

‘By 2050, end-use energy consumption to grow by 90%’

Rishi Ranjan Kala

New Delhi

Oil giant, Rosneft’s CEO, Igor Sechin, stressed that Asian countries, Russia’s trading partners, will account for the highest growth in oil demand with India, accounting for the highest growth rate, by the middle of the century.

In his keynote speech at the 27th St Petersburg International Economic Forum (SPIEF), Sechin emphasised that over the next five years, India is projected to continue its strong economic momentum and become one of the top three largest economies in the world, with a GDP of \$5 trillion, and by



Igor Sechin, CEO, Rosneft

2050, will overtake the US, in terms of the size of the economy.

He added that India’s end-use energy consumption is set to grow by 90 per cent by 2050 — one of the fastest growth rates in the world, Rosneft said.

India’s economy has made significant strides in recent years. Since 2010, energy de-

mand has grown by 45 per cent, making the country, the third largest energy consumer in the world, he pointed out. Recently, Rosneft signed a term contract with Indian Oil Corporation (IoCL), to increase oil supplies, and diversify India’s oil grades.

The agreement took place during Sechin’s, recent visit to India. Indian companies ONGC Videsh, Oil India, Indian Oil Corporation, and Bharat Petroresources, have been owners of 49.9 per cent of Rosneft’s subsidiary, JSC Vankorneft, since 2016.

Rosneft’s CEO projected that developing countries will be the main drivers of oil consumption in the coming decades. By 2030, demand

growth in this group of countries is expected to account for 95 per cent of global consumption growth in aggregate. The highest growth in oil demand is expected in Asian countries, which are Russia’s main trading partners.

LITTLE IMPACT

Sechin said that OPEC+ agreement, seems to have little impact on the oil market, as observed by the stockpiling of reserves by both Western and Middle-Eastern companies, potentially anticipating significant market changes. These “phantom barrels”, could offset the effects of voluntary production cuts by major OPEC members, evidenced by market quotations

declining, after recent ministerial decisions, he added. Moreover, the looming uncertainty surrounding the upcoming US presidential elections, where public sentiment is influenced, among other things, by fluctuations in gasoline prices, implies a heightened level of market volatility.

Sechin criticised the prioritisation of anthropogenic factors in climate change discourse and argued against the effectiveness of energy transition initiatives in addressing environmental concerns. Despite considering hydrogen as a promising clean fuel, he pointed out the current limitations in production technology, logistics, and market readiness.

‘End-use energy consumption of India to grow 90% by 2050’

ARUNIMA BHARADWAJ
New Delhi, June 9

INDIA'S END-USE ENERGY consumption is set to grow 90% by 2050 — one of the fastest growth rates in the world — said Igor Sechin, chief executive officer of Rosneft, Russia's biggest oil producer.

Addressing a gathering at the Energy Panel of the 27th St. Petersburg International Economic Forum, Sechin further highlighted the rapidly growing Indian economy and noted that the country is projected to continue its strong economic momentum.

“Over the next five years, India is projected to continue its strong economic momentum and become one of the top three largest economies in the world with a GDP of \$5 trillion, and by 2050 will overtake the US in terms of the size of the economy,” he said.

The CEO further stated that OPEC+ agreement seems to have little impact on the oil market, as observed by the stockpiling of reserves by both Western and West Asian companies, potentially anticipating significant market changes.

“These ‘phantom barrels’ could offset the effects of voluntary production cuts by major OPEC members, evidenced by market quotations declining after recent ministerial decisions,” he said.

Sechin also pointed out that the looming uncertainty surrounding

IGOR SECHIN, CEO, ROSNEFT

OVER THE NEXT FIVE YEARS, INDIA IS PROJECTED TO CONTINUE ITS STRONG ECONOMIC MOMENTUM AND BECOME ONE OF THE THREE LARGEST ECONOMIES IN THE WORLD WITH A GDP OF \$5 TRILLION

DEVELOPING COUNTRIES WILL BE THE MAIN DRIVERS OF OIL CONSUMPTION IN THE COMING DECADES. BY 2030, THEIR DEMAND GROWTH IS EXPECTED TO ACCOUNT FOR 95% OF GLOBAL GROWTH



the upcoming US presidential elections, where public sentiment is influenced, among other things, by fluctuations in gasoline prices, implies a heightened level of market volatility. The possibility of regulatory changes, he noted, underscores emerging risks, prompting major players to explore alternative strategies.

According to the Rosneft CEO, developing countries will be the main drivers of oil consumption in the coming decades. “By 2030, demand growth in this group of countries is expected to account for 95% of global consumption growth in aggregate,” Sechin said.

“The highest growth in oil demand is expected in Asian countries, which are Russia's main trading partners.”

Even as the world is moving towards adoption of renewable energy, Sechin said that the consumption of oil, gas, and coal has continued to rise. The company has recently signed a term agreement with India's state-owned Indian Oil to increase oil supplies. Indian companies — ONGC Videsh Ltd., Oil India Limited, Indian Oil Corporation, and Bharat Petroleum — have been owners of 49.9% of Rosneft's subsidiary JSC Vankorneft since 2016.





Energy consumption to grow 90% by 2050: Rosneft CEO

End-use energy consumption is set to grow by 90 per cent by 2050 – one of the fastest growth rates in the world, Russian oil giant Rosneft CEO Igor Sechin said. Sechin, Chief Executive Officer of Rosneft, Russia's biggest oil producer, addressed key global business and political leaders at the Energy Panel of the 27th St. Petersburg International Economic Forum, according to a company statement.

