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RIG UPGRADE MADE MANDATORY

Foreign Offshore Drilling Contractors Lobby against New Safety Regulations

Mobile offshore units participating in a tender must comply with rules: DG Shipping

Kalpana.Pathak
@timesgroup.com

Mumbai: Foreign offshore oil drilling contractors operating in Indian waters are lobbying for reversing the latest maritime rules that mandate higher safety conditions for offshore vessels and accommodation barges, citing technical constraints and cost involved. The rules, notified by the Directorate General of Shipping in October 2022, mandate mobile offshore drilling units, or MODUs, certified under the 1979 MODU code to upgrade to 1989 or 2009 code by October 2024.

"Any mobile offshore drilling unit participating in a tender after the issuance of this order (India or foreign)



The rules were drafted after ONGC's Mumbai High oilfields reported 86 casualties when Cyclone Tauktae struck the west coast in 2021

shall comply with the requirements of MODU code 1989 or 2009, depending on the year of construction/modification," the order said.

The rules were drafted after state-run Oil and Natural Gas Corporation's (ONGC) Mumbai High oilfields repor-

ted 86 casualties when Cyclone Tauktae struck the west coast in 2021.

Drilling industry insiders said none of the drilling rig owners have upgraded the rigs to the 1989 MODU code yet since it will cost a few million dollars.

"Instead of upgrading their drilling

units to meet safety norms, the drilling contractors are busy lobbying for the rules to be reversed," said a senior industry official requesting anonymity. "Safety should not be compromised with." In fact, International Association of Drilling Contractors (IADC), a Texas-based lobby group, has cited technical limitations to comply with the order.

"IADC has grown concerned that new requirements contained within this order create a circumstance under which MODUs currently subject to, and in full compliance with, the 1979 MODU Code, may be compelled to undergo major modifications to meet 1989 or 2009 MODU Code provisions," IADC senior vice president-international development Mike DuBose wrote in a letter to the DG shipping.

"The integrity of a MODU's condition regardless of adherence to the 1979, 1989 or 2009 editions of the MODU Code can be confidently maintained in a fit for purpose manner as its satisfactory material condition can be regularly demonstrated through a comprehensive survey process," DuBose said.



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REUTERS

Oil from ONGC's KG block likely in May

Oil and Natural Gas Corporation's (ONGC) delayed Krishna Godavari basin KG-D5 project is likely to start crude oil production in May this year and gas output a year later, a senior company official said. ONGC was originally to start gas production from Cluster-II fields in block KG-DWN-98/2 (KG-D5) in June 2019 and the first oil was to flow in March 2020. The company blamed contracting and supply chains issues due to the pandemic for shifting the start of oil production first to November 2021, then to third quarter of 2022 and now to May 2023. Gas output start target was first revised to May 2021, then to May 2023 and now to May 2024.

ONGC director (production) Pankaj Kumar said a floating production unit, called FPSO, which will be used to produce oil, is already in Indian waters. "We estimate oil production should start in May," he said.

PTI

ONGC oil output from KG block begins in May



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"We estimate oil production should start in May," he said.

The block is currently producing 1.7 million standard cubic meters per day of natural gas.

"We will start with 10,000 to 12,000 barrels per day and reach a peak of 45,000 bpd in 2-3 months," he said, adding some 2 mmscmd of gas would also flow with oil but actual gas output will start in May 2024 when 7-8 mmscmd production is expected.

The production estimates are however much lower than what was originally projected. At the time of its launch in April 2018, ONGC had said the estimated capital expenditure would be USD 5.07 billion and operational expenditure would be USD 5.12 billion over a field life of 16 years.

Kumar said the company hopes to arrest the decline in crude oil production in the next fiscal while natural gas output is likely to see a rise.

