

As Russian shipments stagnate, India ups crude oil imports from the US

DIVERSIFYING SOURCES. With OPEC+ announcing cuts, India eyes new suppliers to limit West Asia reliance

Rishi Ranjan Kala
New Delhi

India's new bonhomie with the US is evident even in the oil purchases.

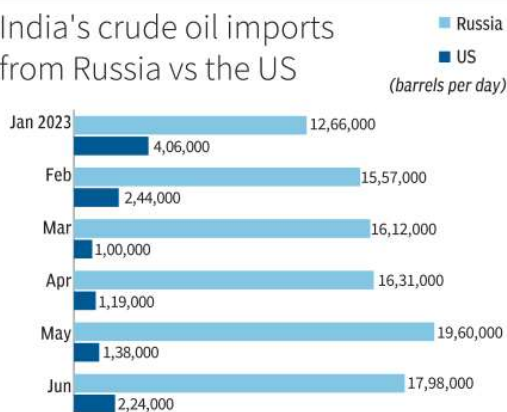
As crude oil imports from Russia stagnate, India is gradually increasing its import of the critical commodity from the US, which is clawing back its lost share.

According to energy intelligence firm Vortexa, India's crude oil imports from Russia fell 8 per cent month-on-month to 1.798 million barrels per day (mbd) in June, from a record 1.96 mbd in May, reportedly due to voluntary production cuts by the world's second largest producer.

STEADY RISE

On the other hand, Vortexa's data also show that imports from the US have been inching up consistently since March. In January, India imported 406,000 barrels per day (bpd) from

India's crude oil imports from Russia vs the US



Source: Vortexa

the US, which nosedived to 244,000 bpd a month later, and then steeply to 100,000 bpd in March.

However, in April, India's imports from the US rose to 119,000 bpd and then to 138,000 bpd a month later. The shipments then grew a healthy 62 per cent to hit 224,000 bpd in June.

According to OPEC's monthly oil market report, India's total crude imports has slipped from the highs

seen in February to an average of 4.8 mbd in April. This represents a m-o-m decline of 55,000 bpd, or about 1 per cent. Year-on-year, crude inflows fell 0.4 mbd, or around 8 per cent.

As per the Petroleum Planning and Analysis Cell (PPAC), India's cumulative crude oil imports during April and May stood at almost 40 million tonnes (mt), of which 6.9 per cent was from North America.



Before the Russia-Ukraine conflict began in February 2022, North America's share was around 14 per cent. India had begun importing crude oil from the US in the second half of 2017.

AMONG TOP 5

According to Commerce Ministry data, India imported \$4.9 billion worth of crude oil from the US in FY20, making it India's

fourth top supplier. In FY21 and FY22 as well, the US held that spot supplying cargoes worth \$5.40 billion and \$11.32 billion, respectively.

It slipped to the fifth place in FY23 with imports slipping to \$10.18 billion.

S&P Global Commodity Insights, in a January 2023 report, said the US' share in India's crude oil basket rose from 5-6 per cent in April 2022 to around 10 per cent in November 2022.

Similarly, a joint study by KPMG India and the American Chamber of Commerce (Amcham) India said that triggered by the Organization of the Petroleum Exporting Countries' (OPEC)+ announcement on cutting crude oil output, India is looking to diversify its sources and is majorly focussing on limiting its reliance on West Asian crude. This state of affairs has largely benefited the import of crude from the US which, of late, has witnessed an uptick, the study, released in May 2023, added.

Corporate social responsibility projects demand expertise too

Mandatory CSR spending by businesses would achieve much more if the Niti Aayog took charge



MADAN SABNAVIS

is chief economist at Bank of Baroda and author of 'Corporate Quirks: The Darker Side of the Sun'.

The ministry of corporate affairs has raised some concerns related to the money spent by companies on corporate social responsibility (CSR) activities. Companies above a threshold level of profit, sales or net worth are mandated to invest 2% of their average profit for the last 3 years on CSR activities, which are defined. This could be capital spending or otherwise.

The first issue is that there has been a concentration in three activities: education, health and rural development; 77% of the total amount spent between 2014-15 and 2020-21 was on these three. CSR activities, therefore, aren't covering adequately other important areas such as poverty eradication, gender equality, climate change, etc.

Second, there has also been a concentration of spending in some large states: Maharashtra, Gujarat, Andhra Pradesh, Karnataka, Uttar Pradesh, Tamil Nadu, Rajasthan and Madhya Pradesh. The money is not being spent equitably across geographies, as it tends to flow to states that are better-off to begin with, relative to states in the Northeast, for example. It is seen that companies are investing their funds in states that are more developed and have better infrastructure, as this makes the administration of funds easier.

The fundamental question that arises is whether or not companies have any core competence in these areas. They

are set up to do business and have to reward their owners, who are shareholders. While doing business, they make profits and pay taxes on it. Asking them to undertake responsibilities that are alien to their core function leads to a fundamental contradiction. Invariably, they deploy internal staff that is not competent to do this work. Some hire experts from industry to look after these operations. But low-effort exercises like distributing water coolers or laptops to schools are more typical. This is not the best way to carry out CSR activities.

The belief that all companies can get involved in CSR is misplaced because when the threshold is, say, ₹5 crore, the company will be too small to have the wherewithal for CSR programmes. In fact, the rule also says that there has to be a board-level committee to administer the chosen CSR activity and regular reporting of it. This can get onerous and it is not surprising that companies look for easy ways out. In fact, transferring the money to a centralized fund like the Prime Minister's National Relief Fund always looks appealing. Otherwise, a lot of management time has to be expended on CSR compliance.

