

No uniform low carbon pathway works well for all nations: SCO countries

RAKESH KUMAR @New Delhi

INDIA, China, Russia, and other Shanghai Cooperation Organization (SCO) countries on Tuesday agreed to share knowledge on usage of emerging fuels including hydrogen, biofuel, ammonia, and other forms.

These countries, in a joint statement, stated that there does not exist one uniform low carbon pathway working equally well for all countries.

Petroleum minister **Hardeep Singh Puri**, while speaking to press after the meeting with SCO members, said each country has decided that they are free to chart out their own unique path based on national priorities and resources. "In the transition to cleaner energy sources, they agreed that there does not exist one uniform low carbon pathway working equally well for all the countries, and each country is free to chart out its own unique path based on national priorities and resources," reads the statement.

The statement assumes significance as China and India, the world's two largest crude importers, have been accused of importing 'discounted Russian crude' in the past one year. Western countries blamed India and Russia for funding war in Europe by enhancing their crude imports from Russia at deep discount. As per the commerce



ministry data, India's imports from Russia has jumped nearly 5 times to \$37.31 billion during April-January this fiscal. In 2021-22, Russia was India's 18th largest import partner, accounting for \$9.86 billion of imports. However, India defended its purchase of crude oil from Russia citing its large population.

The minister said India has increased the number of countries from which it imports to 39 from 27. He also highlighted that oil demand is likely to go up in the next five to eight years across the world. As per him, India's daily fuel-energy consumption will rise three-fold from current 5 million barrels a day. As per data by Indian Oil Ministry's Petroleum Planning and Analysis Cell (PPAC), the consumption of fuel rose by more than 5% to 4.82 million barrels per day. This is India's 15th consecutive year-on-year rise in oil demand.

Relying on Russian oil

Energy security interests dictate that India must step up relative self-sufficiency

WESTERN SANCTIONS ON Russian oil, like the capping of its price at \$60 a barrel last December and European Union's ban on petroleum products from February 5, haven't impacted India's energy sourcing requirements. They may have even created lucrative opportunities for its refineries to source deeply discounted Russian Urals crude and export diesel and other petroleum products to the EU. With the discount at which Urals crude trades to Brent widening from \$18.55 last November to around \$29, it is a good bargain for refiners to source Russian crude even if it costs \$5 a barrel to ship it to India. In the run-up to the ban from February 5, India's exports of refined petroleum products to the EU rose for five straight months, from 0.70 million tonnes last September to 1.90 mt in January, according to the directorate general of commercial intelligence and statistics (DGCIS) as reported in *The Indian Express*. In the current fiscal to January, the EU accounted for 15% of India's total petroleum product exports of 79.9 mt, up from 12% a year earlier. Exports to the continent will be much higher if the EU, European Free Trade Association, and other European countries are clubbed together, according to DGCIS data by region. For such reasons, this uptrend may be expected to gather momentum from February onwards.

Although India's dependence on Russian oil is growing, the reason for concern is that the global oil market's short-term outlook remains uncertain. Although prices have temporarily slipped to \$79 a barrel, they are likely to remain elevated at \$83 this year as the market is tightly balanced. Upward price pressures stem from the prospect of lower Russian supplies in retaliation against the sanctions, just when oil demand is beginning to pick up from the world's second-largest economy, China. Obviously, this upsets the rationale of the sanctions regime to keep Russian oil flowing while squeezing revenues to fund the conflict in Ukraine. To keep supplies stable, the US is urging the world's largest commodity traders to ship more of the price-capped Russian oil without breaching Western curbs, according to the *Financial Times*. Ultimately, the fate of the price cap rests on the ability of the US-led Western nations to set prices in defiance of a leading producer that refuses to be a price-taker as it produces more than 10% of the world's oil. All eyes will now be on the oil cartel, Opec, which has so far decided to keep its output targets unchanged. If there are supply-demand imbalances, Opec, led by Saudi Arabia, is bound to have enormous pricing power and will exercise it. Saudi Aramco, the world's largest crude producer, made record profits last year and has huge stakes in oil prices remaining high.

The prospect of elevated oil prices is bad news for India as it imports 87% of its requirements from other suppliers besides Russia. To reduce its vulnerability, the country must aim for greater self-sufficiency through higher domestic oil and gas production. Unfortunately, this is not happening. Domestic crude production has been steadily declining, from 38.1 million tonnes in FY12 to 29.7 mt in FY22. Till December this fiscal, production at 22.1 mt is not different from a year earlier. Although India benefitted from the Western sanctions regime on Russian oil, there is no alternative to boosting local oil production over the medium-term.



OPEC retains 2023 global oil demand growth forecast at 2.3 million bpd

INFORMIST / Mumbai

The Organization of the Petroleum Exporting Countries today maintained its estimate for growth in global crude oil demand in 2023 at 2.3 mln barrels per day.

"Oil demand for OECD Americas and OECD Europe is adjusted lower, reflecting weaker-than-expected demand, but oil demand in Asia Pacific and non-OECD countries is revised higher, reflecting better-than-expected improvements in these regions," the cartel said in its monthly Oil Market Report. Oil demand in OECD countries is projected to grow by around 200,000 bpd, and in the non-OECD region by 2.1 mln bpd.

"The oil demand in non-OECD countries is revised higher due to improve-

ments in economic activity in China after the zero-COVID-19 policy was discontinued, as well as expected improvements in Russian oil demand," OPEC said in the report.

The estimate for demand for OPEC's oil in 2023 was scaled down by 200,000 bpd from its previous estimate to 29.3 mln bpd. This is 800,000 bpd higher than in 2022.

OPEC maintained its forecast for non-OPEC oil supply in 2023 and sees output rising by 1.4 mln bpd. "The main drivers of liquids supply growth are expected to be the US, Brazil, Norway, Canada, Kazakhstan and Guyana," the cartel said.

OPEC's production in February stood at 28.92 mln bpd, 117,000 bpd higher than its output the previous month.

