

India's fraying Gulf oil ties get a fillip on US' sanctions on Russia

State-run refiners plan to renew or enhance optional volumes under existing contracts, struck on a fiscal basis, despite higher sourcing costs

S DINAKAR
Amritsar, 19 January

Even as Indian refiners were completing a series of meetings this month with West Asian suppliers of crude oil to discuss term-contract renewals for 2025-26 — amid growing uncertainties over the fate of Russian supplies — one thing stood out: As an industry veteran remarked, “You can buy cake, you can buy sweets, you can buy anything, but Saudi Arabia is the bread and butter of crude oil.”

That pretty much explains why state-run refiners, which were planning earlier to trim term contracts with Saudi Arabia because of higher prices, especially after getting discounted Russian oil in their facilities, have reversed their stance and will retain the existing contracts and perhaps seek a bit more when Saudi Aramco comes calling on January 22, industry sources said.

Indian state-run refiners



OIL REPORT

India crude import volumes/prices in 2024

	CY 2024 Vol. (mt)	% share	Jan-Nov '24 (\$/bbl)
Russia	89.8	37.8	78.5
Iraq	49.4	20.8	80
Saudi Arabia	31.6	13.3	86.2
US	9.7	4.0	65.8
Kuwait	3.6	1.5	81
UAE	18.7	7.9	88.6

Sources: Kpler, Indian Customs Data

now plan to renew or enhance optional volumes under existing contracts, struck on a fiscal basis, despite higher sourcing costs of \$4-5 per barrel, because of the reliability of West Asian oil producers, industry sources said. There were meetings on contract extension with Kuwait on January 10 and the United Arab Emirates (UAE) on January 17.

Term contracts typically comprise a firm volume and optional purchases.

“Unless Donald Trump (as United States President)

reverses the latest sanctions against Russia, Indian refiners have little choice but to buy more West Asian crude oil and bear higher costs, at least for the time being,” said Vandana Hari, a Singapore-based energy expert. “But they may not necessarily increase term volumes in West Asian contracts.”

Iraq, which contracts on a calendar year basis, has already announced its allocations, retaining last year's volumes, industry sources said. Indian Oil, the country's biggest refiner, has retained its annual crude oil

import deal with Iraq at 20 million tonnes for 2025.

Bharat Petroleum has secured 3.8 million tons and Hindustan Petroleum around 5 million tons, two refining sources said.

Other producers are yet to make term allocations for 2025-26. State refiners source around 25 million tonnes a year in term supplies from Saudi Arabia. Kuwait supplies around 4 million tons a year and the UAE more than 13 million tonnes, refining sources said. Optional volumes mean Indian refiners have a

choice to buy them if prices are competitive or seek alternative, cheaper grades from the spot market.

State-run refiners may increase purchases of optional volumes, a component of term contracts, and spot volumes from West Asia this year after American sanctions on Russian oil flows last week crippled transportation, refining sources said. A top state-run refiner sourced around 2 million barrels of the UAE's Murban grade at a \$4 premium to benchmark Dubai — with over 5 million barrels of Gulf volumes in stages of contracting to meet India's shortfall in February and March, a senior trader said. More tenders are expected.

In 2018, 61 per cent of India's barrels of crude oil came from the Gulf, according to the data from market intelligence agency Kpler. That shrunk to as low as 41 per cent last year but is expected to increase this year. The reduction in West Asian volumes, especially from Kuwait and Saudi Arabia, was significant after Russia flooded India's oil market since it invaded Ukraine in February 2022, offering discounts initially of over \$15 per barrel. These discounts have shrunk to less than \$3 per barrel now.

Moreover, Saudi Arabia and the UAE are important for India because they remain the only investors

ready to take stakes in refining projects in exchange for a commitment to buy crude oil from them, refining officials said. Indian state-run refiners lack the financial heft or an appetite for risk for spending billions of dollars on greenfield refineries, which come with a short shelf life as the world transitions to clean fuels. Adding these limitations to state oil-marketing companies, stripped of their power to price fuels, makes them even more dependent on Gulf oil producers for investment.

Saudi Arabia and India are in talks on taking a substantial stake in Bharat Petroleum's proposed greenfield refinery-cum-petrochemicals project in Andhra Pradesh.

Recounting an incident that happened when Indian refiners were in talks with Saudi Aramco over a stake in the now shelved Ratnagiri refinery project (60 million tons a year), an informed source quoted a top Aramco official saying that “Saudi Arabia is the one who will be standing by India, because we have the volumes. And we are close (geographic proximity) to you. The US or Venezuela may have more resources, statistically, but you lose on freight. Second is the range we offer — offering from super light all the way to Arab heavy. Others will give you some crude oil but not all grades.”

