MILLENNIUM POST, Delhi, 20.11.2024
Page No. 10, Size:(8.68)cms X (10.16)cms.

# OIL inks technical service pact with TotalEnergies

**NOIDA:** Oil India Limited (OIL) and TotalEnergies inked a Technical Service Agreement in Paris on November 18, 2024 to facilitate collaboration between Oil India Limited and TotalEnergies with specific focus on drilling of stratigraphic wells in Indian Offshore waters.

The Stratigraphic well campaign, a flagship initiative of the Ministry of Petroleum & Natural Gas, Government of India is foreseen to open up new vistas for hydrocarbon exploration and development in Deep and Ultra-deep offshore acreages through acquisition of critical subsurface data, Petroleum System Modelling studies and shall be a primer in defining upon and substantiating the hydrocarbon potential in Indian Offshore Basin.

The collaboration marks a significant milestone in India's offshore Hydrocarbon exploration impetus and will leverage the technical know-how and expertise of TotalEnergies in Deep & Ultradeep drilling in offshore waters across the globe.

The engagement and exchanges shall go a long way in driving exploration & unlocking the hydrocarbon potential in Offshore waters of India and encouraging investment by international oil companies in E&P sector of India. MPOST

# Top banks scramble for PSU refinery's ₹27,000 crore loan

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MUMBAI

India's top lenders are falling over each other to finance a ₹39,000 crore refinery being set up by Chennai Petroleum Corp. and Indian Oil Corp. in Tamil Nadu, in one of the largest corporate loan deals in recent times.

State-owned banks like State Bank of India (SBI), Bank of Baroda (BoB) and Punjab National Bank (PNB) are among six lenders which have bid for the loan, two bankers aware of the development said. Of the ₹39,000 crore, 70% or about ₹27,000 crore would be debt, and the rest equity.

Established in January 2023, Cauvery Basin Refinery and Petrochemicals Ltd (CBRPL) is planned as a 75:25 joint venture between Indian Oil Corp. Ltd and Chennai Petroleum Corp. The proposed nine million tonnes per annum (mtpa) refinery will come up at Nagapattinam.

The loan's interest rate is likely to be linked to SBI's three-month marginal cost of funds-based lending rate or MCLR, the two people cited above said on the condition of anonymity. Following a recent revision, SBI's three-month MCLR now stands at 8.55%.

State Bank of India has bid for the entire loan. MINT

"It will also have a spread over the MCLR rate, but pricing details will be available later," said the first banker cited above. "There is a lot of demand for public sector projects, and we have seen banks trying to corner as much as possible, given the low risk profile of such projects."

SBI has bid for the entire loan while others have put in bids for smaller chunks, one of the two bankers said.

"This is not similar to projects where SBI has underwritten the whole loan and then downsold it to other lenders. This is a bidding process where allocations would happen later, and many banks

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# Top banks scramble for PSU refinery's ₹27,000 crore loan

FROM PAGE 1

have already lost out on the opportunity," said the second banker, also on the condition of anonymity. He said the loan is expected to have a fine pricing since the project is backed by a state-owned company.

Emails sent to Indian Oil, Chennai Petroleum, SBI, PNB and BoB remained unanswered.

Interest in the mega loan comes at a time banks are trying to make up for the decline in retail loan demand following regulatory diktats around unsecured loans. Aggregate retail loan growth dipped 13.4% year-on-year (y-o-y) in September, against 30% last year. On the other hand, credit to industries—small, medium and large—grew 8.9% in September, up from 6.5% in the same period last year.

"Given the slowdown in the retail lending segment, banks may actively pursue opportunities in corporate credit, even if it comes at finer yields," said Anil Gupta, senior vice-president, co group head of financial sector ratings, Icra Ltd.

Interest in the loan comes as banks try to make up for the fall in retail loan demand. MINT

Accordingly, bank credit flow to corporates is expected to improve, although they will face significant pricing competition from the debt capital markets for highly rated corporate entities, added Gupta.

Bankers have been waiting for a revival in corporate loan demand for several quarters now.

While there has been some pickup, there are several more in the pipeline. For instance, SBI has a corporate loan pipeline of ₹6 trillion, comprising loans that have been approved but are yet to be disbursed or availed of. Its corporate loan book grew 18.4% y-o-y in the three months through September to ₹11.6 trillion, at a faster clip than its overall loan book.

Ashwini Kumar Tewari, managing director, corporate banking and subsidiaries, at SBI explained how the bank managed this corporate loan growth.

