



Need to shift away from fossil fuels: Petroleum Secretary

OUR BUREAU

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India will need to gradually shift away from fossil fuels to sustainable cleaner alternatives according to Petroleum Secretary Tarun Kapoor.

At an event, jointly organised by IndianOil and LanzaTech on Circular Economy Vision - CO₂ Valorisation, Kapoor said, "We will need to shift away from fossil fuels in a phased manner and adopt more sustainable alternatives to meet our energy requirements."

The session was organised by the DBT-IOC Centre for Advanced Bio-Energy Research (an entity co-funded by India's Department of Biotechnology and IndianOil Corporation Limited) and carbon recycling company, LanzaTech.

The event highlighted the carbon recycling technology that has been developed by the two over the last six years in India.

An IndianOil statement

said that this technology uses two basic ingredients, CO₂ and H₂, to produce sustainable fuels, chemicals and food.

These companies have been working on this platform since 2014 when they first demonstrated the production of omega-3 fatty acids and fatty acids of biodiesel from CO₂ feedstock. Together, they have integrated two cutting edge technologies to enable direct conversion of CO₂ to high-value products.

Patented processes

Both these processes are widely patented by the respective collaborators and they are now patent protected in prominent geographies, the IndianOil statement added.

Kapoor said that this technology has the potential to significantly reduce the cost of biofuels and make them directly competitive with conventional fossil fuels in the country.



Oil near \$50 on vaccine hopes

Oil prices climbed as news about Covid-19 vaccines lifted investor hopes for a recovery in fuel demand and the dollar, in which oil is traded, reached 2 1/2-year lows. Brent crude rose 51 cents, or 1 per cent, to \$49.35 a barrel by 7:35 pm IST. West Texas Intermediate (WTI) crude climbed 51 cents, up 1 per cent, to \$49.35. The dollar fell on Wednesday as vaccine progress boosted risk appetite amid prospects of more US fiscal stimulus. **REUTERS**



How oil majors shift billions in profits to island tax havens

TOM BERGIN, RON BOUSSO
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Bermuda and the Bahamas aren't exactly big players in the oil-and-gas world. They don't produce any of the fuels at all. Yet the islands are deep wells of profit for European oil giant Royal Dutch Shell.

Oil majors are avoiding hundreds of millions of dollars in taxes in countries where they drill by shifting profits to thinly staffed insurance and finance affiliates based in tax havens, according to a Reuters review of corporate filings and rating agency reports. Shell, BP, Chevron and Total use subsidiaries in the Bahamas, Switzerland, Bermuda, the UK Channel Islands and Ireland to provide their global operations with banking, insurance and oil-trading services, the documents show. These subsidiaries, in turn, book profits that go lightly taxed or entirely tax-free.

Such arrangements are not illegal. But they highlight the ability of international oil corporations to game global tax systems and avoid handing over revenue to nations where they conduct their core business, according to academics who study corporate taxation.

The profits generated by those offshore units are enormous, despite their tiny operations.

The big oil firms' captive insurers are far more profitable than a typical insurance company. That's because the amount they pay in claims accounts for a far lower proportion of the money collected in premiums—all from other affiliates of the oil giants—than is the case at other insurers, industry data shows.

That means the captive insurance units absorb part of the revenue made by the oil majors' subsidiaries elsewhere—often in high-tax countries where they extract oil and gas—and shift it to operations located in low-tax or no-tax jurisdictions.

The oil companies have also transferred capital to tax havens to establish banking units that lend money to sister companies.

The companies named in this story all said they followed tax rules of the nations where they do business. Their subsidiaries in tax havens, the companies said, were located there for commercial or operational reasons rather than to avoid taxation.

Shell denied that its arrangements constituted tax avoidance and said the location of its subsidiaries were driven by business rather than tax reasons. BP declined to answer questions about its insurance subsidiary but a spokesman directed Reuters to a 2018 tax policy statement—published to meet a



regulatory requirement—which said the firm does not engage in profit-shifting.

Profit-shifting has long been a concern among the Group of 20 nations, which have asked the Organization for Economic Cooperation and Development (OECD), which helps coordinate international taxation rule-making, to find ways to rein in corporate tax avoidance. The organization in February issued new guidance on the treatment of intra-group financial transactions, advising nations to limit deductions on such payments.

Critics of corporate tax planning say oil firms' profit-shifting undermines their claims to responsible corporate governance and exacerbates the deep budgetary problems that many oil-

producing countries face amid the coronavirus pandemic and a related drop in oil prices.

Nations such as Angola, Brazil and Trinidad, who rely heavily on oil tax revenues, have had to moderate spending and increase borrowing to respond to the health crisis.

Tax advisors said companies owe it to their shareholders to pay the lowest-possible tax bill.

Shell booked \$1.3 billion in 2018 and 2019 profits through Bermuda-based banking and insurance subsidiaries that together employed three people, according to the company's Tax Contribution Reports published in November this year and December 2019 which detail tax payments.