The premise here is that companies are not cut out to do social work, which is the responsibility of the government. While some companies have been doing it for decades, there is usually a personal level of commitment among business leaders who deploy dedicated outfits and staff. The impact of their work is powerful. At times, they even develop townships where such work is carried out and worthy goals, such as empowering women or educating girls, are pursued. But not all companies have the competence for it.

A sample of around 1,200 companies with net profits of above ₹5 crore in each of the last 3 years had an average profit-after-tax of around ₹8.8 trillion, which translates to ₹17,600 crore of CSR spending. This is a large sum that can bring meaningful change. Two choices exist here.

The first is for the government to set up a separate organization to work on the deployment of these resources. If setting up a new organization is too bureaucratic and costly, the Niti Aayog could be entrusted with this responsibility. There is abundant expertise in most of these targeted areas, which can be deployed to make the spending of resources more effective.

As corporate tax is a central tax, the prerogative would be with the Centre how to deploy these funds. To make funds flow more smoothly, the corporate tax rate can be increased by 2% or an equivalent cess can be imposed on companies. Alternatively, the amount can be paid by companies once they announce their final results in May so that the money is available to the government as a lump-sum to deploy based on its social-sector priorities.

The other option is for the government to draw up a list of all CSR projects underway in the country. Since the universe of companies involved would be not greater than 2,000, the list would not be all that long. Then there could be a system of directed or suggested CSR spending, with advice given routinely to firms on where money should be spent and for what exact activity. For example, a hospital in need could let the government know its requirement, so that companies are informed of it. This way, businesses would be relieved of the time and effort taken to identify CSR projects even as the broader objective of the programme is met.

Presently, the concept of CSR is appealing but the route being taken may not be the best. It needs to be recognized that CSR activity is not something everyone has expertise in. There are several NGOs that would like to get involved, but it is hard to sift through them. Therefore, there is a good case to let the Niti Aayog handle CSR activities. The whole exercise should be aligned better with what the ministry expects of it.

These are the author's personal views.

Discounts on Russian crude shrink 87% to \$4 per barrel

Agencies Game Tenders For Shipping To Skirt Price Cap

Sanjay.Dutta@timesgroup.com

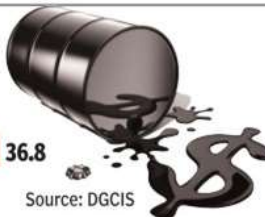
New Delhi: The love affair with Russian oil appears to be losing its charm for Indian refiners as discounts have shrunk 87% to \$4 per barrel from peaks of \$25-30, with sellers going dark on shipping rates to cover the gap with benchmark Brent crude and skirt western price cap, people in the know told TOI.

Russian crude now accounts for about 40% of India's total oil imports, up from about 2% before the Ukraine conflict. Indian refiners began lapping up Russian crude when sellers started offering hefty discounts as Western buyers shunned those barrels with the US and the EU slapping sanctions on Russia, including its energy exports. Indian refiners buy Russian oil on delivered basis, where the seller arranges shipping and

LOSING ADVANTAGE

INDIA'S RUSSIAN OIL IMPORTS

2022	Quantity(MT)	31.4
	Value(\$ bn)	21
2023		
Jan-May		19.5



Source: DGCIS

BENCHMARK BRENT CRUDE

2022	2023
Yearly average \$100.9/barrel	Yearly average (Jan-June) \$79.5/barrel
Highest closing \$129 on March 7	Highest closing price \$88.12 on April 12
	Friday's closing price \$76

insurance, to avoid falling foul of the sanctions. This aspect became more important after the G7 slapped a price cap of \$60 for seaborne Russian energy exports, making shipping or insurance — 60% controlled by European entities — difficult to obtain for

oil sold above the ceiling.

"This and splintered procurement by Indian refiners — especially state-run entities that are the biggest buyers — are what the sellers of Russian oil are exploiting. They are charging \$11-19 per barrel freight from Baltic or Black

Sea ports, or nearly double the normal, while invoicing the crude at \$1-2 less than the price cap," a person involved in the trading said.

He said Indian buyers could lose the discount if oil prices decline further and narrow the gap with the G7 price cap. "Three little known agencies dominate shipping and insurance bids floated by Russia for shipments to India. These are not linked to global benchmarks. They can easily game the tenders and bring the net cost of Russian oil close to the benchmark crude — currently at \$75-76," he said.

The only way to protect Indian interests is through collective bargaining. "China is flooded with Russian oil and cannot consume more. India is the only major buyer left where the consumption is growing apace at 5%-6% annually," he said.

Indian firms' Q1 earnings growth likely at 7-qtr high

Banking, automobile sectors are seen to be leading drivers of overall profits

Ujjval Jauhari

ujjval.j@livemint.com

NEW DELHI: Indian companies are expected to deliver their strongest earnings growth in seven quarters, as declining input costs bolster profitability.

While banks and automobile sectors are seen to be leading drivers of overall profits in the June quarter, several more sectors are expected to contribute to the earnings momentum.

"Softer commodity and fuel prices could lead to an expansion of margins for fast-moving consumer goods (FMCG), auto, and allied sectors," said Deepak Jasani, head of retail research at HDFC Securities Ltd.

According to data compiled by *Mint*, the net profit for 44 companies in the Nifty 50 index is expected to grow 25.3% from a year earlier during the June quarter, while net sales are expected to grow at a slower 6.20% pace.

"The best performance is expected from auto and finance, closely trailed by energy and FMCG," said Vinod Nair, head of



Oil marketing companies are expected to drive the first quarter earnings in the energy sector. HT

research at Geojit Financial Services Ltd.

