ONGC News as on 11 July 2023(Print)

Publication : Business Standard | Editions : New Delhi
Date : 11 July 2023 | Page : 13

ONGC FIRST CPSE IN INDIA TO GET CERTIFIED FOR ANTI-BRIBERY MANAGEMENT SYSTEM BY AN INTERNATIONAL ACCREDITED CERTIFICATION BODY

Oil and Natural Gas Corporation (ONGC) has become the first Central Public Sector Enterprise (CPSE) in India to get certified for Anti-Bribery Management System (ABMS) by an international accredited certification body, M/s InterCert USA. ONGC was the first organization in India that adopted the Integrity Pact (IP) by Transparency International in 2005. ABMS Certification, thus, becomes another significant milestone in the journey of the EnergyMaharatna towards strengthening its stature as a preferred business partner.

After complete assessment and validation by M/s InterCert USA, ABMS has been implemented as per ISO 37001:2016 International Standard under the guidance of an international consultancy firm M/s Digital Age, in the first phase across 10 departments of ONGC's Corporate Office in Delhi.

Apart from the Chairman and Directors of ONGC, Chief Vigilance Officer Ranjan Prakash Thakur, and Key Executives of Corporate Departments were also present during the award ceremony, along with a representative from the Certification Body M/s InterCert.

Publication : Business Standard | Editions : New Delhi
Date : 11 July 2023 | Page : 6

Reliance-bp, ONGC bid for oil, gas blocks as foreign majors stay away

PRESS TRUST OF INDIA
New Delhi, 10 July

State-owned Oil and Natural Gas Corporation (ONGC), mining baron Anil Agarwal's Vedanta and a consortium of Reliance Industries Ltd and BP Plc put in 13 bids for 10 areas offered for finding and producing crude oil and natural gas in India's latest bid round, according to regulator DGH.

India offered 10 blocks for bidding in the eighth round of the Open Acreage Licensing Policy (OALP) in July last year. After extending the bid deadline a few times, the round closed last week.

Five companies — ONGC, Vedanta Ltd, Oil India Ltd (OIL), Sun Petrochemicals Pvt Ltd and Reliance-BP Exploration (Alpha) Ltd — put in 13 bids for the 10 blocks on offer in OALP-VIII, the Directorate General of Hydrocarbons (DGH) said putting out a summary of bids received. Seven of the 10 blocks on offer received single bids and the other three blocks had two bidders each. Global energy giants like ExxonMobil, Chevron and TotalEnergies, which India has been courting to give a fillip to exploration and production, did not put in any bid.

Publication : Mint | Editions : New Delhi
Date : 11 July 2023 | Page : 2

A total of 13 bids have been placed for 10 blocks.

ONGC, RIL among bidders for oil and gas blocks

Staff writer
feedback@livemint.com
NEW DELHI

State-owned energy majors ONGC and Oil India Ltd along with Reliance-BP, Anil Agarwal-led Vedanta and Sun Petrochemicals Pvt Ltd have placed bids for exploring and producing oil and gas from 10 blocks in the eighth round of auctions under the open acreage licensing policy (OALP).

According to a notification by the Directorate General of Hydrocarbons (DGH), a total of 13 bids have been placed for the 10 blocks, out of which ONGC has placed nine bids and others have placed one bid each. However, no global oil exploration major placed bids in the international competitive bidding round.

On 7 July last year, the Centre had offered the blocks for bidding in the eighth round of OALP and the deadline for submission of bids was extended a few times. The round was eventually closed last week.

ONGC was the sole bidder for six blocks while Reliance-BP was the sole bidder for the ultradeep sea block in the Krishna Godavari basin, the notification showed. Vedanta, OIL and Sun Petrochemicals bid for one block each where they will compete with ONGC's bid.The 10 blocks are spread over nine sedimentary basins, covering an area of 36,316.5 sq km. Out of the 10 blocks, two are on land, four in shallow-water, two in deep-water and two in ultra-deep-water areas.

