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Crude oil prices on track to snap 2-week losing streak

London: Crude oil prices rose on Friday, on track to end higher this week following two straight weeks of losses, after a top US official expressed optimism over economic growth and US inflation rose moderately in March in line with expectations. Brent crude futures were up 60 cents, or 0.7%, to $89.61 a barrel at 1318 GMT. REUTERS

FINANCIAL EXPRESS, Delhi, 27.4.2024
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Exxon misses on Q1 profit despite gains in Guyana

EXXON MOBIL ON Friday missed analysts' estimates with a 28% year-on-year drop in first quarter profits as weaker refining margins and lower natural gas prices offset volume gains.

Latest results from oil and gas companies including Chevron and TotalEnergies reflect a sharp downturn in natural gas prices after a warmer than usual Northern Hemisphere winter cut demand and pushed up inventories.

Exxon, which is in the process of closing a $60 billion deal for top shale oil producer Pioneer Natural Resources , posted lower first-quarter earnings of $8.22 billion, down from an $11.43 billion net profit a year ago.

Earnings of $8.22 billion for the first quarter ended March 31 were off 29% compared to adjusted profit of $11.62 billion a year earlier. —REUTERS

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BUSINESS LINE, Delhi, 27.4.2024
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India needs a long-term integrated energy policy

Transnational pipelines are a more geopolitically risky option than LNG imports

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CAPITAL IDEAS.

RICHA MISHRA

How will India deal with western sanctions imposed on its oil and gas suppliers? This is an issue that crops up every now and then.

This has been a subject of discussion not only in the domestic market but also at the international space, mainly because India is among the large consumers of fossil fuel.

In fact, just a couple of days back a *businessline* report quoting sources had said, "With sharp escalation in tensions in the Middle East... the Indian government is in a huddle over what its strategy on oil imports should be and the alternatives it could explore in case of supply disruptions in West Asia and continued volatility in oil prices."

It further said, "The Commerce Ministry is in close consultations with the Ministry of Petroleum and Natural Gas to weigh alternative supply options that could be explored if the situation in West Asia worsens. As over 40 per cent of India's oil at present is sourced from the region, the task is not simple."

"One option being considered is to increase purchase from Russia and see if it can be routed through the Chennai-Vladivostok route, which passes through the Sea of Japan, the South China Sea and Malacca Strait, in case the traditional route through the Red Sea cannot be used," the report said.

This constant debate leads us to a question about whether India has missed the bus in handling its energy security.

Ensuring energy security is a dynamic process with new geopolitical developments and changing energy mix due to climate change pressure.

PIPELINE RISKS

So in India's case would a transnational pipeline network work?

India has been unsuccessful in this area, mainly due to political factors which have also put a question mark over the commercial viability of these projects.

Given the ease with which LNG can be imported now (assuming there is no volatility), geopolitically risky trans-border pipelines with large capex may not be a viable option in today's world.

"The current contracting environment is characterized by an over-investment cycle owing to the anticipated LNG supply that will be coming onstream. By 2030, almost 200 million metric tonne (MMt) more LNG will be added from plants under construction today. This represents a growth of almost 50 per cent and it is as large as the previous over investment cycles in 2005-06 and 2013-17.

"Consequently, for long-term LNG contracts scheduled to begin beyond 2029, new contracts are likely to face downward pressure on prices. In February 2024, QatarEnergy had signed a 20-year contract extension with Petronet LNG Ltd. for 7.5 million metric tonne per annum. This was reported to be at 12 per cent Brent oil. This sets a new benchmark in the market given its size and duration for a buyer in Asia," said, Chong Zhi Xin, Senior Director, S&P Global Commodity Insights.

> **Political factors need to be weighed while going in for transnational pipelines.** India needs to figure out its energy mix for the next 25 years

For example, a Rystad Energy — a global independent research and energy intelligence company — report said, "Russian oil production has remained strong despite sanctions imposed by Western countries in the wake of Russia's invasion of Ukraine. The country's gas and liquefied natural gas (LNG) industries, on the other hand, have suffered due to limited pipeline infrastructure and reliance on Western companies."

Rystad Energy expects Russian piped gas supply to China to increase due to new infrastructure, but the outlook for Russian LNG is less rosy. The Kremlin has set an ambitious plan to commission 100 million tonnes of LNG capacity by 2030 but Rystad's forecasts show the country will miss that target by as much as 60 million tonnes.

Despite a bleak outlook, it expects Russia's planned LNG projects to go ahead despite sanctions and challenges in securing vessels and long-term contracts, thanks to government support and incentives on financing, research and development, and tax breaks.

However, there are diverse views on whether having transnational network would have worked better for India as it would depend on nature of sanctions and their geopolitical impact and the pressure put on India to comply with western sanctions.