PTI

FOREIGN PARTNERS FOR MUMBAI HIGH OILFIELD SOUGHT



STATE-OWNED OIL AND Natural Gas Corporation (ONGC) is seeking foreign

partners to reverse declining output at its flagship Mumbai High fields, offering a share of revenue from incremental production plus a fixed fee but not any equity stake. ONGC on June 1 floated an international tender seeking global technical services providers with an annual revenue of at least \$75 billion, according to the tender document.

FINANCIAL EXPRESS

READ TO LEAR



Foreigners grab 'majority' of share offering: Aramco

The secondary offering was expected to provide a short-term boost to Saudi Arabia's finances

AFP
feedback@livemint.com
RIYADH

Oil giant Saudi Aramco said Sunday that international investors had snatched up the bulk of shares sold in its latest offering, which was set to raise \$11.2 billion.

The secondary offering was expected to provide a short-term boost to Saudi Arabia's finances as the Gulf kingdom builds large-scale projects including resorts and stadiums, part of a reform drive to prepare for an eventual post-oil future.

"The majority of the shares constituting the institutional tranche of the Offering was allocated to investors located outside of the Kingdom," the company said in a statement before the Saudi bourse reopened on Sunday.

Aramco ended trading on Sunday at 28.60 Saudi riyals (\$7.63) per share, after opening at 27.95 riyals, giving it a market capitalization of around \$1.85 trillion.

Sources close to the situation told *AFP* that around 58% of shares were allocated to international investors, up from around 23% for the company's initial public offering (IPO) in 2019 which was the biggest flotation in history.

The sources, speaking on condition of anonymity to discuss the private information, said around 70% of orders outside the local market came from the European Union and the United States, while others came from Japan, Hong Kong and Australia.

Aramco, the mostly state-owned jewel of the Saudi economy, announced on 30 May that it would sell 1.545 billion shares, or approximately 0.64% of its issued shares, on the Saudi stock exchange.

It was widely seen as a test of foreign



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BLOOMBERG

investor interest more than halfway through the kingdom's campaign known as Vision 2030, whose ambitions are reflected in so-called mega-projects such as NEOM, a planned futuristic megacity in the desert.

On Friday Aramco said it would price

subscribers, Aramco said on Friday.

One source close to the situation told *AFP* that retail coverage was 3.7 times and that total demand from institutional and retail investors was worth over \$65 billion. "The whole deal would have been covered a number of times by

(Europe, Middle East and Africa) region since 2000, the largest equity capital market transaction globally since 2021, and the largest offering in the Middle East since Aramco's IPO, which ultimately raised \$29.4 billion.

Aramco announced last year it would start paying a performance-based dividend in addition to its base dividend. Last month the firm announced base dividend payouts for the first quarter totalling \$20.3 billion and a performance-linked dividend distribution of \$10.8 billion to be paid in the second quarter.

"It is no surprise that eligible traders wanted to buy shares, especially after seeing how the dividend payments have gone out regardless of how much money the company made," said Ellen Wald, senior fellow at the Atlantic Council and author of a history of Aramco.

PUTTING A BET

AROUND 58% of the company shares were allocated to international investors

70% of orders outside the local market came from the European Union and the US

ABOUT 10% of the shares were offered to retail investors, drawing 1.3 million subscribers

TOTAL demand from institutional and retail investors was worth over \$65 billion

its secondary offering at 27.25 Saudi riyals per share, at the low end of the range of 26.70 to 29 Saudi riyals announced on 30 May 30.

About 10% of the shares were offered to retail investors, drawing 1.3 million

international demand. It was a lot stronger at this stage than it was at the IPO," the source said, referring to the 2019 offering.

The source said it appeared to be the largest secondary offering in the EMEA

Hardeep Puri: Face of India's oil diplomacy

NEW DELHI: Hardeep Singh Puri, the former diplomat who displayed unflinching altruism in driving from the background the construction of new Parliament and navigating India through two back-to-back oil crises, seems to have been rewarded for scam-free tenure in ministries otherwise considered minefields.

Puri, 72, a minister for housing and urban affairs and petroleum and natural gas in the outgoing Modi 2.0 government, was among the ministers sworn in on Sunday in Modi's new administration.

Born in Delhi, the 1974 batch Indian Foreign Service (IFS) officer, Puri claims to be affiliated to ABVP - the students' body aligned to BJP, during his student days at Hindu College of the Delhi University (DU), where he received his bachelor and master's degrees in history.



He officially joined BJP in January 2014 after retiring from the service.

He was inducted into the Council of Ministers as Minister of State (Independent Charge) for Housing and Urban Affairs in September 2017. He was given the additional charge of Minister of State (Independent Charge) for Civil Aviation and the Minister of State for Commerce and Industry in May 2019. In July 2021, he was elevated as the Union Minister and given the Ministry of Petroleum and Natural Gas alongside Housing and Urban Affairs.

While Puri ensured the delivery of the new Parliament building on time as housing and urban development minister, he navigated the country through twin oil crises - an oil price spike and the fallout of the Russia-Ukraine war on net importing nations like India.

As the prices began to climb in the last quarter of 2021 and spiked after Russia's invasion of Ukraine in February 2022, he ensured Indian consumers of petrol, diesel, and LPG did not feel the heat. State-owned oil firms under his administrative control froze retail rates, suffering unprecedented losses. They were allowed to recoup them when rates fell.

This ensured inflation did not heat up while oil profitability was maintained. In fact, oil PSUs booked record profits in the fiscal ended March 31, 2024.

Puri also resisted Western pressure, allowing oil firms to

buy oil from Russia that was being shunned by some in Europe and the US after the Ukraine invasion and was available at a discount. From minuscule levels in the pre-war era, Russian oil made up almost 40 per cent of all oil India imported. This helped cement India's ties with Moscow and provide oil firms cushion to absorb losses on selling petrol and diesel at rates below cost.