■ HPCL Inks Deal to Make Chevron Lubricants Here



MUMBAI: State-owned Hindustan Petroleum Corporation (HPCL) has entered into a long-term

agreement to manufacture, distribute and market lubricants of global energy major Chevron in India. In a press statement, the company said, lubricants of Caltex brand will be manufactured, distributed, and marketed in India by HPCL, including Chevron's proprietary Havoline and Delo branded lubricant product. This is in addition to HPCL's own brand of lubricants. Amit Garg, Director Marketing of HPCL, said, "This exciting partnership paves the way to leverage HPCL's market leadership to add value via a broader, premium products offering to Indian consumers through synergies between HPCL and Chevron."— **Our Bureau**

ONGC Needs to Snap Out of It



Sanjeev Choudhary

In March 2015, Prime Minister Narendra Modi exhorted the domestic petroleum industry to help cut India's oil import dependence by 10% in seven years. Eight years on, instead of going down, the share of foreign oil in local consumption has risen by 10% to 87% with demand skyrocketing and domestic output sagging.

To most executives listening to the PM that day in 2015 in New Delhi, the goal seemed tough. But a senior oil ministry official exuded confidence. Soon after Modi's speech was over, the same official told me it would be a matter of great shame for Oil and Natural Gas Corporation (ONGC) if the target wasn't achieved.

The official's comment was apparently a bit harsh as well as misdirected. ONGC's recent performance held no such promise. Unable to strike any major oil discovery for a long time and saddled with a fleet of ageing fields, it had been struggling with its output. In two decades, its oil production has fallen nearly 30% even as India's output has dropped

at about half the pace.

Strikingly, ONGC's output still makes up two-thirds of the country's crude production, though down from about 80% two decades ago. The private sector's share is about a quarter today, but its annual output has declined by 40% since 2013-14 after nearly tripling in the preceding five years.

The role of neither the state-run ONGC nor the private sector has been impressive in the past few years. Can the future be any different? In the short term, expect no dramatic change as there are no major discoveries waiting to be developed. Smaller finds can at best help offset the natural decline in older fields. But in the medium-to-long term, things can radically change depending on how GoI deals with ONGC and foreign majors.

The recent global energy crisis has inflicted deep pain on consumers but rewarded producers with unprecedented profits. Emboldened oil companies have used the crisis and the cash mountain to win back investors and pile pressure on governments, whose climate zeal has been moderated by the urgency to meet today's energy needs. Foreign majors are redrawing investment plans and exhibiting a will-

ingness to go beyond their familiar turfs for exploration.

India could use the current situation to its advantage by rolling out the red carpet of reforms to charm foreign majors. ExxonMobil, Chevron and Total have preliminary tie-ups with ONGC for exploration in India. These could turn into definitive agreements if GoI brings in persuasive policies.

The window of opportunity is small. The global priority could easily drift back from energy security to climate challenge once the geopolitical storm subsides, supply anxieties abate and some extreme weather events grab headlines.

To be fair, the current government has regularly engaged foreign players and introduced several policy changes. Unfortunately, that hasn't paid off. Officials say they are still talking to companies. They must understand that an endless consultation is not the answer. It's been nine years since the Modi government came to power. It must act now to bring in policies that can entice investors to the Indian upstream.

Equally important would be GoI's resolve to give ONGC its own space where the company can be the sole master of its capital and strategy. The

instinct to guide the company every step of the way can be counterproductive. So can GoI's desire to place innumerable non-core demands on the company, which suck away the valuable time of the management.

The knowledge that all difficult calls can be outsourced to the government can make the management lazy and risk-averse. ONGC requires a strong and competent board that can grill and guide the management and keep the company laser-focused on its core goals.

It also requires a full-time CEO all the time, something it missed for nearly two years. The most important contribution GoI can make is to help whet the company's risk appetite and offer its umbrella of protection when the company's genuine business bets go wrong.

For the management, business as usual is not an option. People of India won't assess ONGC's performance by the number of wells it drills, or the variety of partnerships it strikes, or the efficiency with which it allocates CSR funds, or the popularity of its tweets.

The management will be judged by its ability to help lift oil production, find major discoveries, streamline project execution and prepare the company for a climate-dominated future.

sanjeev.choudhary@timesgroup.com



Rise above it

India's oil PSUs hit \$400 mn dividend roadblock in Russia

\$400 million stuck as Western curbs make it harder to transfer money

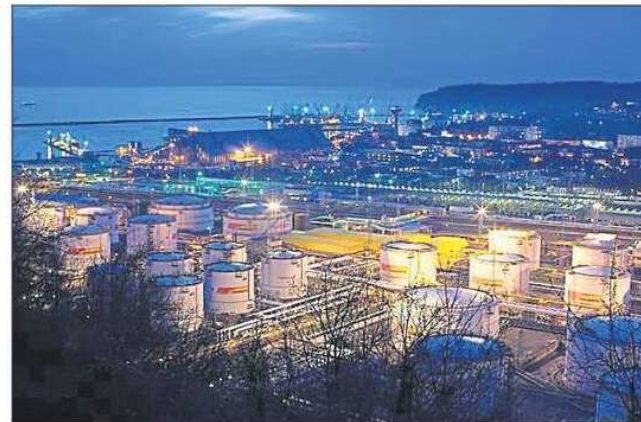
Utpal Bhaskar

utpal.b@livemint.com

NEW DELHI: State-run energy firms, including ONGC Videsh Ltd (OVL), Bharat Petroresources Ltd, Indian Oil Corp. (IOC) and Oil India Ltd (OIL), are unable to access around \$400 million in dividend payments stuck in Russia as Western sanctions have made it harder to transfer money out of the country, three people aware of the development said.

This stuck dividend is the Indian firms' stakes in Russia's CSJC Vankorneft and LLC Taas-Yuryakh.