LPG subsidies: Give it to the poor and needy



UTTAM GUPTA

As state-owned oil companies grapple with massive losses from selling LPG below cost, the Govt is set to allocate Rs 35,000 crore in subsidies to mitigate the financial burden



During the current financial year (FY) 2024-25, the state-owned Indian Oil Corporation Ltd (IOC), Bharat Petroleum Corporation Ltd (BPCL), and Hindustan Petroleum Corporation Ltd (HPCL) are expected to incur an under-recovery of Rs 19,550 crore, Rs 10,400 crore and Rs 10,570 crore respectively on sales of LPG to household consumers. To make up for this loss totalling Rs 40,500 crore, the Union Government is likely to provide a subsidy of Rs 35,000 crore. In the Budget for 2025-26, to be presented on February 1, 2025, Finance Minister Nirmala Sitharaman will make a provision of Rs 10,000 crore in the revised estimate (RE) for the current FY and the remaining Rs 25,000 crore in the budget estimate (BE) for 2025-26.

The under-recovery arose because these corporations sold LPG for Rs 803 per 14.2-kg cylinder against the cost of supplying at the retail point being higher. The cost is calculated as the refinery-gate price or RGP (taken as import parity price or IPP and export parity price or EPP in the ratio of 80:20) plus freight, marketing costs, marketing margin, dealers' commission, and taxes and duties. During the current FY, the cost is Rs 1043 per cylinder, and the loss is Rs 240 per cylinder which on total sales of 169 crore cylinders would be Rs 40,500 crore. Modi - government had stopped giving subsidies on LPG during FY 2021-22. Then, how come, it continues to make huge payments from the budget? LPG is an environment and human-friendly fuel that meets the needs of millions of households (HHs).

Subsidy on LPG ought to be given only to those HHs who are poor. The government also needs to track the income status of the beneficiaries and withdraw support from those who become better off and can pay cost-based prices. Ignoring these cardinal principles, the subsidy was given to anyone who had an LPG connection. It went to all and sundry including the rich. The poor who alone should have got it sat at the bottom. According to the Economic Survey (2015-16), only 0.07 per cent of LPG subsidies in rural areas went to a fifth of the



LPG IS AN ENVIRONMENT AND HUMAN-FRIENDLY FUEL THAT MEETS THE NEEDS OF MILLIONS OF HOUSEHOLDS (HHS). SUBSIDY ON LPG OUGHT TO BE GIVEN ONLY TO THOSE HHS WHO ARE POOR. THE GOVERNMENT ALSO NEEDS TO TRACK THE INCOME STATUS OF THE BENEFICIARIES AND WITHDRAW SUPPORT FROM THOSE WHO BECOME BETTER OFF AND CAN PAY

poorest households. In urban areas, the poorest fifth got only 8.2 per cent.

A lot of subsidies went to fake beneficiaries or the diversion of stocks (albeit subsidised) of LPG cylinders to hotels, restaurants, and other commercial users. Despite lacking sound justification, sheer populism drove politicians to give subsidies to all and sundry. They found ways to give it without taking the burden on the Centre's balance sheet. Initially, the subsidy on LPG (besides petrol and diesel) was cross-funded/subsidised by charging more on the sale of other products such as fuel oil, naphtha, ATF, etc. hence, no burden on the budget. In 2002-03, the Vajpayee-led NDA government ended the above system and decided to give subsidies on these products directly from the budget with the intent to eventually disband them. But, that was not to be.

The UPA government which took charge in 2004, even while continuing with subsidised sales, used disingenuous methods such as the issue of oil bonds to IOCL/BPCL/HPCL (instead of losses incurred by them due to selling these products at below-cost prices), and sale of domestic crude oil by state-owned upstream oil and gas companies viz. Oil and Natural Gas Corporation (ONGC) and Oil India Limited (OIL), etc. at a discounted price to these fuel refiners-cum-retailers.

In June 2010, petrol was decontrolled followed by diesel in November 2014. As for LPG, the Kelkar Committee recommended the removal of 25 per cent of the subsidy in 2012-13 and 75 per cent in the following two years. Modi Government which took charge in May 2014, started acting on it but in a calibrated manner. On January 1, 2015, it launched a direct benefit transfer (DBT) of subsidy.

Under DBT, oil PSUs deliver the cylinder to the beneficiaries at a full cost-based price and follow it up by depositing a subsidy in the beneficiary's account.

In turn, they claim reimbursement of the subsidy amount from the Centre. This helped in eliminating fake beneficiaries and curbing misuse that was inherent in the erstwhile system wherein subsidy was embedded in the price. But, the government couldn't muster the courage to trim the number of beneficiary HHs sans Modi requesting the rich to give up on their own.