Puri successfully defended India's stance and balanced it with continuing its engagement with Saudi Arabia-led OPEC, whose share in the country's oil imports fell drastically. All this he did while maintaining a scam-free administration. There has been no contracting scam in the award of any project in housing and urban development and no head-turning headlines in the oil ministry, which in previous regimes had seen multiple controversies. PTI

India's energy use to grow 90% by 2050'

Rituraj Baruah
rituraj.baruah@livemint.com
NEW DELHI

With a growing economy, India's energy consumption is likely to nearly double by 2050, one of the fastest growth rates in the world, said Igor Sechin, CEO of Rosneft, one of Russia's largest oil producers.

Addressing global business and political leaders at the 27th St. Petersburg International Economic Forum (SPIEF), he also talked up fossil fuel and hit out at what he called a "green agenda".

Sechin, whose firm is controlled by a Russian holding company predicted the Indian economy would overtake that of the US by 2050.

"Over the next five years, India is projected to continue its strong economic momentum and become one of the top three largest economies in the world with a GDP of \$5 trillion, and by 2050 will overtake the US in terms of the size of the economy," a statement by Rosneft quoted him as saying.

As per the statement, Sechin said India's end-use energy consumption is set to grow by 90% by 2050, one of the fastest growth rates in the world.



Igor Sechin, CEO, Rosneft.

REUTERS

He said developing countries will be the main drivers of oil consumption in the coming decades. By 2030, demand growth in this group of countries is expected to account for 95% of global consumption growth. The highest growth in oil demand is expected in Asian countries, which are Russia's main trading partners, Sechin said.

Talking of energy transition, the Rosneft CEO said that although hydrogen is consid-

ered a promising clean fuel, there are limitations in production technology, logistics and market readiness.

He noted that while renewable energy accounts for less than 5% of global energy production and electric vehicles only make up around 3%, consumption of oil, gas, and coal continue to rise. Sechin was of

the view that the lack of profitability in green energy initiatives is leading to diversions from the traditional energy

sector, exacerbating the challenge of transitioning to sustainable energy sources.

Observing that energy transition should be well-balanced and focused on addressing the interests of developing countries, the Rosneft CEO said that to achieve energy security, it is necessary to ensure sufficiency, affordability and reliability of energy sources.

"Aggressive promotion" of the "green agenda" actually means declaring an energy war on the majority of the world's population, and overcoming energy inequality is impossible without reliable supplies of oil and gas, said the Rosneft CEO, according to the statement.

Rosneft is a major partner of Indian energy companies.

Russia has emerged as the top suppliers of oil to India in the past two years as the sanctions-hit country offered deep discounts to Indian oil refiners.

According to the Indian ministry of commerce, India imported crude worth \$46.48 billion from Russia in FY24, about 50% more than in FY23.

The share of imports from Russia was one-third of the total oil import bill in value terms.

The highest growth in oil demand is expected in Asian countries, which are Russia's main trading partners

Inox Air Products eyes expansion of green hydrogen business

ARUNIMA BHARADWAJ
New Delhi, June 9

INOX AIR PRODUCTS, which manufactures industrial and medical gases, has now forayed into the green hydrogen segment and aims to expand business in the area while targeting to become a major green fuel supplier to the world.

The company will be completing its capex target of ₹3,000 crore in the current financial year (FY25) and will be investing ₹1,000 crore on an average every year, managing director and promoter Siddharth Jain said.

"Our next phase of capex is going to begin, we are in the budgeting phase right now. But on an average, we do invest anywhere around ₹500-1,000 crore every year, depending on the market demand," Jain said, adding that the company is in



The firm invests ₹500-1,000 cr every year on an average, MD Siddharth Jain said

the midst of executing the announced ₹3,000 crore capex two years ago.

The company recently signed a 20-year long green hydrogen supply contract with Japanese multinational corporation Asahi India Glass and intends to commission the project in three months.

"This is our first small investment in India, but it is extremely critical and will be one of the flagship projects in the world," Jain said. "For us, Asahi is going to be almost like a test case, a user case wherein other industries will get inspired to do the same after looking at that."

The company has also signed a \$3-billion green ammonia project with the Maharashtra government with plans to commission it in the next 4-5 years. Once commissioned, it will export green ammonia to Europe, Japan and Korea.

"We've just started our initial feed study on the same and are in the process of doing the engineering, finalising the land and sourcing the electricity and all that. It is going to be a 100% export-oriented green ammonia project meant for nations like Europe, Japan and Korea."

The company, whose exist-

ing customer base includes Tata Steel, Jupiter and First Solar is now in talks with leading renewable companies in India to evaluate and extend its green hydrogen supply business.

Inox AP, 50% owned by US-based Air Products, is also planning to diversify into electronic gases for the solar and semiconductor industry.

"India is setting up 10 solar fabs of its own, and as these solar fabs are set up, it will have a large demand for electronic gases. Similarly, the semiconductor industry with companies like Micron and Foxconn doing the mobile phones, or Tata coming up with the new semiconductor fab in Dholera and Assam; all of them require a massive amount of specialty electronic gases as well. We have developed the entire infrastructure and supply chain in order to deliver that to the customers," the MD said.





Int'l investors Grabbed Bulk of Share Offering: Saudi Aramco

AFP

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from the European Union and the United States, while others came from Japan, Hong Kong and Australia.

