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Green agenda of Modi 3.0

In his very first speech to party workers after the election results were announced, Prime Minister Narendra Modi talked about the unfolding "green era" and how India seeks to be a leading player in green industrialisation, green energy, and green mobility. This gives an indication of the priority that will likely be attached to a green development path.

In terms of green energy — mainly solar and wind — India already figures among the top countries in annual additions, and is working on expanding the domestic manufacturing base to support this. Every country that is trying to localise manufacturing is facing unique challenges. For instance, policy is continually being tweaked in the US to ensure that the combination of incentives and disincentives for domestic manufacturing remains compelling, while generation capacity addition is also appropriately supported. With the elections in India wrapped up and Renewable Energy Minister Pralhad Venkatesh Joshi in charge, there is now scope to dynamically balance multiple objectives and meet specified goals.

VANDANA GOMBAR

As the demand for electricity hits new highs in the face of extreme heat, there is a case for increasing the share of renewable energy at an accelerated pace. According to the latest data from the Central Electricity Authority, pertaining to April 2024, renewables (including large hydro) make up almost a fifth of the country's generation. Solar accounts for almost half of this output, followed by large hydro and wind power.

The green mobility wave has seen a bit of a slowdown globally. Under *BloombergNEF*'s Economic Transition Scenario, which tracks how current techno-economic trends are expected to drive the energy transition with no new policy intervention, electric car sales are set to rise from 13.9 million in 2023 to over 30 million in 2027. Over this period, electric car sales are expected to grow at an average of 21 per cent annually, compared to the average of 61 per cent between 2020 and 2023. India is expected to be among the fastest-growing markets in the emerging economies. The entry of players like Vietnam's Vinfast and Tesla could give a boost to the market.

Meanwhile, there may be lessons to be gained from the decision of the European Union last week to impose additional tariffs on electric cars shipped from China starting in July. The Commission said it had "provisionally concluded that the battery electric vehicles (BEV) value chain in China benefits from unfair subsidisation, which is causing a threat of economic injury to EU BEV producers."

The initial economic road map of India's new administration will become clearer with the presentation of the Budget. Mr Modi reiterated the country's commitment to net-zero emissions by 2070 at the recent G7 Summit in Italy.

EVs and oil: *BNEF* estimates that EVs of all types and fuel-cell vehicles could displace almost 4 million barrels of oil per day by 2027 — more than double the current level of demand destruction. It also expects peak road fuel demand by 2027. For context, oil demand is estimated at almost 104 million barrels per day in this quarter, according to the Organization of the Petroleum Exporting Countries.

Under *BNEF's* Economic Transition Scenario, oil demand would have been 6.6 million barrels per day higher in 2030 were it not for these vehicles.

While some automakers have diluted their near-term EV goals, there are multiple tailwinds supporting long-term growth: Lower-cost batteries, expanding charging networks, and new cost-competitive vehicle models. Sales of internal combustion engine vehicles have peaked in 2017, according to *BNEF*, and are projected to fall 29 per cent from this point by 2027.

Energy storage: A group of novel technologies that can store energy for very long hours could challenge the domination of lithium-ion batteries in energy storage. BNEF's first Long-Duration Energy Storage (LDES) Cost Survey shows that while most of these technologies are still early stage and costly, some already achieve lower costs than lithium-ion for longer durations. Thermal energy storage and compressed air storage are the least expensive LDES technologies. Others include flow batteries, novel pumped hydro storage and gravity energy storage. LDES has a critical role to play in a renewables-led power system.

India has so far held three auctions for two-hour energy storage, which were heavily oversubscribed. They are unsubsidised but India now plans to support 4 Gw-hours of battery projects with ₹9,400 crore ($1.1 billion) in subsidies to be allotted over multiple auctions. "The subsidy plan will draw strong interest from battery developers as the guidelines are highly favourable to them. They are not exposed to any market risk and will get full subsidy payment at the end of three years of the battery's operation," said Rohit Gadre, *BNEF's* lead India analyst on batteries.

The writer is a New York-based senior editor – global policy for BloombergNEF; vgombar@bloomberg.net

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Inside ONGC's call for foreign companies at Mumbai High

Rajeev Jayaswal
letters@hindustantimes.com

NEW DELHI: State-run Oil and Natural Gas Corporation's (ONGC) decision to invite a tender on June 1 to engage an international firm to enhance oil production from its flagship Mumbai High came after an in-house committee on May 30 said the oil field was facing an "alarming state of decline", according to documents seen by *HT*.