The FY 2020-21 was a boon, viewed from a subsidy angle. In that year, there was a steep decline in international prices (due to the COVID-19 pandemic) leading to a fall in the cost of supplying an LPG cylinder to a low of Rs 600; hence, it could be given to all HHs at Rs 600 requiring no subsidy support. The BE of Rs 36,000 crore for that year was used largely to clear past dues of oil PSUs and provide free gas connections under the Pradhan Mantri Ujjwala Yojana (PMUY). During 2021-22 when the international price rose due to waning COVID and demand revival, the cost of LPG zoomed to over Rs 900 per cylinder.

This prompted the government to give subsidies but only to the PMUY beneficiaries. They were 9.6 crore out of a total of 33 crore HHs. It spent Rs 14,000 crore during that year. During 2022-23, it spent Rs 9,170 crore. But, this doesn't tell the full story. From June 2020 to June 2022, the government had asked the three fuel retailers namely IOCL/BPCL/HPCL to sell LPG at a price below cost and gave them a one-time grant of Rs 22,000 crore to compensate for the losses incurred in 2021-22 and 2022-23 (against under-recovery of Rs 28,250 crore).

This was nothing but subsidy (albeit 'hidden') given to all and sundry, and not just PMUY beneficiaries. In the Budget for 2023-24, it kept the BE for LPG subsidy at Rs 2,257 crore. As in the previous two years, that allocation was meant to cover subsidy to PMUY beneficiary HHs @ Rs 200 per cylinder for up to 12 refills per year. However, to benefit all the 33 crore HHs, on August 29, 2023, the Union Cabinet approved a reduction in the price by Rs 200 per cylinder effective from August 30, 2023, thereby enabling the PSU retailers to sell it at Rs 903 per cylinder (Delhi). Taking 4 fills per HH, @Rs 200 per cylinder, the annual burden comes to Rs 26,400 crore (200x4x33).

Since the decision was effective from August 30, 2023, for the remaining seven months of FY 2023-24, the outgo would be around Rs 15,300 crore. On March 9, 2024, the fuel retailers namely IOCL/BPCL/HPCL were asked to cut the price by another Rs 100 per cylinder (courtesy, of general elections) to Rs 803.

During the current FY 2024-25, the price has remained unchanged despite the cost remaining at an elevated level. The under-recovery for 2023-24 and 2024-25 thus comes to over Rs 40,000 crore of which the Centre now wants to reimburse Rs 35,000 crore. This and the earlier payment of Rs 22,000 crore for loss incurred by IOCL/BPCL/HPCL during 2021-22 and 2022-23 could have been avoided if only it had stuck to its earlier stance of restricting LPG subsidy only to the poor HHs and keeping it transparent. But, this is unthinkable in the current political climate wherein all decisions based on sound economic logic are hamstrung by populism.

(The writer is a policy analyst; views are personal)

Petroleum products exports rise 2% in April-December

ARUNIMA BHARADWAJ
New Delhi, January 19

INDIA'S EXPORTS OF petroleum products grew marginally by 1.5% to 47.5 million tonne during April-December, compared to 46.8 million tonne in the same period last fiscal, according to data from the Petroleum Planning and Analysis Cell.

The rise in exports was primarily driven by increased shipments of motor spirit, petcoke/CBFS and fuel oil.

In December 2024, however, petroleum product exports declined to 5.4 million tonne from 5.8 million tonne in December 2023.

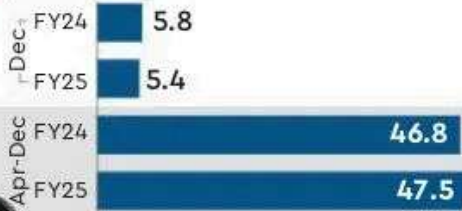
Imports of refined oil products increased by 7% to 38.5 million tonne during April-December 2024, compared to 36 million tonne in the same period last fiscal. The import bill for these products also rose to \$18.2 billion, up from \$17.1 billion in the same period of previous fiscal.

India's consumption of petroleum products during the first nine



MIXED BAG

Exports of petroleum products (in MMT)



Source: PPAC

months of the ongoing fiscal rose to 178.5 million tonne, up from 172.6 million tonnes in the same period last fiscal. This growth was attributed to higher demand for diesel, motor spirit, liquefied petroleum gas (LPG) and aviation turbine fuel (ATF).

While the demand for ATF increased by 9.8%, that of LPG and motor spirit grew by 6.7% and 8.0% respectively. Diesel consumption recorded a growth of 2.2% during April-December from last year.