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JSW, Torrent, Masdar Among Suitors for Enel's India Assets

Half a dozen cos bid for 760 MW facilities; deal may have enterprise value of \$500 m

Reghu.Balakrishnan
@timesgroup.com

Mumbai: About half a dozen investors, including Masdar Energy of the UAE, Singapore's Sembcorp, JSW Energy, Torrent Power, Sekura Energy and ONGC, have submitted non-binding bids to acquire 760 MW of operational assets in India that have been put on the block by Italy's Enel Group, said people aware of the development.

HSBC is advising Enel on the sale. The proposed deal may have an enterprise value of \$500 million (₹4,100 crore), the sources said.

The portfolio of Enel Green Power India comprises 760 megawatts (MW) of operational wind and solar power assets and a development pipeline of 2 gigawatts (GW). Of the operational capacity, solar power projects comprise 420 MW, with the balance 340 MW coming from wind power.

Last year, Norwegian Climate Investment Fund, managed by Norfund, and KLP, Norway's largest pension company, had together committed \$100 million of equity and guarantees for a 168 MW wind power plant developed by Enel Green Power in India.

In 2020, Norfund and Enel Green Power (EGP) entered into a joint investment agreement for renewable energy projects in India. Their first project together, the 420 MW Thar solar plant, was announced in 2022.

Enel Green Power, founded in 2008 within the Enel Group to develop and manage renewable power projects globally, operates over 63 GW of installed renewable capacity at 1,300 plants in Asia, Europe, Africa and America. EGP had strengthened its position in India through an acquisition of a majority stake

Which Way The Wind Blows

Clean energy sector in India has attracted investments of **₹1.32 lakh cr** in past 3 years

Enel India has **760 MW** operational assets

Installed renewable energy capacity expected to increase to about **170 GW** by Mar '25 from **132 GW** in Oct 2023: **ICRA**

RE capacity addition likely to scale up to **25 GW** in FY25 from estimated 17-18 GW in FY24

Enel operates **63 GW** renewable energy assets globally under **1300 power plants**

in renewable energy company BLP Energy for €30 million (₹220 crore) in 2015.

Enel, ONGC, Masdar and Sekura Energy spokespersons declined to comment. JSW, Sembcorp and Torrent didn't respond to queries.

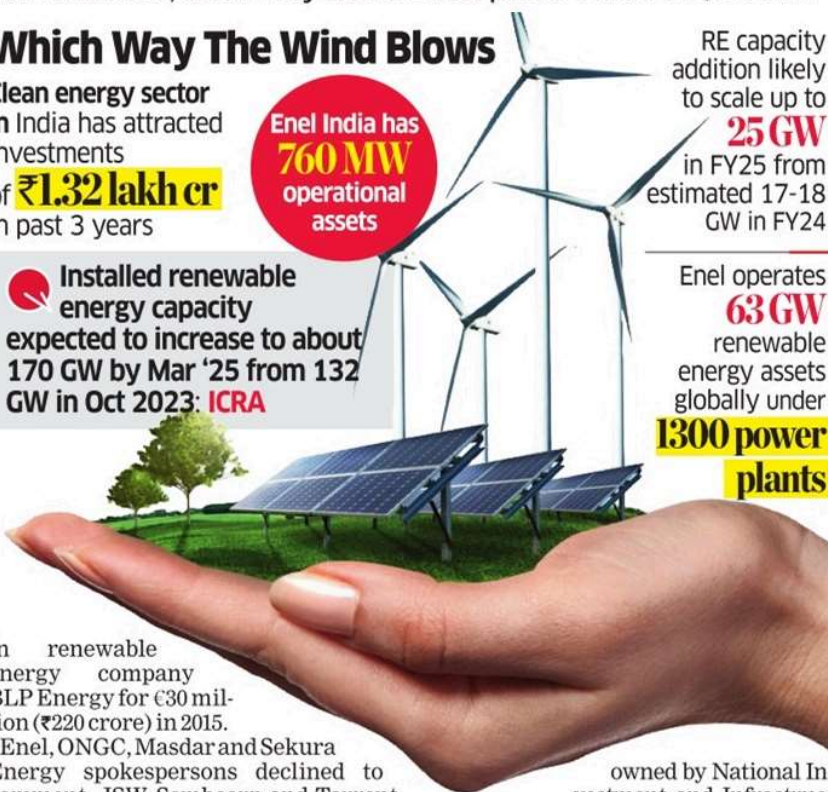
Energy producers such as Sekura Energy, Sembcorp and Masdar Energy are already in the race for several Indian renewable assets that are on the block. These three were among the contenders for the 2 GW renewable portfolio of Brookfield in India that's up for sale at an estimated enterprise value of \$800 million-1 billion (₹6,600-8,300 crore).

JSW Neo Energy and Sekura Energy are among the bidders that have made non-binding offers to acquire a controlling stake in Ayana Renewable Power, majority

owned by National Investment and Infrastructure Fund (NIIF), at a valuation of about \$2 billion, ET had reported.

ONGC is another contender for several assets in the clean energy space as part of decarbonising its operations. ONGC plans to have a renewable energy capacity of 10 GW by 2030 at an investment of ₹1 lakh crore.

The outlook for the renewable energy (RE) sector remains stable, led by strong policy support from the government, superior tariff competitiveness and sustainability initiatives by large commercial and industrial (C&I) customers.



