

Now, India a Key Contributor to Crude Slump

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New Delhi: From being a big beneficiary of low oil prices just a fortnight ago, India has turned into a key contributor to the global price slump as nationwide lockdown destroys demand, cuts run rates at refineries and shrinks local gas output and its import. The lockdown has hammered consumers' ability to benefit from low oil and gas prices and is set to dramatically squeeze the government's revenue from the sector despite recent duty hikes.

Storages at refineries are overflowing with refined products as motorists go off the roads, planes disappear from the skies and factories shut, forcing refiners to cut utilisation.



Indian Oil has cut run rate by 30%. Other refiners too have sharply slowed, forcing some to look for new places to store their products.

"Inventory build-up has also led to storage constraints. It is critical that the government enables shared access to strategic petroleum reserves and PSU storage infrastructure for private companies," Naya-

THE DOWNSIDE

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ra Energy CEO B Anand told ET.

Demand is falling so sharply that refiners will have to turn away some crude-carrying ships that have already set sail for India, an executive at a state refiner said. Labour shortage due to lockdown has also forced BPCL to defer its shutdown plans.

Collapsing fuel sales would put leveraged refiners in a spot and trig-

ger rating downgrades.

GAIL's sale of domestic gas to consumers has fallen to 63 million metric standard cubic meters a day (mmscmd) from the usual 85 mmscmd mainly due to CNG vehicles going off the roads and smaller factories shutting, a company executive said. Other sellers' gas transported by GAIL's pipeline network too has slid 10% in the last few days to 20 mmscmd. Fertilizer, refineries and petrochemicals are still taking much of contracted supplies although their operations have been affected by a labour shortage and transport hurdles.

This has forced ONGC to curb its gas output by a tenth. It also prompted Petronet LNG to issue force majeure notice to its biggest supplier Qatargas, an executive said.