"(For the) last one and a half years, they (my team) have been planning for this, contacting corporates, understanding their business plans, and actually trying to fit in where we can. Therefore, we approach them much before time," Tewari told analysts on 8 November.

"This is all about conversation and being in the right place, and we expect to see good growth in this (corporate loan segment). Of course, we are selective; we don't want to compromise on asset quality at all."

गेल GAIL

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# IGL, MGL face perils of policy

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City gas distributors Indraprastha Gas Ltd (IGL) and Mahanagar Gas Ltd (MGL) have suffered two consecutive blows in a month. The government has reduced the supply of cheaper natural gas by 20% for IGL and 18% for MGL, effective 16 November. This follows a previous reduction of 21% for IGL and 20% for MGL, effective 16 October.

Cumulatively, the cut is around 36% each from the original allocation made a month ago, as the production of domestically supplied gas under the administrative price mechanism (APM) has declined. Consequently, MGL and IGL stocks have lost steam, falling 14% and 20%, respectively, over the last two trading sessions.

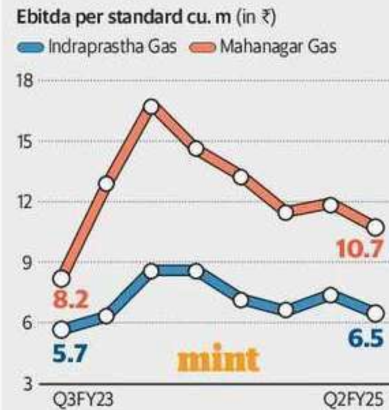
The price and source from which these companies meet the shortfall are crucial now. For perspective, APM gas is priced at $6.5 per mmbtu and non-APM domestic gas at $8-9 per mmbtu. Spot LNG is even higher at $14 per mmbtu. In the September quarter (Q2FY25), while IGL's gas sourcing consisted of 50% APM gas, for MGL it was 71% given the former's larger sales volume.

Currently, CNG is priced cheaper than petrol and diesel by at least 10-15%. MINT

## Fizzling out

Indraprastha Gas is more vulnerable to cuts in APM gas supply than Mahanagar Gas due to lower margin

Ebitda per standard cu. m (in ₹)




Ebitda is earnings before interest, tax, depreciation and amortization

Source: Company data

SATISH KUMAR/MINT

To maintain its FY25 Ebitda margin guidance of ₹6-7 per standard cu. m (scm), IGL will have to raise the price of compressed natural gas (CNG). The management had indicated an increase of ₹5-6 per kg after the first reduction of 21% in October. This should rise further after the second cut in APM gas supply, assuming the usage of regasified LNG bought from short-term tendering.

MGL's guided range of Ebitda per scm of ₹10-12 for FY25 is also at risk if it doesn't increase prices or find cheap natural gas supply. IGL's relatively lower base margins than MGL means it needs to hike prices more desperately than MGL.

The price increase may need to be smaller as the government could provide some support in the form of either lower excise duty or putting it under the goods and services tax (GST) regime. Currently, the central government levies a 14% excise duty on CNG. As the government wants to increase the share of natural gas in the total energy basket from 7% at present to 15% by 2030, some relief on the excise duty front cannot be ruled out.

But is it possible to maintain Ebitda margin without sacrificing volumes to alternative fuels such as petrol and diesel? Understanding the economics of fuel becomes important here. Petrol and diesel are sold in litres and CNG in kilogram. Currently, CNG is priced cheaper than petrol and diesel by at least 10-15%, with some variation in Delhi, Uttar Pradesh and Haryana, where the IGL has its operations.

For MGL, which mainly operates in Mumbai and Thane, CNG's discount to petrol and diesel is in the range of 10-20%. Even if all three are priced at the same level, CNG still offers advantages of relatively clean fuel and operational efficiency in terms of higher mileage.

**MARGIN PRESSURE**

**IGL** and MGL have seen a supply cut of around 36% from the original allocation made a month ago

**THE** price and source from which these companies meet the shortfall are crucial now

Meanwhile, the IGL and MGL managements have stated that they are evaluating price hikes for CNG, but have not finalized anything so far. The uncertainty keeps these stocks exposed to further earnings downgrades. In CY24 so far, MGL's stock is down 6%, while IGL has declined 23%.

There is a lurking threat from electric vehicles and concerns over sustainability of margins remains. On the other hand, if these companies can source natural gas on a long-term basis, either from non-APM blocks domestically or from imports, there is potential for some revival in stocks.