Looking ahead, India projects domestic petroleum product demand to reach a record 252.9 million tonne in FY26. India's petroleum product exports in December increased by 3.1% to 1.37 million barrels per day (bpd), compared to 1.33 million bpd in December 2023, according to energy cargo tracking firm Vortexa. This also marked a 4.5% rise from November 2024, when exports stood at 1.31 million bpd.

Africa emerged as the top desti-

nation for India's petroleum exports in December, while shipments to traditional importers in Asia and Europe witnessed significant decline.

Even though analysts fear a supply glut in the oil market 2025 onwards, rising uncertain geopolitical tensions and weak demand outlook from the world's top consumers could negatively impact India's exports going forward.

Union minister for petroleum and natural gas Hardeep Singh Puri has repeatedly emphasised that there is no shortage of oil in the market. However, he acknowledged that geopolitical tensions could lead to increased freight costs for shippers.

India primarily supplies petroleum products to Europe and Asia. The EU implemented a price cap and embargo on Russian crude oil imports in December 2022, aiming to limit Russia's revenues during its conflict with Ukraine. However, refined petroleum products derived from Russian crude were excluded from the restrictions.



आरआईएल : लागत नियंत्रण पर जोर

बड़े जहाजों का उपयोग, ईंधन पर छूट, कम मार्जिन वाले उत्पादों से परहेज पर रहेगा ध्यान

अमृता पिल्लै
मुंबई, 19 जनवरी

तेल से लेकर दूरसंचार क्षेत्र की दिग्गज कंपनी रिलायंस इंडस्ट्रीज लिमिटेड (आरआईएल) ने वित्त वर्ष 2025 की तीसरी तिमाही में अपने ऑयल टू केमिकल (ओ2सी) खंड के लिए अनुमान से बेहतर प्रदर्शन कर बाजार को चकित कर दिया। आरआईएल के अधिकारियों ने इस शानदार प्रदर्शन का श्रेय कच्चे माल की अनुकूल खरीदारी और मजबूत बिक्री को दिया। हालांकि उन्होंने लागत अनुकूलन और अन्य उपायों को भी इसमें मददगार माना।

कंपनी के अधिकारियों ने पिछले सप्ताह वित्तीय नतीजों के बाद एक कॉल में कहा कि घरेलू उत्पाद प्लेसमेंट, ईंधन छूट और गैसोलीन उत्पादन के लिए कम मार्जिन वाले एरोमेटिक्स से परहेज कुछ ऐसे उपाय हैं जिन पर काम चल रहा है।

आरआईएल के मुख्य वित्तीय अधिकारी वी श्रीकांत ने कॉल के दौरान कहा, 'हम कुछ चीजों पर ध्यान दे रहे हैं। उदाहरण के लिए, एरोमेटिक्स के बजाय परिवहन ईंधन को प्राथमिकता देना। एरोमेटिक्स के लिए माहौल (कमजोर मार्जिन) को देखते हुए हमारे लिए परिवहन ईंधन के उत्पादन को प्राथमिकता देना उचित था।'



रिलायंस इंडस्ट्रीज

- आरआईएल के ओ2सी व्यवसाय का राजस्व एक साल पहले के मुकाबले 6 फीसदी बढ़ा
- कंपनी के रिफाइनिंग सेगमेंट में तिमाही एबिटा वृद्धि अनुमान से बेहतर रही
- ओ2सी डिवीजन से निर्यात में लगातार कमजोरी दिखी है और यह 9.3 फीसदी तक घटकर 67,672 करोड़ रुपये रह गया
- आरआईएल के फ्यूल-रिटेल की बिक्री सालाना आधार पर 44 फीसदी तक बढ़ी है

आरआईएल के ओ2सी व्यवसाय का राजस्व एक साल पहले के मुकाबले 6 फीसदी बढ़कर 1.49 लाख करोड़ रुपये पर पहुंच गया और इस सेगमेंट का एबिटा 2.4 फीसदी बढ़कर 14,402 करोड़ रुपये रहा। इसने पिछली दो तिमाहियों में आई कमजोरी को दूर करने में मदद की है।

गोल्डमैन सैक्स के विश्लेषकों ने 17 जनवरी की रिपोर्ट में कहा, 'एनर्जी सेगमेंट ने मजबूत ओ2सी आय की वजह से हमारे अनुमान से बेहतर प्रदर्शन किया। रिफाइनिंग सेगमेंट में तिमाही एबिटा वृद्धि अनुमान से बेहतर रही।' आरआईएल के ओ2सी में रिफाइनिंग,

