



Ayana Greenlights JSW Unit and ONGC into Final Round

Green Goals

JSW Neo plans to create **10 GW** renewable capacity by FY25

Currently has pipeline of **7 GW** of such projects

Ayana has **4 GW** of renewable capacity

ONGC floated renewable energy subsidiary in Feb

ONGC Green to build **10 GW** capacity

Renewable energy co valued at up to \$1.8B

Mohit Bhalla

New Delhi: JSW Neo Energy and Oil & Natural Gas Corp are the last two left in the fray to acquire Ayana Renewable Power, a green energy company controlled by National Investment & Infrastructure Fund (NIIF), said people directly aware of the matter.

The two companies were among the four shortlisted in April to

conduct due diligence after multiple parties submitted non-binding offers for the renewable power company. The revised term sheets were submitted last week. The offers peg Ayana's enterprise value between \$1.6 billion and \$1.8 billion, the people said.

Uncompetitive Offers >> 10

■ Reliance Bags ₹3,620-cr Battery PLI Sops >> 7

Uncompetitive Offers

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Enterprise value includes debt and liquid assets.

Bids of Sembcorp and Macquarie, the other two shortlisted companies, were deemed low-ball and thereby uncompetitive.

Ayana Renewable Power's ownership is split three-way, with government-anchored NIIF as the dominant shareholder (51% stake). British International Investment (32%) and Eversource Capital (17%) are the other shareholders. ET first reported on May 4 that JSW Neo Energy was among five players that had submitted non-binding offers for Ayana Renewable Power. The others were Sembcorp, Macquarie, Masdar and Sekura Energy.

On May 16, ET reported that state-run ONGC had also joined the bidding process. JSW Neo Energy and ONGC declined to comment while NIIF did not respond to queries until press time on Wednesday.

Ayana Renewable Power's three co-investors led by NIIF had collectively committed to pump in \$721 million in equity funding into the company. Its

debt is estimated to be between \$800 million and \$1 billion.

British International Investment, in its previous avatar as CDC, had floated Ayana Renewable Power in 2018 to further the UK's investments in green energy in India. NIIF became a controlling shareholder in December 2020.

Ayana Renewable Power has a portfolio of more than 4 GW of solar, wind and hybrid power projects, including operational and under development, across several states.

The company has an operational capacity of 1.3 GW in Andhra Pradesh, Karnataka and Rajasthan. It has 2.8 GW of projects under development, with 2 GW of solar, wind and hybrid assets having firm power purchase agreements (PPAs). PPAs are yet to be signed for the remaining 800 MW of projects that it won through the bidding route.

Of these, it expects to commission a 300 MW wind power asset in the ongoing fiscal and the rest through FY26, subject to signing of PPAs, according to an ICRA report.

JSW Neo Energy has an aim to build 10 GW of renewable energy generation capacity.

PNGRB ACT TWEAKS ON THE CARDS

'Common carrier' may get legal status

SUBHAYAN CHAKRABORTY & SHREYA JAI
New Delhi, 4 September

A long-pending amendment to the Petroleum and Natural Gas Regulatory Board (PNGRB) Act, 2006, expected in the coming months, will give the sector regulator enough legal teeth to enforce its plan to reclassify natural gas pipelines as "common carriers", a top PNGRB official told *Business Standard*.

As a result, the ongoing tussle between PNGRB and aggrieved city gas distributors (CGDs) over the issue is soon feared to intensify after a lull. Legacy CGD players insist that the plan needs more clarity on operational grounds and staunchly maintain that they can't hand over access capacity to new entities without more details from the government.

The "common carrier" principle allows all producers and consumers access to fuel transport infrastructure by appointing independent gas pipeline operators. "Declaration of city gas pipeline networks as common carrier will bring in fresh investments, open the markets for competition and efficiency, and will lead to growth of the market size. This has been the experience in gas markets in other parts of the world," a senior official at PNGRB told *Business Standard*.

A series of legal actions initiated by PNGRB against legacy CGD players like Indraprastha Gas Ltd (IGL) in Delhi/NCR and Mahanagar Gas Ltd (MGL) in Maharashtra had been shot down at various courts. But the amended Act will give the regulator further legal backing. It provides

PUSHING AHEAD

Common carrier principle allows all producers and consumers access to fuel transport infrastructure by appointing independent gas pipeline operators

Differing views

- Natural gas regulator backs principle allowing producers and consumers to access gas infra; says will attract investments, boost market, help smaller players

- City gas distributors (CGD) oppose sharing infrastructure rights; say principle wasn't disclosed at time of bidding, does not detail how capacity will be allocated

Back & forth

- Exclusivity period for city gas distributors expired in cities like Delhi and Mumbai in 2012

- Process of declaring certain distributors' areas as common carriers began

in 2015

- Regulator proposes creating 54 distributors networks as common carriers

in 2021

- Withdraws the 2021 regulations in May, 2024

medium-density polyethylene (MDPE), or CNG. Also, it should not happen that some players come in, take the cream of the business without doing any work, or focusing on city gas distribution. If there are targets for them, then we have no issue," Chatiwal added.

PNGRB has countered this argument by floating the concept of transport system operator (TSO) to be incorporated to manage the gas pipeline infrastructure's common carrier. The TSO will be entrusted with the task of booking pipeline capacity for gas transport from producers to consumers on payment of a fee, to be decided by the regulator. An amended PNGRB Act will also provide more legal backing for setting up the TSO, the official mentioned above said.

Meanwhile, CGD players have contested the principle in court on the argument that it was not part of the bidding guidelines when the rights for gas transportation and marketing were offered.

The government currently recognises natural gas pipelines as either contract carriers, where capacity is made available to any other entity under a firm contract, or as common carriers, where the original licensee has to permit about 20 per cent or more of its network capacity for use by other suppliers, normally for a period of less than one year.