MODI GOVT 3.0: THE ECONOMIC AGENDA

Finance

- > Sustain growth, manage inflation, revive farm sector, spur investment by private sector for job creation
- > Revive disinvestment and asset monetisation to generate resources for capex and development schemes
- > Rationalisation of GST rates, work on pending direct tax reforms, including those related to capital gains
- > Decide the regulatory architecture for crypto assets along with RBI
- > Ensure stock markets remain stable, address concerns on F&O in tandem with Sebi

ANNUAL GDP GROWTH



Commerce & Industry

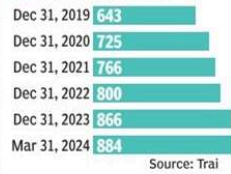
- > Deepen exports, expand to newer markets and accelerate services exports against the backdrop of geopolitical uncertainty
- > Move ahead with FTAs, one with Oman likely to be signed soon, work on others with Latin American countries
- > Ensure PLI payments are maintained and spur foreign investment
- > Stabilise payments and supply chains for exports and imports, decide on interest subsidy scheme



Communications

- > Manage spam and pesky calling/messaging which also result in cyber frauds; improve quality of services for consumers, and tackle nagging call drops and patchy internet network
- > Enable adequate provision of spectrum and regular auctions as 5G networks expand and industry works on new solutions such as Machine-2-Machine (M2M)

Broadband subscriber base



conversations and Internet of Things

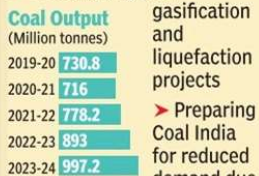
- > Restructure postal dept that is sitting on prime land and lost traditional business

Electronics & IT

- > Kickstart work on the new IT Law (Digital India Act), a bill that will be drafted after public consultations and other requisite processes
- > Look at giving scale to electronics manufacturing beyond smartphones by adding weight to making of laptops, servers, and telecom & IT products
- > Strengthen the work on semiconductor manufacturing, and create a new incentive scheme for new players looking at Indian market

Coal

- > Expanding washery capacity for reducing metallurgical coal import bill
- > Encouraging coal gasification and liquefaction projects
- > Preparing Coal India for reduced demand due to rising private competition



Petroleum

- > Bringing predictability & transparency in the fuel retail market, especially pricing
- > Bringing back foreign investors in exploration & production
- > Reforming natural gas pricing regime, ensuring viability of city gas networks

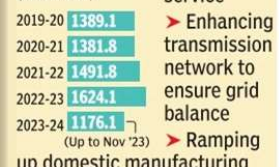
Crude Production



Power

- > Bringing in private players by separating carrier & content for improved service
- > Enhancing transmission network to ensure grid balance
- > Ramping up domestic manufacturing capacity for power plant gear

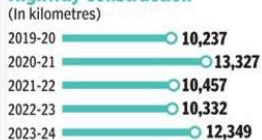
Electricity Generation



Transport & Highways

- > To get approval for new highway development programme to maintain the pace of NH construction
- > Need to focus on quality and timely completion
- > Reducing number of road deaths, injuries and crashes

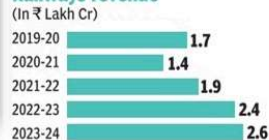
Highway construction



Railways

- > Increasing capacity to carry more passengers & cargo. Bringing down long waitlist and operating more trains
- > Expediting penetration of Vande Bharat, Amrit Bharat & Vande Metro trains
- > Enhancing safety

Railways revenue



Civil Aviation

- > Bringing aviation turbine fuel under GST for less hostile airline operating cost and affordable fares
- > Improve airports to create true aviation hubs
- > Hive off air navigation services from Airports Authority of India and strengthening DGCA and BCAS

Domestic flyers



Heavy Industry & MSMEs

- > Work out details of new electric four-wheeler policy quickly to get the likes of Tesla to invest
- > Ensure MSMEs grow, address their payment and loan related issues



Labour & Skilling

- > Implement labour codes in consultation with states
- > Revamp EPFO
- > Skilling has seen poor results, need to review architecture; implement PM-VIKAS aggressively



Tourism

- > Improve overall experience for tourists, including provision of quality taxi and hotel services
- > Improve infrastructure for hospitality sector



NTPC looks beyond power in capex play over 10 years

The firm plans to foray into production of various clean fuels, increasing its power generation capacity

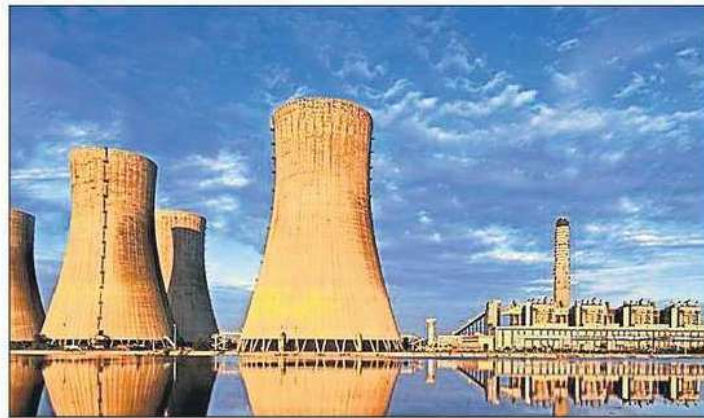
Rituraj Baruah

rituraj.baruah@livemint.com

NEW DELHI: State-run NTPC Ltd is planning capital expenditure of \$50 billion (₹4.17 trillion) over the next 10 years to become a true energy company from just a generator of power, according to two people aware of the company's plans.

The people said that India's biggest power generation company will spend \$5 billion each year over 10 years to foray into production of various clean fuels and also towards increasing its power generation capacity.

"The company is looking at a diversified role where NTPC may (metaphorically) stand for 'national transport, power and chemicals,'" the first person



NTPC will undertake the diversification activities itself with no plans for a subsidiary currently.

HT

cited above said on condition of anonymity. "There are major plans for methanol, ethanol, green hydrogen for transportation and also sustainable aviation fuel (SAF), for which it is already in talks with some airlines."

