FINANCIAL EXPRESS, Delhi, 27.12.2023
Page No. 9, Size:(6.15)cms X (13.19)cms.

Auto PLI 2.0, not FAME III

A modified PLI can address FAME issues and Indian auto players' grievances over any special treatment to a Tesla

WITH JUST A few months left for the FAME II—Faster Adoption and Manufacturing of Hybrid and Electric Vehicles—scheme to run its course, there is much debate on whether it should be continued or not. One hears the department of heavy industries is keen to come out with a new variant—FAME III. However, the finance and other related ministries are reportedly not in favour of such a move. Perhaps it is time that the government looks at a modified production-linked incentive scheme for the automobile sector. This could be done by subsuming the current subsidy under FAME given to two-, three- and four-wheelers used for public transport.

Currently, there are two PLI schemes for the auto sector, one for autos and auto components with an outlay of ₹25,938 crore while the other one is for advanced-chemistry cell batteries with an outlay of ₹18,100 crore. Rather than rolling out a FAME III with a bigger outlay, it might be more practical to have a composite PLI scheme. This would help the government, which is working on sops to enable global players like Tesla to set up a plant in India. A modified auto PLI (PLI 2.0) including four-wheeler EVs for private use can be sold as an attractive policy package.

By opening up the PLI 2.0 scheme to players who had not earlier applied, as well as giving the current participants the option to migrate to the new one, a level-playing field can be maintained. This would address the grievances of domestic firms like Tata Motors and Mahindra and Mahindra, who have protested against any special incentives for Tesla.

As it is, the FAME scheme needs to be modified if it is to be extended beyond March 2024. Given allegations of several two-wheeler manufacturers having wrongfully claimed subsidies, a change in approach is called for. The companies were eligible for subsidies only if they used components made in India. Around seven of them are alleged to have claimed subsidies despite assembling vehicles with imported components. The government has demanded a refund of "wrongfully-claimed" subsidies of around ₹469 crore.

Since the disbursement of PLI incentives is done on the basis of pre-determined incremental sales and production targets, there would be no scope for players to indulge in any such irregularities. In fact, PLI schemes have been modified for telecom products and IT hardware schemes to make them more attractive; a change for the auto sector would not mark any big shift in policy. However, if the FAME scheme is ended, direct price subsidy to consumers would not be possible. At the same time, promoting EVs only through subsidies may not be the best approach as sales may get impacted once they are withdrawn. Granting subsidies in perpetuity is not a feasible option.

States could be encouraged to offer certain incentives to buyers and to the manufacturers over and above the PLI benefits, much like has been devised for the semiconductor design and manufacturing scheme. Further, duty relaxations on components can be provided and manufacturers can be asked to scale up local value addition over a longer period, which would make pricing competitive in the short term. Apart from being fair to all the parties, auto PLI 2.0 would have the benefit of encouraging global players to set their manufacturing chain in the country while making EVs attractive to the buyers.

ECONOMIC TIMES, Delhi, 27.12.2023
Page No. 6, Size:(3.69)cms X (16.47)cms.

BRENT FUTURES UP AT $81.48/BARREL

Crude Rises on Middle East Woes, US Rate Cut Hopes

Reuters

London: Oil jumped 3% on Tuesday to its highest level this month, as further attacks on ships in the Red Sea prompted fears of shipping disruptions and on hopes of interest rate cuts that could boost economic growth and fuel demand.

Brent crude futures were up $2.41, or 3.1%, at $81.48 a barrel by 11:52 am ET (1652 GMT). US West Texas Intermediate crude rose by $2.36, or 3.2%, to $75.92.

The rally, in thin trade with some markets closed for holidays, added to last week's gains of about 3% after Houthi attacks on ships worried investors and as the Israel-Hamas conflict showed no sign of easing. "There's plenty of geopolitical tensions today in terms of the Middle East ... and it has given some angst here to the security of the transit of oil and other goods," said John Kilduff, partner with Again Capital.

Explosions in Red Sea off the coast of Yemen were reported on Tuesday after sightings of unmanned aircraft and missiles in 2 incidents, a maritime authority said. An Israeli minister hinted the country had retaliated in Iraq, Yemen and Iran for attacks carried out against it as war with Palestinian militants in the Gaza Strip widens.

PIONEER, Delhi, 27.12.2023
Page No. 6, Size:(12.62)cms X (21.35)cms.