Natural gas pipelines are a widely accepted mode of bulk transportation of natural gas from a source to a delivery point on a particular route. The concept of natural monopoly in transportation of natural gas is universally accepted, given its capital intensiveness and safety factors.

firm has an interconnected network, and it is difficult to divide a connected gas pipeline. "Our infrastructure is not built for this. If a new player asks for an unutilized part of the network, we can give them. But if they demand access in prime areas such as those in Central Delhi, it's not possible," Chatiwal said.

"In principle, we are in agreement that this should happen for the growth of the sector. But specific details are still not known. We don't know which network it will apply to — steel,

for more clarity in how to deal with this barrage of litigations as well, the official stressed.

Inevitable tussle

City gas players need more clarity on which networks will come under the common carrier principle, how access capacity may be divided, the type of new players who will be allowed to come in, and whether they will have mandatory responsibilities, said Kamal Kishore Chatiwal, managing director of IGL. He said the state-run

Crude imports from US rebound as Russia sanctions get tighter

S DINAKAR

New Delhi, 4 September

Even as Russia and West Asia have been slugging it out for market share in India to sell their crude oil, the US is quietly making its moves on the sidelines. The US has doubled its share of the Indian crude market in the past few months, according to industry sources and ship-tracking data.

Some of the increase in America's market share may have come at the expense of Russia, India's biggest crude oil supplier, said industry sources.

India may have bought over \$1 billion of US oil in August, according to calculations by Business Standard based on ship-tracking data and June-delivered prices from Indian Customs. The US this year targeted Russian light, low-sulphur grades, also called sweet crudes, which are priced at a premium compared to dirtier grades, with sanctions, prompting Indian refiners to seek similar grades elsewhere, mainly from America, refining officials said. For instance, supplies of US WTI Midland, a light, low-sulphur grade, increased by 24 per cent this year to 128,000 barrels per day (bpd) from a year earlier.

India's shipments of crude oil from the US, bought on spot terms, surged in August to a 19-month high at around 371,000 bpd, according to data from Paris-based market intelligence agency Kpler. Volumes were higher on the month by 106,000 bpd, or by 40 per cent, and more than doubled from 164,000 bpd a year earlier. The share of US crude in India's crude cocktail basket jumped to 8.3 per cent last month from 3.7 per cent a year earlier.

Higher imports of US oil also helps mollify Washington, which has been critical of India sourcing Russian crude, officials said, though they clarified that purchase decisions are based on economics.

"The increase has come from loadings of higher Canadian heavy crude from the US, which is driven likely by margins," said Serena Huang, head of Asia-Pacific analysis for market intelligence provider Vortexa. Prices of Canadian heavy, acidic grades trade at hefty discounts of \$10 per barrel (bbl) to European benchmark Brent crude but Reliance is the only refiner which can process these crudes on a sustained basis, said industry officials.

While dirty Canadian crudes shipped from the US to India accounted for 35 per cent of overall US export volumes in August, the rest came from sweet grades.

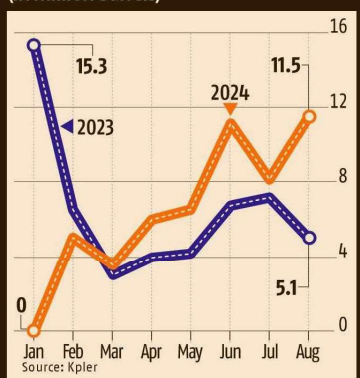
"Indian refiners lift US sweet crudes based on situational demand, and when they need to replace Mumbai High or Russian sweet crudes like Sokol," said R Ramachandran, Mumbai-based energy expert and former refining head of Bharat Petroleum.

The US turned the heat on premium Russian grades like Sokol, a light, sweet oil, from December by sanctioning ships, leading to disruption of supplies to Indian Oil, according to



RISING NUMBERS

Shipments of US crude to India (in million barrels)



shipping data. That forced Indian refiners to seek oil from the US and Nigeria.

Ramachandran said that another reason for the surge in US sweet grades in August could be maintenance of some units like hydrocrackers in refineries, which resulted in a higher draw on sweet crudes.

The trend in imports of US WTI light, sweet grades, which is the biggest US grade imported by India, has also tracked prices of the underlying US crude benchmark. WTI rates slumped to around \$73/bbl in early June from as much as \$87/bbl in early April. Prices subsequently rose to \$83/bbl in early July before declining by \$11/bbl in late August, official data shows.

India imported 324,000 bpd of US crudes in June compared to just 144,000 bpd a year earlier, according to official data from the US Energy Information Administration.

An increase in US shipments helps trim India's trade surplus with the US, an expansion of which led New Delhi in the first place to pursue oil imports from America during former president Donald Trump's administration, Indian officials said.

US sales also bucked India's overall crude oil import trend in August, which declined by around 6.6 per cent from July to 4.5 million bpd.

Deals & Disputes Drive India Inc Legal Spends up by 17% in FY24

Top 500 listed companies spend ₹52,568 crore even as compliance costs too increase

Maulik Vyas & Shailesh Kadam

Mumbai: Legal expenses of India Inc rose 17% in the last fiscal due to robust deal activities beyond home shores, heavy spending on dispute resolution, and increased compliance costs, showed the annual reports of the top 500 companies listed locally.

The Nifty 500 companies spent ₹52,568 crore (\$6.26 billion) in legal expenses for the year ended March 2024, up 17.03% from ₹44,920 crore in the previous year, data compiled by ETIG show.

The top 50 companies by market capitalisation have a lion's share in the total legal expenses of the Nifty 500 companies. The data reveals that legal spending rose about 17.40% to ₹21,389 crore in Nifty 500 companies.

