‘India to hit clean power goal before schedule’

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NEW DELHI

India has achieved the third-largest growth in power generation capacity globally over the past five years and is poised to exceed its 2030 clean energy targets of ahead of schedule, according to the International Energy Agency's (IEA) World Energy Investment report 2025 released on Thursday.

India's non-fossil power generation capacity reached 44% in 2024, rapidly approaching its ambitious target of 50% by 2030. Only China and the US have seen larger capacity additions during this period.

Hindustan Times

“India looks set to reach its 2030 target of 50% non-fossil generation capacity ahead of schedule,” the IEA report stated, highlighting the nation's accelerated transition towards sustainable energy.

In 2024, 83% of India's power sector investment flowed to clean energy, with the country emerging as the world's largest recipient of development finance funding, securing around $2.4 billion in project-type interventions for clean energy generation, the report added. Solar photovoltaic technology has spearheaded this transformation.

MINT, Delhi, 6.6.2025
Page No. 7, Size:(22.57)cms X (16.51)cms.

'Govt backs all green mobility'

Heavy industries minister H.D. Kumaraswamy's comments follow protests by electric vehicle makers

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NEW DELHI

Union heavy industries and steel minister H.D. Kumaraswamy has weighed in on the automotive industry's concerns about state governments equating hybrid and electric car incentives, stating that the government continues to support all clean fuel for automobiles.

He said the government has incentivized hybrid cars under subsidy schemes such as FAME II, and hybrid ambulances under PM E-drive. In addition, under the PLI-Auto scheme, the government supports all kinds of fuels besides EVs, including CNG, LNG and biofuels.

"Under the FAME-II Scheme, EV (electric vehicles) and hybrid version of e-4W was allowed for incentivization. Similarly, in case of PM E-drive scheme, a hybrid version of e-ambulances, that is, electric plug-in hybrid & strong hybrid shall be incentivized," said Kumaraswamy in an email interview with *Mint*.

"Further, besides EV, the government supports all kind of fuels viz. CNG, LNG, and bio-fuels under the PLI Auto Scheme," he added.

FAME, or Faster Adoption and Manufacturing of Electric (and Hybrid) vehicles scheme, ran for two iterations from FY15 to FY19, and from FY20 to FY24. Currently, the PM E-drive scheme has replaced the FAME schemes. Under all these schemes, consumers could purchase electric vehicles at a subsidized price. The government then reimbursed manufacturers the difference.

Heavy industries and steel minister H.D. Kumaraswamy. MINT

PLI-Auto is a ₹25,938-crore production-linked incentive scheme for automobiles and automotive components, announced in 2021. It provides incentives to automakers to manufacture vehicles that run on green fuel.

Mint reported on 29 May that leading electric car makers Tata Motors Ltd, Mahindra and Mahindra Ltd and Hyundai Motor India Ltd are up in arms over the Delhi government's draft paper proposing equal incentives for hybrid cars and electric vehicles.

On the issue of supply disruptions of rare earth magnets from China, the minister said the automotive industry has sought help from MHI, and that "MHI and the government of India" are actively working with industry stakeholders to understand the issue and find solutions.

Kumaraswamy also said battery makers in the country have faced hurdles in meeting timelines under the production-linked incentive scheme for advanced chemical cells (PLI-ACC) due to the unavailability of technology, skilled manpower, and upstream components, besides challenges in importing essential equipment and machinery. He clarified however, that by 2030, India will have indigenous ACC capacity of over 100 gigawatt-hours.

"However, with support and hand holding M/s Ola Cell Technologies Private Ltd (OCTPL) has reported successful installation of 1.4 GWh capacity," said the minister. "Apart from the PLI beneficiary firms more than 10 companies have already started setting up cell manufacturing unit for more than 100 GWh capacity," he added.

The ₹18,100-crore PLI-ACC scheme was introduced in May 2021 to incentivize setting up of 50 gigawatt-hours of battery storage capacity. Three companies—Rajesh Exports Ltd, Ola Electric Mobility Ltd, and Reliance Industries Ltd—have been awarded 40 gigawatt-hour of storage capacity till date. This means the companies will receive benefits to set up every unit of battery capacity.