The government allows incentives such as reduced royalty rates, no oil cess, uniform licensing system, marketing and pricing freedom and revenue sharing model to the winning applicants. Exploration rights would be given for full contract life, and they would also be given concessional royalty rates in case of early commercial production.The government has also sought expressions of interest (EoI) under the ninth round of offshore bid round. It has opened 99% of the "no-go" area of the Exclusive Economic Zone (EEZ) for hydrocarbon exploration and development.

Publication : The Economic Times | Editions : Mumbai

Date : 11 July 2023 | Page : 4

ONGC, RIL-BP and 11 Others Bid for 10 Oil & Gas Blocks

Our Bureau

New Delhi: The government received 13 bids, including three from the private sector, for 10 oil and gas blocks on offer in the latest auction where companies had a year to submit their bids, according to a notification by the Directorate General of Hydrocarbons, which oversaw the process and extended the bid submission deadline several times.

State-run ONGC placed bids for nine blocks while Oil India, Vedanta, Sun Petrochemicals and the joint venture of Reliance Industries and BP placed bids for one block each.

Seven blocks have received just one bid each while the balance three blocks have two bids each. ONGC would win six blocks without a contest but compete with Vedanta, Sun Petrochemicals and Oil India in one block each. Reliance-BP joint venture also faces no competition for the block it has bid for in KG Basin.

The auction, the eighth under the Open Acreage Licensing Policy (OALP), was launched on July 7 last year. Acceptance of bids in this round concluded on July 5 this year after several extensions. State-run companies have dominated all bidding rounds under OALP since its launch 5 years ago, except when Vedanta won most blocks on offer.

Publication : The Hindu Business Line | Editions : New Delhi,Hyderabad
Date : 11 July 2023 | Page : 3

ONGC, Reliance-BP bid for oil, gas blocks

New Delhi: State-owned ONGC, mining baron Anil Agarwal's Vedanta and a consortium of Reliance Industries Ltd and BP Plc put in 13 bids for 10 areas offered for finding and producing crude oil and natural gas in latest bid round,the Directorate General of Hydrocarbons said. Seven of the 10 blocks on offer received single bids and the other three blocks had two bidders each. Global energy giants like ExxonMobil, Chevron and TotalEnergies, did not put in any bid. PTI

Publication : Hindustan Times_edge | Editions : New Delhi
Date : 11 July 2023 | Page : 8

ONGC, Reliance-BP among five cos to put bid for oil, gas blocks

Press Trust of India
feedback@livemint.com

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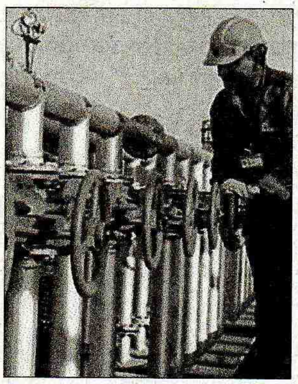

Global energy giants like ExxonMobil, Chevron did not put in any bid. REUTERS

ONGC was the sole bidder for six blocks while Reliance-BP was the sole bidder for the ultradeep sea block in Krishna Godavari basin, according to the DGH.

In all, ONGC bid for nine out of the 10 blocks. It did not bid for the block bid by Reliance-BP.

Vedanta, OIL and Sun Petrochemicals bid for one block each where they were locked in competition with ONGC, according to DGH. Reliance and BP have more than a decade-old partnership and had won a block in one of the previous OALP rounds.

The government has been hoping that opening up more acreage for exploration will help boost India's oil and gas production, helping cut down the $157 billion oil import bill.

In 2016, it brought in an open acreage policy which moved away from the previous practice of government identifying and bidding out blocks to one where explorers were allowed the freedom to identify any area outside of the ones that are already with some company or other, for prospecting of oil and gas.

The areas identified are to be clubbed twice a year and offered for bidding. The firm identifying the area gets a 5-point advantage. But except for the first round, private sector participation has been scant. Mining mogul Anil Agarwal's Vedanta Ltd walked away with 41 blocks out of the 55 blocks on offer in the very first round and got another 10 areas in two subsequent rounds.

