

THE COMPASS

An arduous second half awaits oil marketing firms

DEVANGSHU DATTA

The medium-term scenario for oil marketing companies (OMCs) is high risk due to the surging crude and gas prices.

Apart from OPEC-plus cutting production, the Hamas-Israel conflict has caused fears of supply disruption.

The July-September quarter of 2023-24 (Q2FY24) saw positive surprises for OMCs. Strong gross refining margins (GRMs) more than offset weak marketing margins.

Most commodity traders are betting energy prices will remain high.

While OMCs have availed Russian crude at discounts the price differential between Brent and Russian has narrowed. Elections makes it unlikely the OMCs will be able to fully pass on hikes in raw material costs. Hence marketing margins could be poor.

Hopefully, GRMs will remain strong, but there are signs of weakening.

For HPCL, the Q2FY24 operating profit and net profit were stronger and positive year-on-year (Y-o-Y), but down 15 per cent, and down 17.5 per cent Q-o-Q on a fall in integrated margins due to the decline in marketing margins.

The reported GRM was \$13.33/barrel or bbl (\$744 the previous quarter, \$8.4 a year ago).

There would be a refinery inventory gain, which may work out to \$2.8/bbl versus a loss of \$0.2 the prior quarter, and a loss of \$1.6/bbl a year ago. The refinery throughput was 5.75mmt at 112 per cent utilisation (106 per cent in Q1FY24, 100 per cent Y-o-Y). The integrated core operating profit margin was around \$4.5/bbl (\$9.4 Q-o-Q, and negative \$0.8 Y-o-Y). The marketing profit is calculated at ₹1.2/litre (₹5.8 Q-o-Q, negative ₹1.5 Y-o-Y). There was a ₹230 crore forex loss which hit profits.

The capex was at ₹3,350 crore with

₹6670 crore in H1FY24 and an FY24 target of ₹10,000 crore. The debt was at ₹51,760 crore, up ₹60 crore Q-o-Q and down ₹16,790 crore Y-o-Y.

IOC reported an operating profit of ₹21,300 crore (up 4.3 times Y-o-Y), led by better-than-expected GRM at \$179/bbl and higher marketing margins at ₹5.8/litre.

Refining throughput was at 17.8 million metric tonnes (mmt), up 10 per cent Y-o-Y. Petchem sales volumes rose 53 per cent Y-o-Y to 0.82mmt vs. 0.54mmt in Q2FY23.

The petchem segment profit was ₹160 crore. Petchem margins declined in Q2FY24 and saw further decline in October. The company hopes to divest its hydrogen plant, which would mean a cash infusion and it will commission various projects over the next two years.

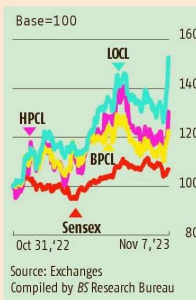
The Panipat refinery's capacity will expand from 15mmt per annum (mmtpa) to 25mmtpa by September 2024, and the Gujarat and Barauni refineries will also expand capacity by December 2024.

BPCL's Q2FY24 net profit of ₹8,500 crore (vs loss Y-o-Y) was also

a positive surprise. Strong GRMs were key to the turnaround at \$18.5/bbl.

Marketing volumes were up 7 per cent Y-o-Y but margins moderated Q-o-Q. There was an inventory gain of ₹1500 crore. The timelines on the proposed rights issue are unclear but it is seeking approvals from the Ministry of Petroleum and Natural Gas and Securities and Exchange Board of India (Sebi) for the issue.

In the consolidated P&L account, BPCL booked ₹300 crore in a non-recurring provision towards a stranded Mozambique LNG project where it has 10 per cent stake. The management reiterated capex plans of more than ₹1.5 trillion, which includes Bina refinery expansion and a petchem project, as well as renewables investments, marketing, and thrust into city gas distribution.



TOTAL VALUE OF INDIA'S OIL IMPORTS FOR APRIL-SEPTEMBER WAS \$63.86 BILLION

Cheaper Russian oil helped Indian refiners save \$3.3 bn in H1 of FY24

SUKALP SHARMA

NEW DELHI, NOVEMBER 7

INDIAN REFINERS are estimated to have saved around \$3.3 billion in the first half of the current financial year (FY24) through their purchases of discounted Russian crude oil, shows an analysis of India's official trade data for April-September. Russia, which used to be a marginal supplier of crude to India before the war in Ukraine, was New Delhi's largest source of oil in April-September, accounting for almost 39 per cent of India's overall oil imports by volume and nearly 36 per cent by value.

India is the world's third-largest consumer of crude oil and depends on imports to meet over 85% of its requirement. Crude oil also tops the list of India's merchandise imports by value. With Western buyers cutting oil imports from Russia in the wake of its February 2022 invasion of Ukraine, Moscow started offering deep discounts on its crude. Indian refiners have been lapping up these discounted barrels, catapulting Russia to the top spot among New Delhi's oil suppliers.

The total value of India's oil imports for the first six months of the ongoing financial year was \$63.86 billion. Had Indian refiners paid for Russian oil the average per-barrel price they paid for crude from all other suppliers put together, the oil import bill



The average landed price of Russian crude for Indian refiners for the April-September period was \$71.83 per barrel. *File*

INDIA'S TOP FIVE CRUDE OIL SUPPLIERS (APRIL-SEPTEMBER)

| Supplier | Oil Import Volume (mn barrels) | Oil Import Value (\$ mn) | Average Landed Price (\$/barrel) | Share by Volume Percent |
|--------------|--------------------------------|--------------------------|----------------------------------|-------------------------|
| Russia | 317.96 | 22839.71 | 71.83 | 38.9 |
| Iraq | 166.33 | 12749.83 | 76.65 | 20.4 |
| Saudi Arabia | 117.01 | 10410 | 88.97 | 14.3 |
| UAE | 36.26 | 3207.5 | 88.46 | 4.4 |
| USA | 33.43 | 2960.84 | 88.56 | 4.1 |

Based on analysis of data from the Directorate General of Commercial Intelligence and Statistics (DGCI&S), Ministry of Commerce

would have been \$67.14 billion, shows the analysis by *The Indian Express*. The value of oil imports from Russia for the period was \$22.84 billion. In terms of volumes, India imported a total of 111.51 million tonnes, or 817.35 million barrels, of crude oil in April-September. Oil imports

from Russia for the period stood at 43.38 million tonnes, or 317.96 million barrels.

