environment (Utilisation of Crop residue by Thermal Power Plants) Rules 2023 shall apply to the NCR and the adjoining areas. "All coal-based thermal power plants shall mandatorily use a minimum 5 per cent blend of pellets or briquettes made of crop residue along with coal," the notification read.

PENALTY

For non-utilisation of crop residue, the Commission for Air Quality Management in National Capital Region and Adjoining Areas, shall impose and collect the environmental compensation from such thermal power plants on annual basis at the rates specified, it added.

The CAQM may, on a case-to-case basis, grant relaxation toTPPs.

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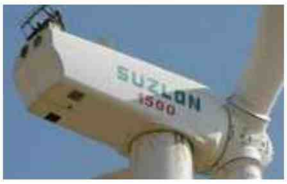
Suzlon Energy jumps 3% on new order win



Chennai: The stock of Suzlon Energy on Monday jumped 3 per cent at ₹18.23 on the BSE on order win. In a disclosure to the exchanges, Suzlon said it had secured an order for the development of a 100.8 MW wind power project for Ever renew Energy. OUR BUREAU

Publication : The Hindu | Editions : Chennai
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Oil regulator rejects Adani's Noida city gas licence bid

Press Trust of India
NEW DELHI

Oil regulator PNGRB has rejected Adani Total Gas Ltd.'s application for a licence to retail CNG to automobiles and piped gas to household kitchens in Noida, on the outskirts of the national capital, on grounds that it does not meet criteria.

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