Gaining currency

The first payment in rupees to the UAE for crude oil gives a major push for making it a global currency

In a significant development in global trade and finance, India has made its first-ever payment for oil in rupees to the United Arab Emirates (UAE), marking a potential turning point in the quest to establish the rupee as a global currency. This move not only strengthens economic ties between India and the UAE but also has broader implications for the international financial landscape. The historic transaction took place as part of a trade agreement between India and the UAE, where India paid for a consignment of crude oil in its own currency rather than the traditionally used US dollar. This departure from the standard practice is seen as a bold step that could have a cascading effect on global trade dynamics. The move by India to make payments in rupee aligns with the nation's broader strategy of diversifying its currency reserves. Historically, the US dollar has been the dominant currency for international trade. By opting for the rupee, India is taking a step towards reducing its dependence on dollar and promoting the use of its currency. The arrangement with the UAE proves that India has truly arrived in the world arena. Not only do many countries look up to India for direction and support but also follow the path it treads. As External Affairs Minister S Jaishankar rightly pointed out, the era of a bipolar world is over and "we are into a multipolar world" where a number of countries play pivotal roles. The payment in rupees not only has economic implications but also strengthens economic and strategic ties between India and the UAE.

It reflects confidence in each other's economies and sets a precedent for other nations to explore alternative currency options. However, it is not to suggest that the Indian rupee is anywhere near the dollar. The US dollar has long been the dominant currency in global trade, accounting for nearly 60 per cent of all foreign exchange (Forex) reserves and more than 80 per cent of global forex trading worldwide. One of the advantages of conducting trade in local currencies is the reduction of currency exchange risks. By sidestepping the need for conversions into a third-party currency like the US dollar, both India and the UAE can potentially save on transaction costs and minimise exposure to exchange rate fluctuations. Other countries may now be inspired to explore similar arrangements, challenging the longstanding dominance of the US dollar in the international financial system. But the initiative to make rupee payments poses certain challenges, too. The rupee is not as widely traded as the US dollar or the euro, which may hinder its immediate adoption on a large scale. Additionally, concerns about the rupee's stability and the need for a robust financial infrastructure will need to be addressed for the currency to gain broader acceptance. While challenges remain, the move surely signifies a shift in the traditional dynamics of international trade and finance. The global financial landscape may witness further diversification in currency usage, challenging the dominance of the dollar and contributing to a multipolar world economy.

Green energy sector to flourish in 2024

Solar auction pipeline robust, easing of norms to help

ARUNIMA BHARADWAJ
New Delhi, December 26

THE YEAR AHEAD 2024

MULTILATERAL DISCUSSIONS ON shifting away from fossil fuels and relying more on renewable energy (RE) capacity seemed to put India in a tough spot in the past year. The government, however, asserted repeatedly through the year – including at the COP28 summit held in Dubai in November – the country's dependence on coal-based capacity will not only stay, but it would also have to scale up thermal power before the phasing down starts.

This 'balanced' approach was considered appropriate by most analysts as the country's power demand reaches new peaks.

The country has set a target of achieving 500 GW of renewable energy capacity by the year 2030 and to fulfil the same would require 50 GW of capacity addition every year. For the RE sector, the year gone by panned out to be slower in terms of capacity addition and investments made. Experts, however, see tendering and implementation of projects gaining pace, towards the end of the financial year 2023-24.

The RE sector was governed by many challenges, especially in the first half of the current fiscal, as high solar module prices coupled with the government's decision of a 40% duty on imports of modules from China made projects unviable.

As a result, the country was only able to add some 6.6 GW of renewable energy capacity by the end of September. But the trend is likely to be reversed in the second half owing to lower prices of solar modules and relaxation of the approved list of models and manufacturers (ALMM) till March 2024 by the government which may enable developers to commission many of the delayed projects by the year end.