India has leveraged its "special and privileged strategic partnership" with Russia to acquire stakes in Russian oil and gas projects. OVL, for instance, holds a 26% stake in CSJC Vankorneft, the owner of the Vankor Field and North Vankor license. An Indian consortium comprising Indian Oil Corp., OIL, and Bharat Petroresources also holds a 23.9% stake in the same venture, with Rosneft's affiliate RN



Indian energy firms have invested around \$16 billion in Russia to date. BLOOMBERG

Vankor operating the field with a 50.1% stake. In addition, a consortium of Indian Oil Corp., OIL, and Bharat Petroresources holds a 29.9% stake in LLC Taas-Yuryakh.

OVL also owns 20% of Sakhalin-1 and acquired Imperial Energy Corp. Plc, which has 10 exploration and production blocks in the Tomsk region of western Siberia.

"We are unable to transfer the dividends. The dividend payments have been pending since the Western sanctions cut off Russian banks from the SWIFT payment system. Repatriation is a problem, and it has been add-

ing up. We are trying to find a solution and are confident that it will be resolved. That money will come," one of the three people cited above said, requesting anonymity.

In March last year, just weeks after Moscow's invasion of Ukraine, seven major Russian banks were removed from the SWIFT international payments system. SWIFT, jointly owned by thousands of financial entities globally, allows for the smooth and secure movement of international payments across borders. By expelling Russian banks from the system, American and European financial institutions

hoped to impose major costs on Russia's economy. It was followed by a ban on Russian Federation-origin crude oil that came into effect on 5 December for maritime transportation of crude oil and on 5 February for seaborne transportation of petroleum products, along with a price cap.

In an emailed response, a Rosneft spokesperson said, "there are no dividend debts."

"The company is committed to its cooperation with Indian oil and gas companies and supports the mutually beneficial and integrated partnership along the entire value chain, from production to refining and distribution of petroleum products. Cumulative payments and the dividends to Indian partners from joint projects have exceeded \$5 billion over the past four years," the spokesperson said in the emailed response.

Indian energy firms have invested around \$16 billion in Russia to date.

"Rosneft pays the dividends to shareholders on time and in accordance with the corporate procedures," the Rosneft spokesperson said. "In 2022, Indian partners in two projects, Vankorneft and Taas-Yuryakh Neftegazodobycha, were paid \$855 million in dividends based on the

results of work at the end of 2021 and in the first half of 2022. Part of the funds was transferred in 2022 to the accounts of our partners, and another part was also transferred to the account indicated to us. It is not possible to monitor the accounts of Indian partners. At the moment, the partners have not requested Rosneft's assistance in transferring the funds."

India, the world's third-largest oil importer, is getting a steep discount on oil cargoes from Russia, which has never been a major oil supplier to India. It emerged as the largest supplier to energy import-dependent India in FY23, as the country snapped up supplies shunned by others because of sanctions. In the current fiscal till January, India imported crude oil worth \$24 billion from Russia, shows data from the Union ministry of commerce and industry.

"The pending dividend payments to OVL alone account for around \$100 million. There are some sensitivities involved with the issue. We are trying to find a solution," said a second person, cited above, who also did not want to be named.

"We are seized of the issue," said a top Indian government official who also did not want to be named.

Hardeep Puri on Russian oil buy

New Delhi: Petroleum Minister Hardeep Singh Puri on Tuesday said Western countries are "not unhappy" that India is buying Russian oil, and pointed out that had India bought more crude oil from Gulf countries, it would have pushed up crude prices.

PTI

OPEC raises Chinese oil demand growth view



London: OPEC on Tuesday further raised its forecast for Chinese oil demand growth in 2023 due to the relaxation of the country's Covid-19 curbs. OPEC expects Chinese oil demand to grow by 710,000 bpd in 2023, up from last month's forecast of 590,000 bpd and a contraction in 2022. REUTERS



‘India not obliged to follow Russian oil price cap’

New Delhi: India is not obliged to follow the Russian oil price cap set by the Group of Seven leading economies(G7) and other Western nations as New Delhi is not a signatory to the agreement, an Oil Ministry source said on Tuesday.

“Did we agree a price cap?...we have not signed up to the cap,” the source told reporters, when asked if Indian refiners are paying for Russian oil at above G7 price cap. REUTERS

THE WIDER ANGLE.

PARAN BALAKRISHNAN

Take a look at Mumbai-based Gatik Ship Management. In less than a year, Gatik has amassed a fleet of 44 ships, spending an estimated \$1.39 billion. In the last month alone, it spent \$400 million, according to Splash 247, an online site covering the maritime and shipping sectors.

Where the money is coming from isn't exactly clear, but the reason for assembling the fleet is obvious. Gatik's ships are focusing on bringing Russian oil to India. Says Splash 247: "In June last year, Gatik entered the ship-owning business as one of a host of new names shuttling oil from Russia to India."

In the last year, the Russia-Ukraine war and resulting sanctions have changed the global oil industry's dynamics. In February, India imported a record 1.8 million barrels per day (bpd) of Russian oil, up from virtually zilch a year ago. February's imports were up from 1.4 million bpd in January and 1.2 million bpd in December, both also records. In March, too, India will import 1.92 million bpd to hit another peak. Russian discounted oil now comprises 35 per cent of India's oil imports.

Interestingly, almost all Sokol-grade oil exported from Sakhalin in which ONGC holds a 20 per cent stake is coming to India. India is now the world's biggest buyer of seaborne Russian oil, notes Viktor Katona, lead crude analyst at data-analytics company Kpler.

About half the crude processed at private-sector refineries like Reliance and Nayara Energy is now from Russia. Reliance is exporting a refined product called virgin gas oil (VGO) to the US — which used to buy the product from Russia. India is also exporting finished products to Europe. It's also believed Russian oil is supplying the domestic market and that the crude from elsewhere is being exported.

The great question is what will happen as and when the Russia-Ukraine war finally ends? Will the oil industry return to the way it used to operate, with Russia selling to its next-door markets in Europe and India buying from nearby Gulf countries like Iraq and Saudi Arabia, usually the two countries from which we buy the most oil?