Other rounds have been dominated by state-owned firms.

In the last round, OALP-VII, ONGC walked away with three out of eight blocks on offer while OIL won two blocks and state-owned gas utility GAIL was awarded one block.

Publication : Millennium Post	Editions : New Delhi
Date : 11 July 2023	Page : 9

CORPORATE KALEIDOSCOPE

Oil and Natural Gas Corporation (ONGC) has become the first Central Public Sector Enterprise (CPSE) in India to get certified for Anti-Bribery Management System (ABMS) by an international accredited certification body, M/s InterCert USA. The Anti-Bribery Management System Certificate received by ONGC Chairman & CEO Arun Kumar Singh. Left to Right : ONGC Director (HR) Manish Patil, Director (Exploration) Sushma Rawat, Director (Finance) Pomila Jaspal, Chairman and CEO Arun Kumar Singh, CVO Ranjan Prakash Thakur, Director (T&FS) OP Singh & Director (Production) Pankaj Kumar MPOST

Publication : Millennium Post | Editions : New Delhi
Date : 11 July 2023 | Page : 9

ONGC, Reliance-BP bid for oil, gas blocks, foreign giants continue to stay away

OUR CORRESPONDENT

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In OALP-VI, ONGC won 18 out of the 21 areas on offer. OIL walked away with two blocks and Sun Petrochemical got on the block.

DGH launched OALP Bid Round-VIII on July 7, 2022, offering 10 blocks for international competitive bidding.

Blocks in OALP-VIII cover nine sedimentary basins covering about 36,316 sq km and include two onshore blocks, four shallow water blocks, two deepwater blocks, and two ultra-deepwater blocks. Bids for the round are originally due by September 6, 2022, but the deadline was extended a few times.

A new policy for finding and producing oil and gas called the Hydrocarbon Exploration and Licensing Policy (HELP), was promulgated on March 30, 2016.

Since then, eight bid rounds of the OALP have been concluded and 144 exploration and production blocks awarded. These blocks cover over 2.44 lakh square kilometres of area.

The OALP-VII round is expected to generate $600-700 million of commitment in exploration, the oil ministry had said at the time of launching the bid round last year.

HELP provides for a revenue-sharing contract model, where the bidder offering the highest share of oil and gas to the government is awarded the block. It comes with attractive and liberal terms like reduced royalty rates, no oil cess, marketing and pricing freedom and a single license to cover both conventional and unconventional hydrocarbon resources.

Publication : The Free Press Journal	Editions : Mumbai
Date : 11 July 2023	Page : 7

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Publication : The Free Press Journal
Editions : Mumbai
Date : 11 July 2023
Page : 7

ONGC stands tall among PSUs in Forbes' 'The Global 2000' List

ONGC, India's Energy Maharatna, has achieved a significant milestone by securing the 226th rank in the prestigious Forbes' "The Global 2000" List for 2023. This recognition exemplifies ONGC's unwavering commitment to excellence and its remarkable growth as a major player across 58 countries.

ONGC takes immense pride in this exceptional achievement, standing as the sole Indian PSU positioned within the top 250 companies on this esteemed list. This notable accomplishment underscores company's consistent expansion, robust financial position, and unwavering dedication to excellence. Forbes' "The Global 2000" List recognizes the world's largest companies based on key metrics such as sales, profits, assets, and market value. ONGC's inclusion in this prestigious ranking reaffirms its leading position in India's corporate sector and global recognition.

ONGC remains resolute in its pursuit of excellence, growth, and meeting India's energy needs.