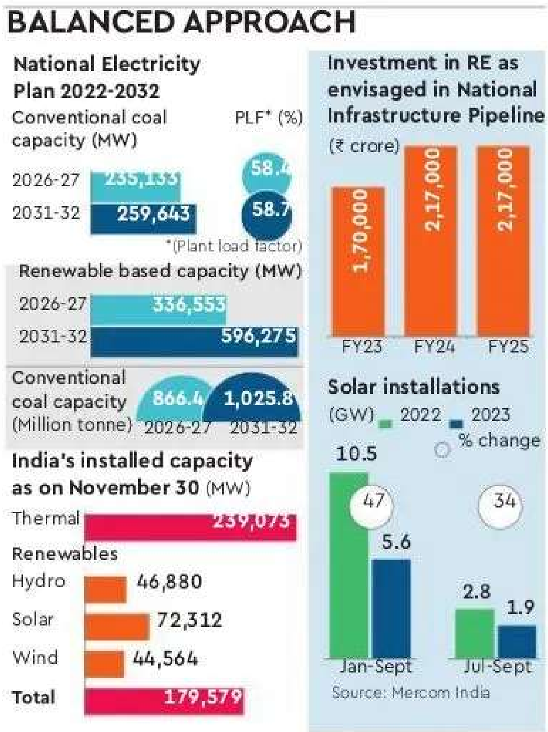
"Annual ordering of more than 10 GW thermal and 8-10 GW of wind is envisaged to counter rising base or peak demand in non-solar hours," Nuvama Wealth and Investment said in its recent report.

Commercial & industrial and round-the-clock renewables tenders have raised the wind mix to nearly 50% of a project's composition as against 30% earlier, as per analysts.

Additionally, the module manufacturing under the production linked incentive (PLI) scheme is expected to catalyse the establishment of a significant number of domestic manufacturing units, contributing to a significant addition of RE capacity the next year.

Among RE categories, one segment that has gained traction this year is green hydrogen. The government as well as private companies have accelerated their focus on this arena and has started adding capacities in the same.

The Union Cabinet in January approved the National Green Hydrogen Mission with an outlay of ₹19,744 crore from FY24 to FY30 with the objective to reduce its dependence on fossil fuels. It aims at achieving green hydrogen production capacity of 5 million tonne per annum by 2030. "Achievement of mission targets is expected to reduce a cumulative ₹1 trillion worth of fossil fuel imports by 2030 and the reduction of nearly 50 million tonne of annual greenhouse gas emissions," the government had said.



Twenty companies including Reliance, Larsen & Toubro, Jindal India and Adani Group have submitted bids for incentives to manufacture electrolysers under the government's green hydrogen plan.

The envisioned growth in the RE sector will also require huge investments. As per energy think tank Ember, India requires an investment of $293 billion between 2023 and 2030 to meet its solar and wind capacity addition targets envisioned under the latest National Electricity Plan, including investments in storage and transmissions.

As per NEP, the renewable-based installed capacity for 2031-32 is projected at 596,275 megawatts (MW), which includes large hydro (62,178 MW), solar (364,566 MW), wind (121,895 MW), small hydro (5,450 MW), biomass (15,500 MW), pump storage plants (26,686 MW) and battery energy storage systems capacity of 47,244 MW/236,220 MWh.

The government, on the other hand, has estimated an investment of ₹929,500 crore in the renewable energy sector during 2022-2025 under the National Infrastructure Pipeline.

Even as India gears for long strides in renewable energy, it also realises that the need for coal-based power is not going anywhere. The government has repeatedly said that it will continue to add coal-based capacity and has announced an addition of 80 GW thermal capacity by 2030 against 51 GW planned earlier as India sees a rising peak power demand. The peak power demand in the country hit a record 239.9 GW in September.

To expedite the process, it has also started auctioning new coal blocks for mining and has successfully auctioned 91 mines so far. The government has also asked companies to take suitable measures and operationalise the mines at the earliest.

All of this is being done so as to ensure the energy security of the nation. Even though the country is confident of tripling its RE share by 2030, it faces some key challenges to be able to achieve the same. To begin with, there is the issue of storage for renewable energy and its round-the-clock availability.

Investments required in the sector too, demands for proper addressal, experts say. The International Monetary Fund, in its report, had highlighted that investments made in renewable energy in the emerging and developing economies lag behind those done in the area of fossil fuels.

"Estimates suggest that a target ratio of about 4:1 for renewable over fossil fuel investment is required globally throughout this decade," the report had said.

"As the scale up of RE capacity happens, the financing requirement will go up and that's when the developed countries will have to step up and contribute, in terms of getting greater access to low cost funding," said Vikram V, co-group head, corporate ratings, Icra. At present, coal-based power accounts for three-fourths of India's power supplies, and by all indications, it would still have a share of over 60% even a decade from now. This is despite continued focus on renewable energy capacity, and investments being planned to bolster RE storage capacity and connectivity of the grid. A key challenge is to address the intermittency of RE.