Organic and inorganic expansions beyond home, regulatory expenses, and costly litigations and arbitrations are the primary reasons for the rising overhead.

"The cost of non-compliance has gone up significantly and hence most companies are trying to spend on compliance and other regulatory, which generally goes in the bucket of 'legal spend' for several listed companies," said Nishith Dhruva, managing partner of law firm MDP & Legal. "It's a sign of a maturing market and one may see this cost going up continuously."

These legal expenses include spending on litigation and arbitra-

tion, professional fees, regulatory filings, penalties, and general stamp duty among others.

The top five spenders in terms of legal costs in FY23 were Reliance Industries (₹3,286 crore), Sun Pharmaceutical Industries (₹2,953 crore), Infosys (₹1,726 crore), Larsen & Toubro (₹1,550 crore) and Samvardhana Mother-son International (₹1,287 crore).

Rajiv Choubey, group general counsel at Dalmia Bharat Group, noted that the uptick in spending corresponds with the surge in M&A and deal-making activity within India.

"When compared to other global economies, the Indian economy is experiencing a decent growth of

7-8%, with a promising upward trajectory. Several factors are currently aligning in India's favour, driving strong interest in foreign direct investment and other capital inflows" adds Choubey. "The deal activity in the cement sector is one such example. The legal expenditure of unlisted companies is expected to go up as they are coming up with IPO and increased compliance costs," he adds.

The top five sectors in terms of legal spending include infotech (₹9,901 crore), pharmaceutical (₹9,496 crore), finance (₹5,110 crore), capital goods (₹4,321 crore) and oil & gas (₹4,065 crore).

Ruchi Khatlawala Pandya, a partner at law firm Little & Co, said several groups and companies are investing in capacity building for traditional sectors such as steel, cement and power and at the same time, companies are al-

so entering into new sectors such as renewable energy, semiconductors, electric vehicle (EV) and its peripheral industries.

"From an in-house legal standpoint, there's a significant push towards curbing legal expenses and achieving better fee negotiations and even adoption to legal tech, mediation and settlements," Choubey remarked.

The total legal spending of all the listed companies on Indian bourses may sound big, but it is minuscule at just 0.40% of their total revenue and 0.53% of their total expenditure.

As per data compiled by ETIG, the research and analysis division of ET, the revenue of all listed companies in FY24 totalled ₹1,55,09,188 crore, up 8.11% from ₹1,43,46,224 crore the year before. Their total expenditure, too, rose over 3.45% to ₹1,21,56,469 crore in FY24 from ₹1,17,51,310 crore in the previous year.

Bills & Balance

TOP SECTORS BY LEGAL SPEND (₹ CR)

Infotech	9,901
Pharmaceuticals	9,496
Finance	5,110
Capital Goods	4,321
Oil & Gas	4,065
Medical Services	3,906
Banks	3,398



OUTLOOK

Companies are actively looking at in-bound and out-bound M&As

Many firms entering new businesses such as Renewable, EV and Electronics

Cos likely to adopt legal tech, mediation and settlements to control costs

BHAVIN G

EVs become costlier in Delhi

The city's incentive policy for electric vehicles expired in Aug, leading to a rise in prices, and dip in registrations

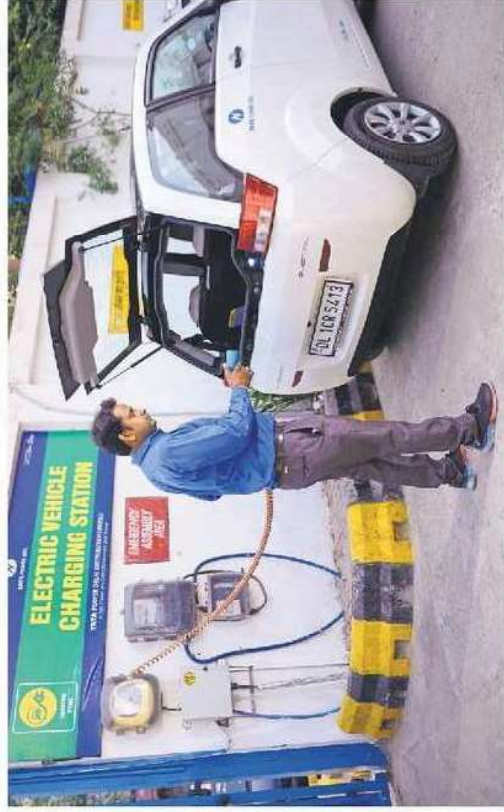
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Electric vehicles (EVs) have become about 10% costlier in Delhi, making buyers hesitant, after the city government's EV policy that gave financial incentives to encourage the adoption of clean mobility in the national capital expired in August.

EVs are piling up in showrooms, as buyers hesitate to pay the steep prices, leading to a sharp fall in registrations in an already stressed market, dealers and industry executives said.

Dealers of leading electric two-wheeler makers, including Ather Energy, Bajaj Auto, and TVS Motor Company, as well as electric passenger vehicle makers Tata Motors, MG Motor India and BYD, said that since 30 August, the Delhi government has been charging a road tax of 7%-8% in the case of electric two-wheelers and 10% for four-wheelers. Buyers enjoyed a full road-tax waiver under the now-expired EV policy.

Data from the government's Vahan portal reveals a marked slowdown



The Delhi government has been charging a road tax of 10% on four-wheelers since 30 August.

MINT

in EV registrations in the first days of September, with not a single electric passenger vehicle registered in Delhi and only 19 electric scooters registered so far this month. While Vahan registration data often lag actual sales, partly reflective of the dip, dealers confirmed that in the past 3-4 days, almost no registrations have taken place due to the sudden increase in prices.