Indian manufacturers are capitalizing on the heightened demand for cell components like Cathode active materials, Anode active material, aluminium and copper foils, with many companies setting up component manufacturing units in India to achieve higher value addition and strengthen supply chains.

The ministry of heavy industries, which is also the nodal ministry for the PLI-Auto scheme, is expecting claims worth about ₹2,000 crore from the industry in FY26.

Under the scheme, manufacturers have to claim incentives for the sales of zero-emission vehicles or other eligible components achieved in a fiscal year, in the following year. For instance, benefits for FY25 sales under the PLI-Auto scheme are claimed and disbursed in FY26.

ALL ROADS TO GREEN

PLI-Auto is a ₹25,938-cr scheme offering incentives to make vehicles that run on green fuel

THE heavy industries ministry expects ₹2,000 cr in PLI-Auto claims from the industry in FY26

The expectation for FY26 claims come after a disbursal of ₹322 crore in FY25 to four manufacturers. This time, the minister said the government was expecting nine manufacturers to claim incentives under the PLI-Auto scheme.

"Disbursal of incentive under PLI Auto is expected to increase over the years as the number of applicants achieving DVA (domestic value addition) certification increases as applicants are able to achieve localization as per scheme guidelines. Further, the applicants are expected to achieve DVA certification for more...AAT products and variants," the minister said.

BUSINESS STANDARD, Delhi, 6.6.2025
Page No. 10, Size:(52.00)cms X (18.08)cms.

THE COMPASS

Margins likely to improve for city gas distribution majors

DEVANGSHU DATTA

Margins for city gas distribution (CGD) players are expected to improve, with the administered pricing mechanism (APM) prices reduced due to a decline in crude oil prices. The upside is partly offset by lower APM allocation since replacement New Well Gas (NWG) costs 20 per cent more.

LNG prices may remain muted over the next 3-4 years due to new LNG capacity and bearish crude oil trends. This implies sustained margin improvement for CGDs, with blended gas costs at $9.7–10 per million British thermal units (MMBtu) over FY26–FY28. Downside risks include further cuts in APM allocations and rapid electric vehicle (EV) rollouts.

Demand fell in H2FY25 due to high gas costs. The new pricing policy capped APM prices but was followed by de-allocations of APM to the compressed natural gas (CNG) segment, reducing the allotment from 70 per cent (October 2024) to 38 per cent currently.

APM prices were cut from $6.75/MMBtu (April 2025) to $6.41/MMBtu (June 2025) due to lower crude prices. This reduces blended gas costs by 0.6 to 1.5 per cent for Indraprastha Gas (IGL), Mahanagar Gas (MGL), and Gujarat Gas (GGL) for FY26.

Overall earnings for CGDs should rise by 4-5 per cent. CGDs get priority allocation for piped natural gas (PNG) at 100 per cent and CNG at 38-40 per cent. In Q1FY26, IGL's operating profit margin may exceed ₹7 per standard cubic metre (scm), MGL may cross ₹10/scm, and Gujarat Gas may move above ₹6/scm.

In May 2025, IGL saw vehicle registrations fall 11.6 per cent month-on-month (M-o-M), while year-on-year

(Y-o-Y) they were up 4.6 per cent. MGL saw M-o-M registrations drop 19.8 per cent and Y-o-Y registrations fall 13.1 per cent. Gujarat Gas reported M-o-M registrations down 11.3 per cent and Y-o-Y registrations down 6.7 per cent.

Overall, India's gas demand was 7 per cent lower YoY in April 2025 at 184 million metric standard cubic metres per day (mmscmd), following a 4 per cent YoY decline in Q4FY25. However, CGD demand improved 2.3 per cent M-o-M in April 2025 and may see further boosts from lower APM prices.