ECONOMIC TIMES, Delhi, 27.12.2023
Page No. 12, Size:(20.88)cms X (5.97)cms.

India Becomes 2nd-Largest Importer of Russian Fuels

A third of Russia's crude oil exports and a fifth of coal are purchased by India

Sanjeev Choudhary

New Delhi: A third of Russia's crude oil exports and a fifth of coal came to India in the past 12 months, making India the second-largest importer of Russian fuels after China, according to a research agency.

Since the European Union imposed a ban on the import of coal, oil and some other commodities from Russia on December 5, 2022, supplies to India and China have increased. Between the EU ban and the end of November this year, China imported 40% of all the coal and 45% of all the crude oil Russia exported, according to the Finland-based Centre for Research on Energy and Clean Air (CREA).

India purchased 32% of Russia's crude oil exports while the EU (8%) and Turkey (4%) were the third- and fourth-largest buyers. Crude imports to some EU countries weren't sanctioned.

ISTOCK

India has also been the fourth-largest buyer of Russian LPG after Turkey, the EU and Estonia. The EU hasn't sanctioned the import of LPG from Russia.

India ranked eighth in purchasing Russian refined oil products, with Turkey being the largest buyer. Turkey bought 24% of Russia's refined products exports. India has been a minor importer of Russian LNG while the EU has been the largest buyer of the fuel.

The invasion of Ukraine and the consequent western sanctions on Russia disrupted the global energy supply network. The EU, the preferred buyer of Russian oil, gas and coal, is now seeking most of its supplies from elsewhere. Most of its oil and gas are now being sourced from the US and West Asia.

Meanwhile, India has found an unlikely supplier in Russia, which has been offering its crude at a discount at a time when global crude prices have been high.

India barely took Russian crude before the Ukraine war due to high freight. But discounts have made it attractive for Indian refiners. Discounts have varied between $12-13 per barrel and $3-4 based on international market conditions.

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TIMES OF INDIA, Delhi, 27.12.2023
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Oil rises on Red Sea ship safety woes

Oil rose as tensions remained high over shipping disruptions in the Red Sea due to a spate of Houthi attacks against vessels in the vital waterway, and after US military strikes in Iraq. US benchmark WTI climbed above $75 a barrel, a three-week high, after rallying 3% last week, its biggest weekly advance since October. Crude's recent gains helped to pare an annual decline, with oil now on course for a loss of about 5% this year. BLOOMBERG

MINT, Delhi, 27.12.2023
Page No. 2, Size:(3.68)cms X (32.62)cms.

IOC is the only state refiner that has an annual deal to buy a variety of Russian grades. MINT

Payment woes delay supply of Russian oil to India

Reuters
feedback@livemint.com
NEW DELHI

Shipments of Russian Sokol crude oil to Indian Oil Corp (IOC) have been delayed by payment problems, forcing India's biggest refiner to draw from its inventories and buy more oil from the Middle East, two people familiar with the matter said.

IOC is the only state refiner that has an annual deal to buy a variety of Russian grades, including Sokol, from Russian oil major Rosneft. Sokol oil is supplied to IOC by Sakhalin-1 LLC, a unit of Rosneft, people said.

Indian state refiners settle oil trade with Russia in United Arab Emirates dirhams after the government advised them against use of the Chinese yuan, though private refiners are still paying in yuan owing to a lack of alternatives.

IOC's payments for Sokol oil have been hampered because Sakhalin-1 LLC has been unable to open an account with a bank in the UAE to accept dirham payments, said the sources, who declined to be identified because they are not authorised to speak to the media.

Representatives of IOC and Rosneft did not immediately respond to requests for comment.

IOC was supposed to receive six Sokol cargoes from late November to December, shipping data showed. This included NS Century, which was placed under US sanctions last month.

These cargoes are now mostly floating around India and Sri Lanka while NS Century is heading towards Singapore, the data shows.

"The supplier has an intent to deliver crude oil. Hopefully a solution will be found soon," one of the person said.