The average landed price of Russian crude for Indian refiners for the April-September period was \$71.83 per barrel, \$10.32 lower than the average landed price of non-Russian barrels, as

per the analysis. It translates into an effective discount of 12.6 per cent to the average price of oil imported from other supplying nations.

In the overall scheme of India's foreign trade, \$3.3 billion may not appear to be a significant amount, but the savings are substantial for the country's major oil importers—Indian refiners like Indian Oil Corporation, Reliance Industries, Bharat Petroleum Corporation, Hindustan petroleum Corporation, and Nayara Energy.

The government releases commodity-wise and country-wise trade data with a lag, and so far, data till September has been made available. While the price of crude oil depends on grades and their prices 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 data.

In April-September, Iraq was India's second-biggest oil supplier with a market share of 20.4 per cent by volume, followed by Saudi Arabia with a 14.3 per cent share. Prior to the war in Ukraine, Iraq was India's top supplier of crude oil, followed by Saudi Arabia. In the corresponding six months of last year, Iraq and Saudi Arabia accounted for 24.2 per cent and 17.9 per cent, respectively, of India's crude oil imports by volume. Russia was in the third spot with a share of 15.8

per cent.

Compared to the next four majors suppliers of crude to India during the first half of the current financial year, the landed price of Russian oil was at discounts ranging between 6.3 per cent—in the case of Iraq—and 19.3 per cent—in the case of Saudi Arabia. The United Arab Emirates was the fourth-biggest supplier of crude to India during the period and Russian crude was 18.8 per cent cheaper than oil supplied by the former. In the fifth spot was the United States (US), and Russian oil supplies to India were at an average discount of 18.9 per cent to US crude, the computations show.

The effective discounts, while significant from the point of view of Indian refiners, are not as high as what had been initially anticipated. Relatively higher cost of freight and insurance for Russian crude as compared to oil from other suppliers is seen as the most likely reason. Most of Russian oil bought by Indian refiners is on delivered basis, which means that shipping and insurance is arranged by the seller. With Moscow facing Western sanctions over the Ukraine war, freight and insurance costs for ferrying Russian oil shot up. This suggests that while the discounts might have been deeper on the actual price of oil, the effective discount on landed price, which includes freight and insurance costs, was much lower.

● TOTAL VALUE OF OIL IMPORTS DURING APRIL-SEPT AT \$63.86 BN

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New Delhi, November 7

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City Gas Cos Need to Boost CNG Adoption: IGL MD

Says govt should evaluate subsidising PNG supplies for poor households to ensure competitiveness with LPG

Sanjeev.Choudhary
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New Delhi: City gas companies will have to shift their focus away from profit margins to sales volume to accelerate the CNG vehicle adoption and overall consumption of natural gas in the country, said Kamal Kishore Chatiwal, managing director, Indraprastha Gas (IGL).

In an interview to ET, he said the government should evaluate subsidising piped natural gas (PNG) supplies for poor households to preserve its competitiveness with LPG, which is attracting expanding subsidies in different states ahead of upcoming polls.

"There is a scope for city gas distributors to reduce CNG prices and focus on



volumes for faster penetration of gas in the country," said Chatiwal.

CNG prices should not be as high as they are in some areas, he said, adding that in some licensed areas CNG prices are close to diesel prices.

"There are two advantages associated with CNG — environmental and economic. Until the economic benefit is realised by the people, they won't convert to CNG," said Chatiwal.

About 15-17,000 vehicles convert to



TWIN ADVANTAGES

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KAMAL KISHORE CHATIWAL

Managing director, Indraprastha Gas

CNG every month in the areas IGL operates in. "IGL's philosophy has been to focus on volumes," said Chatiwal, adding that higher volume ensures increased revenue and higher profit even if the margins shrink a bit.

The government allocates cheaper domestic gas to city gas companies, which compress it and sell it to CNG vehicle drivers at market price. City gas players' fat margins have triggered a debate on whether CNG prices should be capped.

"I don't have the power to fix (CNG) prices. But if the government is giving them (domestic gas) at a particularly cheaper price, I have a feeling that the government could examine whether it also has the remit to demand what could be the end consumer price for CNG," Petroleum and Natural Gas Regulatory Board chairman Anil Jain told ET last week.

High taxes and exorbitant lease rentals for the dispensing sites in some states have also contributed to increased CNG prices, said Pawan Kumar, director (commercial) at IGL.

Curbs on diesel buses coming from neighbouring states to Delhi due to high air pollution presents an opportunity for IGL, said Chatiwal. There are about 2,000 diesel buses, which come to Delhi from neighbouring states. And if these buses convert to CNG, their operating cost would fall, he said, adding that the conversion cost of about Rs 4-5 lakh for each bus can be recovered in less than a year. Many of these buses originate or cross the areas in which IGL operates its CNG stations and, therefore, can lead to a revenue boost for the company.

● NON-TAX RECEIPTS STRONG, RBI SURPLUS TRANSFERS UP 188%

CPSE dividends to Centre to exceed BE by ₹20,000 cr

PRASANTA SAHU
New Delhi, November 7

THE CENTRE'S DIVIDEND receipts from central public sector enterprises (CPSEs) will likely exceed the Budget Estimate (BE) of ₹43,000 crore for 2023-24 by close to ₹20,000 crore, partly bridging the likely shortfall in disinvestment receipts.

So far this fiscal, around ₹20,000 crore has been obtained through dividends from CPSEs, which is 47% of the full-year target.

The dividend tranches so far in FY24 include ₹3,031 crore from the National Investment and Infrastructure Fund, ₹2,182 crore from Indian Oil Corporation, ₹1,701 crore from Power Grid Corporation, ₹1,556 crore from Coal India and ₹1,487 crore from NTPC.

CPSE dividend receipts in FY23 were around ₹59,000 crore, and 70% of these came in the last five months of the year, despite negligible dividends from oil marketing companies (OMCs) as their margins came under pressure due to the freeze in retail fuel prices after the Russia-Ukraine war broke out. OMCs had been pay-

UPWARD TREND

■ ₹20,000 cr obtained through dividends from CPSEs so far, which is 47% of the full-year target

■ Receipts in FY23 were ₹59,000 cr; 70% came in last 5 months

■ OMCs have reported robust profits in FY24; OMC dividends in FY23 were negligible



■ Going by trends so far, Centre's dividend receipts from CPSEs may be around ₹60,000 crore

ing ₹6,000-10,000 crore in annual dividends to the Centre.