Prices for electric four-wheelers have also been adjusted to reflect the new 10% road tax charge, further exacerbating the situation. "We are negotiating with the customer by absorbing some of the amount ourselves and by passing on the rest to the customer, or in some cases absorbing it entirely. But there is no indication right now that this amount might be returned to OEMs (original equipment manufac-

turers) or customers", a New Delhi-based e-two-wheeler dealer told *Mint* on condition of anonymity.

Dealers and OEM representatives are scheduled to meet Delhi transport minister Kailash Gahlot on 9 September to seek relief. The stakeholders are expected to request that the subsidies be reinstated or extended to prevent further disruption in the EV market and to maintain the momentum of EV adoption in the capital. The disruption in the city's EV market comes in the backdrop of a delay in the announcement of the EV Policy 2.0, which is said to be in the works.

Queries emailed to the Delhi Transport Department remained unanswered till press time.

This unexpected move has resulted in an additional cost of around 10% of the vehicle's price, significantly burdening potential EV buyers. Adding to the challenge, neighboring states like Uttar Pradesh continue to offer attractive cash subsidies of up to ₹1 lakh on electric cars, making Delhi's increased costs even more daunting.

for those considering an EV purchase. When dealers approached the Regional Transport Office (RTO) for clarification, officials indicated that in the absence of a notification for the EV Policy 2.0, all EVs will be subjected to the same road tax as non-EVs," A FADA representative told *Mint*.

"The expiration of the Delhi EV policy comes at a critical time for the market, which has already seen a significant decline in fleet sales year-over-year following the conclusion of the FAME 2.0 scheme.

The introduction of road tax charges in Delhi is expected to further stress EV sales, particularly with the festive season approaching and several new EV launches on the horizon, including the Tata Curvv EV, MG Windsor EV, and upcoming offerings from Maruti and Hyundai set for early 2025," a passenger EV dealer said on condition of anonymity.

"This sudden policy shift could stall the momentum built by the previous EV initiatives," the FADA representative said.

7-8%

Road tax charged by the govt on electric 2-wheelers

‘FAME III likely in 2 Mths, Focus on Preventing Misuse of Subsidies’

Our Bureau

New Delhi: The government will launch a new subsidy scheme in the next two months to support green mobility in the country, heavy industries minister HD Kumaraswamy said on Wednesday.

The scheme is being vetted by the PM's office and care has been taken to ensure that the subsidy offered is not misused, he told media persons on the sidelines of an event organised by industry body

Assocham. “FAME (Faster Adoption and Manufacture of Hybrid and Electric Vehicles) I and II had faced some problems. They are

being sorted out (in FAME III),” Ku-

maraswamy said. “Sug-

gestions are still

coming for

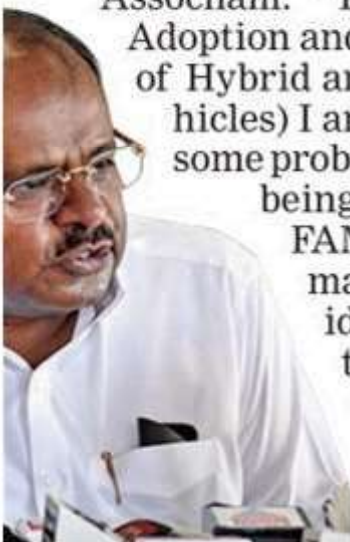
how the FA-

ME III sche-

me should

be. We must adopt them.” The Centre had launched the FAME scheme in 2015 to support localisation of electric vehicle manufacturing. Its second edition was launched in 2019 with a phased manufacturing programme (PMP) that the electric vehicle makers agreed to. But its implementation was marred with instances of companies selling largely imported vehicles and claiming subsidies meant for locally made ones. The Centre wants to ensure this is not repeated under FAME III and changes are being made accordingly.

In an address during the Assocham National Conference on ‘Building India as an Electric Mobility Hub’, Kumaraswamy said the focus is on promoting local manufacturing and driving sustainable growth. He said the shift towards electric vehicles will generate employment opportunities, reduce the country's dependence on fossil fuels and contribute to a cleaner and greener future.



Finalising FAME-III will take 'some more time': Kumaraswamy

ADDRESSING GAPS. 'Efforts are on to plug lacunae in previous versions of the scheme'

Our Bureau
New Delhi

Heavy Industries Minister HD Kumaraswamy said on Wednesday that the government will take "some more time" to finalise the third phase of the 'Faster Adoption and Manufacturing of (Hybrid and) Electric Vehicle' (FAME-III) scheme.

Kumaraswamy said on the sidelines of the National Conference on Electric Mobility, organised by ASSOCHAM, in New Delhi, that an inter-ministerial group is working on the inputs received, and efforts are on to plug gaps in the first two phases, and this could take a couple of months.

WORK IN PROGRESS

"It will take some more time... several suggestions are coming because in FAME-I, FAME-II whatever lacunae is there, how to separate it, for that we are working. Even the



Even the PMO has given some suggestions and our inter-ministerial group is working on those

HD KUMARASWAMY

Union Minister for Heavy Industries



PMO has given some suggestions and our inter-ministerial group is working on those...

"I think within one month, two months, it will be cleared."

On Tuesday, G20 Sherpa Amitabh Kant also said that the government will introduce the FAME-III scheme to sustain the EV transition and to expand charging infrastructure nationwide.

REDUCING EMISSIONS

Delivering a special address as a Guest of Honour at the ASSOCHAM conference, Tarun

Kapoor, Advisor to Prime Minister, PMO, said, "The EV sector is one where India has an opportunity to be a global leader.

"Transport sector as a whole contributed 13 per cent of total CO₂ emissions, of which road transport sector's share was 90 per cent; we must, therefore, take a holistic look at the transport sector as a whole in our efforts to tackle our environmental issues...