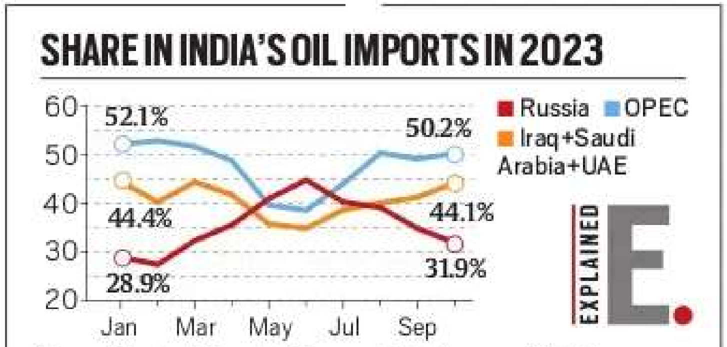
India's oil ministry has told a parliamentary panel that state oil companies face challenges in paying for Russian oil because not all Indian banks can process payments in US dollars for Russian oil, according to a report tabled in parliament last week.

Indian refiners buy Russian oil on a delivered basis.

INDIAN EXPRESS, Delhi, 27.12.2023
Page No. 1, Size:(8.00)cms X (5.05)cms.

Russian oil import at 8-month low in Oct as discount falls, OPEC share up

SUKALP SHARMA
NEW DELHI, DECEMBER 26



Source: Directorate General of Commercial Intelligence and Statistics

WITH DISCOUNTS on Russian crude oil shrinking, Moscow's share in India's oil imports declined to an eight-month low in October, while New Delhi's traditional West Asian suppliers — Iraq, Saudi Arabia and the United Arab Emirates (UAE) — managed to claw back part of the market share they had ceded to Russia.

According to an analysis of India's official trade data by *The Indian Express*, Russia's share in India's oil imports (by volume) in October was 31.9 per cent, down from 34.8 per cent in September. It declined for four consecutive months from the

CONTINUED ON PAGE 2

INDIAN EXPRESS, Delhi, 27.12.2023
Page No. 1, Size:(8.00)cms X (5.05)cms.

• Russian oil import at 8-month low in October

peak of 44.7 per cent in June.

On the other hand, the combined share of Iraq, Saudi Arabia and the UAE touched a seven-month high of 44.1 per cent in October, having risen consistently month-over-month since June. Higher supply of crude from these three countries over the past few months has been leading the recovery in the share of the Organization of the Petroleum Exporting Countries (OPEC) in India's oil imports.

In October, OPEC's share in India's oil import volumes was 50.2 per cent, up from 49.1 per cent in September. In April 2022, when Russian oil deliveries to India were starting to rise notably, the international oil suppliers' cartel accounted for a 71.3 per cent share, led by Iraq, Saudi Arabia and the UAE, which together had a share of nearly 61 per cent in New Delhi's oil imports. Apart from these three countries, OPEC has 10 other member nations.

The government releases country-wise and commodity-wise trade data with a lag; the data till October is available so far.

While the price of crude oil depends on grades and can vary substantially, the average landed price of crude and import volumes from the supplying countries were used for computations as the government does not release grade-wise oil import data.

Prior to the war in Ukraine, Iraq was India's top source of crude, followed by Saudi Arabia and the UAE, while Russia was a marginal player. However, as the West began shunning Russian oil following Moscow's February 2022 invasion of Ukraine, Russia started offering deep discounts to willing buyers. Indian refiners started lapping up the discounted barrels, catapulting Russia to the top spot on the list of India's oil suppliers. Iraq, Saudi Arabia and the UAE have each slipped a rank on the list.

Over the past few months, industry insiders have been saying that the discounts on Russian oil have eroded significantly due to a number of factors, including high oil price volatility, high and opaque shipping and insurance charges, competition from Chinese refiners, export cuts by Russia and the country's own domestic demand for petroleum products, the evidently loose enforcement of the West's price cap on Russian oil and Moscow finding ways to bypass the restrictions.

According to The Indian Express's analysis of trade data, the discount on the delivered price — including freight and insurance — of Russian crude with respect to the average delivered price of oil from Iraq, Saudi Arabia and the UAE was just 5.7 per cent in October, after falling for four consecutive months from June's peak level of 22.7 per cent. Similarly, the discount on Russian oil with respect to the average price of oil received from all OPEC suppliers fell for four consecutive months to 6.9 per cent in October from 23.1 per cent in June.

Even as discounts on Russian oil vis-à-vis other major suppliers have shrunk, for India, which depends on imports to meet over 85 per cent of its oil requirement, even lower concessions matter as they help the country save billions of dollars in foreign exchange.