IGL's Q4FY25 operating profit was ₹380 crore, down 27 per cent Y-o-Y, up 5.4 per cent quarter-on-quarter [Q-o-Q]), which was weak. Volumes, at 9.2 mmscmd (up 5 per cent Y-o-Y), were below estimates, with an operating profit margin of ₹4.6/scm (down 30 per cent Y-o-Y, up 8 per cent Q-o-Q). Delhi's draft EV policy 2.0 targets aggressive EV rollout and weakens the CNG outlook. Reported numbers for Q4FY25 were boosted by the reversal of ₹114 crore in provisions. Reported net profit of ₹350 crore was up 22 per cent Q-o-Q (down 9 per cent Y-o-Y). Adjusted net profit at ₹260 crore was down 8.8 per cent Q-o-Q (down 32 per cent Y-o-Y). Management guided for a 10 per cent increase in volume for FY26 and reiterated its long-term operating profit margin guidance of ₹7-8/scm. However, for the next 1-2 quarters, the operating profit margin is expected to be ₹6-7/scm. Capex for FY25 was ₹1,100 crore, with FY26 guidance at ₹2,000 crore. MGL's Q4 adjusted operating profit was ₹315 crore (down 20 per cent Y-o-Y, flat Q-o-Q). Volumes were strong (up 11 per cent Y-o-Y) with operating profit margins of ₹8.3/scm (down 27 per cent Y-o-Y, flat Q-o-Q).

Like IGL, MGL's reported numbers were boosted by the reversal of ₹63 crore in provisions for OMCs' trade margins. Q4 adjusted net profit, at ₹190 crore (down 29 per cent Y-o-Y, down 16 per cent Q-o-Q), disappointed. The Maharashtra EV policy 2025 accelerates EV adoption and weakens the CNG outlook. Management guided for an operating profit margin of ₹9-11/scm for FY26. MGL has guided capex of ₹1,300 crore for FY26 and 10 per cent sales volume growth. Revenue for GGL stood at ₹4,289 crore, down 1 per cent Q-o-Q (flat Y-o-Y). In Q4FY25, overall volume dropped 2 per cent Q-o-Q to 93 mmscmd (down 4 per cent Y-o-Y). Operating profit increased 18 per cent Q-o-Q (down 24 per cent Y-o-Y) to ₹450 crore in Q4FY25, with a per-unit margin of ₹5.37/scm. Net profit was down 30 per cent Y-o-Y at ₹288 crore in Q4FY25 but up 30 per cent Q-o-Q.

In Q4FY25, GGL added over 38,700 domestic customers and 3 new CNG stations. Long-term growth prospects depend on industrial demand and the fast development of the CNG station network.

BUSINESS STANDARD, Delhi, 6.6.2025
Page No. 7, Size:(25.97)cms X (12.13)cms.

Govt eyes 1K hydrogen vehicles on roads by 2030

PUJA DAS
New Delhi, 5 June

The central government plans to put at least 1,000 hydrogen-powered trucks and buses on the road by 2030, an official said.

After electric vehicles (EVs), hydrogen-powered cars have emerged as a viable alternative to conventional internal combustion engine vehicles to curb road transport emissions.

"Almost 50 trucks and buses should be running on hydrogen within this year, and from next year, we'll need to scale up. We expect more than 1,000 trucks or buses to be in commercial use across the country by 2030," Abhay Bakre, mission director of the National Green Hydrogen Mission (NGHM), said on Thursday at a Society of Indian Automobile Manufacturers event on revolutionising mobility.

But the availability of green hydrogen will be a challenge, he said. "That's because most of the hydrogen we aim to produce is meant for a wider market, given the high capital investment required."

Refineries need large renewable energy inputs, big plants, vast land, and water to produce green hydrogen.

The government also plans to install fuel stations every 200 kilometres (km) and produce biogas-based or decentralised hydrogen at affordable rates. Pilots have been cleared for 10 short-distance corridors, though longer routes like Delhi-Mumbai may also be explored.

The ease of charging an EV at home doesn't apply to hydrogen vehicles.

"At this stage, it's risky to produce hydrogen and charge your vehicle at home. Maybe someday, we'll produce hydrogen on rooftops for cooking and transport, but that's still far off. So, we're building a network of hydrogen refilling stations," Bakre said.