"The government looks forward to suggestions from stakeholders and will continue to extend support to the

sector." "In FAME-III, new vehicle segments should also be there because someday they will also be on the roads and they have to be equally clean...we also thought that probably it was time we focused on the enabling infrastructure more. So while FAME-II was exclusively focussed on the demand part, now we think that the enabling infrastructure/ charging infrastructure can be taken care of," Sudhendu Jyoti Sinha, Project Director (Infrastructure/ e-Mobility) at Niti Aayog, said.

The FAME-III scheme will replace the temporary Electric Mobility Promotion Scheme (EMPS) 2024, which was launched in March with an outlay of ₹500 crore and validity until July 31; it was subsequently extended until September 30 with a total outlay of ₹778 crore.

However, subsidy under EMPS was limited to electric two- and three-wheelers.



Government to clear FAME III scheme in 1-2 months: minister

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The government is expected to finalize the third phase of its flagship electric mobility adoption scheme FAME in a month or two, Union heavy industries minister H. D. Kumaraswamy said on Wednesday.

Kumaraswamy said an

inter-ministerial group is working on the inputs received for the scheme, and efforts are being made to address the issues in the first two phases of the FAME scheme.

FAME is short for Faster Adoption and Manufacturing of Hybrid and Electric Vehicles in India.

FAME III will replace the temporary Electric Mobility

Promotion Scheme (EMPS), which is set to expire in September.

The second phase of FAME was rolled out in 2019 with an initial outlay of ₹10,000 crore for three years. It was later extended up to March 2024 with an additional outlay of ₹1,500 crore.

The initial target of the scheme was to support one million electric two-wheelers,

500,000 electric three-wheelers, 55,000 passenger cars and 7,000 electric buses.

"On FAME III, several suggestions are coming because in FAME I, FAME II whatever lacunae is there, how to separate it, for that we are working. Even the PMO (Prime Minister's Office)...has given some suggestions, for that our inter-ministerial group is working," Kumaraswamy said.

Asked about the timeline for FAME III, the minister said, "I think within one month, two months it will be cleared."

On whether FAME III proposal will be sent to the Union cabinet seeking approval in a month or two, the minister said, "Several suggestions are coming even now, we have to adopt all those things, whatever is the best, positive way, we have to take those deci-

sions."

To a question on unsold inventory with automobile dealers and players, Kumaraswamy said he has received several requests from the automobile industry. "We are working on the best way we can help them strengthen the industry."

He was speaking to reporters on the sidelines of an Association event in New Delhi.

India is for development, not expansionism: PM in Brunei

Brunei Has Overlapping Maritime Claims With China In SCS

TIMES NEWS NETWORK

New Delhi: India and Brunei agreed to boost cooperation in defence, space, trade and investment, food security and in several other areas, as Prime Minister Narendra Modi held bilateral talks with Brunei Sultan Haji Hassanal Bolkiah during his two-day visit to the southeast Asian country.

Modi told the Sultan that India follows a policy of development and not expansionism, as he underlined India's support for freedom of navigation and overflight under international laws like UNCLOS, while also calling for finalisation of the code of conduct under discussion for the region.

"Brunei is an important partner in India's Act East Policy and Indo-Pacific Vision. India has always given priority to Asean Centrality and will continue to do so," said Modi, announcing that the two sides had decided to commemorate relations as 'Enhanced Partnership'.

Brunei is among the Asean countries that have overlapping maritime claims with China in South China Sea, al-



WARM WELCOME: PM Narendra Modi with Brunei Sultan Haji Hassanal Bolkiah in Bandar Seri Begawan on Wednesday

though it has been largely non-confrontational about it. "Both leaders reiterated their commitment to maintaining and promoting peace, stability, maritime safety and security, as well as respecting freedom of navigation and overflight and unimpeded lawful commerce, consistent with international law, notably the United Nations Convention on the Law of the Sea (UNCLOS) 1982," said a joint statement.

The leaders emphasised the significance of adherence to the UN Charter, international

law and rules-based international system for ensuring peace and development. They acknowledged the importance of enhancing defence and maritime cooperation including through regular exchanges of visits, training programmes, joint exercises and visits of naval and coast guard ships between both countries.

The two countries signed an MoU on cooperation in the operation of telemetry, tracking and telecommand station for satellite and launch vehicles, with Modi

emphasising cooperation in satellite development, remote sensing and training.

"Recognising terrorism and transnational organised crime linkages, both leaders agreed to enhance cooperation in this regard. Both sides agreed to work together at the UN and other multilateral fora to combat terrorism," said the joint statement.

"We had comprehensive talks on various aspects of our ties to give a strategic direction to our partnership. We have decided to strengthen our cooperation in fintech and cybersecurity along with agri-industry, pharmaceutical and health sectors. Under energy sector, we discussed the potential for long-term cooperation in LNG," said Modi.

Both leaders recognised the importance of food security and agreed to enhance cooperation in agriculture, according to the joint statement. They welcomed the planned direct flight connectivity between Bandar Seri Begawan and Chennai which will foster stronger people-to-people linkages and facilitate trade and tourism.

Oil prices and Israel: Are they now dehyphenated?

By Auhona Mukherjee

When Hamas made its deadliest ever attack on Israel on October 7, 2023, the symbolism of the timing was difficult to miss. It came exactly fifty years after what is known as the Yom Kippur War or the fourth Arab-Israeli war when a group of Arab nations led by Egypt and Syria launched a surprise attack on Israel on October 6, 1973. While Israel managed to win the battle, the costs of the war were paid by the entire world. The Organisation of Arab Petroleum Exporting Countries (OAPEC) decided to put an oil embargo on every country which had helped Israel in its war effort. The list pretty much included the entire advanced capitalist block and led to massive energy shortages, inflation and large-scale economic chaos. The chain of economic events triggered by the Yom Kippur War are known as the First Oil Shock in the history of modern capitalism.