ONGC's KG-DWN-98/2 or KG-D5 block, which sits next to Reliance Industries' KG-D6 block in the KG basin, has a number of discoveries that have been clubbed into clusters. It is situated offshore the Godavari river delta in the Bay of Bengal. It is located 35-km off the coast of Andhra Pradesh in water depths ranging from 300-3,200 metres. The discoveries in the block are divided into three clusters - Cluster-1, 2 and 3. Cluster 2 is being put to production first. PTI



PNGRB notifies unified tariffs at ₹73.93/mBtu, effective April 1

Our Bureau

New Delhi

The Petroleum and Natural Gas Regulatory Board (PNGRB) on Wednesday notified the levelised unified tariff of ₹73.93 per million British thermal units (mBtu), which will come into effect from April 1.

“PNGRB has amended the PNGRB Regulations to incorporate the regulations pertaining to unified tariff for natural gas pipelines with a mission of ‘One Nation, One Grid and One tariff’,” the regulator said.

The board has also created three tariff zones for unified tariff, where the first zone is up to a distance of 300 km from the gas

source. The second zone is 300–1,200 km and the third is beyond 1,200 km. The unified tariff will be ₹73.93 per mBtu, including additional GST implication of ₹0.19 per mBtu, on a gross calorific value (GCV) basis.

Accordingly, the unified tariffs across the three zones will be Zone 1 (₹39.45 per mBtu), Zone 2 (₹74.97) and Zone 3 (₹99.90). This includes additional GST of ₹0.19 per mBtu on settlement amount between pipeline entities, the order said.

REDUCING TARIFFS

Analysts said that unified tariff will help reduce the tariffs for upcoming pipelines thereby facilitating more capex in pipelines. The national gas grid

covers all the interconnected pipeline networks owned and operated by entities such as Indian Oil Corporation, Oil and Natural Gas Corporation, GAIL (India), Pipeline Infrastructure, Gujarat State Petronet, Gujarat Gas, Reliance Gas Pipelines, GSPL India, Gasnet and GSPL India Transco.

With newer interconnected pipelines, the national gas grid will keep expanding for unified tariff, PNGRB said adding, these entities will get the tariff as per their entitlement while customers would pay unified tariff. The difference between the same will be settled between the pipeline entities for which a settlement mechanism has been notified.

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PTI / New Delhi

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OUR CORRESPONDENT

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The discoveries in the block are divided into three clusters -- Cluster-1, 2 and 3. Cluster 2 is being put to production first.

Cluster 2 field is divided into

two blocks namely 2A and 2B, which as per the original investment decision were expected to produce 23.52 million metric tonne of oil and 50.70 billion cubic metres (bcm) of gas over the life of the field.

Cluster 2A was estimated to contain reserves of 94.26 million tonne of crude oil and 21.75 bcm of associated gas, while Cluster 2B is estimated to host 51.98 bcm of gas reserves.

Cluster 2A was anticipated to produce 77,305 barrels of oil per day (bopd) and associated gas at a rate of 3.81 million metric standard cubic metres per day (mmscmd) over 15 years. Cluster 2B is expected to produce free gas of 12.75 mmscmd from eight wells and has a 16-year life.

But now the output estimate is lower - 45,000 bpd of oil and up to 2.5 mmscmd from Cluster 2A and around 9 mmscmd from Cluster 2B.

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The Hindu Business Line

Gold edges down, while crude oil gains

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Gold edges down, while crude oil gains

Reuters

Gold prices retreated on Wednesday as investors trickled back into riskier assets betting that risks of contagion from the global banking crisis have been curbed for now.

Spot gold was trading 0.4 per cent lower at \$1,965.89 per ounce, as of 0924 GMT. US gold futures slipped 0.3 per cent to

\$1,967.50. Gold has retreated as "markets are going risk-on as fears of contagion within the banking sector abates," said independent analyst Ross Norman.