Publication : The Free Press Journal | Editions : Mumbai
Date : 11 July 2023 | Page : 7

ONGC, Reliance BP bid for oil, gas blocks, foreign giants continue to stay away

PTI / New Delhi

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Publication : Hari Bhoomi (Hindi) | Editions : New Delhi
Date : 11 July 2023 | Page : 10

ओएनजीसी, वेदांता, रिलायंस-बीपी ने तेल-गैस क्षेत्रों के लिए बोलियां लगाईं

एजेंसी ⏭ नई दिल्ली

सार्वजनिक क्षेत्र की कंपनी ओएनजीसी, अनिल अग्रवाल की अगुवाई वाली वेदांता और रिलायंस इंडस्ट्रीज एवं बीपी के गठजोड़ ने कच्चे तेल एवं प्राकृतिक गैस के दोहन के लिए आमंत्रित निविदा के नवीनतम दौर में 10 क्षेत्रों के लिए 13 बोलियां लगाई हैं। तेल एवं गैस क्षेत्र के नियामक हाइड्रोकार्बन महानिदेशालय (डीजीएच) ने बोलियां लगाने का दौर खत्म होने के बाद इनका संक्षिप्त ब्योरा जारी किया है। मुक्त क्षेत्र लाइसेंस नीति के आठवें दौर में 10 ब्लॉक के लिए बोलियां आमंत्रित की गई थीं। डीजीएच के मुताबिक, पांच कंपनियों ने 10 ब्लॉक के लिए कुल 13 बोलियां लगाई हैं।

इनमें ऑयल एंड नैचुरल गैस कॉरपोरेशन (ओएनजीसी), वेदांता लिमिटेड, ऑयल इंडिया लिमिटेड (ओआईएल), सन पेट्रोकेमिकल्स प्राइवेट लिमिटेड और रिलायंस-बीपी एक्सप्लोरेशन (अल्फा) लिमिटेड) शामिल हैं। जिन 10 ब्लॉक के लिए बोलियां आमंत्रित की गई थीं, उनमें से सात ब्लॉक के लिए सिर्फ एक बोली लगाई गई है जबकि बाकी तीन ब्लॉक के लिए दो-दो बोलियां आई हैं।

Publication : Hindustan (Hindi) | Editions : New Delhi
Date : 11 July 2023 | Page : 13

ओएनजीसी, रिलायंस-बीपी ने बोलियां लगाईं

नई दिल्ली। सार्वजनिक क्षेत्र की कंपनी ओएनजीसी, अनिल अग्रवाल की अगुवाई वाली वेदांता और रिलायंस इंडस्ट्रीज एवं बीपी के गठजोड़ ने कच्चे तेल एवं प्राकृतिक गैस के दोहन के लिए आमंत्रित निविदा के नवीनतम दौर में 10 क्षेत्रों के लिए 13 बोलियां लगाई हैं। तेल एवं गैस क्षेत्र के नियामक हाइड्रोकार्बन महानिदेशालय ने बोलियों का दौर खत्म होने के बाद संक्षिप्त ब्योरा जारी किया।

Publication : Financial Express | Editions : Mumbai
Date : 11 July 2023 | Page : 9

● STRATEGY

OMCs set to attain highest profitability

Domestic firms (excl. financials) expect 13% y-o-y revenue growth

Sectoral summary of Q1FY24 result estimates

(₹ billion)	Revenues			Pre-ex profit		
Sectors	Q1FY23	Q4FY23	% y-o-y	Q1FY23	Q4FY23	% y-o-y
Autos*	991	1,191	21.0	57	99	67.6
Consumer	917	943	9.8	126	136	15.1
Financials	1,455	1,939	38.2	487	639	24.6
Cement (ex-Grasim)	419	489	12.6	37	48	2.4
Cap-goods/Infra	1,435	1,741	11.2	155	194	(2.6)
Mid-caps (Industrials, Discretionary)	400	486	5.1	31	35	(3.4)
Pharma	472	532	16.3	67	70	4.2
Property	78	112	10.2	12	27	14.6
Telecom	397	428	10.7	20	40	105.3
Oil & Gas	7,407	6,656	(5.8)	41	325	1,018.8
IT	1,544	1,710	10.9	228	272	13.6
Metals	1,946	2,039	(3.1)	216	134	(45.5)
Chemicals	46	49	1.5	7	7	(6.3)
Total	**17,507**	**18,314**	**5.1**	**1,484**	**2,028**	**36.9**

Source: Companies, Jefferies. *ex-Tata Motors, *ex-Interglobe

ACCORDING TO JEFFERIES coverage, commodity majors in the oil and metals sectors are expected to report a reasonably strong 19% y-o-y earnings growth for the June 2023 quarter. However, this growth rate is expected to slow by 7 percentage points q-o-q due to a higher base. The key earnings driver is projected to be a 25%+ earnings growth for lenders, auto companies, and select cyclicals. Domestic revenue growth is slowing down to 13% y-o-y, but a trough margin base is anticipated to drive approximately 18% Ebitda growth, excluding financials. The preference for domestic cyclicals, real estate, and industrial sectors remains.