The six-member committee, which was constituted by ONGC on May 16, took just 14 days to conclude that the field was facing "alarming rate of production decline and suboptimal performance of decline-arresting measures by ONGC". It suggested that the company "publish an NIO (notice inviting offer or tender) pending sanction". *HT* has reviewed a copy of the report. Mumbai High (MH), formerly Bombay High, is a giant offshore oil and gas producing field active for over four decades, which is located at 165km off the Mumbai coast.

That the tender was raised days before a new government was to be formed at the Centre has led to doubts being raised by auditors and experts, according to people aware of the matter.

Two officials with direct knowledge of the matter said on condition of anonymity that ONGC should have waited for the formation of the government at the Centre and for the "explicit approval of the competent authority" before floating the tender of a service contract for the national asset to a private entity for about 15 years.

"The MH field is a prized national asset and post-facto approvals of competent authority for such important public assets should be avoided," one of them said. "It is not as per the CVC [Central Vigilance Commission] guidelines," one official said.

The in-house committee was constituted by ONGC's director-production on May 16 amid the ongoing general elections, and

ONGC had invited a tender on June 1 to engage international firms to enhance oil production from Mumbai High. REUTERS

the tender was floated three days before the poll results were declared. "Ideally, ONGC should wait for the new government to assume charge," a second official said.

The Modi 3.0 government took over the charge on June 9. ONGC, its director-production, the petroleum ministry, CVC, and the Comptroller and Auditor General (CAG) of India did not respond to email queries on this matter. "The committee also proposed ONGC to engage KPMG as consultant to advise on the engagement of TSP (technical service provider) and develop a business model on a nomination basis [without inviting open bids] to avoid any delay, which is also in contravention of Central Vigilance Commission norms," the second official said.

"It is recommended to engage M/s KPMG as commercial /managerial /legal consultant on nomination basis for a period of 12 months," the committee said in its report.

According to a June 5 post on X, ONGC said that it was "keen to engage an internationally proven Technical Service Provider to enhance production from its maturing Mumbai High field on the Arabian Sea". The service provider would be identified through an international competitive bidding (ICB), already floated on June 1, 2024, with due date for bid submission on September 15, 2024, it added.

"The giant multi-layered Mumbai High field, which commenced production 48 years ago in 1976, is currently in its mature stage of production, and ONGC has implemented a number of schemes in this field to improve production. Mumbai High is one of the prime assets of ONGC and significant upside is still to be unlocked here if ONGC applies best-in-class reservoir management technologies and adopt globally best operational and management practices," ONGC said in the post.

As a custodian and operator of Mumbai High field, ONGC is keen to collaborate with a global TSP, it said. "The service provider would be contracted 10 years, extendable by another five years," it added.

"The identified service provider would carry out a comprehensive review of field performance and identify improvements in Wells, Reservoir including water injection, and Facilities Management (WRFM). It would suggest and help implement suitable technological interventions to improve production. Integrated reservoir / FEED studies and development of detailed work plan for field development would also be within the scope of work," it said.

All international oil and gas majors, with an annual revenue above $75 billion, are invited to participate in this ICB, it added.

The Mumbai High field had a peak production of 471,000 barrels of oil per day (BOPD) in March 1985, which fell to 176,000 BOPD in April 2018 and 134,000 BOPD in April 2024. According to an estimate, it still has very significant oil reserves (OOIP of 1,821.28 MMT).

Former ONGC Videsh Ltd managing director NK Verma said: "This is not only the bread and butter of ONGC, but also a crown jewel of India. It must not be given away to multinationals for 15 years when ONGC has in-house talent. It only needs will power and the government's support. All technologies and resources are globally available and also accessible to ONGC."

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Jaishankar to visit Colombo on June 20 to review joint projects

Meera Srinivasan
Colombo

External Affairs Minister S. Jaishankar will arrive in Colombo on June 20, in his official first visit to a neighbouring country since the BJP-led National Democratic Alliance's (NDA) coalition government assumed charge in India earlier this month.

Confirming his Indian counterpart's visit, Sri Lanka's Foreign Minister Ali Sabry told *The Hindu* on Tuesday that projects that India and Sri Lanka have agreed to jointly implement will be reviewed.

"We will review progress in projects in various sectors, such as renewable energy and connectivity, and look at ways to expedite them," Sabry said.