ALL EYES ON FED

Gold traders, meanwhile, remained focused on the Federal Reserve's interest rate strategy, with investors pricing in a 40.5 per cent chance of a 25-basis-point hike in May, according to

the CME FedWatch tool. Last week, the central bank suggested it was on the verge of pausing future hikes, but Fed Chair Jerome Powell reiterated the Fed's commitment to reining in inflation.

"The Fed will have to choose between higher inflation, a harder landing or financial instability - all outcomes will keep safe havens in play," likely prompting gold to retest and pierce all-time highs (\$2,070/

oz) this year, metals firm MKS PAMP said in a note.

OTHER METALS

Spot silver fell 0.2 per cent to \$23.22 per ounce, platinum eased 0.3 per cent to \$960.23, while palladium was up 0.1 per cent at \$1,420.11.

Crude oil prices extend gains after EIA data showed larger-than-expected draw in US crude inventories. The benchmark Brent crude rose over \$1/bbl.

In 5 Years, India Will be Hub for Sourcing Energy Gear: Shell Exec

Sanjeev.Choudhary@timesgroup.com

New Delhi: India will become an important destination for sourcing energy transition equipment in five years, a top executive at energy giant Shell said, adding that the country will also have the highest number of Shell employees anywhere in the world in five years as the businesses grow.

Shell has 11,000 employees in India spread across its fuel retail, gas, lubricant, and technology businesses, with staff at the IT centre working to develop digital twins of the company's remote assets, and many others engaged in remote asset monitoring.

"In five years, India will be our largest employer," Huibert Vigeveno, Director (Renewables & Downstream), Shell told ET in an interview.

India will surpass the US, which has the highest number of Shell employees today, as the company's investments in the Indian energy sector grow and opportunities for global collaborations expand.

"In five years, we will have grown a lot in greener electrons and greener molecules," he said. Shell is beginning to make inroads into green energy in India, acquiring renewables business as well as partnering with a variety of customers to help them in their decarboni-

sation efforts. It acquired renewable energy platform Sprng Energy in a \$1.55 billion deal last year. It also opened its first EV charging facility last year and aims to set up 10,000 fast charging points by 2030. "India will have a lot to offer on sourcing of products and services, equipment and other activities, which we will utilise in the country, but also around the world," Vigeveno said.

The sourcing could be spread over the entire energy transition value chain from renewable energy to biofuels and electrolyzers. "India is distinctly emerging as an alternate sourcing destination for critical pieces of equipment," said Nitin Prasad, chairman, Shell companies, India. "What's also happening in the energy transition is that you are looking at equipment which are much more suited to the Indian ecosystem and environment: more modular design, more oriented toward automation, robotics."

As it enhances its presence in the low-carbon sector, Shell has seen its interest wane in the refinery business. "If you look at 20 years ago, we used to have 55 refineries. If you look at early 2020, we had 16 refineries, and we're concentrating now on five refineries, which I'm transitioning to energy and chemical parks," Vigeveno said. Bharat Petroleum, India planned to sell to the private sector.

INDIA POTENTIAL

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Director (Renewables & Downstream), Shell



Market valuations attractive; buy selectively for long term

Analysts see equity market recovering in the second half of the year

PUNEET WADHWA
New Delhi, 29 March

The sharp correction in the Indian markets from their peak levels has made valuations attractive, say analysts, who advise buying selectively, but only from a long-term perspective.