Operating margins widened, supported by consumer demand and easing inflation, boosting earnings. Oil marketing companies are expected to drive earnings in the energy sector, while industrials, consumer durables, and hotels are likely to report improved earnings performance.

Easing supply-chain constraints and a pre-election pickup in project execution are likely to support the earnings of industrial companies. The pharmaceutical sector may also see an earnings rebound with new

US launches gaining regulatory approval.

On the other hand, analysts noted a sense of pessimism in the cement, metals, and chemicals sectors due to moderation in demand and high raw material costs. However, easing energy costs may provide some relief to cement and metals companies.

However, analysts anticipate weak earnings from non-banking financial companies, chemicals, and IT sequentially.

Mid-cap and small-cap companies may also benefit from the economic recovery, driving volume growth as declining input costs and price hikes undertaken

help. "We remain very constructive on quality mid- and small-cap companies and do believe that both earnings and valuations are supportive," said Manish Jain, fund manager at Ambit Pvt. Ltd.

More benefits for mid-caps may be visible over time due to the lag effect in economic efficiency, analysts said. "We can expect the results to improve in the next one or two quarters. The monsoon deficit has narrowed and rural activities are rapidly expanding, a benefit that will be visible in Q2," Nair said. However, the El Nino risk still prevails, a clear effect of which could be evaluated only after August, added Nair.

Corporate performance could depend on how the El Nino weather pattern affects the monsoon in India and whether the spike in food inflation prompts the Reserve Bank of India to restart the rate-hiking cycle, said Jasani of HDFC Securities.

Investors will also watch out for signs of rural recovery during the results season.

Management commentaries on overall demand, global growth moderation, and the recovery of rural and private capital expenditure cycles will be of particular interest to investors, said analysts at Antique Stock Broking Ltd.

● BENEFIT FROM SURGE IN RUSSIAN CRUDE IMPORTS

Lower oil prices to cut subsidy, cool inflation, support growth

Indian crude basket seen \$5/barrel lower than Budget estimates

PRASANTA SAHU &
MANISH GUPTA
New Delhi, July 9

INDIAN BASKET OF crude, a crucial determinant of government finances in India, may turn out to have a weighted average annual rate, up to \$5/barrel lower than assumed in the Budget for FY24, many analysts feel, even as they insisted that these were early days for a definitive forecast.

Lower crude prices mean multiple gains for India on the fiscal and macroeconomic fronts, as the country is heavily dependent on imported oil to meet its energy needs, and natural gas and urea, whose prices are linked to crude, are also imported by the country in large quantities.

Though fuel prices are decontrolled, lower crude prices enable significant savings on revenue expenditure, thanks to the sticky fertiliser subsidies, besides having a cooling effect on inflation, analysts said. Apart from the moderation in Brent crude and the OPEC basket prices, India has benefited from the surge in crude imports from Russia, at discounted rates. "In the absence of any global shock, it is unlikely that the average price of the Indian crude basket will breach \$85/barrel in FY24," India Ratings chief economist DK Pant said.

In the Budget, the government is understood to have factored in crude

SIGNIFICANT SAVINGS

\$85
per barrel

is the level at which the govt is understood to have factored in crude at for budget estimations

\$77.39
per barrel

is what the Indian crude basket averaged in the first four months of FY24



₹35,000 cr
windfall taxes on petroleum products were collected by the Centre in FY23

■ Lower crude prices mean multiple gains for India on the fiscal and macroeconomic fronts

at \$85/barrel for budget estimations on relevant heads. In FY23, the Indian basket averaged \$93.15/bbl. Rating agency Icria expects the average international price for crude oil during FY24 to be in the range of \$70-90/bbl. "The Indian basket can be assumed to be about \$3-5/bbl lower than the aforementioned price range owing to the purchase of discounted Russian crude oil," Prashant Vasisht, vice president and co-head, ICRA, said. The discounted rate for Russian crude led to an import surge with the country's share jumping to 19.3% in India's total imports of crude from just 2% in FY22, leading to savings of around \$5 billion equivalent for Indian importers, according to Bank of Baroda chief economist Madan Sabnavis.

"In the first four months of FY24,

the Indian crude basket averaged \$77.39/barrel, in the absence of any adverse global shock, the Indian crude basket in FY24 may average around \$80/barrel. However, the USD-INR exchange rate will also have an impact on the Indian economy," Pant said.

A lower fertiliser subsidy in FY24 will give some fiscal space to the government to fund expenditures on other budget heads or take care of revenue shortfall, Pant added.

Given that the direct benefit transfer (DBT) for LPG is estimated to be just Rs 180 crore for FY24, a fall in crude prices won't lead to any significant savings from an overall budget point of view. However, lower natural gas prices, a key ingredient for urea, could lead to a reduction in fertiliser subsidies by around ₹15,000 crore in

FY24. The BE for fertiliser subsidy is ₹1.75 trillion for FY24.

Fertiliser subsidy in FY23 stood at an all-time high of ₹2.53 trillion, owing to the spike in global commodity prices.

However, prices of gas (LNG) have already halved to around \$12-13 per mmbtu now from the last year's level.

The major impact of lower crude prices is likely to be felt in inflation. Inflation of commodity group 'Transport and Communication' has declined to 1.1% in May 2023 from an annual average of 5.9% in FY23.

Similarly, inflation of commodity group 'Fuel and Light' has declined to 4.64% in May 2023 from an annual average of 10.3% in FY23.

"Major gain to the economy is likely to happen cooling off of inflation, which will push real wage rates in positive territory and once it remains positive for some time, we may see consumption demand rising, which will have a lagged effect on investment also," Pant said.