There's been so much bad blood

India gaining in new global oil dynamics

The fact is the world still needs Russian oil. And most countries are likely to turn a blind eye if it comes via India



GETTY IMAGES

between Russia and the rest of Europe, it's tough to imagine a return to business as usual if presumably sanctions are lifted. Says Katona: "The European market is geographically closer but the Indian and Chinese markets are politically safer as things stand currently."

Despite India getting \$10-12 discounted oil from Russia, exports haven't risen as much as might have been expected. That's because the refineries are already working at close to full capacity.

India's oil demand and refining capacity are both slated to rise sharply in

Indian refiners are anyway considered highly competitive. And India could become a supplier offering strong advantages to the entire Asian market.

the next few decades. OPEC forecasts India's oil demand will be 5.14 million bpd in 2023. Demand is expected to rise to 7.2 million bpd by 2030 and 9.2 million bpd by 2050, according to the International Energy Authority, making us probably the world's fastest-growing oil market.

But India's refinery capacity is expected to rise even quicker. India's oil companies are expanding old refineries and building new ones at a tremendous pace. Refining capacity is now at 250 million tonnes of oil annually. That's slated to rise to 450 million tonnes by 2030. Take a look at Hindustan Petroleum's (HPCL's) Vizag refinery, on course to almost double its capacity from its 8.33 million tonnes per annum (mtpa) to 15 mtpa. And IndianOil's Panipat refinery is working to enlarge capacity from 15 mtpa to 25 mtpa by September 2024.

HPCL is also working to complete the giant Rajasthan Refinery by early 2024 in Barmer that will be able to process 9 mtpa of crude and 2.4 million tonnes of

petrochemicals. Says Katona: "India's consumption will rise rapidly, but refining capacity will rise even faster. That means international oil markets will see more of Indian exports."

It's unlikely Europe-Russia trade will return to the 'old normal' for a while due to festering acrimony. Sanctions probably won't be lifted immediately. Even if the fighting stops, there'll be questions about who'll pay for rebuilding Ukraine which has seen destruction of its cities and industrial plants. And Russia is expected to keep selling discounted oil to India, giving us clear advantages over refiners globally.

Indian refiners are anyway considered highly competitive. And India could become a supplier offering strong advantages to the entire Asian market. Besides that, it could keep exporting to the US and Europe if trade with Russia remains disrupted.

The fact is the world still needs Russian oil. And most countries are likely to turn a blind eye if it comes via India.

SCO members agree to jointly develop emerging fuel works

SUBHAYAN CHAKRABORTY

New Delhi, 14 March

Nations belonging to the Shanghai Cooperation Organisation (SCO) have agreed to work closely together on emerging fuels, such as hydrogen and ammonia, and biofuels like ethanol, at a meeting of energy ministers of the grouping on Tuesday.

The move will see China, Russia and others collaborate with India on emerging fuel technology, energy modelling, and transition goals.

“The parties recognise that emerging fuels can play a critical role in promoting a circular economy by efficiently utilising biological resources to produce various high-value marketable products with least possible impact on the environment,” read a joint statement issued after the meeting.

The grouping has also agreed to consider the possibility of developing joint emerging fuel projects for connecting major emerging fuel-producing and consuming countries. It will also allow for greater information exchange in the field of energy modelling.

The SCO is a political, economic, and security alliance of eight nations, historically led by Russia and China. It is considered the most important conclave in the Central Asian region, where other nations have a significant interest in trade, connectivity, and resource extraction.

The SCO comprises nine countries: China, India, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Russia, Tajikistan, and Uzbekistan.

India assumed the rotational annual Presidency of the SCO last year — only the sixth summit India participates in as a full-fledged member.

Petroleum and Natural Gas Minister Hardeep Singh Puri said after the meeting that SCO nations have opted for a continued engagement rather than a standalone, one-time discussion. As a result, the grouping will be opened up for signatures on the proposed Global Biofuel Alliance, currently being pushed by India.

New Delhi will formally launch a global alliance on biofuels with like-minded

nations before the Group of Twenty leaders' summit in September, Puri had said earlier. The government has underscored achieving energy security of the country with the expressed aim of reducing import dependence. It envisages a strategic role for biofuels in the Indian energy basket.

Unlike other renewable energy sources, biomass can be converted directly into liquid fuels, called 'biofuels', to help meet transportation fuel needs.

Ethanol is a renewable fuel made from various plant materials, collectively known as 'biomass'.

In India, while the list of alternative fuel resources includes agriculture and forest residue, municipal solid

waste, and cow dung, the government's main target is ethanol. Sugarcane ethanol is an alcohol-based fuel produced by the fermentation of sugarcane juice and molasses. Because it is a clean, affordable, and low-carbon biofuel, sugarcane ethanol has emerged as a leading renewable fuel for the transportation sector.

Move will see China, Russia, others collaborate with India on emerging fuel tech, energy modelling, and transition goals

Crude realities of India's refinery targets

The slow pace of capacity addition by state-owned refiners raises doubts about meeting the govt's aims even halfway

5 DINAKAR
14 March

Recently, Prime Minister Narendra Modi said India should add 200 million tonnes (MT) of refining capacity, around 80 per cent of existing capacity. Industry officials said this additional capacity — which amounts to 4 million barrels a day — must come up in the next 10 years if it has to make an impact on consumption, and enable refiners to recover their investments.