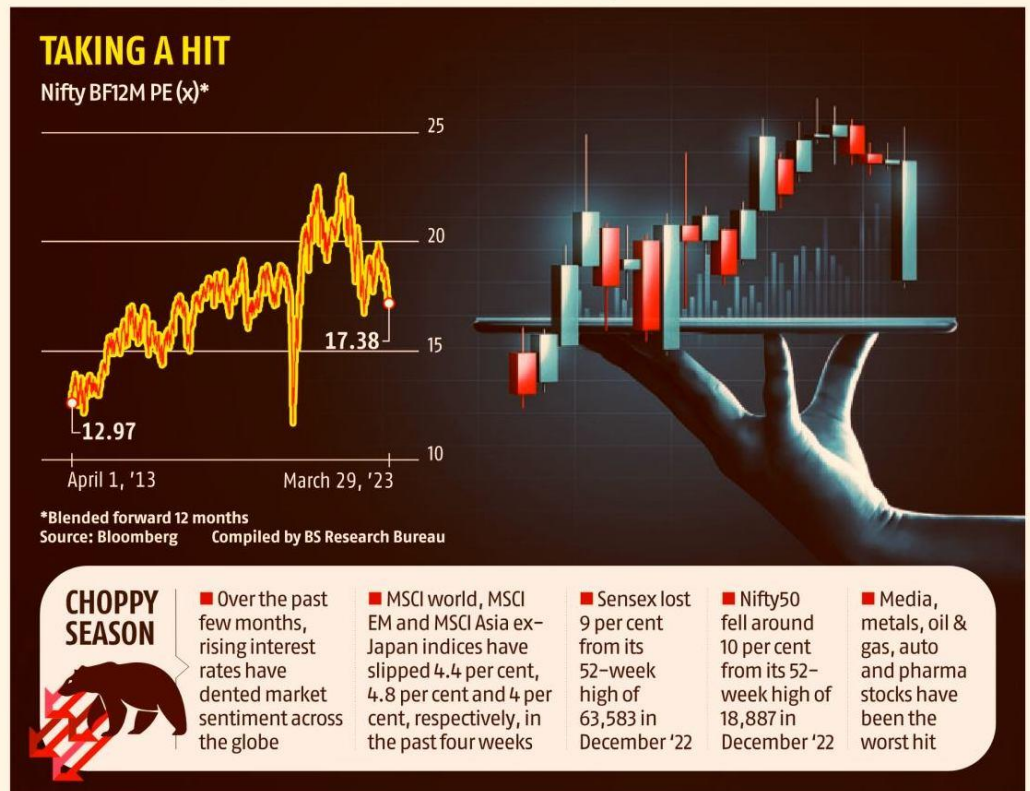
Fifty-six of the Nifty 100 stocks, according to Mahesh Nandurkar, managing director at Jefferies, now trade below the 10-year historical averages, including stocks in financial, select auto, and pharma sectors.

“Valuation (one-year forward consensus price-to-earnings, PE) has declined 25 per cent from October 2021 peak, almost matching the 33 per cent price-earnings contraction during the 2011 tightening cycle when repo rates went up by 375 basis points (bps) versus 250 bps this cycle. Consequently, valuations are in line with the 10-year average at 17.2x. Relative valuations are also better. Compared to the emerging market (EM) & Asia ex-Japan benchmark, the Nifty PE premium is at the average levels,” Nandurkar wrote in a coauthored note with Abhinav Sinha.

Over the past few months, rising interest rates amid surging inflation has dented market sentiment across the globe. Risk-off sentiment also gripped equity markets globally as the turmoil in the US and European banking systems fueled fear of a financial crisis.

Equity markets sold off aggressively with the MSCI world, MSCI EM and MSCI Asia ex-Japan indices slipping 4.4 per cent, 4.8 per cent and 4 per cent respectively, in the past four weeks alone. Back home, the fall was in line with that of global peers with the Nifty50 Index skidding 4.7 per cent during this period.

Meanwhile, the S&P BSE Sensex has lost 9 per cent from its 52-week high of 63,583 hit on December 01, 2022, the Nifty50 has lost around 10 per cent from its 52-week high of 18,887. Media, metals, oil & gas, auto and pharma stocks have been the worst hit with their respective indices slipping up to 22 per cent on the NSE,



ACE Equity data shows.