Whether or not Hamas was hoping for a similar economic fallout of its attack is difficult to say, but the last 10 months show that the global energy economy has not been affected by the ongoing conflict at all. Does it mean that oil prices and Israel have been dehyphenated today? Here are some charts that try and answer this question.

1 Crude oil prices have not shown an increasing trend in the aftermath of the Hamas attack

World Bank data shows that monthly average crude oil price was \$92.2 per barrel in September 2023. This number actually came down to \$89.1 in October 2023 and continued to fall in November and December. While oil prices have increased between January and April 2024, they seem to have stabilised at much lower levels subsequently.

Monthly average oil prices

Crude oil, average price (\$/bbl)



2 The impact of the 1973 Yom Kippur War on oil prices was massive

The OAPEC announced its oil embargo on 19 October, 1973 in response to President Richard Nixon's request for war funding to Israel. International oil prices rose sharply in the aftermath, World Bank data shows. They went from \$12 per barrel in September 1973 to \$41 per barrel in October and reached \$13 by January 1974. While they did come down slightly when the embargo was lifted in March 1974, prices never went back to their pre-war levels. To be sure, the 1973 war involving Israel and the Arab nations was not the only military or geopolitical conflict which led to an

irreversible increase in crude oil prices. An even bigger increase in oil prices happened in the aftermath of the Iranian revolution in 1978 and 1979 with average prices rising from under \$15 per barrel in 1978 to almost \$40 per barrel by end of 1979, earning this disruption the nomenclature of the second oil shock. However, unlike the first oil shock, prices did come down significantly from their peak levels. While international oil prices have been affected by other geopolitical conflicts, including the ongoing Russia-Ukraine war, the events of 1973 and 1979 had the biggest, and more importantly, long lasting impacts on energy prices.

Long term trend of crude oil price

Chart shows monthly average crude oil price. Shaded area shows the period between the first and second oil shocks

Crude oil, average (\$/bbl)



3 But average oil price in the 2020s is the highest it has ever been

To be sure, the fact that oil prices did not see a wild jump in the aftermath of Hamas's attack on Israel in October 2023 does not mean that the global economy is in a sweet spot as far as energy prices are concerned. An HT analysis of average monthly crude oil prices between January 1960 and July 2024 shows that the ten-year average of prices increased in every decade between 1960 and 2010, except in the 1990s. There was hardly a major fall in 2020 due to the Covid-19 pandemic. This trend was broken again after 2020 and the average monthly price between January 2021 and July 2024 is \$82.3 per barrel, the highest it has ever been when compared to previous decadal averages. This pattern does not change drastically if one looks at the inflation-adjusted price of oil in the World Bank data. The decadal average of annual real crude oil prices is the highest ever between 2021 to 2023 at \$14.6 per barrel. Energy prices continue to worry policy makers, including those in India.

Decadal average price of oil

Crude oil, average (\$/bbl)



The ongoing conflict has primarily involved Gaza, Israel, Lebanon, and Iran to some extent. Of these, Gaza and Lebanon produce no oil and Israel and Iran's share is negligible in the global output. The larger oil-exporting Arab countries have not participated in the fighting like they did in the 1960s and 1970s. Unlike in the past, the larger issue concerning the energy domain now is not conflicts in West Asia, but the debate on climate change and the need for green energy. With the International Energy Agency calling for a need to shift to renewables, OPEC is now occupied with preventing a sudden move away from fossil fuels.

Oil prices lowest since Jan, create room for price cut

Decline In Crude Rates Has Boosted Fuel Retailers' Profits

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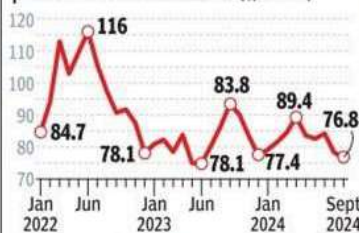
New Delhi: Oil prices slumped to their lowest since Jan, boosting profitability of fuel marketing companies and creating enough headroom for a reduction in pump rates — possibly ahead of the Maharashtra and Haryana state polls.

Benchmark Brent crude, which has a bearing on India's crude purchase cost, hit \$73.6 on Wednesday, remaining near the record low level this year seen after Tuesday's 5% drop on heightened worries over tepid demand growth, especially in China.

Analysts said prospects of oversupply caused by Libyan supplies returning to the market, the Opec+ grouping unwinding the voluntary production cut from Oct and rising output from sources outside the grouping have been adding to the downward pres-

PRICES TO REMAIN VOLATILE: UBS

Crude cost | Monthly average price of Indian basket (\$/barrel)



Note: The Indian basket represents a mix of sour grade (Oman & Dubai) and sweet grade (Brent Dated) crude in the ratio of 78.50:21.50 processed in Indian refineries

Source: PPAC

- Benchmark Brent crude hit \$73.6 on Wednesday
- Worries over tepid demand growth, especially in China, are rising
- Govt will be comfortably placed even if current low prices do not last long but stabilise at \$85
- This will give it space to tell state-run retailers to keep pump prices frozen 'voluntarily'

sure on oil prices.

The decline in oil prices since Jan led to positive marketing margins for the fuel retailers, especially the state-run entities who cater to 90% of the market. Govt took advantage by leaning on them to cut petrol and diesel prices by Rs 2 per litre on March 14, just ahead of the

general election.

Even after first reduction in pump prices since May 2022, a Motilal Oswal Financial Services report in April had projected a gross marketing margin of more than Rs 2 per litre in April when the Indian Basket, or the mix of crude processed by Indian refiners, averaged \$89.4 per bar-

rel. This would have swollen further by now as the basket, which trails Brent by \$2-4 per barrel, averaged \$76 in Sept.