"Our first step is to run pilots across various mobility levels. We plan to set up roadside fuel stations using biogas-based or decentralised hydrogen. We've already cleared pilots in 10 corridors," he added.

"These are short stretches, 100 to 200 km. But we might even try longer corridors like Delhi-Mumbai or others, where fuelling stations could be set up every 200 km. The idea is to produce decentralised hydrogen at a much lower cost."

BUSINESS LINE, Delhi, 6.6.2025
Page No. 9, Size:(2.99)cms X (5.33)cms.

MRPL, EIL ink pact to boost energy sector growth

Mangaluru: Mangalore Refinery and Petrochemicals Ltd (MRPL) and Engineers India Ltd (EIL) have signed a Memorandum of Agreement to accelerate growth in refining, petrochemicals, and RE sectors. The MoA was signed by B Sudarshan, ED (Refinery) of MRPL, and Arul Raj, Group GM (Marketing and Business Development), EIL, in the presence of Mundkur Shyamprasad Kamath, MD of MRPL, and Vartika Shukla, CMD of EIL. OUR BUREAU

BUSINESS LINE, Delhi, 6.6.2025
Page No. 3, Size:(19.20)cms X (8.52)cms.

Crude oil imports in May underscores price-sensitive, flexible sourcing strategy

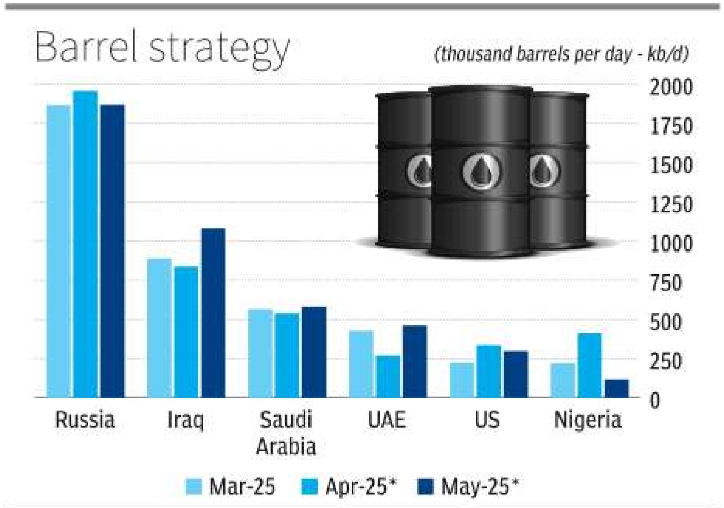
Rishi Ranjan Kala
New Delhi

India's crude oil imports in the last few months, particularly May, reflect the way the world's third-largest importer is navigating geopolitical disruptions led by a price-sensitive and flexible sourcing strategy.

An analysis of the data shows that refining economics and operational margins are driving procurement decisions.

According to the latest trade numbers from global real-time data and analytics provider Kpler, India's crude oil imports last month fell marginally by 1 per cent month-on-month (m-o-m) to 4.87 million barrels per day (mb/d) provisionally. On an annual basis, imports were largely flat.

Analysts and oil marketing company (OMC) officials point to refiners prioritising barrels that optimise margins.



*Provisional Source: Kpler

WHEN MARGINS SPEAK

Sumit Ritolia, Kpler's Lead Research Analyst for Refining & Modeling, told *businessline*, "Rise in India's crude imports during May reflects strategic, price-driven decisions by refiners responding to competitive offers from Russia and West Asian producers, whose landed costs undercut benchmark-linked alternatives like Brent and Dubai."

For instance, Urals crude averaged around $50 a barrel FOB last month, well below the $60 price cap.

"Meanwhile, US barrels also gained momentum, with India on track to import over 1 mb/d from the US across April–June 2025. This growth — averaging 347,000 b/d in Q2 2025, with June volumes topping 400,000 b/d — is driven by favourable Brent-WTI spreads and a surge in availability of light-sweet grades like Midland, WTL, and Cold Lake," Ritolia explained.