However, OMCs have reported robust profits in the first two quarters of FY24. OMCs' profitability surged to ₹21,500 crore in Q2FY24 as against a loss of ₹600 crore in Q2FY23, owing to strong marketing margins. These firms had also reported a robust ₹24,300 crore profit in Q1FY24 as against the loss of ₹8,300 crore in Q1FY23. However, the profits firms

may be dented in the coming quarters due to elevated crude oil prices. There are chances of losses in Q4 if crude prices firm up beyond a level and retail fuel prices are unchanged.

Going by the trends so far, the Centre's dividend receipts in FY24 from CPSEs may be around ₹60,000 crore, 40% more than the BE.

Despite the government reducing its stake in several of these companies, the policy of the department

of investment and public asset management (Dipam) of nudging CPSEs to give higher dividends to keep investors' interest in their stocks is also aided by higher commodity prices.

CPSE dividend receipts under the supervision of Dipam do not include receipts from state-run financial institutions such as banks and insurance companies.

RBI's surplus transfer to the Centre rose 188% on year to ₹87,416 crore in FY24 (for accounting year FY23), which was very close to ₹91,000 crore estimated from dividend receipts from the central bank, public sector banks and financial institutions (₹48,000 crore) and CPSEs (₹43,000 crore) in FY24.

Given the larger surplus receipts from the RBI and close to ₹20,000 crore extra receipts in CPSE dividends, the Centre's total dividend receipts could exceed the budget target by at least ₹60,000 crore, according to an FE analysis.

These extra receipts would comfortably cover the expected shortfall of around ₹30,000 crore in disinvestment receipts in FY24.





Crude oil hits 2-1/2 month low on China data

London: Crude oil prices hit fresh 2-1/2-month lows as mixed economic data from China offset the impact of Saudi Arabia and Russia extending output cuts. Brent crude futures were down \$1.45 to \$83.73 a barrel, while US West Texas Intermediate crude was at \$79.58 a barrel, down \$1.24. REUTERS

Crude Prices Fall 3% to 2-1/2 Month Lows

Brent futures fall \$2.53 to \$82.65

Reuters

London: Oil prices fell about 3% to their lowest since late August on Tuesday, as demand concerns arose from mixed Chinese data and waning investor enthusiasm on interest rate cuts. Brent crude futures fell \$2.53, or 3%, to \$82.65 a barrel, while US West Texas Intermediate crude fell to \$78.35 a barrel, down \$2.47, or 3.1%.

Both contracts hit their lowest levels since Aug. 25, and Brent futures were set to close below \$84 a barrel for the first time since Hamas Islamists' Oct. 7 attack on Israel.

The premium on front-month loading Brent contracts over ones loading in six months was

also at a 2-1/2-month low, indicating market participants are less concerned with current supply deficits.

"Traders will remain on high alert for signs of a wider conflict emerging in the (Middle East) region that could disrupt supplies, but it seems those fears are subsiding," OANDA analyst Craig Erlam said.

On the demand side, China's crude oil imports in October showed robust growth both year on year and month on month, but its total exports contracted at a quicker pace than expected. Expectations of crude run reductions by China-based refiners between November and December could also limit oil demand and exacerbate price declines.

Govt plans cooking gas subsidy boost

95 million PMUY beneficiaries are likely to get additional relief

Rituraj Baruah
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NEW DELHI

As India heads into general elections next year, the Union government will likely offer additional relief to cooking gas customers by increasing subsidies under the Pradhan Mantri Ujjwala Yojana (PMUY), two people familiar with the development said. Currently, PMUY beneficiaries receive a ₹300 per cylinder subsidy for up to 12 cylinders annually, after the latest hike in subsidy announced last month.

"Although the beneficiary base under PMUY has increased, customers under the scheme would require more relief, and further steps may be taken in coming months," one of the people cited above said, requesting anonymity.

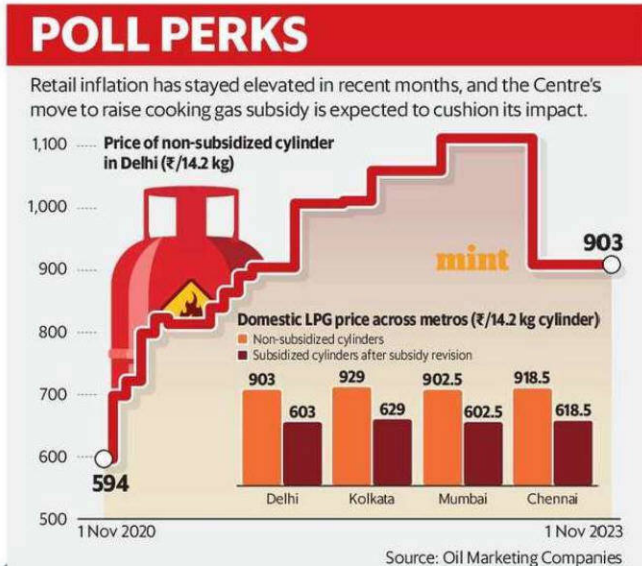
The move is being considered to ease inflationary pressures on the common man, said a second person, also declining to be named.

Retail inflation has stayed elevated in recent months. India's consumer price inflation was above the Reserve Bank of India's (RBI's) tolerance band of 4-6% for several months before easing to 5.02% in September.

Queries emailed to the spokespeople for the ministries of petroleum and natural gas and finance remained unanswered.

The plan to shield PMUY beneficiaries from high energy costs comes at a time of rising international oil and gas prices amid the Israel-Hamas conflict in West Asia. In the past few months, the Centre has announced a series of measures to cool cooking gas prices.

On 4 October, the Union cabinet approved an additional ₹100 subsidy



DEARNESS RELIEF

PMUY beneficiaries get ₹300 per cylinder relief on 12 refills a yr

THE new plan comes amid rising oil & gas prices globally

PMUY beneficiaries pay ₹603 per cylinder of cooking gas now

SARVESH KUMAR SHARMA/MINT

on cooking gas for more than 95 million PMUY beneficiaries, taking the total subsidy to ₹300 per cylinder. In September, the cabinet approved slashing LPG prices by ₹200 per cylinder for all customers in the country.

PMUY beneficiaries pay ₹603 per cylinder of cooking gas, which costs ₹903 in the national capital.