There is expected to be strong headline growth due to a boost from the oil marketing companies (OMCs), with the JEF coverage universe's earnings projected to rise by 37% y-o-y compared to a 13% y-o-y rise in the previous quarter. OMCs are expected to achieve one of their highest ever profitability levels due to strong margins. However, the metals sector is still experiencing a significant decline y-o-y (halving), and the cement sector is expected to show flattish profitability. However, there have been some improvements in q-o-q trends for cement. IT revenues are anticipated to decline q-o-q, posing some risk to earnings, with a projected growth of 14% due to deferred pay-hikes. The pharmaceutical sector is expected to post muted growth of less than 5%.

Domestic companies (excluding financials) are forecasted to experience a y-o-y revenue and Ebitda growth of around 13% and 18% respectively. Ebitda margins are expected to increase by approximately 0.8 percentage points y-o-y and 0.1 percentage points q-o-q, although they will still be below pre-Covid levels. Revenue growth is now declining as the large selling price hikes are included in the base, but the decline in commodity costs is providing a margin tailwind. Autos and consumer companies are expected to see a 2 percentage point and 1 percentage point y-o-y increase in margins respectively.

Sectors with strong earnings

■ Banking sector profits are expected to rise by approximately 25% y-o-y due to strong performances by major private and public sector banks such as ICICI, Indusind, and SBI. Margin expansion and mid-teen system loan growth are the key drivers.

■ Selected NBFCs like Chola, BAF, and MMFS, as well as housing finance companies like Aptus and Aavas, are projected to achieve profit growth of 25% or more.

■ Two-wheeler companies (Hero, Bajaj, TVS, Eicher) are expected to experience a strong 40% growth in profit, while Maruti Suzuki may see a profit increase of over 100%, and Tata Motors could shift from loss to profit.

■ OMCs like BPCL, HPCL, and IOCL are likely to experience a spike in profitability due to marketing strength, despite weakness in refining.

JEFFERIES

Publication : Business Standard | Editions : New Delhi
Date : 11 July 2023 | Page : 8

Iraq signs $27 bn energy deal with TotalEnergies

Iraq and TotalEnergies on Monday signed a long-delayed $27 billion energy deal that aims to increase oil output and boost the country's capacity to produce energy with four projects.

Signed in 2021, the deal has faced delays amid many disputes

Initially signed in 2021, the deal has faced delays amid disputes between Iraqi politicians over the terms, but was finally closed in April when Iraq agreed to take a smaller than initially demanded stake in the project of 30 per cent.

TotalEnergies took a 45 per cent stake and QatarEnergy holds the remaining 25 per cent.

TotalEnergies Chairman and CEO Patrick Pouyanne signed the agreement with Iraqi oil minister Hayan Abdel-Ghani at a ceremony in Baghdad, with Pouyanne calling it a "historic day". **REUTERS**

Publication : Financial Express | Editions : Mumbai
Date : 11 July 2023 | Page : 5

Essar Oil to expand UK operations

RAJESH KURUP
Mumbai, July 10

ESSAR OIL (UK) has signed an agreement with Essex-based Oikos Storage, a storer of refined petroleum products, to expand its operations into London and the South East of England.

Under the agreement, Essar will store and distribute middle distillate fuels at Oikos' Canvey Island facility to serve the Thames region.

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Furthermore, the agreement will leverage Oikos' connectivity to the United Kingdom Oil Pipeline (UKOP) system to supply the Northampton and Midlands regions, it said in a statement.