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METHANE DETECTION & MEASUREMENT

# TotalEnergies & OIL ink pact to carry out campaigns at OIL sites

**PARIS:** TotalEnergies and Oil India Ltd (OIL) signed a Cooperation Agreement to carry out methane emissions detection and measurement campaigns using TotalEnergies' pioneer AUSEA1 technology at OIL sites in India.

State-owned enterprise OIL recently joined the Oil and Gas Decarbonization Charter (OGDC), a global industry initiative launched at COP28, co-chaired by TotalEnergies' CEO. The OGDC's ambition is to work towards net-zero operations by 2050, as well as near-zero upstream methane emissions and zero routine flaring by 2030. Moreover, OGDC members are committed to measuring and publicly reporting progress.

In line with the OGDC's principle of sharing good practices, TotalEnergies makes this technology available to other operators among the signatories, as an effective and recognized tool to detect, measure and eventually abate methane emissions on their own assets.

Mounted on a drone, the AUSEA gas analyzer, developed by TotalEnergies and its R&D partners, consists of a dual sensor capable of detecting methane and carbon dioxide emissions, while at the same time identifying their source. This technology marks a step change in methane emissions detection and measurement compared to traditional techniques. By allowing access to hard-to-reach emission points, on all types of industrial facilities, both offshore and onshore, AUSEA is reputed as one of the most accurate technologies in the industry. MPOST

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# Why Big Oil doesn't mind big regulation

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Donald Trump has promised to remove Biden-era regulatory barriers to drilling oil and gas, and that has become even easier with Republicans' House majority. Over the weekend, Trump nominated Chris Wright, an outspoken fossil-fuel champion, as energy secretary, further cementing the new administration's pro-drilling stance. It isn't exactly music to the ears of the biggest oil producers, though.

Take methane emissions regulation, which the Trump administration might roll back. Industry lobbying groups such as the American Petroleum Institute and the American Exploration and Production Council oppose the methane fee that was part of the Inflation Reduction Act. The fee starts at $900 per metric ton of methane emissions from operations—such as from wells and pipelines—that exceed a specified level this year, and steps up gradually to $1,500 in 2026 and beyond. Interestingly, Exxon Mobil has expressed support for the methane fee, and TotalEnergies' chief executive has warned that rolling back methane regulations would ruin the industry's reputation.

Leading oilmen haven't suddenly become Greenpeace activists—strict regulations tend to work in their interest. Larger companies can afford to comply with them while smaller ones often can't. Stringent rules can put these smaller companies out of business or force them to sell to larger producers. Notably, producers that had higher methane intensity than peers back in 2020—such as PDC Energy and Callon Petroleum—have since been gobbled up by larger companies.

In a press briefing on Tuesday, API Chief Executive Mike Sommers said all of its members believe that the methane fee—as proposed by the Biden administration—is excessive, but that there is a split between some members who think some kind of fee is reasonable and others who want to see it scrapped altogether.

It isn't yet clear exactly how much companies might owe in methane fees—the Environmental Protection Agency's final rules on that were only announced on Tuesday. Based on analysis conducted earlier this year, Wood Mackenzie U.S. upstream energy analyst Ryan Duman suspects the fees will probably hit the smaller producers disproportionately while some of the biggest producers might not even be subject to them. Small-capitalization oil and gas producers' methane intensity declined by a third between 2019 and 2023, while that of major oil companies fell by 57% over that period, according to data from Wood Mackenzie.

THE WALL STREET JOURNAL.

Other barriers to drilling under Biden were more burdensome to smaller companies and are likely to get eased under Trump. Greater environmental scrutiny in the permitting process for leasing on federal lands, for example, has increased the amount of legwork companies need to do to get drilling permits, according to Duman. Smaller companies simply don't have access to the same resources to get through those processes.

Another Biden-era order that will almost certainly get reversed is the pause on liquefied natural gas export permits. A permanent ban would have been bad news for all prospective U.S. LNG exporters, but the pause probably made it easier for the incumbents to negotiate contracts with potential buyers.

Sure, Biden pushed enormous subsidies for green energy and tried to discourage fossil-fuel production, but his term hasn't been so shabby for big oil companies. In the four years through the end of 2024, the four largest companies in the S&P Oil & Gas Exploration & Production Industry Index are expected to have generated more than $330 billion in free cash flow, according to FactSet. Under Trump, they generated just $91 billion.