A top official with a leading OMC said refiners are eyeing "competitive offers", but, they are also "deftly" sourcing cargoes, spreading them across India's 40 sourcing countries based on trade dynamics, logistics and margins.

"In this volatility, refiners consider many issues — logistics, price cap, insurance, geopolitics, sanctions, vessels, etc., it is very dynamic. So, we focus on a strategy where we can procure barrels with better price economics. Today, we are going into South and North America despite a 40-day supply time as deals are viable," he emphasised.

"While geopolitical considerations and shifting alliances do influence trade to some extent, they are secondary to the core driver — refining economics. Ultimately, whether crude flows from Russia, the US, or West Asia, if pricing is attractive and barrel fits technically, logistically, and politically, Indian refiners will seize the opportunity," he emphasised.

RUSSIAN ROULETTE

Russia's position as India's top supplier reflects continued reliance on discounted barrels and its ability to deliver across geographies.

Urals dominated the intake in May, accounting for roughly 75 per cent of Russian volumes, followed by CPC and ESPO, Ritolia said.

India imported around 1.87 mb/d crude oil from Russia last month, down slightly from 1.96 mb/d in April, though it remained the largest single supplier.

Iraq ranked second, exporting 1.08 mb/d last month, with steady volumes aided by long-term contracts and favourable compatibility with Indian refineries.

Saudi Arabia followed with 581,000 b/d, stable m-o-m but lower in relative share.

The UAE supplied 460,000 b/d — a significant jump from April.

The US remained India's fifth-largest supplier at 298,000 b/d, Ritolia said.

FINANCIAL EXPRESS, Delhi, 6.6.2025
Page No. 2, Size:(15.13)cms X (7.26)cms.

APM gas price cut likely to aid city gas profitability

ARUNIMA BHARADWAJ
New Delhi, June 5

THE RECENT REDUCTION in prices of domestic gas is likely to improve profitability of the country's city gas distribution companies, analysts believe.

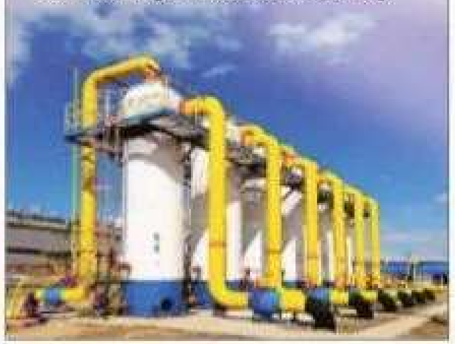
"If prices (of CNG/PNG) are not revised then profitability will only improve because lately it has been impacted owing to reducing proportion of the APM (Administered Pricing Mechanism) gas," said Prashant Vasisht, senior vice-president and co-group head, Icra.

The government reduced the prices of APM gas for the first time in two years following a decline in the benchmark rates after it introduced a new gas pricing formula for such gas in 2023.

As per the official notification, the price of natural gas from legacy fields allocated to state-owned Oil and Natural Gas Corp has been reduced to $6.41 per million British thermal units (mmBtu) from $6.75 earlier.

PRICING MATTERS

- The govt has reduced the prices of APM gas for the first time in two years
- This follows a decline in the benchmark rates after it introduced a new gas pricing formula for such gas in 2023
- Price of natural gas from legacy fields allocated to state-owned ONGC has been cut to **$6.41/mmBtu** from **$6.75** earlier
- In April, the ministry of petroleum and natural gas announced key changes in the domestic gas allocation policy



In April 2023, the Union Cabinet accepted an expert committee report to price gas from legacy fields on a monthly basis, also called APM gas, at 10% of monthly average import price of crude oil with a floor of $4 per mmBtu and a cap of $6.5 per mmBtu. New Well Gas, on the other hand, is the gas produced from the new wells drilled by ONGC and Oil India in the same nomination fields and is priced at 12% of the Indian crude oil basket, making it costlier.

However, with deallocation of APM gas to CGDs — which is already declining in the country, analysts see a potential rise in input cost with new well gas (priced higher) which could lead CGDs to face some margin pressure.