Further one has to consider that pipeline supplies may leave the buyer at the mercy of supplier country. Whereas in case of LNG as is the case with crude oil, the buyer has flexibility to change supply sources.

Asked whether India's attempts to have transnational pipelines to transport gas had failed because of political reasons, Talmiz Ahmad, former Indian Ambassador to Saudi Arabia; Oman, and the UAE, confirmed that "energy security concerns had been overwhelmed by political considerations".

Ahmad, who was Additional Secretary for International Cooperation in the Ministry of Petroleum and Natural Gas in 2004-06, said that, for instance, the Myanmar-Bangladesh-India gas pipeline did not fructify because the Bangladesh side, due to domestic political compulsions, wanted certain bilateral matters to be included in the tripartite gas agreement which were not acceptable to the Indian side.

Similarly, the Iran-Pakistan-India gas pipeline project, despite agreement on several technical and commercial issues, did not progress due to political instability in Pakistan, while the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline project had the added problem of civil conflict in Afghanistan, he said.

"Political issues do overshadow commerce," Ahmad said. Given the political challenges that have bedevilled pipeline projects, it now made sense to obtain gas as LNG, he added.

"However, the bigger issues that India faces today are uncertainty relating to the place of gas in our energy mix. What India needs is a long-term and integrated energy policy that projects the country's energy requirements over the next 25 years, while taking into account domestic production, import requirements of fossil fuels, and our commitments to transition towards clean energy," he pointed out.

To sum up, there are no simple answers to whether pipelines import would have served India's energy security better, but what is clear is that India needs an integrated energy policy.

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India, 22 others to explore more ways for clean energy transition

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NEW DELHI: "The lights are going out on the fossil fuel era," UN Secretary General, Antonio Guterres said on Friday, as he called on nations to ensure that power generation from fossil fuels from 60% to 30% by the end of this decade.

In his address to the newly-established panel on Critical Energy Transition Minerals, Guterres said that delaying tactics from the fossil fuel industry cannot change the need for transition to renewable sources of energy.

"Delaying tactics from the fossil fuel industry can't change that (transition). Misinformation, distortion, and spin can't change that – no matter how many billions of dollars are thrown at them," Guterres said.

Guterres has convened the panel to bring together a diverse group of governments and other stakeholders across the entire minerals value chain to develop a set of global common and voluntary principles to safeguard environmental and social standards and embed justice, in the energy transition, a statement from UNSG's office said.

India is a member of the panel along with 22 other nations: African Union, Australia, Botswana, Brazil, Canada, Chile, China, Colombia, Democratic Republic of the Congo, Egypt, European Union, Indonesia, Japan, Kazakhstan, Namibia, South Africa, United Arab Emirates, United Kingdom of Great Britain, Northern Ireland, United States of America, Vietnam, Zambia and Zimbabwe.

The panel is co-chaired by Ambassador Nozipho Joyce Mxakato-Diseko of South Africa and Director-General for Energy Ditte Juul Jørgensen of the European Commission, and will seek to address issues relating to equity, transparency, investment, sustainability and human rights.

Responding to calls from developing countries for globally agreed guidance to ensure responsible, fair and just value chains, the UN-convened panel brings together governments, intergovernmental and international organizations, industry, and civil society organisations.

Guterres called on countries to supercharge both the roll-out of renewables and the phaseout of fossil-fuels.

"In a world heading to net zero by 2050, the IEA projects demand for critical minerals multiplying three and a half times over this decade," he said.

ECONOMIC TIMES, Delhi, 27.4.2024
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Oil Prices on Track to Snap Two-week Losing Streak

Reuters

London: Oil prices rose on Friday, on track to end higher this week following two straight weeks of losses, after a top U.S. official expressed optimism over economic growth and U.S. inflation rose moderately in March in line with expectations.

Brent crude futures were up 60 cents, or 0.7%, to $89.61 a barrel at 1318 GMT. U.S. West Texas Intermediate crude futures were up 60 cents, or 0.8%, to $84.23 a barrel. Brent has gained 2.5% so far this week, while WTI is up 1.3%. U.S. Treasury Secretary Janet Yellen told Reuters on Thursday that U.S. GDP growth for the first quarter could be revised higher, and inflation will ease after a clutch of "peculiar" factors held the economy to its weakest showing in nearly two years. U.S. economic growth was likely stronger than suggested by weaker-than-expected quarterly data, she said. U.S. inflation rose moderately in March, data released on Friday showed, in line with expectations and buttressing markets' view that the Federal Reserve will likely not cut interest rates until September.