फ्यूल-रिटेलिंग और पेट्रोकेमिकल शामिल हैं।

फ्यूल रिटेलिंग के बारे में श्रीकांत ने कहा कि कंपनी ने मांग को देखते हुए घरेलू ईंधन बिक्री पर अधिक ध्यान दिया है। उन्होंने कहा, 'आरआईएल के फ्यूल-रिटेल की बिक्री सालाना आधार पर 44 फीसदी तक बढ़ी है और इसे 'हैप्पी आवर' पेट्रोल स्कीम जैसी हमारी कुछ खास योजनाओं से मदद मिली है।'

आरआईएल ने निवेशकों को जानकारी दी है कि कंपनी की गैसोलीन रिटेल बिक्री 44 फीसदी तक बढ़ी और डीजल बिक्री में एक साल पहले के मुकाबले 23 फीसदी तक की तेजी आई। इस बीच,

ओ2सी डिवीजन से निर्यात में लगातार कमजोरी दिखी है और यह 9.3 फीसदी तक घटकर 67,672 करोड़ रुपये रह गया।

आरआईएल के चेयरमैन और प्रबंध निदेशक मुकेश अंबानी ने एक प्रेस वक्तव्य में कहा कि ओ2सी कारोबार ने अपनी मजबूत क्षमता का प्रदर्शन किया है और वैश्विक ऊर्जा बाजारों में अस्थिरता के इस लंबे दौर में भी वृद्धि दर्ज की है। अधिकारी ने अपने कहा कि लागत अनुकूलन के लिए अन्य उपायों में डिलिवरी, लोडिंग और उत्पाद इस्तेमाल के लिए बड़े जहाजों का उपयोग करना भी शामिल है।

स्वच्छ ईंधन • क्लीनटेक में लगाए ₹58 लाख करोड़

क्लीन एनर्जी में पहली बार पेट्रोलियम से ज्यादा निवेश

बिजनेस संवाददाता | मुंबई

सौर ऊर्जा जैसी क्लीन एनर्जी के मामले में यह साल टर्निंग पॉइंट साबित होने जा रहा है। एसएंडपी ग्लोबल कमोडिटी का अनुमान है कि 2025 में दुनियाभर में क्लीन एनर्जी में निवेश 58 लाख करोड़ रुपए से ऊपर निकल जाएगा। यह पहली बार होगा, जब स्वच्छ ऊर्जा की टेक्नोलॉजी में निवेश पेट्रोलियम जैसे परंपरागत ईंधन में निवेश से ज्यादा हो जाएगा। 2024 में पेट्रोलियम जैसे परंपरागत ईंधन में 96 लाख करोड़ रुपए से अधिक निवेश हुआ था। आशंका जताई जा रही है कि इस साल यह करीब आधा रह सकता है।

'टॉप क्लीन एनर्जी टेक्नोलॉजी ट्रेंड्स' नाम की रिपोर्ट में कहा गया है कि कुल क्लीनटेक निवेश में आधी हिस्सेदारी सोलर पीवी की होगी। कुल स्थापित उत्पादन क्षमता (मेगावाट) में भी दो-तिहाई (66%) हिस्सा सोलर एनर्जी की ही होगी। 2024 में कम से कम 620 गीगावाट की नई सोलर और विंड एनर्जी की उत्पादन क्षमता विकसित हुई। यह

एनर्जी स्टोरेज इंस्टॉलेशन दोगुना होने के आसार

रिपोर्ट के मुताबिक, चीन से क्लीनटेक उपकरणों की जरूरत से ज्यादा सप्लाई अंतरराष्ट्रीय बाजारों को प्रभावित कर रही है। इससे नए प्रोजेक्ट तेजी से आकार ले रहे हैं और कीमतें कम हो रही हैं। इसके अलावा, बैटरी एनर्जी स्टोरेज सिस्टम (बीईएसएस) की स्थापित क्षमता पंप हाइड्रो स्टोरेज क्षमता से ऊपर निकल जाएगी। साथ ही इस साल लंबी अवधि के एनर्जी स्टोरेज सिस्टम का इंस्टॉलेशन दोगुना होने की उम्मीद भी जताई गई है।

भारत, पाकिस्तान और बांग्लादेश की पूरी बिजली उत्पादन क्षमता के लगभग बराबर है।

भारत में हो रही आक्रामक सोलर मैन्युफैक्चरिंग: भारत अपनी सोलर मैन्युफैक्चरिंग क्षमता आक्रामक तरीके से बढ़ा रहा है। इसका टारगेट अमेरिका को निर्यात बढ़ाना है, ताकि चीन के साथ उसके बढ़ते तनाव का फायदा उठाया जा सके।