MODI'S VISIT

Prime Minister Narendra Modi's possible visit to Sri Lanka this year will also be discussed, he said. In addition to holding talks with the Sri Lankan leadership, Jaishankar will meet politicians across Sri Lankan political parties that are preparing for the national elections scheduled this year.

External Affairs Minister S Jaishankar PTI

On June 10, Jaishankar called on President Ranil Wickremesinghe, who was in New Delhi, for the swearing-in ceremony of Prime Minister Modi. Following the meeting, Wickremesinghe's office said Jaishankar spoke on the "swift resumption of development projects initiated in Sri Lanka with Indian investments, which had been halted midway."

Further, Jaishankar highlighted plans for an industrial zone in the eastern district of Trincomalee to be established by the Indian government, which "will attract numerous Indian investors and potentially investors from other countries", the statement said.

In a joint vision statement released during President Wickremesinghe's visit to New Delhi in July 2023, the two countries noted that the ongoing cooperation in developing the Trincomalee oil tank farms was "a reflection of our endeavour to develop mutually beneficial cooperation projects". Further, they agreed to develop Trincomalee as "a national and regional hub of industry, energy and economic activity". India is partnering with Sri Lanka in its push for renewable energy, through solar, LNG and wind power projects in the island nation's north and east.

However, the $ 442-million wind energy project of Adani Green has run into trouble, with at least two cases filed in Sri Lanka's Supreme Court recently, challenging it on grounds of environmental impact.

Meera Srinivasan is The Hindu Correspondent in Colombo

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Opportunity beckons as oil prices soften

Any reduction in the import bill will bring relief as it helps in bridging the fiscal deficit

SUSHMA RAMACHANDRAN
SENIOR FINANCIAL JOURNALIST

BEARISH: It is a favourable time to bring petroleum products under the GST ambit. ISTOCK

AS the new government prepares for its first Budget, it will have an unexpected bonus of global oil markets remaining bearish. It was earlier expected that geopolitical tensions and supply cuts imposed by OPEC (Organisation of Petroleum Exporting Countries) Plus would lead to prices firming up, but this has fortunately not happened. Instead, the markets are subdued and the prospect of a Gaza peace agreement as well as slowing world demand has brightened chances of a moderate price scenario continuing for the rest of 2024.

The impact of international crude oil prices on the Budget is considerable given the sizeable outgo of foreign exchange on crude oil purchases from abroad. Any reduction in the import bill will bring welcome relief as it helps in bridging the fiscal deficit, which is set to drop to 5.1 per cent in 2024-25. The cost of imports in 2023-24 was estimated at $132.4 billion, slightly lower than the $157.5 billion spent in 2022-23. The shrinkage was largely due to the fall in average oil prices over the past two years, along with some savings on account of buying Russian crude at discounted rates.

The outlook on the oil front had in April been rather dismal. At the time, crude prices had shot up to $90 per barrel for the benchmark Brent crude after having been below $80 since January. The spike occurred due to an escalation of the West Asia crisis, with Iran launching strikes against Israel. Prospects looked dim then for any improvement in view of deepening geopolitical tensions as well as the determination of OPEC Plus to expand production cuts. In the case of the former, the West Asia conflict initially had little impact on oil markets, but the attacks of Yemen-based Houthi rebels on merchant shipping had created ripples. There were also concerns that oil supplies from the region could be affected in case there was a disruption of shipping through the key choke point of the Strait of Hormuz. Any blockage at this point, which accounts for the bulk of crude movement from the region, could have affected India's oil shipments.

The situation has eased somewhat in recent months, though merchant shipping going through the Suez Canal is still affected by the depredations of the Houthi rebels supporting the Palestinian cause. For the time being, crude oil movement is continuing without any serious disruption. There is even a glimmer of hope that efforts to reach a pause in the Israel-Hamas conflict could conceivably succeed.

As for OPEC Plus — the cartel which now includes Russia and its allies — it announced voluntary output cuts by members

> The moderation in global prices will ensure that retail rates of products like petrol, diesel and liquefied petroleum gas are contained at existing levels.

amounting to 2.2 million barrels per day (bpd) last year in a bid to prop up the market. These are being phased out from October this year. This is much earlier than anticipated, thus ensuring that the bearish market trends will continue at least for this year. OPEC Plus, however, retains the mandatory production cuts on members, amounting to 3.66 million bpd up to 2025.