"This agreement represents a significant step in Essar's strategic downstream ambitions, boosting capacities and ability to meet demand at Northampton and Kingsbury," CEO of Essar Oil UK Deepak Maheshwari said.

Currently diesel and jet fuels are pumped from the Stanlow refinery to the Midlands and Northampton regions along the UKOP system.

Following this agreement, Essar's imports of middle distillates will be pumped from Oikos to Northampton and the Midlands regions, providing significant supply resilience and increasing Essar's security of supply proposition.

The agreement will also see Essar gaining access to the largest market in the country, the Thames region, providing alternative supply options to customers in the region.

Publication : Financial Express | Editions : Mumbai
Date : 11 July 2023 | Page : 2

GAS-BASED ECONOMY

Anil Kumar Jain, natural gas regulator

When the country can import 86% of its oil requirement, it can better develop a gas-based economy. Natural gas is a cleaner fuel and LNG per million BTU is cheaper than oil.

Publication : The Hindu Business Line | Editions : Mumbai
Date : 11 July 2023 | Page : 9

Bids invited for setting up green H2 units

Our Bureau
New Delhi

The Solar Energy Corporation of India (SECI) on Monday invited bids from interested parties to set up 4.5 lakh tonnes per annum (LTPA) green hydrogen (GH2) production facilities in the country under the SIGHT scheme.

"Selection of green hydrogen producers for setting up production facilities in India under the Strategic Interventions for Green Hydrogen Transition (SIGHT) scheme (Mode-1-Tranche-I)," SECI's document read.

The last date for submitting bids is September 11 and the bids will be opened on the next day (September 12).

PRODUCTION FACILITY

"The total capacity to be allocated under this tender is 4.5 LTPA of GH2. A bidder, including its parent, affiliate or ultimate parent or any group company shall submit a single bid undertaking to set up a GH2 production facility. The projects should be quoted in multiples of 500 tonnes only," the document said.

The production facilities mandated under the tender will have to be commissioned within 30 months from the date of Letter of Award (LoA), it added.

The production facilities awarded will be eligible for direct incentive by SECI in Rs per kg of GH2 production on an annual basis for a period of three years from the date of commencement of production.

GH2 MISSION

Earlier this year, the Ministry of New & Renewable Energy (MNRE) launched the National Green Hydrogen Mission, under which it is implementing the SIGHT programme that aims to establish an electrolyser manufacturing base and green hydrogen producing facilities.

Under SIGHT, the total financial incentive for producing green hydrogen and manufacturing electrolysers domestically is ₹17,490 crore. For GH2 production, the government has allocated ₹13,050 crore from FY26 to FY30.

The total capacity targeted is 4.5 LTPA, which is divided into two pathways. Under the first, which is technology agnostic, the target is to have 4.10 LTPA capacity, while the second pathway is for biomass-based production to achieve 40,000 tonnes per annum capacity. A bidder can bid in either of the two pathways, or in both of them.

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India must prepare for an imported gas-based regime, says PNGRB Chairman

Our Bureau
New Delhi

As the demand for natural gas increases in the country, the dynamics will tilt in favour of imports, Petroleum & Natural Gas Regulatory Board (PNGRB) Chairman Anil Jain said on Monday.

India, which consumed 60 billion standard cubic meters (BSCM) of natural gas in FY23, imports around half of its domestic requirement of natural gas.

The PNGRB chief indicated that the ratio could soon tilt in favour of imported gas due to increasing market demands. He was speaking at an event organised by the Federation Of Indian Chambers Of Commerce & Industry.

Drawing parallels with the oil sector reforms in the 1990s, Jain suggested that a similar transition is on the horizon for the gas sector, leading to the dismantling of the administered price mechanism (APM).

He stressed that India must prepare for an imported gas-based regime given the increasing demand for gas and its relative cheapness compared to imported oil. "So there is every reason... gas availability is not a problem, but the markets in India need to amalgamate," Jain added.