“The Nifty Index valuation has corrected to 17.2x in-line with the 10-year average, but we cannot rule out further correction given current global developments. We remain cautious in the near-term, but would use any sharp corrections as a buying opportunity. We expect a good recovery in Indian equities in the second half of the year given India’s positive medium-term growth outlook,” wrote Jitendra Gohil, director, global investment management at Credit Suisse Wealth Management India in a recent coauthored note with Premal Kamdar.

The fall in the Indian markets on account of banking-related issues in the US and Europe, feels G Chokkalingam, founder and head of

research at Equinomics Research, is ‘highly irrational’ as the Indian banking system is far stronger than its global peers.

“Though there are concerns like falling exports, foreign direct investment, selling by foreign institutional investors, etc., we believe that the benefits of a relatively strong economy, better valuation of domestic equity markets and continued global pain (which results in cheap oil prices) would outweigh the consequences of these three specific adverse economic parameters. The markets would stabilise soon and would certainly reward the investors in the medium-to-long term,” he said.

As an investment strategy, Jefferies remains constructive on the domestic

cyclicals and has added Ultratech Cement to its model portfolio. Among global cyclicals, they have trimmed their positions in Hindalco and Tata Steel and cut weight on the information technology (IT) sector by removing Tech Mahindra. They have added Sun Pharma to their model portfolio.

Analysts at Credit Suisse Wealth Management, too, suggest investors stay defensive and focus on sectors with high domestic exposure as the global outlook remains unfavourable.

“We like banks, cement, autos, multiplexes, and defence sectors in the context of India equity research preference. We also like the pharma sector given its defensive qualities amid the slowing global economy,” the Credit Suisse note said.

Rosneft announces deal to boost oil supplies to India

Moscow: Russian energy giant Rosneft announced a deal on Wednesday to ramp up oil sales to India, as Moscow



seeks new buyers in the wake of tensions with the West over the Ukraine conflict. Rosneft said in a statement that its chief executive officer Igor Sechin had travelled to India and brokered an agreement with Indian Oil Corporation (IOC).

AFP

Rosneft signs off pact to boost oil supplies to India

REUTERS

New Delhi, 29 March

Russia's largest oil producer Rosneft and Indian Oil Corp have signed a term agreement to substantially increase oil supplies and diversify oil grades delivered to India, Rosneft said on Wednesday.

The deal was signed during a working trip to India by Rosneft CEO Igor Sechin, the company said. It did not reveal the details of the agreement.

"The parties also discussed ways of expanding cooperation between Rosneft Oil Company and Indian companies in the entire value chain of the

energy sector, including possibilities of making payments in national currencies," it added.

Russia has been rerouting its energy supplies from traditional markets in Europe, which imposed wide-ranging sanctions against Moscow following

the start of what the Kremlin calls a special military operation in Ukraine last year.

India has been the biggest buyer of Russia's benchmark Urals grade crude in March. Deliveries to India are set to account for more than 50 per cent of all seaborne Urals exports this month, with China in second place.

The deal was signed during Rosneft CEO Igor Sechin's working trip to India

Russia suggests trade payment in ₹ via UAE

Ravi Dutta Mishra
ravi.dutt@livemint.com

Sanctions-hit Russia is looking to settle its oil sales to India in rupees by involving the UAE, two people aware of the proposal said.

The rupee settlement mechanism continues to face major roadblocks with little or no trade taking place in the domestic currency. This is in spite of the fact that banks from 18 countries have been permitted by the Reserve Bank of India (RBI) to open Special Vostro Rupee Accounts (SVRAs) for settling payments in Indian rupees.

The Russian idea is to break this stalemate through a three-way payment mechanism, which works in the following way: Russia sells oil to India in rupees; India makes the rupee payment to the UAE; and Russia then buys UAE goods or services against that payment.

"Russia is looking to settle trade in rupee with India via UAE since India is importing from UAE too. The thought is why not allow the rupee with Russia to be liquidated against supply from UAE," a person aware of the development said on condition of anonymity.