But the jury is out on whether the govt would capitalise on the situation by seeking another cut in pump prices again in view of analysts predicting oil price volatility. Projecting prices to remain volatile in the near-term, financial services company UBS bet on the oil market remaining under-supplied. Goldman Sachs too has forecast \$70-85/barrel price range.

Govt will be comfortably placed even if the current low prices do not last long but level out at \$85, which will give it the leeway to ask the state-run retailers to keep pump prices frozen 'voluntarily' as, what oil minister Hardeep Singh Puri describes as 'good corporate citizens' — as has been seen in the last three years.

● THE MOSCOW CONNECTION

Russia built covert trade channel with India, reveals report

No response from Delhi or Moscow; India has defended Russia oil purchase

EXPRESS NEWS SERVICE
New Delhi, September 4

CITING LEAKED RUSSIAN state correspondence and unnamed Western officials, the UK-based daily *Financial Times* reported Wednesday that Russia has been secretly acquiring sensitive goods in India and explored building facilities in the country to secure components for its war effort.

According to the report, Russia's industry and trade ministry, which oversees defence production to support its invasion of Ukraine, drew up confidential plans in October 2022 to spend about ₹82 billion (\$1bn at the time) on securing critical electronics through channels hidden from Western governments.

According to the report, the plan was to use "significant reserves" of rupees amassed by Russian banks from booming oil sales to India. It saw India as an alternative market to source crucial goods "previously supplied from unfriendly countries", it said. Russia and its Indian partners, the report claimed, targeted dual-use technologies — goods with both civilian and military applications — that are subject to Western export controls.

There was no immediate response to the FT from the Ministry of External Affairs or the Russian embassy in Delhi. India has defended its purchase of Russian oil at discounted prices, and even pointed out the "hypocrisy" of the West given that Europe's energy needs are still met by Russia via indirect routes.

In Kyiv last month, during

WHAT THE FT REPORT EXPOSES



■ Russia covertly buys sensitive goods from India

■ Russia planned to spend **\$1 billion** on electronics secretly

■ India is a new source for dual-use technologies

■ India defends Russian oil buys due to market constraints

■ Russia considered investing in joint electronics ventures

■ US warns Indian businesses of sanctions for aiding Russia's military

■ Indian exports to Russia rose **40%** in 2023

Prime Minister Narendra Modi's visit to Ukraine, External Affairs Minister S Jaishankar defended India's energy trade with Russia. Responding to questions, he said it came up during the discussions with Ukrainian President Volodymyr Zelenskyy and it was explained to the Ukrainian side about the "tight energy market".

"India is a big oil consumer. It's a big oil importer because we don't produce oil. So, it's not like there is a political strategy to buy oil. There is an oil strategy to buy oil. There's a market strategy to buy oil... The fact that the market is tight, that today big suppliers like Iran and Venezuela, who used to supply India, are constrained from operating freely in the markets... This factor needs to be taken into account," Jaishankar said.

The report stated that "Moscow even envisaged pumping investment into Russo-Indian electronics development and production facilities" but added the disclaimer that the extent to which Moscow enacted its plan

was unclear.

The report stated that Wally Adeyemo, the US deputy treasury secretary, wrote in July to three of India's top business organisations warning them that "any foreign financial institution that does business with Russia's military industrial base risks being sanctioned itself". Adeyemo added: "This heightened sanctions risk exists regardless of the currency used in a transaction."

According to a report on August 20, US government officials were sensitising Indian companies and exporters to deter them from supplying Russia with items and technology that could end up being used in Russian missiles and other defence equipment.

Official data showed that India's total exports to Russia in 2023 surged by 40 per cent to exceed \$4 billion, largely driven by engineering goods, which nearly doubled to \$1.32 billion in 2023 from \$680 million in 2022. This increase in exports came as Russia ramped up its defence investments.

Youth Cong takes out rally to protest fuel price hike in Aizawl



Youth Congress members staging a demonstration in front of a petrol pump in Aizawl on Wednesday. – Photo: Zodin Sanga

CORRESPONDENT

AIZAWL, Sept 4: The Mizoram Pradesh Youth Congress Committee (MPYCC) took out a rally here today, voicing strong opposition to the recent hike in petrol and diesel prices. The MPYCC accused the Zoram People's Movement (ZPM) Government of imposing severe fi-

nancial burden on the people of the State.

The price of petrol has risen from Rs 93.93 to Rs 99.24 per litre, while diesel now costs Rs 88.02 per litre, up from Rs 80.46. This increase is attributed to a hike in the value-added tax (VAT) on petrol from 16.36 per cent to 18 per cent and on diesel from 5.23 per cent to 10 per

cent. Additionally, the State Government has introduced a Rs 2 per litre social infrastructure and services cess and another Rs 2 per litre road maintenance cess on both petrol and diesel.

The Congress Youth wing accused Chief Minister Lalduhoma's Government of committing "daylight robbery", criticising

the new levies, particularly the road maintenance cess on diesel. They pointed out that diesel is essential not only for vehicles but also for farmers operating power tillers and tractors, as well as for water pumping and generators in hospitals and offices.

"Petrol and diesel are crucial commodities, especially for farmers in villages who rely on them for tilling fields and supplying water. Diesel also powers small-scale industries, sawmills, rice grinders, and provides lighting in areas with unreliable power supply," the MPYCC said, warning that the fuel price hike will also negatively impact public transport.

The MPYCC further accused the ZPM Government of betraying the public by raising fuel prices despite earlier promises not to do so.