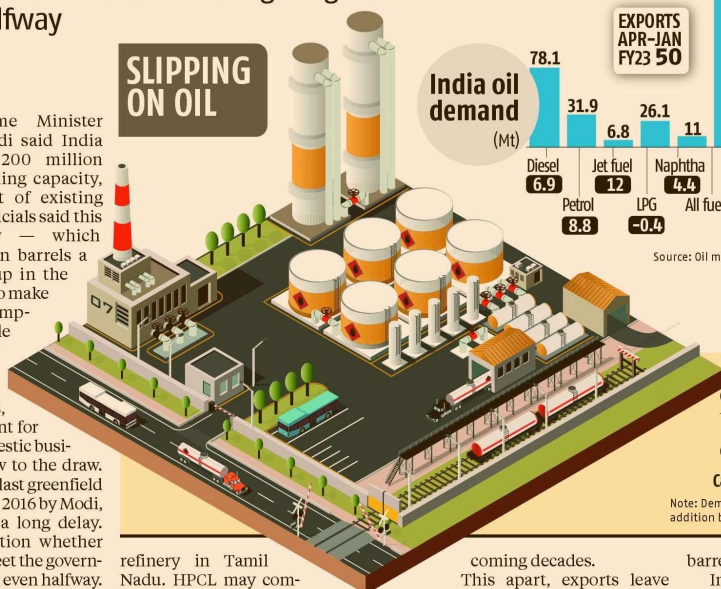
But state-run refiners led by IOC, which together account for 65 per cent of the domestic business, are proving slow to the draw. IOC's Paradip was the last greenfield project inaugurated in 2016 by Modi, commissioned after a long delay. That calls into question whether Indian refiners can meet the government's refinery dream even halfway.

Indian refiners must add around 20 MT of capacity a year to meet the PM's target. But the growth in refining capacity expansion has practically stalled to a compound annual growth rate (CAGR) of just 1 per cent over FY2017-22 compared to around 2 per cent over FY2012-17, according to Crisil Research. In absolute terms that means refining capacity improved by only 17 MT compared to 21 MT in the two five-year periods.

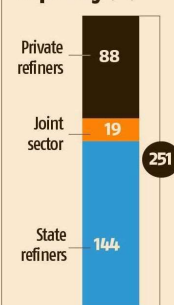
Over the next few years, data from refiners suggest that hardly 50 MT of capacity may come up with state-owned refiners sitting on decisions for the past six years to build new projects, despite government backing.

IOC said that it will add 27 MT a year by 2024-25. It declined to give more detail, but it has hardly added any meaningful capacity since the 15-MT refinery at Paradip. Six years after Paradip, it approved building a 9-MT

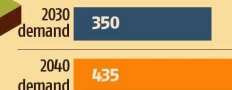
SLIPPING ON OIL



India's refining capacity (Mt)



Source: Oil ministry



Note: Demand numbers projected by IEA, capacity addition based on company data

refinery in Tamil Nadu. HPCL may complete a similar sized refinery in Barmer next year, while its Visakhapatnam refinery expansion was delayed on account Covid-19. The Numaligarh refinery in Assam will add 6 MT capacity by fiscal 2025. MRPL is dilly-dallying over adding 15 MT at Mangaluru. And BPCL, bogged down by privatisation plans, will add only 4 MT at Bina in Madhya Pradesh in five years.

Upcoming capacity of 50 MT may yield only around 30 MT of fuels because around 25 per cent of the capacity from new refineries will be dedicated to petrochemicals, and another 10 per cent used to run the refinery, said a former chairman of a state refiner. State refineries are sharply increasing the oil-to-chemical conversion ratios at new plants to around 25 per cent from 5-10 per cent now to hedge their bets against electric vehicles (EVs) substituting transport fuels in the

coming decades.

This apart, exports leave India with less fuel for domestic use. Earnings from oil product exports totalled \$49 billion in April-January FY23, accounting for 15 per cent of India's gross exports by value, which is hardly chump change. Reliance and Nayara account for the bulk of exports with state oil companies catering to the domestic market.

After exporting 62 MT of products last fiscal, only around 190 MT of capacity was available for domestic use. That was sufficient to meet most of the current demand — because 60 per cent of LPG or cooking gas is still imported — but inadequate to meet 200 MT of new fuel demand by 2040, the largest increase for any country that the Paris-based International Energy Agency (IEA) estimated in its 2021 India Energy Outlook. Opec's World Oil Outlook forecasts that India's oil demand will double to 11.1 million

barrels a day (550 MT) by 2045.

Indeed, oil demand is rebounding with a vengeance. Diesel consumption was up 6.9 per cent and gasoline sales rose 8.8 per cent in February from a year earlier. Crisil, India Ratings and the oil ministry expect total fuel demand to grow at 4-5 per cent a year.

"India is the most important source of global incremental demand going forward, even larger than China," said London-based Tilak Doshi, an international oil expert who has worked in senior roles in Saudi Aramco and King Abdullah Petroleum Studies and Research Center in Riyadh.

"We anticipate that there are expansion opportunities available," said Bhanu Patni, associate director, India Ratings. But the upcoming capacities are expected to be more integrated with petrochemical value chains as well, he added.

"All the EVs, renewables and a potential increase in gas consumption aside, India is going to need

more oil to meet growing energy needs," said Vandana Hari, a Singapore-based energy markets expert. "And going by the expected drop in global refining capacity after the current wave of projects comes on stream over 2022-25, Indian refiners could stand to profit by exporting products."

But state refiners slowed capacity addition fearing an exodus to EVs, a senior official from a state refiner said. Yet EV sales next fiscal will trail state targets by half, according to a *Business Standard* report, and if the subsidy component is withdrawn next year, sales will flag further. EV demand outlook is suffering in most countries, as governments get fatigued by the endless subsidies required to push EVs, Doshi added.

"While the current impetus on decarbonisation — including improving blending and production of biofuels — is expected to cast a shadow over long-term consumption growth, a significant decline in consumption of petroleum products remains unlikely," said Hetal Gandhi, director, Crisil Research.

Modi blamed a "culture of delays" at the launch of the 15-MT a year Paradip plant, which began when Atal Bihari Vajpayee was the PM. That compares with Reliance Industries completing two refineries each with a capacity of 27 MT a year, in Jamnagar, taking just three years for each plant, according to company data. IOC declined to comment on delays to its projects.