Covid and the invasion of Ukraine played a role. Historically, though, traditional energy has performed slightly better under Democrats, notes Arjun Murti, partner at energy advisory firm Veriten. That is because they tend to favor putting roadblocks on new supply, which helps limit capital spending and boost oil prices, he says. And those roadblocks tend to be more damaging to small producers rather than giants.

Most oil and gas producers are probably celebrating the Republican sweep in government. The largest ones aren't cheering as loudly.

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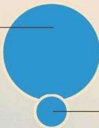




# Why oil companies are walking back from green energy

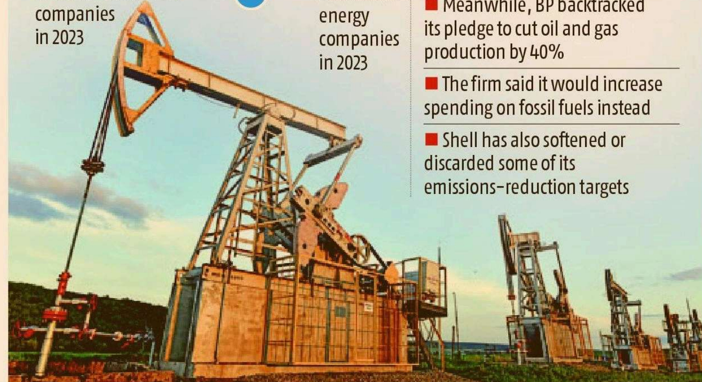
## Investors are rewarding oil giants that did not embrace wind and solar

**BACKING AWAY**

11% Median return on capital for most investor-owned oil companies in 2023

2% Median return on capital for top renewable energy companies in 2023

- Exxon invested in hydrogen and lithium extraction that are more akin to its traditional business
- The firm's market valuation reached nearly $560 billion in October
- Meanwhile, BP backtracked its pledge to cut oil and gas production by 40%
- The firm said it would increase spending on fossil fuels instead
- Shell has also softened or discarded some of its emissions-reduction targets



REBECCA F ELLIOTT
19 November

When oil and gas firms made ambitious commitments four years ago to curb emissions and transition to renewable energy, their businesses were in free fall.

Demand for the fuels was drying up as the pandemic took hold. Prices plunged. And large Western oil companies were haemorrhaging money, with losses topping $100 billion, according to the energy consulting firm Wood Mackenzie.

Renewable energy, it seemed to many companies and investors at the time, was not just cleaner — it was a better business than oil and gas.

"Investors were focused on what I would say was the prevailing narrative around it's all moving to wind and solar," Darren Woods, Exxon Mobil's chief executive, said in an interview with The New York Times last week at a United Nations climate conference in Baku, Azerbaijan. "I had a lot of pressure to get into the wind and solar business," he added. Woods resisted, reasoning that Exxon did not have expertise in those areas. Instead, the company invested in areas like hydrogen and lithium extraction that are more akin to its traditional business. Wall Street has rewarded the company for those bets. The company's stock price has climbed more than 70 percent since the end of 2019, lifting its market valuation to a record of nearly $560 billion in October, though it has since fallen to about $524 billion.

The firm's performance stands in contrast with BP and Shell, oil and gas firms based in London that embraced wind, solar and other technologies like electric-vehicle charging. BP's stock has fallen around 19 per cent in that time, based on trading in London, while Shell's has climbed about 15 per cent.

The market's acceptance of fossil fuels underscores one of the core challenges of curbing global emissions: Climate change poses risks that compound over decades. "If we want to combat climate change, we need to make it in the firms' and consumers' self-interest to produce and buy the low-carbon alternatives," said Christopher Knittel, a professor of energy economics at the Massachusetts Institute of Technology.

The difference in profits that firms can make from extracting oil and gas and what they can earn from harnessing wind and solar had already swung sharply in favour of fossil fuels in recent years. The median return on capital among some of the world's biggest investor-owned oil companies, a key measure of profitability, topped 11 per cent last year, up from negative 8 per cent in 2020, according to an analysis by S&P Global Commodity Insights. The median return over that same period for the top renewable energy companies has stayed around 2 per cent.