Brent crude futures were up 60 cents, or 0.7%, to $89.61; WTI futures were up 0.8% to $84.23

ECONOMIC TIMES, Delhi, 27.4.2024
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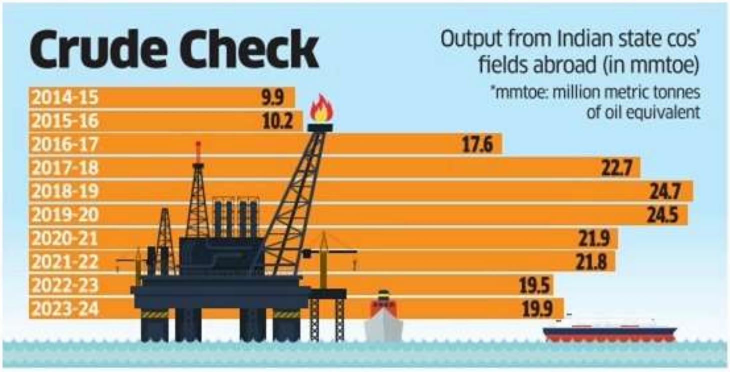
AFTER FOUR-YEAR DECLINE...

Oil PSUs' Output from Overseas Fields Up a Tad



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New Delhi: India's state-run firms' output from overseas oil and gas fields marginally rose in 2023-24 after declining for four straight years. The output, however, remained a fifth below the peak of 2018-19 as producing fields matured and no new overseas assets were acquired in recent years.

The share of India's state companies in oil and gas production from overseas fields increased to 19.9 million metric tonnes of oil equivalent (MMTOE) in 2023-24 from 19.5 MMTOE in the previous year.

Production at Russia's Skahalin-1 project normalised during the financial year, after being badly affected in 2022 following the launch of the Russia-Ukraine war. ONGC Videsh, India's largest investor in overseas oil and gas fields, has a stake in Sakhalin-1, where production had nearly halted for some time following the exit of its operator Exxon, industry executives said.

Similarly, production at ONGC Videsh's two projects in South Sudan, which were shut by unprecedented floods previously, resumed in 2023-24, the executives said.

Voluntary production cuts by OPEC+ countries, led by Saudi Arabia and Russia, also affect Indian firms' overseas output. Russia, UAE, Azerbaijan and South Sudan are members of OPEC+, a grouping of about two dozen oil-producing countries that jointly coordinate oil production and have been producing less than their capacity. Some of Indian firms' key producing assets are located in these four countries, with Russia accounting for the largest share of production for these firms.

Big investments in Russian fields in 2015-16 helped boost Indian firms' overseas output in the past decade. India's overseas output surged two and a half times to 24.7 MMTOE in 2018-19 from 9.9 MMTOE in 2014-15. The output started declining in 2019-20, falling every year until 2022-23, as fields matured. Indian firms also slowed down on acquiring assets after the purchases in Russia and the UAE seven-eight years ago. Some of the exploration and discovered assets they had acquired previously haven't started production. The giant gas field in Mozambique, where ONGC, BPCL and Oil India have invested, is stuck due to the poor law and order situation.

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Reliance gets thumbs-up from S&P, Fitch

Strong earnings support its growth aspirations and keep leverage in check

NEW DELHI: Reliance Industries Ltd has won a vote of confidence from global rating agencies S&P and Fitch after its robust earnings in the fiscal year ended March 31, 2024, supported its growth aspirations and kept leverage under check.

S&P Global Ratings and Fitch Ratings in separate notes spoke of its EBITDA (loosely known as pre-tax profit) rising in the current fiscal year and next on rising revenue and past investments.

"Reliance Industries Ltd's (RIL) strong earnings will keep leverage in check as the company continues to pursue growth ambitions. We expect the company's debt-to-EBITDA ratio to remain commensurate with the rating (BBB+/Stable/--)," S&P said in a note.

> RIL's earlier announced investments include a Rs 75,000 crore expansion plan

Separately, Fitch Ratings said RIL's EBITDA net leverage is likely to remain below 1x in the medium term, supported by increasing cash flows and lower capex intensity, even as the conglomerate's absolute capex and investments remain high in the near term. The oil-to-telecom-and-retail conglomerate's growth aspirations remain intact, it said, adding the company has ramped up investments in the media business in recent months.

In 2024, it entered into binding definitive agreements with The Walt Disney Co for a media joint venture in which RIL will invest Rs 11,500 crore. The company subsequently agreed to buy Paramount Global's 13.01 per cent stake in local entertainment network Viacom18 Media Pte Ltd for about Rs 4,300 crore.

Also, the company received government approval in 2024 to develop gas reserves in the KG-D6 block in the Bay Of Bengal. This could increase the company's gas production capacity by 13-17 per cent. RIL's earlier announced investments include a Rs 75,000 crore expansion plan over five years (starting 2022) for the oil-to-chemicals business. AGENCIES