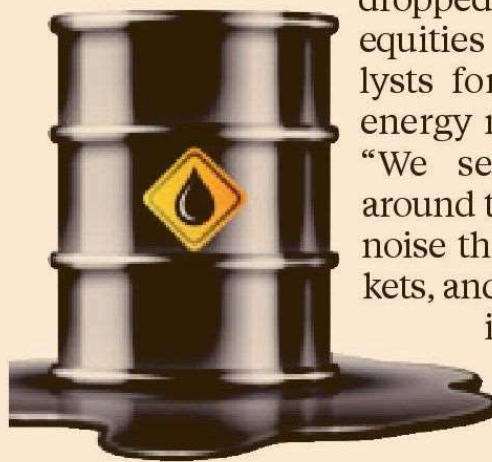
The cost of HPCL's Barmer Refinery has surged by 67 per cent to ₹72,000 crore, said Oil Minister Hardeep Puri, attributing the increase to higher commodity prices and Covid delays. But for a project scheduled to be ready by March 2024, orders for steel and other equipment should have been placed much earlier, an industry official said. HPCL declined to comment.

Another major setback for India was shelving a 60-MT grassroots refinery project at Ratnagiri in Maharashtra, proposed in 2016 and scheduled for completion this year, deeply disappointing project partners Saudi Aramco and Abu Dhabi National Oil Co. State oil refiners were partners in the project.

Other private sector projects have not materialised for various reasons. The Russian invasion of Ukraine has threatened expansion projects at Rosneft-run Nayara Energy after Moscow came under stringent sanctions. In short, India's energy security and the *Aatmanirbhar* may both be on the line unless state refiners step on the gas.

Oil prices continue to slump

Oil prices fell more than \$2 a barrel on Tuesday to their session's low, extending the previous day's slide, as the collapse of Silicon Valley Bank rattled equities markets and sparked fears of a fresh financial crisis. Brent crude futures were down \$1.11 or 1.3% to \$79.66 a barrel at 6.26 PM, having earlier touched a low of \$78.76. US West Texas Intermediate crude futures (WTI) were down \$1.24 or 1.6% to \$73.56 a barrel, off a low of \$72.69. On Monday, Brent and WTI fell to their lowest since early January and December, respectively. Oil prices



dropped alongside a continued slide in equities markets. Commerzbank analysts forecast high volatility in the energy markets in the coming days. "We see Monday's developments around the regional US banks as more noise than news for commodity markets, and it should not have any meaningful medium- to longer-term impact," said UBS analyst Carsten Menke. **BLOOMBERG**

Oil PSUs hit dividend roadblock in Russia

\$400 mn stuck as Western curbs make it harder to transfer money

Utpal Bhaskar
utpal.b@livemint.com
NEW DELHI

State-run energy firms, including ONGC Videsh Ltd (OVL), Bharat Petro Resources Ltd, Indian Oil Corp. (IOC) and Oil India Ltd (OIL), are unable to access around \$400 million in dividend payments stuck in Russia as Western sanctions have made it harder to transfer money out of the country, three people aware of the development said.

This stuck dividend income is on account of the Indian firms' stakes in Russia's CSJC Vankorneft and LLC Taas-Yuryakh.

India has leveraged its "special and privileged strategic partnership" with Russia to acquire stakes in Russian oil and gas projects. OVL, for instance, holds a 26% stake in CSJC Vankorneft, the owner of the Vankor Field and North Vankor license. An Indian consortium comprising Indian Oil Corp., OIL, and Bharat Petro Resources also holds a 23.9% stake in the same venture, with Rosneft's affiliate RN Vankor operating the field with a 50.1% stake. In addition, a consortium of Indian Oil Corp., OIL, and Bharat Petro Resources holds a 29.9% stake in



Indian energy firms have invested around \$16 billion in Russia. REUTERS

FRESH HURDLES

INDIAN energy firms have stakes in Russian oil and gas projects	THE stuck dividends are on account of stakes in Vankorneft, Taas-Yuryakh	PAYMENTS are pending ever since Russian banks were cut off from SWIFT
--	---	--

LLC Taas-Yuryakh.

OVL also owns 20% of Sakhalin-I and acquired Imperial Energy Corp. Plc, which has 10 exploration and production blocks in the Tomsk region of western Siberia.

"We are unable to transfer the dividends. The dividend payments have been pending since the Western

sanctions cut off Russian banks from the SWIFT payment system. Repatriation is a problem, and it has been adding up. We are trying to find a solution and are confident that it will be resolved. That money will come," one of the three people cited above

TURN TO PAGE 8

Oil PSUs' \$400 million dividend payments stuck in Russia

FROM PAGE 1

said, requesting anonymity.

In March last year, just weeks after Moscow's invasion of Ukraine, seven major Russian banks were removed from the SWIFT international payments system. SWIFT, jointly owned by thousands of financial entities globally, allows for the smooth and secure movement of international payments across borders. By expelling Russian banks from the system, American and European financial institutions hoped to impose major costs on Russia's economy. It was followed by a ban on Russian Federation-origin crude oil that came into effect on 5 December for maritime transportation of crude oil and on 5 February for seaborne transportation of petroleum products, along with a price

cap.

In an emailed response, a Rosneft spokesperson said, "there are no dividend debts."

"The company is committed to its cooperation with Indian oil and gas companies and supports the mutually beneficial and integrated partnership along the entire value chain, from production to refining and distribution of petroleum products. Cumulative payments and the dividends to Indian partners from joint projects have exceeded \$5 billion over the past four years," the spokesperson said in the emailed response.

Indian energy firms have invested around \$16 billion in Russia to date.