DICHOTOMOUS MARKET

He was also of the view that the persistent dichotomy between domestic and imported gas, which is splitting the market, must be dismantled for the sake of a cohesive natural gas industry.

The PNGRB chief highlighted the potential of 45 million tonnes (mt) of free gas capacity in LNG terminals with only 25 mt coming through, which presents an opportunity for the LNG businesses to integrate with the natural gas industry.

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Crude and excise are down, why is petrol price still high?

When crude oil becomes costlier, Indian prices of petrol and diesel rise with it, but when it becomes cheaper, Indian fuel prices seldom decline in proportion. This raises the question: Are Indian fuel prices decided by the market or the government? Atul Thakur analyses price data to find the answer

On paper, petrol pricing was deregulated in India 13 years ago, in July 2010, and diesel pricing in October 2014. The government has stated in Parliament that the public sector oil marketing companies (OMCs) decide fuel prices.

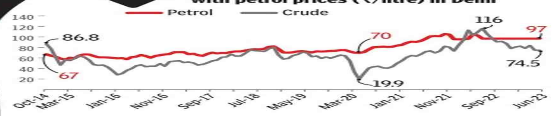
But the pump prices of petrol and diesel in India don't seem to follow the ordinary laws of economics. For example, the average price of petrol was Rs 67 per litre in October 2014, when crude cost $86.8 per barrel. Fifteen months later, in January 2016, crude had crashed to $28.1 per barrel, but petrol still sold for about Rs 60.

Later, when crude rose to about $50 per barrel, petrol also inched up to Rs 70, but when crude crashed to $19.9 in April 2020, the price of petrol in India hardly budged.

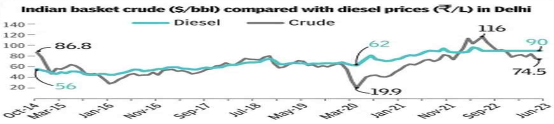
A year later, as crude rebounded to touch $65, petrol crossed Rs 90 in March 2021. And despite a generally downward trend in crude prices since June last year, petrol has averaged Rs 97 per litre in Delhi.

While crude has become 35% cheaper in the past year, and Central excise is ₹13 **lower than its peak in Sept 2021**, retail prices of petrol have not dipped

Indian basket crude ($/barrel) compared with petrol prices (₹/litre) in Delhi



Indian basket crude ($/bbl) compared with diesel prices (₹/L) in Delhi



A Different Story In The US

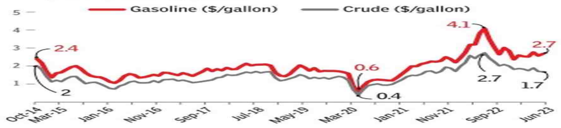
In the US, market forces determine fuel prices, and petrol/diesel prices clearly swing with Cushing crude prices (Cushing is America's major crude trade hub).

For example, in October 2014 when crude was at $2 per gallon, petrol cost $2.4 and diesel $2.5 per gallon in the US. However, when crude crashed to $0.7 per gallon in February 2016, petrol and diesel prices also fell to about $1 per gallon.

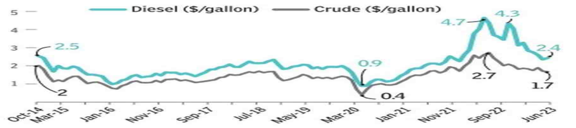
And when crude shot up to $2.7 per gallon in June 2022, petrol and diesel touched $4.1 and $4.4, respectively. However, US fuel prices have fallen considerably in the year since.

Why do US pump prices move with crude prices? It's because crude is the main component of fuel price. The American Petroleum Institute, which represents all segments of America's natural gas and oil industry, says **the price of crude has 61% weightage in gasoline prices, followed by refining costs (14%), distribution and marketing costs (11%), and federal and state taxes (14%).**

Cushing crude oil compared with New York Harbour petrol prices ($/gallon)



Cushing crude oil compared with New York Harbour diesel prices ($/gallon)



Centre Hiked Taxes When Crude Fell

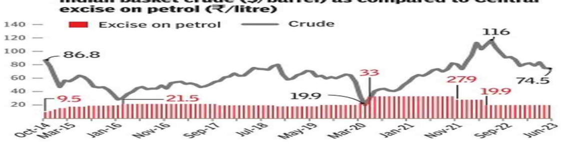
Unlike the US, **taxes form a large part of fuel price in India**, and the Centre negated the fall in crude prices by increasing excise several times in the past few years.