The government rolled out PMUY in 2016 to provide cleaner cooking fuel to poor households. The beneficiaries were identified via the socio-economic caste census (SECC) list or from seven other identified categories such as scheduled caste households, scheduled tribe households, most backward classes and beneficiaries of PM Awas Yojana (Gramin).

In September, the government announced a ₹1,650 crore additional outlay for providing 7.5 million additional free cooking gas connections over three years from FY24 to FY26.

Despite the recent energy price volatility, state-run fuel retailers have, to a large extent, absorbed the impact of high prices without fully passing it on to consumers. In October last year, the government announced a one-time ₹22,000 crore compensation to state-run fuel retailers to offset their losses from selling domestic cooking gas below cost.

Similarly, petrol and diesel prices have remained steady since May last

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Govt plans cooking gas subsidy boost

FROM PAGE 1

year, even as global crude prices surged in the first half of 2022. In May, the government cut excise duty on both petrol and diesel. However, the government has been criticized for the state-controlled fuel retailers keeping retail prices unchanged despite subsequent declines in global crude prices.

On 5 November, *Mint* reported that the public may be spared fuel price hikes despite the war in West Asia stoking crude price volatility as state-run oil marketing companies (OMCs) are expected to absorb the higher costs, even as they face under-recoveries in selling fuel.

N.R Bhanumurthy, the vice chancellor of Dr BR Ambedkar School of Economics University, said: "The ease in inflation may be limited to a couple of months only as food prices have started rising. Further the conflict in [West Asia] may impact oil prices and the



The government had rolled out PMUY in 2016.

MINT

impact of the El Niño phenomenon may be witnessed starting December which may further push food prices higher. So, inflationary pressure is seen in the months ahead and government may keep these factors in mind."

With five states going to polls starting Tuesday and general elections likely in April-May next year, the government has made several announcements aimed at providing relief to the common man.

● FOCUS ON RENEWABLE ENERGY

HPCL lays out ₹75,000-cr capex plan for five years

Also plans to nearly double capacity of Vizag refinery

ARUNIMA BHARADWAJ
New Delhi, November 7

STATE-OWNED HINDUSTAN PETROLEUM Corporation Ltd (HPCL) plans to spend ₹75,000 crore in expansion and diversification in the next five years, with an annual expenditure of around ₹14,000-₹15,000 crore, the company said on Tuesday. "Around 25-30% of the capex will be for the renewable or gas-based segment, refinery would take another 20% and balance would be for other downstream marketing projects," said Rajneesh Narang, company's director of finance.

The company will focus on enhancing renewable energy portfolio, gas business, and value-added products in the downstream segment in the next five years. The company's RE sector expansion would pri-

IN THE PIPELINE

■ HPCL plans to spend **25-30%** of its capex on the renewable or gas-based segment



■ Its RE sector expansion would primarily focus in the solar and hybrid models segment

■ HPCL also plans to expand its refinery in Vishakhapatnam, while its Rajasthan refinery is expected to be completed by March next year

marily focus in the solar and hybrid models segment.

Further, HPCL is planning to expand its refinery in Vishakhapatnam, intending to reach 15 million tonne per annum capacity from the current 8.3 MMPTA. Additionally, the refinery expansion in Rajasthan is expected to be completed by March next year and will start production in the next calendar year, the company said.

"About 74% of the physical completion of the Rajasthan

refinery has been done with a capex of ₹37,000 crore of the total ₹73,000 crore outlay".

Once the bottom upgradation of the company's Vizag unit is completed, HPCL expects an incremental gross refining margin of \$3-\$4 per barrel.

As of September end, the company had 23 days of crude inventory and 30 days of marketing inventory remaining, it said. Talking about the implementation of the common carrier regulation, the company

informed analysts and investors that there has been no official communication in this regard, and it does not see it hampering HPCL's pipeline business. Considering the uncertainty in the global crude oil market and changes in India's crude sourcing, the company does not see itself going for any material change in its sourcing of crude oil but plans to remain vigilant on crude, which will add more value to its business.

"We will continue to look at opportunity crude."

The company on Monday reported a consolidated net profit of ₹5,826.96 crore in the quarter ended September, against a loss of ₹2,475.69 crore in the same quarter last financial year due to improved marketing margins.

Average Gross Refining Margin (GRM) for the period of April to September was \$10.49 per barrel, as against \$12.62 per barrel during the corresponding previous period, the company said in an exchange filing.



In 5 years, 16 ministries gave Rs 500 cr work to Big Five consultants

SHYAMLAL YADAV

NEW DELHI, NOVEMBER 7

FROM PETROLEUM to power and from NITI Aayog to India's own Aadhaar project, 16 ministries/departments in the Central Government outsourced several key assignments covering many facets of governance to top multinational consultancy firms, mainly the 'Big Four' plus McKinsey & Co, an investigation by *The Indian Express* of records made available under the Right To Information (RTI) Act has found.

The records show that between April 2017 and June 2022, the Big Four — PricewaterhouseCoopers (PwC), Deloitte Touche Tohmatsu Limited, Ernst & Young Global Limited and KPMG International Limited — and US-based McKinsey & Company, bagged at least 308 consultancy assignments worth nearly Rs 500 crore from various government ministries, departments and organisations.

These projects involved a sweeping range of activities for

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BIG FIVE: WHO GOT WHAT

PWC: 92 assignments, over ₹156 cr

TOP CLIENTS: HPCL, Bureau of Energy Efficiency, IREDA, NIC, Ordnance Factory Board and PSOCL

DELOITTE: 59 contracts, over ₹130.13 cr

TOP CLIENTS: BPCL, HPCL, NHPC, Numaligarh Refinery, Oil India

EY: 87 assignments, over ₹88.05 cr

TOP CLIENTS: Engineers India, NIC, HPCL, THDC, Power Grid

KPMG: 65 contracts, ₹68.46 cr

TOP CLIENTS: Oil India, NITI Aayog, Numaligarh Refinery, UIDAI, Power Grid, DPIIT, BPCL

MCKINSEY: 3 contracts, over ₹50.09 cr

TOP CLIENTS: Oil India, Numaligarh Refinery and Power Finance

Source: RTI records; data for April 2017 to June 2022

• 16 ministries gave Rs 500 cr work

the government, including “financial due diligence”, “retainer for advisory service”, “hiring technical consultants” — and even “evaluation of nominations for e-governance awards”, records show.