The tiny firms provide insurance and loans to Shell oil-producing facilities worldwide, although Shell said in its most recent tax report, published last month, that it ceased the intra-group lending from Bermuda in 2020 for reasons the company did not disclose. In 2018, the companies derived 96% of their revenues from other Shell companies.

The operations appear to exist primarily for tax purposes, said Richard Murphy, professor of political economy at City University of London. The high profitability of the Bermudan units—along with their heavy reliance on revenue from affiliates—suggests that they are designed to shift profits to low tax jurisdictions, he said.

Shell denied that its Bermuda operations are designed for tax avoidance.

In 2014, Jupiter had an operating ratio—which includes pay-outs and other costs as a share of premiums—of just 1.3%.

Jupiter's profit margins remained exceptional through those years despite the explosion of BP's Deepwater Horizon rig and subsequent oil spill in the Gulf of Mexico in 2010, one of the worst industrial accidents in history. The incident caused \$70 billion in damages, but Jupiter's payouts to affiliated companies were capped at \$1.5 billion for

any one event. So, the insurer kept a loss ratio under 15% of premium income for the years 2009 to 2013, according to a 2014 AM Best report.

BP group retained access to Jupiter's hefty cash pile because the captive insurer lends 98% of its reserves back to Jupiter's parent, London-based BP International Ltd, for terms of a year or less, according to AM Best. BP pays interest on the money back to Jupiter, adding to the insurer's low-tax profits.

BP declined to answer questions about Jupiter's operations and how much tax, if any, the insurer pays.

California-based Chevron operates a captive insurer in Bermuda. Until 2015, AM Best issued reports on Heddington Insurance and rated it highly due to its "good loss history" and "very strong investment income" made through high-interest loans to other Chevron firms.

Chevron said it formed Heddington to reduce insurance costs and provide broader coverage than what is available in the commercial insurance market. The company said the insurer paid US taxes but declined to detail how much or the effective rate.

Other oil firms have tax-haven subsidiaries through which they self-insure their facilities.

France's Total SA operates Swiss-based Omnium Reinsurance Company S.A., its financial filings show. Total did not respond to requests for comment about Omnium.

REUTERS



China bails out Iraq with long-term, upfront deal

BLOOMBERG

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Iraq is poised to sign a multibillion-dollar contract with China ZhenHua Oil, a bailout from Beijing for the cash-strapped government which will receive money upfront in exchange for long-term oil supplies.



The deal is the latest example of China, via state-controlled trading companies and banks, lending to struggling oil producers such as Angola, Venezuela and Ecuador, with repayment in the form of oil barrels rather than cash. This year's crash in oil prices has hammered Iraq's budget and the government has failed to pay teachers and civil servants on time.

The Iraqi agency in charge of petroleum exports, SOMO, picked ZhenHua after asking oil traders for bids, according to people familiar with the matter. Cabinet spokesman Hassan Nadhim said on Tuesday there had been "several offers" and they were being studied before Prime Minister Mustafa Al-Kadhimi makes the final decision.

Under the terms of a letter SOMO sent last month, the winning bidder will buy 4 million barrels a month, or about 130,000 a day. They will pay upfront for one year of supply, which at current prices would bring in more than \$2 billion, according to *Bloomberg* calculations.



पैट्रोल और डीजल के दाम लगातार दूसरे दिन स्थिर

नई दिल्ली : पैट्रोल और डीजल के दाम लगातार दूसरे दिन बढ़ने के बाद बुधवार को स्थिर रहे। दोनों ईंधन के दाम लगातार 6



दिन बढ़ने के बाद मंगलवार को स्थिर रहे थे। दिसंबर में अब तक पैट्रोल और डीजल के दाम में 6 बार बढ़ौतरी हुई है। दिसंबर में पैट्रोल एक रुपए 37 पैसे और डीजल एक रुपए 45 पैसे महंगा हो चुका है। सोमवार को देश के 4 बड़े महानगरों में पैट्रोल 30 से 33 पैसे तक और डीजल 25 से 31 पैसे प्रति लीटर तक महंगा हुआ है। वाणिज्यिक नगरी मुंबई में डीजल 80 रुपए प्रति लीटर और पैट्रोल का दाम 90 रुपए प्रति लीटर से अधिक है। दिल्ली में पैट्रोल 83.71 रुपए प्रति लीटर और डीजल 73.87 रुपए प्रति लीटर पर पहुंच गया।



पेट्रोल और डीजल के दाम लगातार दूसरे दिन स्थिर

नई दिल्ली, 9 दिसम्बर (एजेंसियां)। पेट्रोल और डीजल के दाम लगातार दूसरे दिन बढ़ने के बाद बुधवार को स्थिर रहे। दोनों ईंधन के दाम लगातार छह दिन बढ़ने के बाद मंगलवार को स्थिर रहे थे। दिसम्बर में अब तक पेट्रोल और डीजल के दाम में 06 बार बढ़ोतरी



हुई है। दिसंबर में पेट्रोल एक रुपए 37 पैसे और डीजल एक रुपए 45 पैसे महंगा हो चुका है। सोमवार को देश के चार बड़े महानगरों में

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