The early phaseout decision, along with reports of lower demand in the world's biggest oil importer, China, has strengthened the softening trend in oil prices. Besides, output from non-OPEC producers is rising rapidly and oil inventories are growing further. This includes the US, Canada, Brazil and Guyana.

The result is that oil prices are now in the range of $80-83 per barrel, much lower than earlier anticipated for this year. This is a far cry from last year's prediction by Goldman Sachs that crude would touch $100 by the end of 2024. Current price trends are at variance with earlier forecasts.

For a country like India, this is a huge relief as it imports over 85 per cent of its fuel requirements. The moderation in world prices will ensure that retail prices of products like petrol, diesel and liquefied petroleum gas are contained at existing levels. This is critical to keep inflationary pressures in check as any hike in rates, especially of diesel, has a cascading effect on the economy.

It also must be recognised that petroleum products, being out of the ambit of the Goods and Services Tax (GST), are viewed as the perennial cash cows to shore up state government revenue. The Karnataka government, for instance, has just hiked retail rates of petroleum products, evidently in a bid to boost revenue. A look at the levies on these products by various states is illuminating as it shows high tax levels. Most states impose a value-added tax, while others like Karnataka and Kerala levy sales tax on petrol and diesel.

The exclusion of alcohol and petroleum products at the time of launching GST was based on the premise that sufficient revenue may not be available from the new tax to meet the states' needs. These two areas which provide enormous revenue were thus kept in the hands of the state governments which were concerned at the time about GST providing sufficient resources for their developmental schemes. Karnataka, for instance, is obviously in need of funds to finance new welfare programmes. Taxing petroleum products is the easy way out to raise these much-needed funds.

But the situation has altered dramatically since GST was launched in 2017, with revenue inflows rising rapidly over the past two years. These reached a peak of Rs 2.1 lakh crore in April. Concerns over adequate revenue are obviously misplaced now with the buoyancy in GST collections. Clearly, it is time for crude and petroleum products to be brought under the fold of this countrywide tax. The final decision lies with the states in the GST Council, but the Central Government will also have to bite the bullet and push for the inclusion of petroleum. This will ensure that taxation policies related to this critical fossil fuel are implemented in a uniform manner throughout the country.

It will also enable the formulation of overarching policies that will prioritise the country's strategic interests on the energy front. The fact that global oil markets are softening right now makes it a favourable time to go ahead with such a move.

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States earn as much as 11-17% of tax revenue from petroleum

Jayant Pankaj
Chennai

Even as the Centre mulls levying Goods and Services Tax (GST) on petrol, diesel and Aviation Turbine Fuel, data show that States earn significant tax revenue from petroleum, which makes up close to one-fifth of own tax revenue in case of some States.

How GST on fuel affects States

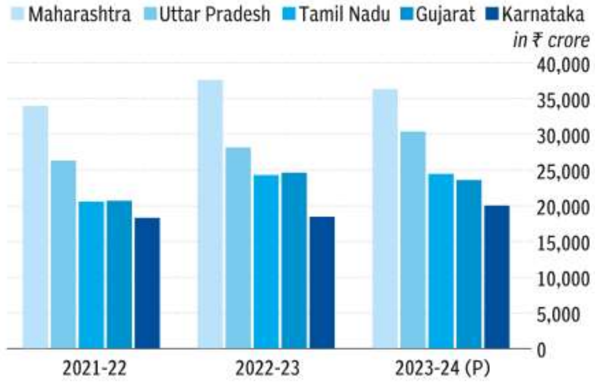
Petroleum tax makes a huge chunk of SOTR

% share of petrol tax out of own tax revenue

State/UT	2021-22	2022-23	2023-24
Gujarat	21.2	19.6	17.6
Tamil Nadu	16.8	16.2	14.6
Maharashtra	15.4	13.6	12.1
Uttar Pradesh	13.6	12.7	11.9
Karnataka	14.2	12.2	11.5

Large States gain big from petroleum tax

Petroleum tax of top five States in India



Source: CAG Monthly Bulletin, PPAC

DATA FOCUS.

Tax on petroleum makes up 11-17 per cent of the States' own tax revenue of the top five States in FY24, as per analysis of data from the Petroleum Planning and Analysis Cell (PPAC) and Comptroller and Auditor General of India (CAG). Even in the previous years of FY23, FY22, and FY21, the share of petrol tax stood at similar proportion.

Gujarat, Tamil Nadu, and Maharashtra have the highest share of tax revenue generated from petroleum in FY24 relative to their total own tax revenue at 17.6 per cent, 14.6 per cent and 12.1 per cent, respectively.