The 16 departments/ ministries and about 50 organisations under their administration that consulted any of the five global consultants are: Petroleum and Natural Gas; Rural Development; Administrative Reforms and Public Grievances; Promotion of Industry and Internal Trade; Coal; Electronics and Information Technology; Health and Family Welfare; Skill Development and Entrepreneurship; Defence; Civil Aviation; Public Enterprises; Non-conventional Energy Resources; Power; Road Transport and Highways; Environment, Forest and Climate Change; and Tourism. There are 59 ministries in the Central government.

And these are just a few pixels of the big picture — RTI records made available to *The Indian Express* are mainly from government wings in the petroleum and power sectors. The records show that PwC was the biggest beneficiary, corraling at least 92 contracts for over Rs 156 crore between 2017 and 2022 (see chart). Deloitte came close behind with 59 assignments worth well over Rs 130.13 crore — the amounts involved in four of those contracts were not provided.

E&Y bagged as many as 87 contracts for Rs 88.05 crore, with amounts not provided for five of them. KPMG got 66 contracts worth Rs 68.46 crore, without any data provided on amounts for five of them. And McKinsey got three contracts for Rs 50.09 crore.

According to the RTI records, made available for the period April 2017-June 2022 by Union min-

istries and associated organisations, the petroleum sector topped the list with assignments worth over Rs 170 crore from the Ministry of Petroleum and Natural Gas and just four of its PSUs. State-owned Indian Oil Corporation declined to provide the data citing the “trade secret” clause of the RTI Act. The power sector came next with records showing that nine organisations under the Ministry outsourced assignments worth Rs 166.41 crore to multinational consultancies.

The list also includes the Ministry of Tourism and NITI Aayog. The Tourism Ministry gave work totalling at least Rs 18 crore to E&Y alone under its Swadesh Darshan initiative. And the NITI Aayog outsourced seven assignments worth Rs 17.43 crore during 2019-2021 for “evaluation of centrally sponsored schemes”.

Some of the other projects included an assignment to evaluate “nominations for awards for e-governance” given to KPMG by the Department of Administrative Reforms and Public Grievances (DARPG). The Lal Bahadur Shastri National Academy of Administration (LBSNAA) in Mussoorie, the training institute for IAS officers, awarded a consultancy assignment to KPMG in August 2020 for works such as “revalidation of Enterprise Architecture.”

The Indian Express had filed over 60 RTI applications to various ministries and departments seeking the data in early 2020, and again in April 2022, besides at least a dozen first appeals and reminders. Some of the departments responded by stating that they had “nil” information, a few others denied the request claiming it was exempt from the Act, and others did not respond.

In poll season, LPG subsidy fuels record-high demand

Avg Daily Refills Crossed 11 Lakh In Sept, A First

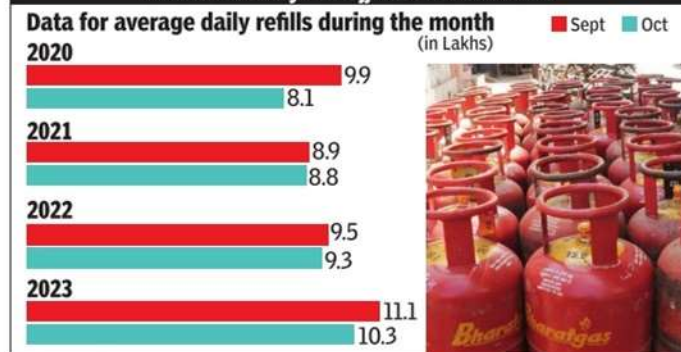
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New Delhi: Higher subsidy — from Centre and the states — has helped push demand for cooking gas cylinder refills to record levels in recent months.

Official data accessed by TOI shows that for the first time, average daily refills crossed 11 lakh in September, days after the Union cabinet cleared a subsidy of Rs 200 per cylinder for 9.6 crore Ujjwala beneficiaries, which was subsequently increased to Rs 300. While the average for October was a little lower at 10.3 lakh a day (see graphic), government expects a substantial pick up in consumption of cooking gas in coming months as several states and Centre have an-

SOMETHING'S COOKING

Refills taken by PM Ujjwala beneficiaries



Source: Govt

nounced subsidies ahead of elections. In 2020, average consumption had increased due to benefits available under the Covid-19 relief package.

States such as UP have gone ahead and announced free cylinders as 'Diwali gift' for Ujjwala beneficiaries, while BJP government in poll-bound MP will provide cylinders at Rs 450 to women. In its manifesto in MP, Chhattis-

garh and Rajasthan Congress has vowed to provide subsidised gas at Rs 500 a cylinder.

Amid the promises, government and oil companies see the demand from poor households rising in coming months. Although gas connections have been provided for free by the Modi government, the number of refills was estimated at around 3.7 cylinders annually as poor households

often found it tough to put in a lump sum amount in one shot. During the last financial year, over one crore households are estimated to have not taken a single refill with high price seen to be a major factor.

The recent uptick is, however, expected to push up the average to anywhere between 4.5-5 cylinders by next year, sources said, adding that the government and oil companies are looking at ways to increase the number further.

"In the initial months, the new households have low consumption as they do not completely switch off using firewood or charcoal. As they get used to cooking gas, consumption tends to pick up, but it happens with a lag," a source explained. While the subsidies will force the exchequer to bear the subsidy burden, the move is expected to lower the carbon footprint and also reduce the health expenditure for several poor households.

Oil imports decline 29% in Apr-Sep

HT Correspondent

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NEW DELHI: India's crude oil imports fell 29% year-on-year (y-o-y) to \$63.4 billion in the first half of 2023-24, with a declining trend in the average monthly oil import bill since the September peak of \$93.54 per barrel, providing some relief to the exchequer amid ongoing elections and deteriorating geopolitical situation, according to official data. Import volumes rose in the same period.

The average cost of imported oil fell about 20.6% to \$82.34 a barrel in the six months to September from \$103.68 in the same period last year, according to provisional data by the Petroleum Planning and Analysis Cell, an arm of the oil ministry.

The monthly average of import prices of crude oil in the current financial year started with \$83.76 per barrel in April, then moderated below \$75 in May and June. It firmed up again in July (\$80.37) and peaked in September (\$93.54) before dipping to \$90.08 in October. The average price in the first seven days of November was \$87.4 a barrel, below the previous month's average.