"The flow of APM gas or the cheaper gas has been reduced and the new gas that comes out is priced at a higher rate. Now if the share of APM gas reduces, there might be an increase in their input cost as they would have to source newer gas (which is more expensive)," said Manas Majumdar, Partner at PwC India. "How much of that increased cost could they pass on is a question," he noted.

The reducing share of domestic gas and a deallocation of such gas to the CGDs forcing them to replace it with the New Well Gas has increased input costs for these entities. Since APM gas comes from fields that are maturing, the production of such gas is declining.

"One challenge is the sourcing portfolio that will increase the prices of their input gas if the share of new well gas increases. On the output side they are competing with alternate fuels like petrol, diesel, and LPG - prices of which have not been reduced, making it difficult for CGDs to increase CNG/PNG prices," Majumdar said.

If the allocation of domestic gas remains stable, the CGDs may see some comfort in their profitability margins.

In April, the ministry of petroleum and natural gas announced key changes in the domestic gas allocation policy in order to ensure sustained availability and affordability of natural gas for the Compressed Natural Gas (CNG) used in transport and Piped Natural Gas (PNG) used in domestic households for cooking.

ECONOMIC TIMES, Delhi, 6.6.2025
Page No. 15, Size:(8.77)cms X (10.29)cms.

Oil Up 1% on Talk US, China Teams to Meet

Reuters

Houston: Oil prices rose 1% on Thursday, rebounding from the previous day's drop as traders responded to news that US and Chinese teams will meet shortly, following a phone call on trade held between US President Donald Trump and Chinese leader Xi Jinping.

Brent crude futures were up 65 cents, or 1%, at $65.51 a barrel. US West Texas Intermediate crude rose 66 cents, or 1.05%, to $63.51 a barrel.

"If we step back from the brink of a major trade war, it will increase demand expectations for oil both in the US and in China," said Phil Flynn, senior analyst with Price Futures Group.

Earlier, the official Xinhua news agency reported that the talks were held at Trump's request.

The news encouraged investors a day after oil fell 1% as data showed US gasoline and distillate stockpiles grew more than expected, reflecting weaker demand in the world's largest economy.

Geopolitical events and wildfires in Canada that threaten to reduce oil production are providing further price support, despite a potentially over-supplied market in the second half of the year with expected OPEC+ production hikes, PVM analyst Tamas Varga said.

ECONOMIC TIMES, Delhi, 6.6.2025
Page No. 1, Size:(24.90)cms X (12.54)cms.

HEAVYWEIGHTS RAMPING UP PRODUCTION, OFFERING DISCOUNTS

India Soaks Up Surplus Oil Pumped Out by Opec+

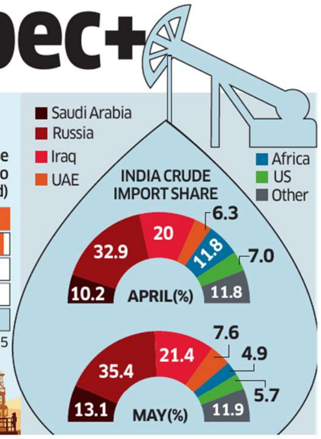
Combined market share of top four suppliers rises to nearly 78%; Saudi delivers largest incremental volume

Sanjeev Choudhary

Power Rig

	Agreed Output Increase (bpd) under OPEC+ plan	Actual Increase in Exports to India (bpd)
Saudi Arabia	166,000	135,673
Russia	79,000	114,016
Iraq	37,000	66,642
UAE	77,000	58,365
TOTAL	359,000	375,000

Figures for May 2025



New Delhi: Saudi Arabia, Russia, Iraq and the UAE—the heavyweights of the Opec+ producers' alliance and India's top four suppliers—are ramping up oil production and directing most of their additional output to India, boosting their combined market share to nearly 78% in the world's third-largest oil consumer. In May, these four countries supplied 375,000 barrels per day (bpd) more to India than in April, according to energy cargo tracker Vortexa.