While the RBI's surplus transfer earlier in the year was positive for revenues, there are other pressures in the pipeline by way of higher fertiliser subsidy outlay, softer nominal GDP growth and the need for additional social spending, said Radhika Rao, Senior Economist, DBS Bank, Singapore.

"Potential gains on lower oil will help to offset a few of these emerging pressure points. We don't expect an overshoot of the budgeted fiscal deficit target this year, with additional demands to necessitate a reprioritisation amongst the spending heads," Rao said.

Modi's 'rouble wise rupee foolish' policy

Newsan is one of Argentina's biggest home appliance retailers. For decades, it settled its payments in U.S. dollars for the goods it bought from China, such as fridges and TV sets. In April, Newsan suddenly switched to Chinese yuan for its payments. Meanwhile, Brazil's new government under President Lula da Silva recently announced that Brazilian companies can settle their foreign trade using Chinese yuan. Consequently, Brazilian companies have started to pay French companies in yuan for purchase of LNG, a first in their history. The yuan is now the most actively traded currency in Russia. And Bangladesh has been coerced into paying for Russian nuclear power using the yuan. These developments are not independent and unrelated.

A significant global outcome of the Russia-Ukraine conflict is the U.S. dollar-Chinese yuan conflict. The U.S. dollar has long enjoyed what a French Finance Minister called an "exorbitant privilege". Nearly all nations trade with each other using the U.S. dollar, establishing its pre-eminence as the world's reserve currency. The global trust in the dollar plays a vital role in establishing the U.S.'s status as a superpower. Evidently, the Chinese are no longer willing to accept American hegemony. Destabilising and dethroning the U.S. dollar is a key strategy for China to challenge the U.S. Its overtures and coercions to invoke other nations to switch to the yuan for trade settlements is a part of its grand ambitions to reshape the world order. In this context, India, a trillion dollar trading nation, has a huge role to play in determining the new global currency order.

Against India's interests

China is squatting on India's territory in the Northeast and has threatened its sovereign integrity. It came close to waging a war against India during the pandemic. It is not in India's interests to help China's ascendancy, so one would expect



Praveen Chakravarty

is a political economist and Chairman of Data Analytics of the Congress party

India has been boxed into helping China in its currency supremacy

India to not aid and abet China's desire to move global trade settlements from the dollar to the yuan. But shockingly, this is precisely what it is doing – paying for its own foreign trade in yuan.

The Modi government's myopic geo-economic strategy has boxed India into a corner where it is now forced to help China to the detriment of its own interests. After economic sanctions were imposed by the West against Russia for the Ukraine war, the Modi government decided not to support the sanctions and instead buy Russian oil, because it was apparently available at a discount. The External Affairs and Petroleum Ministers made chest-thumping announcements about how doing so would help the common Indian with lower fuel prices and inflation. Since the war began, India has imported 15 times more oil from Russia (compared to the previous year), worth \$44 billion, money that presumably can be used by Russia to prolong the war.

There was one hitch in this saga – how would India pay Russia for the oil? Normally, it would have paid Russia in U.S. dollars, as it does for most of its foreign trade. But due to U.S. sanctions, Russia could not accept this. Russia could have accepted payment in roubles, but this was not favourable to India, since the value of roubles could no longer be efficiently determined by the currency markets. A bilateral arrangement to establish a mutual value between the rupee and the rouble was mooted, but this would hark India back to the pre-liberalisation days of bilateral currency arrangements. India would have liked to pay in rupees but this was not conducive to Russia because, contrary to the bombastic claims of the Reserve Bank of India, Indian rupee is neither an international nor a trusted currency, especially after bizarre policies such as demonetisation. China sensed an opportunity in this conundrum and given its proximity to Russia, the yuan has emerged as the currency to settle

India's purchase of Russian oil.

If India can settle Russian trade in yuan, what stops China from demanding settlements for India-China trade in yuan? India-China trade has grown four times in the last decade and is one-sided, with India importing seven times more from China than it exports. China is India's second largest trading partner while India is only China's 13th largest partner. In this context, it will be hard for India to refuse or resist a potential Chinese demand for trade settlement in yuan. If India starts to use yuan for a sizeable proportion of its trade, it would provide a big fillip to China's ambitions to dominate the new world order. This is what former Prime Minister Dr. Manmohan Singh had warned more than a year ago, in *The Hindu*. In essence, just when China was threatening to trample India, the Modi government's foolhardy headline hunting geo-economic strategy has helped lift China's foot and place it on India's neck.

No benefit to the common man

Ironically, this brouhaha has not even benefited the common Indian. The price of petrol, diesel and LPG for the average Indian family has only gone up since the purchase of Russian oil. Prices of essential goods have risen 5% in this period. One reason for this is that half the discounted Russian oil went to Reliance Industries and Nayara Energy, which refined and exported it back to foreign countries at high prices to earn super normal profits.

Mr. Modi staked India's national security interests and strengthened China only to help two private companies amass huge profits using the Ukraine war as an alibi. In 1971, when asked by foreign media about the role of the U.S. dollar, the then U.S. Treasury Secretary John Connally famously said, "The dollar is our currency but your problem". Perhaps, some of India's big industrialists can now sarcastically quip to other Indians, "Mr. Modi is our Prime Minister but your problem".