India's gross petroleum imports—crude and products taken together—also fell y-o-y by over 28% in the first half of current financial year to \$74.1 billion, compared to \$103.2 billion a



The average cost of imported oil fell about 20.6% in the six months to September. REUTERS

year ago. In terms of volume, there was an uptrend in imports of both crude oil and petroleum products, data showed. While crude oil imports rose to 116.2 million tonnes (mt) in April-September compared to 115.7 mt in the same period last year, imports of petroleum products rose to 22.8 mt from 20.7 mt.

Petroleum exports were, however, subdued during the six months in terms of both value and volume, the data showed. While they fell by less than 2% from 31.5 mt to 30.9 mt by volume, their value fell sharply by about 30% from \$33 billion to \$23.2 billion. Crude oil prices in the international market are still subdued despite global headwinds and supply concerns due to the Ukraine war and the Israeli retaliation against Hamas' October 7 terror attack. Bench-

mark Brent crude on Tuesday fell 1.9% in the afternoon to \$83.58 a barrel on demand concerns amid disappointing Chinese trade data. West Texas Intermediate crude oil was trading over 1% lower at \$80 a barrel. Saudi Arabia's oil major Aramco on Tuesday reported a 23% fall in its third-quarter net profit because of both decline on volume of exports and lower price realisation.

Crude oil price volatility is one of the key concerns for India as an escalation of the war in West Asia could see a surge in energy prices. India, the world's third largest consumer of crude oil after the US and China, imports over 87% of the oil it processes.

"We should not be immediately concerned about rising retail inflation if crude oil prices again started firming up because the volatility is neutralised by freezing pump prices of petrol and diesel. However, no immediate spike in international oil prices is visible," a government official said, requesting anonymity.

According to the minutes of the Reserve Bank of India's monetary policy committee (MPC) meeting held last month, one of the members, Jayanth R. Varma, professor of IIM, Ahmedabad, said, "A sharp fall in crude prices while the MPC meeting was in progress suggests that a slowing world economy does place a limit on the upswing in crude prices."

OMCs may make healthy margins in Q3 too

ARUNIMA BHARADWAJ
New Delhi, November 7

THE THREE STATE-OWNED major oil marketing companies — Indian Oil Corporation, Bharat Petroleum Corporation, and Hindustan Petroleum Corporation — returned to profitability in Q2FY24 after reporting losses in the corresponding period a year ago primarily on the back of improved marketing margins and growth in sales volumes.

Marketing margins of the three companies improved in Q2 owing to discounted Russian crude oil even as OMCs kept prices of auto fuels unchanged, which helped them recover losses incurred when oil prices were higher last year.

The three OMCs reported a combined consolidated net profit of ₹27,783.59 crore in the quarter ended September against a cumulative loss of ₹3,724.39 crore in the same period a year ago. However, net profit for each fell sequentially after crude prices jumped to their highest of \$97 a barrel late in September.

The OMCs' Q2 results have beaten analyst expectations. As per Nomura,

ROBUST OUTLOOK

■ IOCL, BPCL & HPCL reported a **combined consolidated net profit of ₹27,783.59 crore** in the second quarter of FY24

■ In the corresponding period of last fiscal, they **had logged a cumulative loss of ₹3,724.39 crore**

■ Analysts expect OMCs to see healthy marketing and refining margins in Q3 & Q4FY24

■ Crude prices are expected to be range-bound, according to experts



RESULTS REVIEW



marketing gains of blended margins fell to ₹4.7 per litre for fuels sold in the week ended September 24.

Analysts now see OMCs registering healthy marketing and refining margins in the third and the final quarter of FY24 compared to the corresponding levels last year, provided crude prices remain at their current levels of \$83-\$85 per barrel. Crude prices are expected to be range-

bound considering the demand and supply economics, said Prashant Vasisht, senior vice president, Corporate Ratings, Icra.

Motilal Oswal has also increased its net profit estimates for IOCL for FY24 by 13% owing to a robust performance in H1FY24. "IOCL is set to commission various projects over the next two years, which should boost growth further," it said.

In Q2, OMCs also reported a growth in their sales volume in the domestic market as well as exports. While BPCL reported the strongest market sales at 6.6% higher than the same period last year, IOCL reported the highest export volume, up by

50% on year.

Even as the OMCs recorded profits in Q2, revenue from operations and refining margins fell against analysts' expectations of a rise from steady demand and growth.

The aggregate revenue from operations of the OMCs fell by 11% to ₹4.24 trillion in the July-September quarter from the same period last year. The decline can be attributed to lower prices of petroleum products, gross refining margins, and a volatile oil market globally, especially in the latter half of September.

IOCL recorded a decline of 12% in its revenue compared to last year, the largest among all three OMCs, fol-

lowed by HPCL with a decline of 10%, and BPCL with 9.1% fall.

Average gross refining margin of IOCL for the April-September period also fell to \$13.12 per barrel from \$25.49 per barrel a year ago. BPCL and HPCL reported GRMs at \$15.42 and \$10.49/bbl from \$22.30/bbl and \$12.62/bbl compared with corresponding year-ago period.

Analysts believe OMCs are unlikely to hike auto fuel prices anytime soon as the country heads towards elections next year. In an interaction with FE, oil minister Hardeep Singh Puri had hinted against a hike in petrol and diesel prices saying "OMCs have the capacity to absorb global crude price shocks as they have made large profits (in previous quarters) due to low prices".

"OMCs are estimated to be generating marketing margin of ₹8.2 on petrol and a marketing loss of ₹3.8 on diesel in Q3FY24 to date," Motilal Oswal said in its latest report. The brokerage also expects margins to be affected by retail fuel price cuts in the wake of upcoming elections and a rise in crude oil prices due to voluntary supply cuts by OPEC+.



Sanctions on Russia are counterproductive



UTTAM GUPTA

In a globally interdependent world, actions that severely restrict the flow of goods and services across national boundaries are bound to be counter-productive



In a bid to punish Russia for its military action against Ukraine, in June 2022, leaders of G7 viz., the United States, Germany, France, Britain, Italy, Canada and Japan had vowed to explore the feasibility of measures to bar imports of Russian oil at price above a certain level. In September 2022, their finance ministers (FMs) said: “We confirm our joint political intention to finalise and implement a comprehensive prohibition of services, which enable maritime transportation of Russian-origin crude oil and petroleum products globally. Providing those services would only be allowed if the oil and petroleum products are purchased at or below a price (the price cap) determined by the broad coalition of countries adhering to and implementing the price cap.”