"If you look at the relative shareholder returns, the market's been sending a very clear signal that it wants energy companies to focus on their core competencies," said Mark Viviano, a managing partner at Kimmeridge, an energy investment firm. BP pledged in 2020 to cut its oil and gas production 40 per cent by the end of the decade. Less than three years later, it backtracked and said it would increase spending on fossil fuels. The company wrote off $1.1 billion in offshore wind investments last year and recently said it wanted to sell other wind assets, though it continues to invest in renewable energy. Shell has softened or discarded some of its emissions-reduction targets, as it scaled back growth expectations for its renewable power business.

In the US, where environmentally conscious investing has become increasingly politicised, investors have gone from regularly quizzing oil and gas executives about their energy transition plans to zeroing in on projects that are more likely to lift the bottom line soon, executives said.

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गेल GAIL
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# G20 mulls transition to clean energy

JAKE SPRING & WILLIAM JAMES
Rio de Janeiro, November 19

**LEADERS OF THE** Group of 20 major economies met on Tuesday to discuss sustainable development and the transition to cleaner energy, as they aim to increase the odds of a successful deal to address global warming at UN climate talks in Azerbaijan.

The host of the COP29 climate summit a day earlier had made a plea for G20 countries to send a positive signal on the need to tackle climate change and provide clear mandates to help save talks that had bogged down in Baku, Azerbaijan.

Prime Minister Narendra Modi and other leaders pose for a group photo during the G20 Summit, in Rio de Janeiro on Monday

With the world on track for its warmest year on record, leaders are trying to shore up a global response to climate change before Donald Trump retakes the US presidency in January. He is reportedly preparing to roll back US policy on global warming and exit the landmark Paris Agreement.

The G20 leaders gathering for a summit in Rio de Janeiro, Brazil, called in a joint statement on Monday for "rapidly and substantially increasing climate finance from billions to trillions from all sources" to respond to global warming.

They also urged COP29 negotiators to reach a deal on a new financial goal for how much money rich nations must provide to poorer developing nations in climate finance, the main sticking point in the climate talks.

"G20 Leaders have sent a clear message to their negotiators at COP29: do not leave Baku without a successful new finance goal. This is in every country's clear interests," UN climate chief Simon Stiell said in a statement.

Climate negotiators aim to produce a full draft of a deal for the financial goal by Wednesday evening, said the summit's lead negotiator Yalchin Rafiyev of Azerbaijan.

"We have stepped up the pace," Rafiyev said. "The outcome will only be as good as parties' commitment to help us build solutions."

While negotiations, slated to conclude on Friday, have yet to coalesce around a specific number, economists suggest the goal should be at least $1 trillion annually.

The G20 statement said nations need to break the impasse on finance, but they did not give clear guidance on a solution. Some activists called the G20 statement weak on climate finance.

"This vagueness of the G20 declaration risks undermining trust in the negotiations, as the G20's influence is crucial for bridging the divides between developed and developing nations," said long-time activist Oscar Soria, head of The Common Initiative, an environmental think tank.

Developed countries, including in Europe, argue that more countries need to contribute funding for efforts to tackle climate change, including wealthier developing nations such as China and oil-rich Middle Eastern states order to reach an ambitious target.

Developing countries such as G20 host Brazil have pushed back on calls for obligatory contributions from anyone but developed countries, the main culprits for causing climate change.

—REUTERS

DAINIK TRIBUNE, Delhi, 20.11.2024
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# पाइप लाइन के लिए सड़क उखाड़ी तो दर्ज होगी एफआईआर

हिसार, 19 नवंबर (हप्र)

मंगलवार को निगमायुक्त नीरज ने अधिकारियों के साथ विकास कार्यो का निरीक्षण किया। निगमायुक्त सबसे पहले टाउन पार्क पहुंचे वहां पर चल रहे नवीनीकरण के कार्या का निरीक्षण किया। इस दौरान जब निगमायुक्त सेक्टर-13 में रोड का निरीक्षण कर रहे थे तो उन्हें मालूम हुआ कि एक गैस एजेंसी द्वारा सड़क पर पाइप लाइन डालने के लिए गड्ढा किया हुआ था। निगमायुक्त ने अधिकारियों से इसकी पूरी जानकारी ली तो अधिकारियों ने बताया कि गैस एजेंसी का 2 बार कार्य बंद करवाकर उनका सामान जब्त किया जा चुका हैं। फिर भी वह लाइन डालने में लगे हुए हैं। निगमायुक्त ने कहा कि गैस एंजेसी का कार्य बंद करें अगर फिर भी वह दोबारा सड़क उखाड़ने का कार्य करते हैं तो उन पर एफआईआर दर्ज करवायें।

दैनिक ट्रिब्यून