That's even higher than the 359,000 bpd they had collectively committed to additionally produce under Opec+'s plan to raise output by 409,000 bpd. Saudi Arabia, the biggest contributor to the group's supply increase, delivered the largest incremental volume to India in May, expanding its market share by 3 percentage points over April to 13.1%. The gain was driven by price cuts offered to Asian buyers. Saudi Aramco had cut the May OSP for Arab Light—its flagship grade—by $2.30 per barrel.

Competing for Larger Share ▸▸13

Tea Prices Up on Strong Local, Export Demand

Indian tea prices increased 18% on-year in January-April, pushed up by strong demand from markets like Russia, Iran, Iraq and the UAE. **Sutanuka Ghosal** reports. ▸▸9

Competing for Larger Share

▸▸From Page 1

This has brought down the premium to $1.20 above the Oman/Dubai benchmark for Asian buyers. The premium remains at $1.20 for July loadings, after briefly rising to $1.40 for June.

"The recent Saudi Aramco's official selling price (OSP) cuts for May loadings—close to four-year lows—along with the widening Brent-Dubai Exchange of Futures for Swaps (EFS) made Middle Eastern crude grades more competitively priced than other Brent-linked crudes," said Xavier Tang, market analyst at Vortexa. "Production increases from Saudi Arabia and other OPEC members play an essential role in the Dubai crude price structure."

Saudi Arabia's aggressive pricing strategy comes as global suppliers compete for a larger share of India's growing crude market. "Saudi is offering attractive prices to gain share in India," an Indian refinery executive told ET. China, despite having a much larger oil market, has seen demand slow as buyers increasingly shift to electric vehicles, he added.

Russia retained the top position among India's crude suppliers, thanks to continued discounts on its barrels.

As part of the OPEC+ May supply boost, Saudi Arabia had agreed to increase output by 166,000 bpd, Russia by 79,000 bpd, Iraq by 37,000 bpd and the UAE by 77,000 bpd. Their respective exports to India rose by 135,673 bpd, 114,016 bpd, 66,642 bpd and 58,365 bpd. This translated into market shares of 13.1%, 35.4%, 21.4% and 7.6% in May. Collectively, their share rose 8.1 percentage points to 77.5%. These gains came at the expense of African suppliers, whose share in India's crude imports fell to 4.9% in May from 11.8% in April. US crude exports to India also declined, reducing its share to 5.7% from 7%.

Eight OPEC+ countries have agreed to raise output by another 411,000 bpd in June and again in July. The rising supply has put pressure on prices, which have hovered between $60-65 per barrel for more than two months, well below the 2024 average of $80.

HINDUSTAN TIMES, Delhi, 6.6.2025
Page No. 4, Size:(13.40)cms X (10.83)cms.

PM lays the foundation stone of City Gas Distribution Projects

PM Narendra Modi laid the foundation stone of the CGD project in Alipurduar and Coochbehar, West Bengal. The project, with a total cost of over Rs 1,000 crores, aims to provide PNG to over 2.5 lakh households, 100+ commercial establishments and industries besides providing CNG to vehicular traffic.

TRIBUNE, Delhi, 6.6.2025
Page No. 9, Size:(18.75)cms X (12.59)cms.

How declining oil prices can boost India's economy

SUSHMA RAMACHANDRAN
SENIOR FINANCIAL JOURNALIST

EVEN as global discontent over the disruptive effect of Trump's tariff policies continues, little attention is being paid to a significant development in the world economy. This is the persistent decline in hydrocarbon prices over the past five months, mirroring the uncertainty caused by trade and tariff battles.

Crude oil prices touched four-year lows in May and even now are ruling at $64.75 per barrel for the benchmark Brent crude. The outlook for the rest of the year continues to be bearish, with the oil cartel, OPEC Plus, having just decided to hike production for a third consecutive month after raising output quotas for May and June.

In other words, more oil is flowing into the market at a time when demand is contracting as a result of recessionary conditions in developed economies and slackening growth in China.

The combination of enhanced production and reduced consumption will likely ensure that prices continue to fall in the coming months.

The softening of oil prices has already eased inflationary pressures in many parts of the world, including Europe. It is also a bonanza for an emerging economy like India that imports over 85 per cent of its fuel needs.