ONGC stands tall among Indian PSUs in Forbes' 'The Global 2000' List 2023



ONGC, India's Energy Maharatna, has achieved a significant milestone by securing the 226th rank in the prestigious Forbes' "The Global 2000" List for 2023. This recognition exemplifies ONGC's unwavering commitment to excellence and its remarkable growth as a

major player across 58 countries. ONGC takes immense pride in this exceptional achievement, standing as the sole Indian PSU positioned within the top 250 companies on this esteemed list. This notable accomplishment underscores company's consistent expansion, robust financial position, and unwavering dedication to excellence. Forbes' "The Global 2000" List recognizes the world's largest companies based on key metrics such as sales, profits, assets, and market value. ONGC's inclusion in this prestigious ranking reaffirms its leading position in India's corporate sector and global recognition.

Russia oil discount to India shrinks to \$4; delivery charges still opaque

PTI

feedback@livemint.com

The steep discounts on Russian crude oil that India has gorged on since the Ukraine war, have plunged but the shipping rates charged by Russia-arranged entities continue to remain 'opaque' and higher than normal, sources said.

Russia bills Indian refiners at a price shade less than the \$60 per barrel price cap imposed by the West but charges anything between \$11 and \$19 per barrel, twice the normal rate, for delivery from the Baltic and Black Sea to India's

western coast, three sources with knowledge of the matter said.

The \$11-19 per barrel shipping costs from Russian ports to India -- some of it on the 100+ tankers reportedly acquired by Russian actors for a shadow fleet -- are higher than rates for comparable distances, such as a voyage from the Gulf to Rotterdam.

Following Moscow's invasion of Ukraine in February last year, Russian oil was sanctioned and shunned by European buyers and some in Asia, such as Japan.

This led to Russian Urals crude being traded at a dis-



Following Moscow's invasion of Ukraine, Russian oil was sanctioned and shunned by European buyers.

BLOOMBERG

count to Brent crude (the global benchmark). The discount on Russian Urals grade has however narrowed from levels of around \$30 a barrel in

the middle of last year to closer to \$4 per barrel, sources said.

Indian refiners, who convert crude oil extracted from below ground into finished

products such as petrol and diesel, are now the biggest buyers of Russian oil as Chinese imports have maxed out due to massive electrification of vehicles and demand issues in a shaky economy.

Indian refiners ramped up purchases from less than 2% of their entire buys in pre-Ukraine war times to 44% to capture the discounted oil.

But these discounts have been shrinking as companies such as government-controlled entities like Indian Oil Corporation (IOC), Hindustan Petroleum Corporation Ltd, Bharat Petroleum Corporation Ltd (BPCL), Mangalore

Refinery and Petrochemicals Ltd and HPCL-Mittal Energy Ltd as well as private refiners Reliance Industries Ltd and Nayara Energy Ltd continue to negotiate deals with Russia separately.

The discounts could have been higher if state controlled units, who account for roughly 60% of the 2 million barrels per day of Russian oil flowing into India, negotiated together, sources said.

"Chinese demand has maxed out and Europe is not buying any seaborne crude from Russia. So India remains the only destination with increasing appetite. And if

they (refiners) negotiated together, bigger discounts could have been extracted," a source said.

IOC is the only company to have entered into a term or fixed volume deal. Other refiners continue to buy on a tender basis.

Before Russia's invasion of Ukraine in February last year, India was a minor importer of Russian crude, with purchases of about 44,500 barrels per day (bpd) in the 12 months to February 2022.

India's purchases of seaborne crude from Russia have surpassed those by China a couple of months back.

Russia oil discount to India shrinks to \$4, delivery charges remain opaque

NEW DELHI: The steep discounts on Russia crude oil that India gorged on since the Ukraine war, have plunged but the shipping rates charged by Russia-arranged entities continues to remain 'opaque' and higher than normal, sources said.

Russia bills Indian refiners at a price shade less than the \$60 per barrel price cap imposed by the West but charges anything between \$11 to \$19 per barrel, twice the normal rate, for delivery from the Baltic and Black Sea to the west coast, three sources with knowledge of the matter said.

The \$11-19 per barrel shipping costs from the Russian ports to India - some of it on the 100+ tankers reportedly acquired by Russian actors for a shadow fleet - are higher than rates for comparable distances, such as a voyage from the Persian Gulf to Rotterdam.

Following Moscow's invasion of Ukraine in February last year, Russian oil was sanctioned and shunned by European buyers and some in Asia, such as Japan.

Turn to P4

Russia

This led to Russian Urals crude being traded at a discount to Brent crude (the global benchmark). The discount on Russian Urals grade has however narrowed from levels of around \$30 a barrel in the middle of last year to closer to \$4 per barrel, sources said.

Indian refiners, who convert crude oil extracted from below ground into finished products such as petrol and diesel, are now the biggest buyers of Russian oil as Chinese imports have maxed out due to a massive electrification of vehicles and demand issues in a shaky economy.

Indian refiners ramped up purchases from less than 2 per cent of their entire buys in pre-Ukraine war times to 44 per cent to capture the discounted oil. But these discounts have been shrinking as companies such as government-controlled entities like Indian Oil Corporation (IOC), Hindustan Petroleum Corporation Ltd, Bharat Petroleum Corporation Ltd (BPCL), Mangalore Refinery and Petrochemicals Ltd and HPCL-Mittal Energy Ltd as well as private refiners Reliance Industries Ltd and Nayara Energy Ltd continue to negotiate deals with Russia separately.

The discounts could have been higher if state-controlled units, who account for roughly 60 per cent of the 2 million barrels per day of Russian oil flowing into India, negotiated together, sources said.

"Chinese demand has maxed out and Europe is not buying any seaborne crude from Russia. So India remains the only destination with increasing appetite. And if they (refiners) negotiated together, bigger discounts could have been extracted," a source said.