एलएनजी को लेकर लंबे समय से समझौतों पर बात कर रहे भारत-ब्रुनेई: मोदी

प्रथम पृष्ठ से आगे

पीएम मोदी ने स्वयं बताया कि भारत-ब्रुनेई एलएनजी (द्रवीकृत प्राकृतिक गैस) को लेकर लंबे समय के समझौतों पर बात कर रहे हैं। भारत अपनी अर्थव्यवस्था में गैस की मौजूदा हिस्सेदारी सात प्रतिशत से बढ़ाकर 15 प्रतिशत करने की कोशिश कर रहा है। इसके लिए उसे बाहर से काफी एलएनजी मंगाना पड़ेगा। ब्रुनेई एक प्रमुख आपूर्तिकर्ता देश के तौर पर उभर सकता है। ब्रुनेई के सुल्तान के साथ पीएम मोदी की द्विपक्षीय वार्ता में संबंध मजबूत बनाने पर सहमति बनी है। दोनों देशों के बीच रक्षा क्षेत्र में सहयोग बढ़ाने को लेकर बात शुरू की जाएगी। सिंगापुर पहुंचने के बाद मोदी ने वहां भारत-सिंगापुर के बीच होने वाली वार्ताओं के बारे में बताया है और भारत को सिंगापुर की कंपनियों के समक्ष निवेश के एक बड़े आकर्षक स्थल के तौर पर पेश किया है। उन्होंने कहा है कि अपने सुधारों और युवा शक्ति के भरपूर भारत आज निवेश का एक आदर्श स्थल है।

कच्चे तेल के दाम 8 माह के निचले स्तर पर दुनियाभर में मांग सुस्त रहने की आशंका से क्रूड बाजार में दिख रहा दबाव

सिंगापुर। दुनियाभर में मांग सुस्त रहने की आशंका से कच्चे तेल की कीमतों में गिरावट जारी है। लीबिया के निर्यात को रोकने वाले राजनीतिक विवाद के समाधान की उम्मीदों से



बुधवार को कच्चे तेल के दाम घटकर आठ महीने के निचले स्तर पर आ गए। ब्रेंट क्रूड का नवंबर के लिए वायदा भाव 0.6 फीसदी गिरकर 73.32 डॉलर प्रति बैरल रह गया। पिछले कारोबारी सत्र में इसमें 4.9 फीसदी की बड़ी गिरावट दर्ज की गई थी। यूएस वेस्ट टेक्सास इंटरमीडिएट (डब्ल्यूटीआई) क्रूड का भी अक्टूबर के लिए वायदा भाव 0.7 फीसदी घटकर 69.85 डॉलर प्रति बैरल रह गया। पिछले सत्र में डब्ल्यूटीआई क्रूड 4.4 फीसदी टूटा था। एजेंसी

चीन और अमेरिका के कमजोर आर्थिक आंकड़ों ने बढ़ाई चिंता

फुजितोमी सिक्योरिटीज कंपनी लि. के विश्लेषक तोशिताका तजावा ने कहा, लीबिया में विवाद को सुलझाने के लिए संभावित समझौते की उम्मीदों के बीच एशिया में विकवाली जारी है। चीन और अमेरिका के कमजोर आर्थिक संकेतकों के बाद ईंधन की मांग में सुस्ती की चिंताओं से भी बाजार में दबाव बना हुआ है।

■ दुनिया के सबसे बड़े तेल खरीदार चीन में विनिर्माण गतिविधियों के बढ़ने की रफ्तार अगस्त, 2024 में घटकर छह महीने के निचले स्तर पर आ गई है।

दूसरा अंतरराष्ट्रीय सम्मेलन मंत्री प्रह्लाद जोशी ने कहा-ग्रीन हाइड्रोजन को बढ़ावा देने के लिए स्टार्टअप की है जरूरत

19,744 करोड़ रुपए आवंटित

एजेसी नई दिल्ली



देश में पर्यावरण संरक्षण और लोगों की ईंधन में लगने वाली

लागत को कम करने के लिए हाइड्रोजन को बढ़ावा दिया जा रहा है। ऐसे में केंद्रीय नवीन एवं नवीकरणीय ऊर्जा मंत्री प्रह्लाद जोशी ने बुधवार को हरित हाइड्रोजन क्षेत्र में नए विचार लाने तथा युवाओं को शामिल करने के लिए स्टार्टअप लाने की जरूरत पर जोर दिया।

उन्होंने अपने संबोधन में कहा कि इस आयोजन का मकसद ग्रीन हाइड्रोजन मिशन को आगे बढ़ाना है। उन्होंने कहा कि इसके लिए सरकार ने 19,744 करोड़ रुपए आवंटित किए हैं। इस प्रदर्शनी में ग्रीन हाइड्रोजन के उत्पाद तथा प्रौद्योगिकी से संबंधित 120 से ज्यादा स्टॉल होंगे। इसमें 150 से अधिक राष्ट्रीय तथा अंतरराष्ट्रीय वक्ता शामिल होंगे। उन्होंने कहा कि यूरोपीय संघ, ऑस्ट्रेलिया, सिंगापुर और नीदरलैंड मुख्य रुचि के क्षेत्र होंगे। इन पर सत्र भी आयोजित किए जाएंगे।

हरित हाइड्रोजन इंडिया सम्मेलन

गौरतलब हो कि नई दिल्ली में आयोजित होने वाले इस सम्मेलन का आयोजन नवीन एवं नवीकरणीय ऊर्जा मंत्रालय (एमएनआरई) द्वारा भारत सरकार के प्रधान वैज्ञानिक कार्यालय के सहयोग से किया जा रहा है। यह ग्रीन हाइड्रोजन परिदृश्य के बारे में हमारी समझ को गहरा करने और वैश्विक वैज्ञानिक समुदायों और उद्योगों के साथ संबंधों को बढ़ावा देने का एक शानदार अवसर होगा।