NTPC will undertake these activities itself with no plans for a subsidiary currently, although green hydrogen would be produced through its existing subsidiary NTPC Green Energy Ltd.

Queries sent to NTPC

remained unanswered till press time.

Sustainable aviation fuel has been a focus area for energy companies with the government announcing an indicative target of 1% SAF blending in jet fuel by 2027, which may gradually be increased to 2% by 2028 for international flights.

Already, oil refining and marketing companies such as Indian Oil Corporation Ltd (IOCL) and Bharat Petroleum Corporation Ltd (BPCL) have

forayed into the space with research underway for various modes of SAF production.

For the production and adoption of methanol as a clean fuel, NTPC is in talks with several shipping lines, the people cited above said.

Its first methanol plant is being constructed at the Vindhychal Thermal Power Plant in Madhya Pradesh, by Jakson Green, which deals in engineering, procurement and construction (EPC), and operations and management of new energy assets including solar, utility-scale, energy projects, among other green energy projects.

The plant, with a capacity of 10 tonnes per day, is likely to be completed by July, according to the second person cited above.

Thereafter, NTPC plans to set up another methanol plant with a capacity of 100,000 tonnes per year or nearly 274 tonnes per day. "NTPC is planning to set up another methanol plant with a capex of about ₹5,000-6,000 crore. The capacity will be 1 lakh tonnes per year," the second person said.

Organising for the energy transition

Greater effectiveness will come from improved organisation design in the Union government

ILLUSTRATION: AJAY MOHANTY



Sceptics about government bloat in India have long argued that the entire Union government ought to be fitted into 15 ministries and Raisina Hill. Every Cabinet formation is an opportunity to rethink the activities of the Union government. Many areas of mission creep are into areas where government involvement in the economy is unnecessary or even harmful. In the fields where the presence of government is required, the present organisation design often hinders performance.

The field of energy is one such. Multiple departments create an environment of silos. The Ministry of Coal pursues the objective of more coal. The Ministry of Renewable Energy pursues the objective of less coal, and the Ministry of Power pursues the objective of more electricity. The Ministry of Environment thinks about climate change but has little influence upon the energy ministries. This results in policy incoherence: Initiatives of different parts of the executive are in inconsistent directions.

This incoherence hampers the performance of the Union government within India (in its engagement with state governments, where the bulk of the electricity system lies) and outside India (in its engagement with the external world). Compared with many other fields, energy transition is one in which the external world matters more. Economic statecraft is harder to conduct when the policy strategy, and the national interest, is relatively incoherent.

Energy transition is not a unique problem where the structure of departments and ministries is faulty. In the Indian policy environment, bureaucratic inertia often trumps a rational organisation design. Similar

problems are found in transportation. The finance complex is also poorly organised: There is a Vijay Kelkar-chaired committee report titled "A Ministry of Finance for the 21st Century", and the first 24 years of the century have witnessed low improvements.

What is the present arrangement? Energy transition is the work of the following ministries or departments: (1) coal; (2) environment, forests and climate change; (3) new and renewable energy; (4) petroleum and natural gas; (5) power; (6) atomic energy (7) electric vehicles is at heavy industries; and (8) economic policy is at economic affairs. Most people would agree this is not a good arrangement. How could it be done better? There are five areas for work.



AJAY SHAH & AKSHAY JAITLEY

1. We need to rethink the list of departments. Do we need a Ministry of Coal and a Department of Atomic Energy? For example, there could be just two departments, one for carbon-based fuels and another for carbon-free fuels.

2. It is possible to fuse everything connected with energy into a single Ministry of Energy, which could have a Ministry of External Affairs-style structure with many departments headed by secretary-rank officers and then a leadership by one minister and one energy secretary. This delivers less than meets the eye, because the fundamental unit of government is the department, and under this solution, we would still have a proud Department of Coal, which is trying to increase carbon emissions.

Fusing a set of departments into a new ministry has ample precedent. There is a long history of departments moving from one ministry to another. Hence, such changes are quite feasible. It may make

sense to merge heavy industries into energy. But it would not make sense to merge the Department of Economic Affairs (DEA) into energy. The Allocation of Business Rules require a fresh look and many modifications to reflect the problem of energy transition.

3. To improve coordination among multiple ministers, there is a case for a Group of Ministers for Climate Transition, which brings together the eight or fewer ministers concerned with this. This is a good solution in that there is an institutional memory and bureaucratic capability around Groups of Ministers (GoMs). At the same time, such Groups have been a bit unsatisfactory in the past. A key limitation is that there is no technical secretariat that supports the Group: We are down to ministers competing for influence where each has been briefed by their officials based on the interests of their department.

The interests of existing energy departments could be partially addressed by having this GoM chaired by the Minister of Finance, who should have strategic economic policy capability in the DEA. A key failing of GoMs in the past was the lack of a technical secretariat. A group of research organisations can be drawn to work together as the technical secretariat to the GoM.

4. Alongside the traditional three branches of the state, we in India have a new concept of a state organisation, the regulators, which pack tremendous power through fusing executive, legislative, and judicial powers. Improving organisation design for energy transition requires rethinking these regulators also.

5. Alongside the organisation design of the executive branch, there is the problem of state capability in the legislative branch. Fragmentation at the level of Parliamentary Standing Committees can be solved by creating a unified Parliamentary Standing Committee on the Energy Transition and fusing the work of standing committees for seven of the eight departments into this. Here also, it will help to have a (different) group of research organisations supporting the Standing Committee.