Consider this, IOC is the only company to have entered into a term or fixed volume deal. Other refiners continue to buy on a tender basis. Before Russia's invasion of Ukraine in February last year, India was a minor importer of Russian crude, with purchases of about 44,500 barrels per day (bpd) in the 12 months to February 2022.

India's purchases of seaborne crude from Russia have surpassed those by China a couple of months back. Sources said Indian refiners buy crude oil from Russia on a delivered basis, putting the onus on Moscow to arrange for shipping and insurance.

While the invoicing for oil is at or a shade less than \$60 per barrel, the shipping and insurance rate billed is as per quotes Russia gets from three not-so-well-known agencies which cannot be independently evaluated and remain opaque, they said.

The actual sale price of Urals crude is about \$70-75 per barrel, channelling a large portion of Russian oil revenues to the three shadow agencies, they said.

The G7 imposed a \$60 per barrel price cap on Russian oil beginning December 2022 to try to limit Moscow's ability to finance its war in Ukraine. The price cap meant that companies based in coalition countries to continue providing maritime services for the transport of oil only if that oil is sold at or below the price cap level. Companies based in coalition countries have historically accounted for around 90 per cent of the market for relevant maritime insurance products and reinsurance.

So to get ships and insurance, Russia prices oil in the invoice at \$60 or less and bills the buyers for shipping and insurance based on quotes it gets from the three agencies, sources said.

Until 2022, the Baltic Exchange, a London shipping industry clearinghouse, was quoting two standardised indicators, TD6 and TD17, serving as benchmarks for shipping costs.

But since late 2022, Russian crude is no longer sold in Rotterdam and Augusta and Baltic Exchange has stopped listing TD17 and has modified the TD6 indicator, so it is not necessarily applicable to Russian cargoes.

Also, additional tankers are booked on a time charter basis, which also makes the cost of a single voyage non-transparent. These tankers are not booked through Baltic Exchange shipping brokers, so a dearth of information on the actual costs, they added.

The proportion of Russian oil-loaded ships insured in the EU, G7 or Norway was 46.3 per cent in May compared to 78 per cent in February last year. These countries also continue to provide tankers to ship Russian oil.

More than 28 per cent of oil tankers that moved Russian oil came from the EU, G7 or Norway in May 2023, down from 58 per cent in the pre-war era. UAE-registered tankers make up 37 per cent (13.4 per cent in pre-war era) and 12.3 per cent come from China including Hong Kong. Origin of the remaining 22 per cent is not known. AGENCIES

Saudi oil cuts throw last year's standout economy into slow lane

ABEER ABU OMAR
9 July

Saudi Arabia's decision to extend its oil production cuts — part of a so far largely unsuccessful bid to raise prices — may trigger an economic contraction in what was the Group of 20's fastest-growing country last year.

It would be a stark turnaround for the \$1 trillion economy, which surged almost 9% in 2022, helping Crown Prince Mohammed bin Salman invest tens of billions of dollars in everything from sports to tourism and new cities.

The boom was propelled by record crude output of around 10.5 million barrels a day and prices averaging \$100 a barrel as Russia's invasion of Ukraine roiled energy markets.

With a global economic slowdown now weighing on crude demand, Riyadh is lowering output this month and next to just 9 million barrels a day, a level the kingdom's rarely reached in the past decade. The move lifted prices,



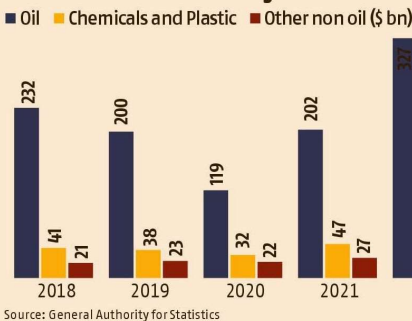
TURNAROUND

Saudi Arabia to be among G20's slowest growing economies
GDP GROWTH ESTIMATES FOR 2023 (%)



Note: *Estimate for Saudi Arabia based on Bloomberg Economics forecast if oil production cuts last for the rest of the year. Source: Bloomberg surveys

Exports show the country hasn't diversified its economy much



Saudi Arabia's economy will likely shrink with August's oil cut

Annual GDP growth estimates for 2023 (%)



Note: Data shows how each month of extended unilateral oil-output cuts would impact economic growth.
Source: Bloomberg Economics

cuts stay in place until 2024. Oxford Economics' Amy McAlister sees GDP rising 0.3% in that scenario.

And the non-oil economy — where the vast bulk of Saudis are employed and which the crown prince's Vision 2030 plan is aimed at transforming — remains buoyant.

Private companies outside the oil industry boosted their orders at the fastest rate on record in June, according to a purchasing managers' index.

"This is the sector that really matters for job creation and corporate profits," said Ziad Daoud, chief emerging-markets economist at Bloomberg Economics.

The government says the non-oil economy will probably expand 5.8% this year.

"Saudi economic transformation and diversification under Vision 2030 are focused on the non-oil GDP," a spokesperson at the Saudi Finance Ministry said.

BLOOMBERG

but slightly. Brent is trading around \$78.50 a barrel, down 9% this year.

The slashing of supply will be a drag on the world's biggest oil exporter. The economy will fall by 0.1% this year if the government raises production in

September and by 1% if it holds the course for the rest of 2023, according to Bloomberg Economics. "The Saudi cut could be costly," said Jean-Michel Saliba, Middle East and North Africa economist at Bank of America Corp.

The US lender's base case is a slowdown in growth to 0.9%. But it forecasts a contraction of 0.6% if the supply reductions aren't reversed this year. A drop of that level would make Saudi Arabia the worst-performing

economy in the G20 after Argentina, according to Bloomberg surveys.