Some experts said the three-way settlement works better in theory than in practice

MINT

However, the person quoted above added that even India exporters prefer foreign currency at the moment as they receive a forward premium — where the expected future price of a currency is greater than the spot price.

Some experts said the three-way settlement works better in theory than in practice.

"The moment you get into rupee currency settlement, say

rupee-rouble trade, it is unlikely to work because of the fact that we import more from Russia than we export. Therefore, any two countries looking to trade in non-strong currency could work if you are re-routing through a third country. But all these transactions can work to the extent that payments can be used by the second country to deal with the third country. If we give a lot of rupee to Rus-

The rupee settlement mechanism continues to face roadblocks with little or no trade in domestic currency

sia they wouldn't know what to do with it unless they are able to use that via a third country [UAE]. And UAE uses rupee to import something from India," said Madan Sabnavis - chief economist, Bank of Baroda.

Sunitha Raju - Professor - Indian Institute of Foreign Trade said that arrangement between Russia and the UAE can be a possibility only if India's trade deficit with the UAE turns surplus.

Sabnavis, however, added that most of India's exports are going to the European Union and the US.

Mint had reported that India and the UAE are also discussing using the rupee settlement mechanism for trade. The UAE is India's third-largest trade partner after the US and China.

Meanwhile India is also planning to incentivise rupee settlement mechanisms. *Mint* had reported that the foreign trade policy (FTP) will be amended to enable exporters to claim export benefits for settling trade in rupees.

Queries sent to commerce ministry, Reserve Bank of India, Russian embassy in India and UAE's embassy in India remained unanswered till press time.

Unified tariff plan for over 12 gas pipelines from Apr 1

More than a dozen gas pipelines, which form the national gas grid, will come under a unified tariff structure from April 1, the Petroleum and Natural Gas Regulatory Board (PNGRB) said on Wednesday.

Business Standard reported in February the government's decision to roll out the new regime by April after months of deliberations. PNGRB has notified a levelised unified tariff of ₹73.93 per metric million British thermal unit, based on the principle of 'one nation, one grid and one tariff'. The new tariff is expected to benefit customers transporting fuel over longer distances and multiple pipelines. Currently, customers pay additional tariffs for using multiple and inter-connected pipelines. Under the new regime, buyers will be charged a fixed tariff for the transport of gas over three zones, up from two earlier. This includes transportation of gas within 300 km of a source (gas field or Liquefied natural gas import terminal), 300-1200 km and beyond 1,200 km.

SUBHAYAN CHAKRABORTY

IOC signs deal with Russia's Rosneft

Indian Oil Corporation (IOC) on Wednesday signed a deal to raise oil imports from Russia's Rosneft as it looked to capitalise on the discounted oil available post Ukraine war. "Rosneft Oil Company and Indian Oil signed a term agreement to substantially increase oil supplies as well as diversify the grades to India," the Russian firm said in a statement.



Russia announces deal to boost oil supplies to India

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Sector regulator approves unified tariff for natural gas

ENS ECONOMIC BUREAU

@ New Delhi

IN a move that could benefit the gas consumers in the country, the Petroleum and Natural Gas Regulatory Board (PNGRB) on Wednesday amended the regulation pertaining to unified tariff for natural gas.

The regulatory body has notified a levelised unified tariff of ₹73.93/MMBTU. It has also created three tariff zones for unified tariff, where the first zone is up to a distance of 300 kms from gas source, second zone is 300 – 1,200 kms and third zone is beyond 1200 kms. The new tar-

iffs will be effective from April 1, 2023. “The reform will specially benefit the consumers located in the far-flung areas where currently the additive tariff is applicable and facilitate development of gas markets and vision of government to increase the gas utilisation in the country,” said the regulatory body in a press note.

Currently, the tariff is levied in proportion to the distance transported, which means longer the distance, the higher is the charge. In simple terms, currently consumers from far-flung areas or away from the coast are paying higher tariff.