India is unusual in having an excessively fragmented and sprawling Union government. It is interesting to see that in other countries also, where such a pre-existing problem was not present, new government structures have been established in recognition of the difficulties of climate change. In Germany, the Federal Ministry for Economic Affairs and Climate Action (BMWK) oversees energy transition policies. In France, the Ministry for the Ecological Transition focuses on climate change. In Spain, there is the Ministry for the Ecological Transition and the Demographic Challenge. In Uruguay, energy transition falls within a Ministry of Industry, Energy, and Mining. In Indonesia, energy transition is done through the Ministry of Energy and Mineral Resources. In the US, John Podesta is the "climate czar" who is playing a unique role. This solution, however, sits uneasily in the Indian constitutional arrangement, where the machinery of government is run through the Cabinet, Cabinet ministers, and departments.

Shah is a researcher at the XKDR Forum, and Jaitly is partner, Trilegal, and founder, Trustbridge

Saudis said to hand about 60% of Aramco offer to foreign funds

Bloomberg

Foreign investors are set to be allocated about 60 per cent of the shares on offer in Saudi Aramco's \$11.2 billion stock sale, people familiar with the matter said, marking a turnaround from the oil giant's 2019 listing that ended up as a largely local affair.

The deal generated strong demand from the US and Europe, according to the sources. Funds from the UK, Hong Kong and Japan also backed the share sale that drew orders worth more than \$65 billion in total, the people said.

During the oil giant's listing, overseas investors had largely balked at valuation expectations and left the government reliant on local buyers. The \$29.4-billion IPO drew orders worth \$106 billion, and just 23 per cent of shares were allocated to foreign buyers.



Funds from the UK, Hong Kong and Japan also backed the share sale that drew orders worth more than \$65 billion in total

Representatives for Aramco weren't immediately available to comment.

KEY DRAW

A key draw this time is the firm's dividend, which is one of the world's biggest. Investors willing to look past a

steep valuation and the lack of buybacks would cash in on a \$124 billion annual payout that Bloomberg Intelligence estimates will give the company a yield of 6.6 per cent.

Saudi Arabia drew enough bids to cover all shares within hours after it kicked off the deal. The offer closed Thursday and the kingdom stands to net at least \$11.2 billion in proceeds, excluding over-allotments — cash that will help fund a multitrillion-dollar push to transform the economy. The final pricing was towards the bottom half of a proposed range of 26.70 riyals to 29 riyals, though Aramco's stock has been trading below the top end since the deal was announced and closed at 28.30 riyals on Thursday.

The extent of foreign participation was closely watched, with Aramco's top executives holding a series of events in London and the US to drum up demand.

Will PSUs lose their thunder?

Manish Joshi
feedback@livemint.com

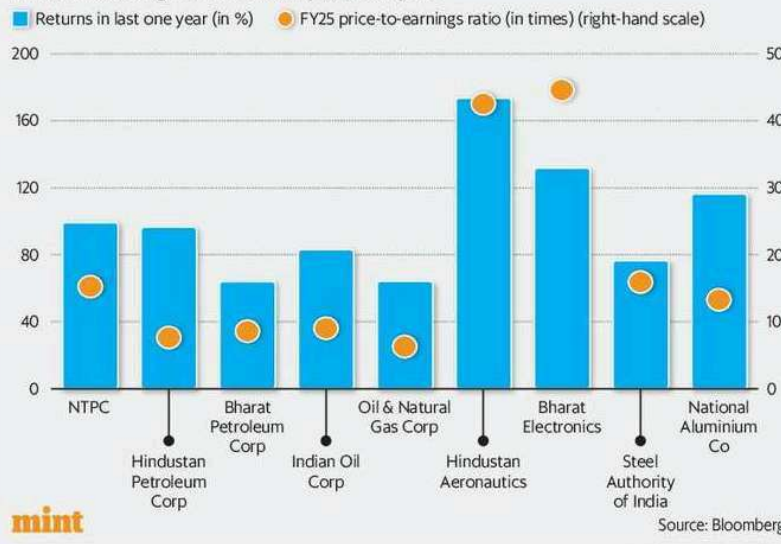
The shares of various public sector undertakings (PSUs) grabbed investor attention fuelled by the government's reforms. In the last one year, the S&P BSE PSU index zoomed by 94%, beating the benchmark index Nifty 50's 22% returns. But the Bharatiya Janata Party (BJP) failed to secure a majority on its own in the 2024 general elections.

So, formation of a coalition government exposes PSU stocks to certain risks. Coalition members would have some say in politically sensitive sectors like fuel and power that affect most of the population. Prominent PSUs in these sectors like Hindustan Petroleum Corp. Ltd (HPCL), Bharat Petroleum Corp. Ltd (BPCL) Indian Oil Corp. Ltd (IOC), Oil and Natural Gas Corp. (ONGC) and National Thermal Power Corp. (NTPC) are susceptible to populist policies that do not allow a fair return on capital with policy interference.

Fuel prices especially petrol, diesel and LPG play a crucial role in politics. The BJP government was conscious of allowing the oil marketing companies (OMCs) to recover their past losses cau-

In the limelight

The shares of public sector undertakings across industries have fetched mouth-watering returns in the past one year



mint

Source: Bloomberg

PRANAY BHARDWAJ/MINT

sed by absorption of the surging crude oil price. Hence, it did not ask OMCs to reduce fuel prices despite a fall in the average Brent crude oil prices in FY24 to \$82 per barrel from \$95 in FY23. As BJP had a majority of its own, it could do so. But now, there could be friction with partners to keep the fuel prices low irre-

spective of international crude oil price and OMC financial health.

Any negative for HPCL also impacts ONGC as the former is an ONGC subsidiary. As it is, upstream companies like ONGC are already not being allowed to benefit from higher crude oil prices owing to the windfall tax. It may be

asked to share some more burden of OMC if the need arises. The windfall tax was \$10 per barrel for ONGC when gross realization was \$82 per barrel in FY24.