Oil producers, especially in the US, however, are a worried lot. Though Trump declared soon after taking office that he would support the fossil fuel sector with the famous phrase "drill baby drill", his policies have led to falling share prices of energy firms. Shale oil companies, which enabled the US to emerge as the world's top oil producer, are the most concerned of all. The bearish trends in international markets have brought prices nearly to uneconomic levels for these firms. There will be little incentive to drill more in case prices fall beyond $60 per barrel.

In addition, Trump's tariffs on steel imports are hurting new oil drilling projects, which will cost more due to higher costs for this metal. Another government directive to carry one per cent of natural gas exports in US-built vessels from 2029 onwards is apparently an impossible target. It turns out, none of the specialised vessels meant for transporting gas are built in that country. The American Petroleum Institute is reported to have informed the White House that it will not be possible to comply with the directive and has, therefore, urged for reconsideration of the plan.

BEARISH: Crude oil prices touched four-year lows in May and now are around $64 per barrel. REUTERS

In the comedy of errors that seems to characterise Trump's energy policies, investments in this sector are actually slowing down rather than increasing as a result of uncertainty over his volatile tariff policies. OPEC Plus, which includes Russia and its allies, is also doing its bit to drive down prices in a bid to make production unremunerative for shale oil producers. While lower oil prices may be just what Trump had been calling for, the American oil industry clearly does not think the softening trends are beneficial in any way.

In sharp contrast, the current scenario is bright for India, which is now the world's second biggest importer of crude oil, after China. The International Energy Agency (IEA) expects it to become the leading driver of global demand growth right up to 2035, adding nearly two million barrels per day to global oil demand. It will displace China, which has in the past driven world oil consumption but is now moving towards electric vehicles in the transport sector.

> The sharp reduction in world prices will also ease inflation in the Indian economy, especially if retail prices of diesel and petrol are eventually brought down to commensurate levels.

The rising demand reflects the relatively rapid economic expansion, with rising urbanisation and industrialisation. But the higher crude oil consumption comes at a cost as most of the hydrocarbons are sourced from abroad. The economy is consequently sensitive to price fluctuations in the international oil markets. Every $10 rise in prices of crude oil widens the current account deficit (CAD) by 0.5 per cent. Conversely, a decline in prices can improve the CAD. The recent dip in prices, which is likely to continue for the rest of the year, is therefore bound to reduce the CAD. In turn, this will help the government contain the fiscal deficit at the FY 2026 target of 4.4 per cent.

The sharp reduction in world prices will also ease inflation in the domestic economy, especially if retail prices of diesel and petrol are eventually brought down to commensurate levels. Latest data shows inflation touched a six-year low of 3.16 per cent in April, which indicates that cutting petroleum product prices will ease the situation even further. It will definitely help in containing seasonal price rises during July and August.

Among the sectors that could benefit immediately by a fall in fuel prices are steel, cement, automobile and aviation industries as well as chemical-based industries, including paints manufacturers. At the same time, upstream oil companies like the ONGC and Reliance Industries will face stress as their output will be priced at lower levels.

Lower oil prices will also make it possible to reduce the subsidies currently being given to oil marketing companies on products like LPG. Even now, the government has committed to compensate these companies to the tune of Rs 30,000 crore for past under-recoveries incurred on sales of this product.

The current crude oil scenario is, thus, a silver lining to the volatility being faced on the tariff front. It is precisely the uncertainty over tariffs and international trade that has dampened sentiments and made the international oil industry jittery over making any fresh investments. OPEC Plus has contributed to the situation by increasing output at a time when demand is not at its highest.

Yet, India cannot afford to be overly complacent over the continuance of a bear market in crude, given the persistence of geopolitical tensions. These could aggravate the situation and result in a price spiral, as had occurred at the outset of the Ukraine-Russia war. For the time being, therefore, the existing policy of diversifying supplies from a host of countries, ranging from Russia to the US to Iraq, must be continued to safeguard the economy from any energy crisis. Yet, with global markets poised to continue softening trends, it is apparent that hydrocarbon prices will give a booster shot to the economy in FY 2025-26.