Russian oil import falls to eight-month low in October

SUKALP SHARMA
New Delhi, December 26

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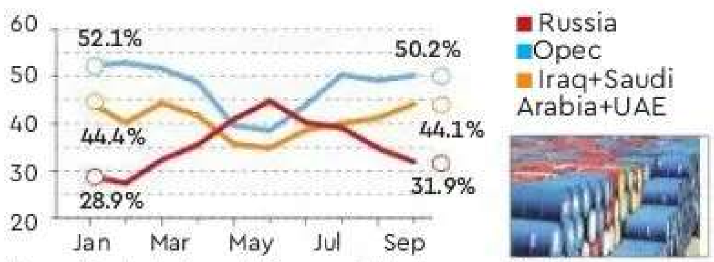
SHARE IN INDIA'S OIL IMPORTS IN 2023



Source: Directorate General of Commercial Intelligence and Statistics

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ILLUSTRATION: AJAY MOHANTY

The oil factor

In spite of global uncertainties, India's oil economy offers an opportunity to usher in reforms in the petroleum sector

RAISINA HILL

A K BHATTACHARYA

As 2023 comes to an end, it is customary to look back at the year that is going by and try to draw from it the right lessons that should hopefully help us negotiate the challenges of 2024.

The Indian economy in 2023 performed reasonably well. Its gross domestic product, or GDP, grew by 6.1 per cent, 7.8 per cent, and 7.6 per cent in the first three quarters of 2023, respectively. And if the Reserve Bank of India's (RBI's) projection of 6.5 per cent growth for the fourth quarter of 2023 is any indication, the full year will have seen an average growth rate of 7 per cent.

There will always be legitimate questions on the nature of this smart recovery and whether this growth should have given a bigger boost to employment in the country, even though the latest job numbers, put out by the government, show an improvement on all key parameters. There are also questions on whether the recovery is fuelled principally by the organised sector, while the large unorganised sector may have neither gained much from the revival nor contributed to it. But even otherwise, a GDP growth rate of 7 per cent in a year of turmoil is a commendable achievement for a large economy like India.

Government finances have been kept under control. The Centre's fiscal deficit was to be reined in at 6.4 per cent of GDP for 2022-23, down from 6.7 per cent in 2021-22. When the actual numbers came out, the deficit for last year turned out to be lower at 6.36 per cent, partly because of a higher nominal size of the economy. The performance in the first half of 2023-24 has been better. Against the annual target of 5.9 per cent, the deficit at the end of September 2023 was estimated at 4.9 per cent.

Even the states have performed creditably by keeping the deficit in check. Their combined fiscal deficit in 2022-23 was 2.8 per cent of GDP, the same figure as was reached in 2021-22. Additionally, the Centre as well as the states has done well by increasing capital expenditure, whose healthy rise has helped in keeping the economy's growth engine in good shape at a time the private sector's investment has not yet seen the expected pace of revival. Tax revenues have also seen a healthy rate of growth for both the Centre and the states. This too has helped improve government finances.

The track record in managing inflation in 2023 has been mixed. While wholesale prices rose marginally in the first three months of the year, they kept falling in the following seven months before registering a small increase of less than 1 per cent in November. In contrast, the retail inflation rate consistently stayed above the target of 4 per cent in all the 11 months of 2023, but showed signs of moderation. However, in only four of these months (January, February, July, and August), the retail inflation rate was above the upper band of tolerance, set at 6 per cent. This is why the RBI's Monetary Policy Committee has maintained a pause on any further hike in interest rates since it last raised the repo rate to 6.5 per cent in February 2023.

In many ways, all these parameters for the Indian economy are not surprising. The big surprise of 2023 is the way the international crude oil market has behaved during this year. Note that India's dependence on international crude oil has been on the rise and imported crude oil met as much as 88 per cent of the country's total consumption during the first eight months of 2023-24. This was 87 per cent in 2022-23 and lower at 85 per cent in 2021-22.

And yet, this caused no extra pressure on India's external account in 2023. Indeed, the country's crude oil import bill in the first eight months of 2023-24 fell to $87 billion, down by 23 per cent over the same period of 2022-23. This relief was unexpected. The year saw geopolitical tensions at their peak with the Russian invasion of Ukraine and later the Israeli offensive in Gaza. In the past, any international crisis would lead to a spurt in crude oil prices and India's oil import bill would soar. Even as the average price of Brent crude oil (which India mostly uses) rose from $65 a barrel in 2006 to $72 in 2007 and further up to $97 a barrel in 2008, India's oil import bill on this account rose from $48 billion in 2006-07 to $68 billion in 2007-08 and to $77 billion in 2008-09. Something similar happened in 2010-11 and 2011-12, when Brent crude oil prices had risen again.