Non-Oil Growth

Some analysts are optimistic gross domestic product can grow even if the

EXPLAINED ECONOMICS

The problem with BEVs

Battery electric vehicles are at the heart of the govt's push for net zero. However, what has worked for Norway and China may not for India. While electrification is the future, the roadmap remains unclear



ANIL SASI

MR BEAN knows his cars. So, when Rowan Atkinson, a student of electronics engineering and self-confessed car nut (he once featured in *Top Gear's Star in a Reasonably Priced Car* segment) wrote a provocative piece in *The Guardian* titled, 'I love electric vehicles — and was an early adopter, but increasingly feel duped', it set off a slugfest between the petrolheads and EV evangelists.

"Electric cars, of course, have zero exhaust emissions... but if you zoom out a bit and look at a bigger picture that includes the car's manufacture, the situation is very different," Atkinson wrote, calling Europe's EV push as "not capitalism, but a collusion" among the state, manufacturers, and the mining companies sitting behind the "EV dream".

Atkinson has, in a way, said the quiet part out loud about the problem with countries simply copying Norway's template on a successful EV model. It could be of particular relevance to India, as the central and state governments chart the path to a net zero emissions future.

Currently, the Centre offers dear tax incentives for primarily one category of cars, with practically all other vehicular technological platforms clubbed together towards the upper end of the tax bracket. India's electric mobility plan is largely focussed on battery electric vehicles (BEVs) replacing internal combustion engine (ICE) vehicles, with Li-ion seen as the most viable battery option. The EVs that qualify for a clear upfront tax incentive are the ones referred to as BEVs — the category of cars that Atkinson primarily targets.

Issues in BEV push

UPFRONT SUBSIDY: The BEV experience across markets from Norway to the US and China shows the electric push works only if it is backed by state subsidies. An elaborate system of incentives is central to Norway's EV policy, which has fostered the world's most advanced EV market. The government waives the high taxes it imposes on sales of non-electrics, it lets electric cars run in bus lanes, toll roads are free for them, and parking lots offer a free charge.

The problem with this overt subsidisation of EVs, especially in the context of developing nations like India, is that much of the subsidy, especially the one offered as tax breaks for cars, ends up in the hands of the middle or upper-middle classes, who are typically the buyers of battery electric four-wheelers.

CHARGING NETWORK: A World Bank analysis found that investing in charging infrastructure is 4-7 times more effective in EV adoption than providing upfront purchase subsidies. Norway and China have seen faster EV adoption through sustained efforts at ex-

FOUR TYPES OF EVs

HEVs: Conventional hybrid electric vehicles (such as variants of the Toyota Hyryder Hybrid or Honda City e:HEV in India) combine a conventional ICE system with an electric propulsion system, resulting in a hybrid drivetrain that substantially lowers fuel usage. The onboard battery in a conventional hybrid is charged when the ICE engine is powering the drivetrain.

PHEVs: Plug-in hybrid vehicles (such as the Chevrolet Volt) also have a hybrid drivetrain that uses both an ICE and electric power for motive power, backed by rechargeable batteries that can be, in this case, plugged into a power source.

BEVs: Vehicles like the Tata Nexon in India, or the Nissan Leaf and Tesla Model S, have no ICE or fuel tank, and run on a fully electric drivetrain powered by rechargeable batteries.



FCVs: Fuel cell vehicles (such as Toyota's Mirai and Honda's Clarity) use hydrogen to power an onboard electric motor. FCVs combine hydrogen and oxygen to produce electricity, which runs the motor, and the only residue of the chemical process is water. Since they're powered entirely by electricity, FCVs are considered EVs — but unlike BEVs, their range and refuelling processes are comparable to conventional cars and trucks.

panding the public charging infrastructure, while also offering purchase subsidies. China, the leader in the number of publicly available chargers, accounts for 85% of global fast chargers and 55% slow chargers.

In India, the number of EVs had crossed 1 million by mid-2022, and will likely grow to 45-50 million by 2030. But only about 2,000 public charging stations are currently operational across the country.

Also, India's charging infrastructure demands, according to KPMG's 'Electric vehicle charging — the next big opportunity' report, are unique, because the vehicle mix is dominated by two- and three-wheelers. The charging network strategy has to be tweaked, given that the power requirement varies — 2Ws and 3Ws have small, low voltage batteries for which normal AC power charging is adequate, while 4Ws have varied battery sizes and use different charging standards.

Single-phase AC chargers are suitable for cars with single-phase onboard chargers, while three-phase AC chargers are required for cars with larger onboard chargers. Buses, on the other hand, have large batteries and high power requirements, which makes DC fast charging the most suitable.

Most e-2W and 3W models in India are suited to slow charging, and battery-swapping is emerging as an alternative for cases where fast charging is required.

ELECTRICITY SOURCE: In several countries that have pushed EVs, much of the electricity is generated from renewables — Norway has 99% hydroelectric power. In India, the grid is still fed largely by coal-fired thermal plants.

Unless the generation mix changes significantly, India would be using fossil fuel generation to power EVs. Theoretically at least, this would mean reduced tailpipe emissions in the cities, but continuing pollution from the running of the thermal plant. There is the advantage of substitution of oil imports, though.

VALUE CHAIN: As India struggles to make inroads into the global lithium value chain, there is discussion on the need to di-

versify the country's dependency on Li-ion batteries in the EV mix. The demand for Li-ion batteries from India is projected to grow at a CAGR of more than 30% by volume up to 2030, which translates to more than 50,000 tonnes of lithium requirement for the country to manufacture EV batteries alone.