"Rosneft pays the dividends to shareholders on time and in accordance with the corporate procedures," the Rosneft



The country is also a key Asian refining hub. REUTERS

spokesperson said. "In 2022, Indian partners in two projects, Vankorneft and Taas-Yuryakh Neftegazodobycha, were paid \$855 million in dividends based on the results of work at the end of 2021 and in the first half of 2022. Part of the funds was transferred in 2022 to the

accounts of our partners, and another part was also transferred to the account indicated to us. It is not possible to monitor the accounts of Indian partners. At the moment, the partners have not requested Rosneft's assistance in transferring the funds."

India, the world's third-largest oil importer, is getting a steep discount on oil cargoes from Russia, which has never been a major oil supplier to India. It emerged as the largest supplier to energy import-dependent India in FY23, as the country snapped up supplies shunned by others because of sanctions.

In the current fiscal till January, India imported crude oil worth \$24 billion from Russia, shows data from the Union ministry of commerce and industry.

"The stuck dividend income to OVL alone account for around \$100 million. There are some sensitivities involved with the issue. We are trying to find a solution," said a second person, cited above, who also did not want to be named.

"We are seized of the issue," said a top Indian government official who also did not want to be named.

Queries emailed to the spokespeople for India's ministries of external affairs, petroleum and natural gas and the Russian embassy in New Delhi, OVL, Bharat Petroresources Ltd., Indian Oil Corp. and Oil India Ltd on Monday remained unanswered till press time.

A consortium of OVL, IOC and Oil India Ltd is also looking to invest jointly in the massive Vostok project of Russia's Rosneft. India has also been looking to invest in Novatek's Arctic LNG-2 project as part of its energy security playbook.

India, the world's third-largest oil importer, is getting a steep discount on oil cargoes from Russia

With India dependent on imports for as much as 85% of its oil needs and 55% of its natural gas demand, record-high energy prices are a big concern for a major consumer nation

such as India. The country is also a key Asian refining hub, with an installed capacity of nearly 250 million tonnes per annum (mtpa) across 23 refineries, with plans to grow this to 400 mtpa by 2025.

India's oil PSUs hit \$400 mn dividend roadblock in Russia

\$400 million stuck as Western curbs make it harder to transfer money

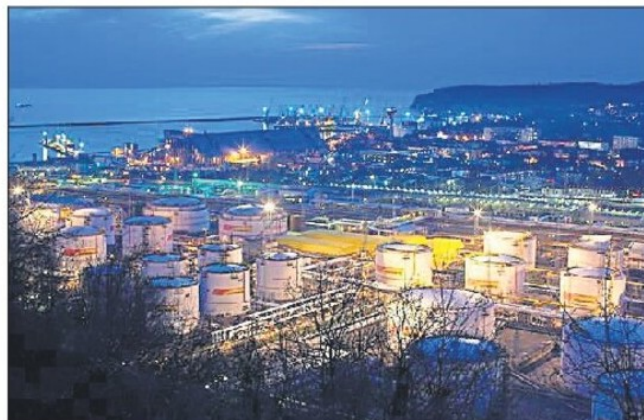
Utpal Bhaskar

utpal.b@livemint.com

NEW DELHI: State-run energy firms, including ONGC Videsh Ltd (OVL), Bharat Petroresources Ltd, Indian Oil Corp. (IOC) and Oil India Ltd (OIL), are unable to access around \$400 million in dividend payments stuck in Russia as Western sanctions have made it harder to transfer money out of the country, three people aware of the development said.

This stuck dividend is the Indian firms' stakes in Russia's CSJC Vankorneft and LLC Taas-Yuryakh.

India has leveraged its "special and privileged strategic partnership" with Russia to acquire stakes in Russian oil and gas projects. OVL, for instance, holds a 26% stake in CSJC Vankorneft, the owner of the Vankor Field and North Vankor license. An Indian consortium comprising Indian Oil Corp., OIL, and Bharat Petroresources also holds a 23.9% stake in the same venture, with Rosneft's affiliate RN



Indian energy firms have invested around \$16 billion in Russia to date. BLOOMBERG

Vankor operating the field with a 50.1% stake. In addition, a consortium of Indian Oil Corp., OIL, and Bharat Petroresources holds a 29.9% stake in LLC Taas-Yuryakh.

OVL also owns 20% of Sakhalin-1 and acquired Imperial Energy Corp. Plc, which has 10 exploration and production blocks in the Tomsk region of western Siberia.

"We are unable to transfer the dividends. The dividend payments have been pending since the Western sanctions cut off Russian banks from the SWIFT payment system. Repatriation is a problem, and it has been add-

ing up. We are trying to find a solution and are confident that it will be resolved. That money will come," one of the three people cited above said, requesting anonymity.

In March last year, just weeks after Moscow's invasion of Ukraine, seven major Russian banks were removed from the SWIFT international payments system. SWIFT, jointly owned by thousands of financial entities globally, allows for the smooth and secure movement of international payments across borders. By expelling Russian banks from the system, American and European financial institutions

hoped to impose major costs on Russia's economy. It was followed by a ban on Russian Federation-origin crude oil that came into effect on 5 December for maritime transportation of crude oil and on 5 February for seaborne transportation of petroleum products, along with a price cap.

In an emailed response, a Rosneft spokesperson said, "there are no dividend debts."

"The company is committed to its cooperation with Indian oil and gas companies and supports the mutually beneficial and integrated partnership along the entire value chain, from production to refining and distribution of petroleum products. Cumulative payments and the dividends to Indian partners from joint projects have exceeded \$5 billion over the past four years," the spokesperson said in the emailed response.

Indian energy firms have invested around \$16 billion in Russia to date.

"Rosneft pays the dividends to shareholders on time and in accordance with the corporate procedures," the Rosneft spokesperson said. "In 2022, Indian partners in two projects, Vankorneft and Taas-Yuryakh Neftegazodobycha, were paid \$855 million in dividends based on the

results of work at the end of 2021 and in the first half of 2022. Part of the funds was transferred in 2022 to the accounts of our partners, and another part was also transferred to the account indicated to us. It is not possible to monitor the accounts of Indian partners. At the moment, the partners have not requested Rosneft's assistance in transferring the funds."