But what happened in 2023 was quite unusual. Of course, average Brent crude oil prices fell from $101 a barrel in 2022 to $83 a barrel in 2023. But along with that came the Russian oil bonanza. Russian Urals for many months of 2023 accounted for more than a third of India's total crude oil imports. Thus, India's total oil import bill fell sharply in 2023. In the recent past, crude oil prices have always been a major source of worry for managers of the Indian economy. In 2023, those appear to be less of a concern even though the world has been in turmoil.

As a result, India's oil economy is enjoying a relative calm. The government is not unduly worried by any additional pressure on its oil subsidy bill, except a little bit of a rise in its subsidies for fertilisers. Oil companies continue to enjoy a decent gross refining margin. In the first half of 2023-24, it is lower than the level that prevailed in 2022-23, but it is still higher than what it was in 2021-22. Post-tax profits of state-controlled downstream oil companies (marketing) in the first half of 2023-24 have skyrocketed to over ₹57,000 crore, compared to just about ₹1,100 crore in the whole of 2022-23. Although the post-tax profits of state-controlled upstream/midstream and standalone refineries have dipped significantly in the same period, they are still earning profits.

But this situation should not lull the government into complacency. Remember that India's domestic crude oil production has remained flat and is hovering at 27-28 million tonnes in the last two years. There are no signs of a pickup in domestic crude oil production in 2023 as well and the policy of encouraging oil exploration has not yet yielded results. This is the right time for a fresh review of why such policies have not made an impact so far. This is also an opportunity for the government to introduce much-needed pricing reforms in this sector. State-owned oil-refining and distribution companies enjoy pricing freedom only on paper. Now that all of them are earning profits, the government should give them pricing freedom. That will also help revive the idea of privatising a few of the state-controlled oil companies.

BUSINESS STANDARD, Delhi, 27.12.2023
Page No. 6, Size:(26.42)cms X (20.89)cms.

Trade in national currencies, banking to figure in Jaishankar-Lavrov talks today

SUBHAYAN CHAKRABORTY
New Delhi, 26 December

External Affairs Minister S Jaishankar and his Russian counterpart Sergey Lavrov will on Wednesday discuss expansion of the use of national currencies in mutual settlements and prospective implementation of joint projects for development of hydrocarbons on the Arctic shelf and the Russian Far East.

Jaishankar arrived in Russia on Monday for a five-day visit to meet the Russian leadership and attend the annual bilateral summit between both nations. "Arrived in Moscow. Look forward to my engagements," Jaishankar said in a post on X along with a picture. "Geo-politics and strategic conver-gence will always keep India-Russia ties on a positive trajectory," he said as he interacted with experts.

In a statement on Tuesday, the Russian foreign ministry said building of sustai-nable transport, logistics, and banking and financial chains would also be discussed. "The most important areas of interaction between our countries are the expansion of political dialogue in bilateral and multilateral formats, increasing the density of interdepartmental contacts in the fields of economics, finance, energy, production of military equipment, science, and culture," the statement said.

External Affairs Minister S Jaishankar in Moscow on Monday PHOTO: PTI

The trade in national currencies is particularly important for India's crude oil imports from Russia, currently settled in UAE dirhams. However, Russian companies have increasingly found it difficult to receive dirhams as banking links in the UAE have been under pressure. Russia is currently the largest source of crude for India, supplying an estimated 33 per cent of all crude volumes in November.

Following the imposition of Western sanctions, the Reserve Bank of India (RBI) allowed Russian banks to open nine vostro accounts in IndusInd Bank and UCO Bank last November. A vostro account is one maintained by a foreign bank in the domestic bank's currency.

"The ministers will focus on current and future areas of bilateral cooperation, as well as discussing the schedule of upcoming contacts," the ministry said.

The ministers will also compare positions on current international issues. The topic of interaction within the UN, Shanghai Cooperation Organization, and the G20 will be discussed separately. The priorities of Russia's Brics chairmanship in the coming year will be discussed. An in-depth exchange of views is expected on the issues of forming a fair security architecture in the Asia-Pacific region, the situation in Ukraine, Afghanistan, and the Palestinian-Israeli conflict.