JD(U), a key coalition party headed by Nitish Kumar, has state assembly elections in 2025. Kumar has been demanding electricity at subsidized rates from NTPC and other central producers. There could also be a demand for free agricultural power like Andhra Pradesh, under the control of TDP, also a coalition partner.

Even if NTPC is not going to directly offer the discounted power as the subsidy burden is generally borne by the state electricity boards (SEB) or distribution companies (Discoms), the financial health of Discom might be hit leading to overdue receivables for NTPC.

Before the Modi-led government came to power in 2014, SEB or Discom suffered financial distress with losses of over ₹3 trillion and debt burden of over ₹2 trillion. It was because of inefficiencies, high transmission and distribution losses, and financial mismanagement. The reforms saw the introduction of

several initiatives to address the financial and operational inefficiencies in the power sector, like Ujwal Discom Assurance Yojana (UDAY) scheme. The reforms could again get disarrayed.

Meanwhile, the PSUs in the defence sector are at a low risk of policy interference. Some companies like Hindustan Aeronautics Ltd (HAL), Bharat Elec-

tronics Ltd (BEL) are sitting on high order books of ₹94,000 crore and ₹76,000 crore. Based on FY24 revenue, the book-to-bill ratio i.e. order book to annual sales ratio of these two companies is almost at 3x and 4x that gives revenue visibility for the foreseeable future. The risk in these companies is timely execution and rich valuation multiple. Further, metal PSUs like SAIL and Nalco are immune from pol-

BALANCING OUT

COALITION MPs would have at least some say in sectors such as fuel and power

THERE could be potential friction with alliance partners to keep fuel prices low

icy changes by the government as their product prices are not as politically sensitive as fuel and power prices.

To conclude, notwithstanding the high dividend yield and low valuation of some of the PSU stocks, especially OMCs, risk averse investors may steer clear of them, for now.



ओएनजीसी को मुंबई हाई तेल क्षेत्र के लिए विदेशी भागीदारों की तलाश

नई दिल्ली (भाषा)।

सार्वजनिक क्षेत्र की कंपनी तेल और प्राकृतिक गैस निगम (ओएनजीसी) अपने प्रमुख तेल क्षेत्र मुंबई हाई में घटते उत्पादन की स्थिति बदलने के लिए विदेशी भागीदारों की तलाश कर रही है। इसके लिए उन्हें बड़े हुए उत्पादन से राजस्व का एक हिस्सा और एक निश्चित शुल्क की पेशकश की गई है। हालांकि, कोई इक्विटी हिस्सेदारी नहीं दी जाएगी।

ओएनजीसी ने एक जून को एक अंतरराष्ट्रीय निविदा जारी की, जिसमें कम से कम 75 अरब अमेरिकी डालर के वार्षिक राजस्व वाले वैश्विक तकनीकी सेवा प्रदाताओं (टीएसपी) को आमंत्रित किया गया। टीएसपी को क्षेत्र के प्रदर्शन की व्यापक समीक्षा करनी होगी और सुधारों की पहचान करनी होगी। साथ ही उत्पादन में सुधार के लिए उपयुक्त तकनीकी हस्तक्षेप और प्रथाओं को लागू करना होगा।

बोलीदाताओं से 10 साल की अनुबंध अवधि के दौरान तिमाही आधार पर वृद्धिशील उत्पादन के साथ ही बेसलाइन उत्पादन के बारे में बताना होगा। इसके अलावा बड़े हुए तेल और गैस उत्पादन की बिक्री से मिलने वाले राजस्व में उन्हें कितना हिस्सा चाहिए, यह भी बताना होगा। बोलियां 15 सितंबर, 2024 तक दी जानी हैं।



हरदीप सिंह पुरी: भारत की तेल कूटनीति का चेहरा

नई दिल्ली। नई संसद के निर्माण को आगे बढ़ाने और भारत को दो तेल संकटों से निकालने में अपनी कूटनीतिक सूझबूझ का परिचय देने वाले पूर्व राजनयिक हरदीप सिंह पुरी को अपने मंत्रालयों में घोटाला-मुक्त कार्यक्रम के लिए पुरस्कृत किया गया है। निवर्तमान मोदी सरकार में आवास एवं शहरी मामलों तथा पेट्रोलियम एवं प्राकृतिक गैस मंत्री रहे 72 वर्षीय पुरी, मोदी के नए प्रशासन में रविवार को शपथ लेने वाले मंत्रियों में शामिल थे। दिल्ली में जन्मे, 1974 बैच के भारतीय विदेश सेवा (आईएफएस) अधिकारी पुरी दिल्ली विश्वविद्यालय (डीयू) के हिंदू कॉलेज में अपने छात्र जीवन के दौरान अखिल भारतीय विद्यार्थी परिषद से जुड़े। 2014 में सेवानिवृत्त होने के बाद वे आधिकारिक रूप से भाजपा

में शामिल हो गए। उन्हें सितंबर, 2017 में आवास और शहरी मामलों के लिए राज्य मंत्री के रूप में मंत्रिपरिषद में शामिल किया गया था। मई, 2019 में नागरिक उड्डयन राज्य मंत्री और वाणिज्य और उद्योग राज्य मंत्री का अतिरिक्त प्रभार दिया गया था। जुलाई, 2021 में उन्हें केंद्रीय मंत्री के रूप में पदोन्नत किया गया और आवास और शहरी मामलों के साथ-साथ पेट्रोलियम और प्राकृतिक गैस मंत्रालय दिया गया।