India, the world's third-largest oil importer, is getting a steep discount on oil cargoes from Russia, which has never been a major oil supplier to India. It emerged as the largest supplier to energy import-dependent India in FY23, as the country snapped up supplies shunned by others because of sanctions. In the current fiscal till January, India imported crude oil worth \$24 billion from Russia, shows data from the Union ministry of commerce and industry.

"The pending dividend payments to OVL alone account for around \$100 million. There are some sensitivities involved with the issue. We are trying to find a solution," said a second person, cited above, who also did not want to be named.

"We are seized of the issue," said a top Indian government official who also did not want to be named.

ऊर्जा परियोजनाओं को जोड़ने के लिए भारत, चीन और पाक तैयार

जागरण ब्यूरो, नई दिल्ली: क्या शंघाई सहयोग संगठन (एससीओ) के तहत ईरान-पाकिस्तान-भारत गैस पाइपलाइन और तुर्कमेनिस्तान-अफगानिस्तान-पाकिस्तान-भारत (तापी) गैस पाइपलाइन परियोजना के दिन फिर बहुर सकते हैं। यह सबाल इसलिए उठा है कि मंगलवार को एससीओ के ऊर्जा मंत्रियों की बैठक में इस बात पर सहमति बनी है कि संगठन के प्रमुख ऊर्जा उत्पादक और उपभोक्ता देशों के बीच कनेक्टिंग परियोजनाओं को विकसित किया जाएगा। बैठक पेट्रोलियम व प्राकृतिक गैस मंत्री हरदीप पुरी की अध्यक्षता में वर्चुअल तरीके से हुई, जिसमें पाकिस्तान के ऊर्जा मंत्री खुर्रम दास्तगार खान ने भी हिस्सा लिया।

बाद में पुरी ने संवाददाताओं को बताया कि एससीओ के सदस्य देशों

- एससीओ के ऊर्जा मंत्रियों की बैठक में इस बात को लेकर बनी सहमति
- ईरान-पाक-भारत गैस पाइपलाइन और तापी के बहुर सकते हैं दिन

के बीच बायोपयूल जैसे ईंधन के उत्पादन व आपूर्ति में भी सहयोग करने को लेकर बातचीत हुई है। सभी आठ सदस्य देशों के बीच यह सहमति बनी कि इस बारे में आगे भी चर्चा होती रहेगी। चीन की तरफ से ऊर्जा उत्पादों की कीमत का मुद्दा उठाया गया। जारी संयुक्त बयान में कहा गया है कि सभी सदस्य देश इस बात के लिए सहमत हैं कि ऊर्जा के नए स्रोतों व विकल्प को लेकर ज्यादा गंभीर चर्चा होनी चाहिए। नई तरह की ऊर्जा को लेकर जो भी तकनीकी प्रगति होगी, उसको लेकर सभी देश जानकारी साझा करेंगे।

भारत, चीन और पाकिस्तान ऊर्जा परियोजनाओं को जोड़ने को तैयार

जागरण ब्यूरो, नई दिल्ली

क्या शंघाई सहयोग संगठन (एससीओ) के तहत ईरान-पाकिस्तान-भारत गैस पाइपलाइन और तुर्कमेनिस्तान-अफगानिस्तान-पाकिस्तान-भारत (तापी) गैस पाइपलाइन परियोजना के दिन फिर बहुर सकते हैं। यह सवाल इसलिए उठा है कि मंगलवार को एससीओ के ऊर्जा मंत्रियों की बैठक में इस बात पर सहमति बनी है कि संगठन के प्रमुख ऊर्जा उत्पादक और उपभोक्ता देशों के बीच कनेक्टिंग परियोजनाओं को विकसित किया जाएगा। बैठक पेट्रोलियम व प्राकृतिक गैस मंत्री हरदीप पुरी की अध्यक्षता में वर्चुअल तरीके से हुई, जिसमें पाकिस्तान के ऊर्जा मंत्री खुर्रम दास्तगार खान ने भी हिस्सा लिया।

बाद में पुरी ने संबाददाताओं को बताया कि एससीओ के सदस्य देशों के बीच बायोफ्यूल जैसे ईंधन के उत्पादन व आपूर्ति में भी सहयोग करने को लेकर बातचीत हुई है। सभी आठ सदस्य देशों के बीच यह सहमति बनी कि इस बारे में आगे भी चर्चा होती रहेगी। चीन की तरफ से विभिन्न ऊर्जा उत्पादों की कीमत का मुद्दा उठाया गया। बाद में जारी संयुक्त बयान में कहा गया है कि सभी सदस्य देश इस बात के लिए सहमत हैं कि ऊर्जा के नए स्रोतों व विकल्प को

एससीओ के ऊर्जा मंत्रियों की बैठक में इस बात को लेकर बनी सहमति

ईरान-पाकिस्तान-भारत गैस पाइपलाइन और तापी परियोजना के बहुर सकते हैं दिन



शंघाई सहयोग संगठन (एससीओ)। फाइल

लेकर ज्यादा गंभीर चर्चा होनी चाहिए। नई तरह की ऊर्जा को लेकर जो भी तकनीकी प्रगति होगी, उसको लेकर सभी देश जानकारी साझा करेंगे। ऊर्जा स्रोत से जुड़ी कनेक्टिंग परियोजनाओं के विकास में आपसी सहयोग पर बनी सहमति इसलिए महत्वपूर्ण है, क्योंकि चीन की तरफ से इसे खास तौर बड़ावा दिया जा रहा है। सनद रहे कि दो दशक पहले ईरान से पाकिस्तान होते हुए भारत तक गैस पाइपलाइन बिछाने की परियोजना पर काफी बात हुई थी, लेकिन बाद में भारत ने खास रुचि नहीं दिखाई। माना जाता है कि अमेरिका के दबाव में भारत ने ऐसा किया। अमेरिका की रुचि है कि भारत तापी परियोजना को बड़ावा दे।