For example, when crude was at $86.8 per barrel in October 2014, Central excise was Rs 9.5 per litre. By January 2016, when crude had crashed to $28.1 per barrel, Central excise had increased to Rs 19.7 per litre.

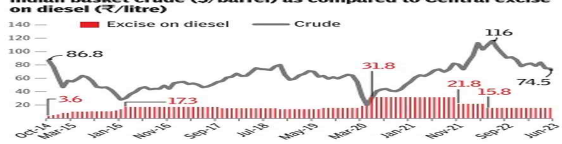
When crude prices tanked amid the first Covid lockdowns to $19.9 per barrel in April 2020, the Central tax increased to Rs 23 per litre, and shot up to Rs 33 a month later.

Although the Centre reduced its tax to Rs 19.9 when crude breached the $100 mark in May 2022, it was still about Rs 10 per litre more than the October 2014 level.

Indian basket crude ($/barrel) as compared to Central excise on petrol (₹/litre)



Indian basket crude ($/barrel) as compared to Central excise on diesel (₹/litre)



Now, OMCs Are Taking A Bigger Cut

So, **crude has slipped from its highs and Central taxes are down considerably from the 2021 levels, but pump prices of petrol and diesel have not changed in almost a year.** That's because the OMCs have increased the price at which they sell fuel to dealers.

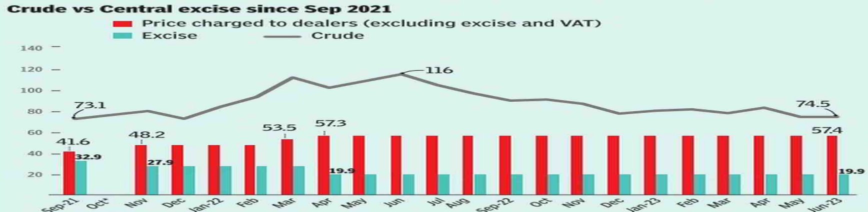
In September 2021, when crude was at $73.1 per barrel, the Centre was charging Rs 32.9 per litre as tax while the OMCs were selling petrol at Rs 41.6 per litre to the dealers. A month later, crude crossed $80, the Centre reduced its excise to Rs 27.9 per litre, but OMCs increased the base price to Rs 48.2 per litre.

By March 2022 crude had breached the $100 mark, and the Centre had reduced its taxes to Rs 19.9 per litre, but OMCs were charging over Rs 57 as the base price, and it has remained at that level since.

Last month, crude was at $74.9 – close to the September 2021 level – and Central taxes were Rs 13 lower than in September 2021, but petrol remained expensive because the OMCs maintained the price they had set when crude had crossed the $100 mark.

Notably, India has been getting Russian oil at a discounted rate but the benefits are not being passed on to consumers.

Crude vs Central excise since Sep 2021



Note: Base price and retail price of petrol and diesel are for Delhi. *Data for October 2021 was not accessible

Graphic: **Anil Dinod**

Sources: Petroleum Planning and Analysis Cell, US Energy Information Administration, American Petroleum Institute

Is Falling Rupee To Blame?

Since India imports most of its crude, the exchange rate no doubt affects domestic pump prices. But again, fuel prices have risen faster than the fall in the rupee's value.

In October 2014, the average exchange rate was Rs 61.3 per US dollar, while crude averaged $86.8 per barrel, which translates into Rs 5,325 per barrel, or Rs 33 per litre.

Now, one US dollar costs over Rs 82. Crude, however, is at $74.5 per barrel or Rs 38 per litre. So, crude is 14.9% costlier in rupee terms. But the price of petrol has risen by 43.8% in the same period, and that of diesel by 61.2%.