On December 5, 2022, they set the price ceiling at US\$60 per barrel. It was meant to weaken Russia financially by undermining its ability to generate revenue from the export of petroleum products while ensuring that supplies to them (read: G7/EU) are not impacted. Unfortunately, things haven't panned out as intended.

Russia is a dominant player in the global energy landscape.

It is the third-largest producer of crude oil with over 12 per cent share in global crude production and the second-largest exporter. In the case of natural gas (NG), it is the world's second-largest producer with a share of 10 per cent. In world export, its contribution is even higher at 25 per cent. When it comes to EU countries, their dependence on Russia is even higher, drawing 40 per cent of their NG supplies and 25 per cent of crude from it. Some countries in the bloc viz. Germany, the Netherlands and Poland, source a much higher percentage of their requirements from Russia.

In this backdrop, huge disruption in supplies from Russia caused by a deadly cocktail of economic and financial sanctions imposed by the EU countries (besides the USA); physical incapacitation in the supply chain and clogging of sea transportation routes – in the wake of military action



WHAT IF THE
BUYER REFUSES
TO PROVIDE
REQUESTED
PRICE
INFORMATION
OR GIVES A
FUDGED
DOCUMENT
MENTIONING A
PRICE LESS
THAN THE CAP
EVEN THOUGH
THE PURCHASE
IS AT A HIGHER
PRICE OR HIDES
THE TRUE
ORIGIN OF
RUSSIAN OIL?

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

by the former against Ukraine in February - led to steep increase in the price of both crude oil and NG. As a result, the EU countries bought all their requirements at elevated prices as during that period, the price cap wasn't in force. This led to a huge increase in their import bill. According to the Centre for Research on Energy and Clean Air, Russia received about 158 billion euros in revenue for the sale of oil, NG and coal from February to August 2022, more than half of which - some 85 billion euros worth - was from the EU. Russia's revenue increased even as overall export volumes dropped by 18 per cent compared with the corresponding period before the invasion of Ukraine.

Even after the cap came into force on December 5, 2022, the G7 bloc has achieved little in restricting Russia's earnings. As it is, fixing the ceiling price at US\$60 per barrel is laughable considering that the cost of producing oil is substantially lower, in fact, a fraction of this number. Even if exports were made at this price (between December 2022 and June 2023, most of Russia's crude was selling at less than this price implying no violation), it would still be generating a lot of surpluses to keep its war machinery well-oiled.

Since, July 2023, the price has been above the cap, courtesy of reduced availability of oil worldwide as a result of Saudi Arabia and Russia cutting production by one million barrels per day (mbd) and 0.3 mbd respectively over and above the cut agreed to in the meeting of OPEC + in April 2023. Russia has been able to benefit from this as well. For instance, according to S&P Global Platts, its key export grade crude sold at around US\$75 per barrel enabling it to garner oil income of US\$211 million a day during September 2023.

What has come in the way of G7 enforcing the cap?

The G7 wanted to enforce it by requiring the participating countries to deny Western-dominated services, including insurance, finance, brokering and navigation to oil cargoes priced above the cap. To secure those services, buyers would make “attestations” to service providers, saying they bought Russian petroleum at or below the cap. However, service providers won't be held liable for false pricing information provided by buyers and sellers of Russian petroleum.

Put simply, the buyer (say, a trader in Germany) needs to give a piece of paper to the service provider saying ‘it has bought Russian crude at or below the cap’. If the latter doesn't have this document, the G7 country will impose sanctions on that service provider. They feel confident, it will work because many vessel owners, traders and most insurers are based in the EU/USA; hence amenable to sanction.

What if the buyer refuses to provide requested price information or gives a fudged document mentioning a price less than the cap even though the purchase is at a higher price or hides the true origin of Russian oil, etc? In any of these scenarios, the G7 country won't be able to take any action as per their agreement ‘Services providers can't be held liable for false pricing information provided by buyers and sellers’.

The sellers and buyers of Russian oil can use a host of other methods to circumvent the cap. For instance, the price can be set as oil leaves a Russian port, not what's paid by a refinery in, say, India. While the former can stay well within the US\$ 60 per barrel level, transportation costs and margins of trading companies (albeit Russian-affiliated) in countries

not participating in sanctions are inflated to yield the desired net back in Russian hands.

Given the above, it is no surprise that despite numerous instances of ‘loading Russian oil at all ports within Russia’ by vessels owned or insured by Western nations - in the wake of a surge in crude price, there has been little sign of enforcement action initiated by the G7 authorities. Reports of the U.S. Treasury Department sanctioning two ship owners (in October 2023) accused of carrying Russian oil priced at US\$75 and \$80 per barrel while relying on US-connected service providers is the tip of the iceberg.

This apart, there are umpteen parallel fleets and insurance companies – under non-Western ownership - which can be used for handling, shipping and insuring Russian oil. To conclude, ever since the start of the Ukraine war, the USA and EU countries have been on a dangerous course of imposing economic sanctions on Russia. Far from hurting, their acts have ended up bolstering its coffers. It happened on a mammoth scale through most of 2022 when there was no cap and continued to swell during the first half of CY 2023 when the cap was symbolic. Since July 2023, the swelling of coffers has accelerated. Meanwhile, the actions of G7 continue to bring more misery to the people in these countries due to soaring energy bills, high inflation and economic slowdown.

The G7/EU should shun the chosen path. They need to recognise that in a globally interdependent world, actions that severely restrict the flow of goods and services across national boundaries are bound to be counter-productive. The damage will be much greater when a crucial commodity such as oil is the target and the quantum involved is huge.

अर्थति • भारत की ऊर्जा सुरक्षा आयातों की मोहताज, विदेशी मुद्रा भंडार के लिए खतरा...