Oil Minister Hardeep Singh Puri recently remarked about the Centre's plans to levy GST on petrol and other fuels, but analysts note that this could pose a challenge for States as they are heavily reliant on this tax revenue due to the inelastic nature of fuel demand.

SIGNIFICANT HURDLES

Fuel prices are calculated based on several indicators such as the base price of crude oil, excise duty, dealer's commission and charges and value added tax (VAT) and it varies across States.

In 2023-24, Maharashtra, Uttar Pradesh (UP) and Tamil Nadu led the tally in tax revenue from petroleum with collections of ₹36,359 crore, ₹30,411 crore and ₹24,470 crore, respectively, as per PPAC's provisional data.

"While bringing petrol and diesel under GST could streamline the tax system and reduce fuel costs, it poses a significant challenge for States heavily reliant on fuel tax revenues. Effective strategies and negotiations will be crucial to managing the transition and ensuring fiscal stability" Krishan Arora, partner, Grant Thornton Bharat said. States may seek a larger share of central government transfers or grants as an interim relief measure until State revenues stabilise, he added.

Maharashtra's tax revenue from petroleum increased from ₹27,190 crore in 2018-19 to ₹36,359 crore in 2023-24 (P), registering a 34 per cent growth.

Similarly, UP's tax revenue on petroleum grew from ₹19,167 crore to ₹30,411 crore during the same period, recording a 59 per cent growth. The overall tax revenue growth from petroleum products for all Indian States has seen a significant rise over the past decade. In 2014-15, States collectively collected ₹1.37-lakh crore from petroleum taxes, which increased to ₹2.92-lakh crore in 2023-24, a CAGR of roughly 8 per cent over the 10-year period.

While excise duty on petroleum products is uniform nationwide, States impose their own VAT, leading to significant variations in prices. Telangana imposes the highest VAT on petrol at 35 per cent, followed by Andhra Pradesh at 31 per cent.

To levy GST on petrol, diesel and ATF, the Ministry of Petroleum and Natural Gas will have to pass a recommendation to the Finance Ministry, which will then be taken forward to the GST Council to implement the changes.

DAINIK SAVERA, Panipat, 19.6.2024
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उपभोक्ताओं की रसोई गैस की जांच कर रहे कर्मचारी : मोहम्मद अमीन

सवेरा न्यूज/अक्षय

हमीरपुर, 18 जून : मंडल एलपीजी विक्रय प्रमुख मोहम्मद अमीन ने मंगलवार को बताया कि इंडियन गैस वितरक के डिलीवरी मैन सहित सुरक्षा जांच करने वाले कर्मचारी उपभोक्ताओं की रसोई तक पहुंच कर रसोई की जांच कर रहे हैं। इस अभियान के माध्यम से कॉरपोरेशन द्वारा अपने सभी घरेलू उपभोक्ताओं को एलपीजी के सही एवं सुरक्षित उपयोग के बारे में जानकारियां उपलब्ध करवाई जा रही हैं। उन्होंने कहा कि एलपीजी सिलेंडर उपभोक्ता को हर 5 सालों में इस्तेमाल की जा रही गैस पाइप को बदलना अनिवार्य है। कई बार हॉज पाइप में दरार आने तथा दोनों छोर पर ढीलापन आ जाने के कारण गैस लीकेज की आशंका हो सकती है। इस दौरान उपभोक्ता अपने पुराने हो चुके गैस पाइप को मौके पर 150 रुपए की कीमत चुका कर बदलवा सकते हैं। इसका वास्तविक मूल्य 190 रुपए है। इस विशेष सुरक्षा जागरूकता अभियान के तहत 40 रुपए की छूट भी मौके पर ही मिल रही है। सुरक्षा जांच करने वाले कर्मचारियों द्वारा उपभोक्ता की रसोई घर में जांच की जा रही है, उसके रजिस्टर मोबाइल नंबर पर ओटीपी आएगा और संबंधित उपभोक्ता द्वारा एलपीजी सुरक्षा जांच से संतुष्ट होने के पश्चात इसकी पुष्टि करने के उपरांत की सुरक्षा जांच पूरी की जाएगी। वर्तमान में प्रदेश में सभी 12 जिला में सुरक्षा अभियान को सभी 153 इंडियन वितरक द्वारा प्राथमिकता से चलाया जा रहा है।