तेल की कमी विकास के पैरों की बेड़ी बनेगी



अंशुमान तिवारी

मनी-9 के एडिटर

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वह इजराइल और हमास के बीच जंग का पहला सप्ताह था। कच्चे तेल की कीमतों पर वार प्रीमियम आ चुका था। यानी जंग फैली तो कच्चा तेल खौल उठेगा। कीमतें पहले से 90 डॉलर प्रति बैरल पर थीं और 100 डॉलर से ऊपर जाने के आकलन तैरने लगे थे। ठीक इसी समय दो खबरें और कौंधीं। पहली यह कि इतिहास में पहली बार अमेरिका के निर्यात में सबसे बड़ा हिस्सा कच्चे तेल ने ले लिया था। अमेरिका अब प्रतिदिन चार मिलियन बैरल तेल का निर्यात कर रहा है। दूसरी खबर थी कच्चे तेल के आयात पर भारत की निर्भरता रिकॉर्ड स्तर पर पहुंच गई। इस साल जरूरत का करीब 88 फीसदी कच्चा तेल भारत ने आयात किया।

इन खबरों का ताजा युद्ध से बाकमाल रिश्ता है। 1970 में योम किप्पुर वार यानी इजराइल-अरब युद्ध में इजराइल के समर्थन पर अरब देशों ने अमेरिका का तेल निर्यात बंद कर दिया था। अमेरिका तब पूरी तरह तेल आयात पर निर्भर था। एक साल तक बड़ा संकट झेला अमेरिका ने, जो महंगाई और मंदी लाया था। इसके बाद अमेरिका ने अपनी पूरी ऊर्जा-नीति बदल दी। अगले दो दशक में आत्मनिर्भरता आ

गई। 2015 में निर्यात शुरू हो गया। यही तेल अब पुतिन के ब्लैकमेल का जवाब देने के लिए यूरोप को भेजा जा रहा है। अरब की विस्फोटक सियासत अब अमेरिका की ऊर्जा सुरक्षा के लिए खतरा नहीं है।

भारत की ऊर्जा पहेली : लौटते हैं भारत की तरफ। क्या हमें याद है कि 2015 में सरकार ने तय किया था आयातित कच्चे तेल पर निर्भरता को 2022 में दस फीसदी घटा दिया जाएगा। 2022 वह साल भी है, जब सरकारी ऐलान के मुताबिक भारत को थर्मल कोल यानी बिजली के लिए कोयले का आयात बंद करने का ऐलान करना था। मगर यहां तो उलटा ही हुआ है। तेल, कोयला, गैस, लीथियम... भारत की ऊर्जा सुरक्षा पूरी तरह आयातों की मोहताज है। विदेशी मुद्रा भंडार के लिए यह खतरा है।

तेल में यह क्या हुआ : इस साल अगस्त में भारत का मासिक तेल आयात बिल 10.9 अरब डॉलर रिकॉर्ड पर पहुंच गया। यानी सालाना करीब 130 अरब डॉलर। 2015 में सरकार ने लक्ष्य रखा था कि 2022 तक तेल आयात पर भारत की निर्भरता 87 फीसदी से घटाकर 77 फीसदी और 2030 तक 50 फीसदी कर दी जाएगी। लेकिन अब भारत जरूरत का करीब 88 फीसदी तेल आयात कर रहा है। वह भी 100 डॉलर प्रति बैरल (कमजोर रूप सहित) की कीमतों पर। ऊर्जा सुरक्षा में संध की दास्तान चौंकाने वाली है। भारत में कच्चे तेल का घरेलू उत्पादन वित्त वर्ष 2022 में 28 साल के न्यूनतम स्तर पर आ गया। बुनियादी उद्योगों का सूचकांक बताता है कि बीते चार बरस से कच्चा



भारत को निर्यात बढ़ाकर भरपूर विदेशी मुद्रा जुटानी होगी या ऊर्जा-सुरक्षा के लिए लंबे रणनीतिक समझौते करने होंगे। भारत के आर्थिक विकास के पैरों में ऊर्जा-महंगाई का स्थायी पत्थर बंध चुका है। यह हमें चलने भी नहीं देगा।

तेल उत्पादन लगातार गिर रहा है। ओएनजीसी और ऑइल इंडिया पर घरेलू उत्पादन का दारोमदार है। ओएनजीसी में तेल उत्पादन बीते चार साल में करीब 10 से 16 फीसदी गिरा है। नए रिजर्व जोड़ने की रफ्तार करीब 35 फीसदी टूटी है। देश की शीर्ष तेल खोज कंपनी अपने पूंजी-खर्च का इस्तेमाल भी नहीं कर पा रही है। सरकारी कंपनियों ही नहीं, निजी क्षेत्र के घरेलू कच्चे तेल उत्पादन में भी गिरावट आ रही है। भारत के तेल कुएं सूख रहे हैं। ड्राय वेल्स

सबसे बड़ी समस्या हैं। तेल की खोज में निवेश नहीं हुआ है इसलिए जितने भंडार थे, निचोड़े जा चुके हैं। तेल खोज नीति यानी एनईएलपी और एचईएलपी के तहत 1999 से 2016 तक तेल ब्लॉक आवंटन की कोशिशें लगभग असफल रहीं। कोई बड़ी विदेशी कंपनी आई नहीं और जिन कंपनियों ने लाइसेंस लिए भी, वे ब्लॉक छोड़कर निकल गईं। इंटरनेशनल एनर्जी एजेंसी का आकलन है ईवी आने के बावजूद 2040 तक भारत में क्रूड ऑइल की मांग कम से 7 मिलियन बैरल प्रतिदिन के हिसाब से बढ़ेगी।

कोयले की ट्रेजरी : कोयले की त्रासदी क्रूड ऑइल से ज्यादा दर्दनाक है। भारत दुनिया का दूसरा सबसे अधिक कोयला खनन वाला देश है। पांचवां सबसे बड़ा कोयला भंडार है। 2022 में थर्मल कोल का आयात बंद करने का ऐलान हुआ था, मगर बिजलीघरों में कोयले की कमी ही खत्म नहीं होती। 2022 में देश की सबसे बड़ी कोयला उत्पाद सरकारी कंपनी कोल इंडिया खुद ही इम्पोर्टर हो गई। समस्या उत्पादन की ही नहीं, आपूर्ति और बिजलीघरों तक कोयला पहुंचाने की भी है। कोल इंडिया मांग का 80% कोयला उत्पादन करती है पर निवेश सुस्त है। खदानों के निजीकरण की कोशिश भी सफल नहीं हुई। वहीं नेचरल गैस पर सरकार ने लक्ष्य रखा था कि ऊर्जा आपूर्ति में गैस का हिस्सा 2030 तक आज के 6.4 फीसदी से बढ़ाकर 15% किया जाएगा। लेकिन बीते एक दशक से नेचरल गैस का उत्पादन लगातार गिर रहा है।

(ये लेखक के अपने विचार हैं)