But more than 90% of the global Li production is concentrated in Chile, Argentina, and Bolivia alongside Australia and China, and other key inputs such as cobalt and nickel are mined in the Congo and Indonesia — India would, therefore, be almost entirely dependent on imports from a small pool of countries to cater to its demand. While other options to Li-ion are being explored, viability remains a key factor. China is miles ahead of the rest of the world, with a strong base in the entire sourcing chain, and with industry leaders such as battery makers CATL and BYD, and carmakers such as Nio, Li Auto, and XPENG Motors.

Picking winners

There is a larger argument against the government picking winners based on a preferred technology. There is no denying that Li-ion has been a runaway success at the lower end of India's EV segments, with 2Ws and 3Ws seeing a sharp surge. But the same cannot be said of the four-wheeler segment, although there is promise. What needs to be noted is that globally, the EV definition covers, besides BEVs, Hybrid Electric Vehicles, Plug-in Hybrid Electric Vehicles, and Fuel Cell Vehicles.

While there is little debate that electrification is the future, the roadmap remains unclear. Many countries have pushed e-mobility through stringent regulations and lucrative tax incentives; however, monetary incentives alone cannot drive EV penetration, according to McKinsey & Co data. For example, the US state of West Virginia offers the most monetary incentives for EVs but has seen low adoption, while California offers fewer monetary incentives but has the highest penetration, thanks to the government's investment in robust EV infrastructure, parking benefits, and workplace charging facilities.

In India, the two major objectives seem

to be to cut emissions and reduce costly fuel imports. Government officials argue that while upfront tax incentives may be limited to BEVs, technologies such as hybrids get incentives under the flagship FAME subsidy scheme. But vehicle manufacturers maintain that a technology-agnostic approach that spells out the emissions objectives that they have to meet, irrespective of technology, might be beneficial.

New technologies

Indeed, there are a lot of technologies to choose from.

HYBRIDS: The hybrid technology is seen as a good intermediate step towards achieving the all-electric goal. Hybrids typically have improved fuel efficiency through electrification of the powertrain, but do not require the charging infrastructure base that is an essential for BEVs. Additionally, manufacturers claim that a hybrid vehicle base also spawns the manufacture of the battery ecosystem, which can then be leveraged for a BEV push.

However, hybrids too have the issue of Li-ion batteries being the main source, even though the self-charging mode obviates the need for charging points. There are also questions about hybrids achieving their famed fuel efficiency claims when the air conditioner is active for most of the drive, as is typically the case in many parts of India for much of the year.

ETHANOL & FLEX FUEL: A flex fuel, or flexible fuel, vehicle has an internal combustion engine, but unlike a regular petrol or diesel vehicle, it can run on more than one type of fuel, or even a mixture of fuels such as petrol and ethanol. A nationwide pilot that is currently underway aims to replicate the commercial deployment of this technology in other markets such as Brazil, Canada, and the US.

FCVs & HYDROGEN ICE: Hydrogen fuel cell electric vehicles (FCEVs) are practically zero emission, but a major hurdle to their adoption has been the lack of fuelling station infrastructure — even though fuel cell cars refuel in a way that is similar to conventional cars, they cannot use the same station. Safety is also a concern. Hydrogen is pressurised and stored in a cryogenic tank, from there it is fed to a lower-pressure cell and put through an electro-chemical reaction to generate electricity.

Hydrogen ICE vehicles are similar to conventional internal combustion engine vehicles, with a few tweaks to prep them to run on hydrogen. Certain components of the engine like the fuel delivery system and spark plugs are modified or changed to enable compatibility with hydrogen, instead of petrol or diesel. However, these vehicles are not zero-emission, like the FCEVs.

SYNTHETIC FUELS: German manufacturer Porsche is developing a synthetic fuel that it says can make an internal combustion engine as clean as an EV. Porsche's eFuels are made from carbon dioxide and hydrogen, and are produced using renewable energy. The fuel production is being tested in Chile.

The idea is to make this usable in all petrol-engine cars, rendering their use virtually CO₂-neutral, and thereby give ICE cars a fresh lease of life. Incidentally, Formula One will use synthetic fuel from 2026.



भारत को रूसी कच्चे तेल पर छूट घटकर चार डॉलर प्रति बैरल पर आड़े, परिवहन की लागत काफी

नई दिल्ली, (भाषा)। यूक्रेन युद्ध के बाद से भारत को रूस से कच्चे तेल की खरीद पर जो छूट या रियायत मिल रही थी, अब वह काफी घट गई है। वहीं दूसरी ओर रूस द्वारा इस तेल के परिवहन के लिए जिन इकाइयों की व्यवस्था की गई है, वे भारत से सामान्य से काफी ऊंची दर वसूल रही हैं। सूत्रों ने यह जानकारी दी।

भारतीय रिफाइनरी कंपनियों से रूस पश्चिम द्वारा लगाए गए 60 डॉलर प्रति बैरल की मूल्य सीमा से कम की कीमत वसूल रहा है। लेकिन वह कच्चे तेल के परिवहन के लिए 11 से 19 डॉलर प्रति बैरल की कीमत वसूल रहा है। यह बाल्टिक और काला सागर से पश्चिमी तट तक डिलिवरी के लिए सामान्य शुल्क का दोगुना है। मामले की जानकारी रखने वाले तीन सूत्रों ने कहा कि रूसी बंदरगाहों से भारत तक परिवहन की लागत 11-19 डॉलर प्रति बैरल बैठ रही है। यह तुलनात्मक रूप से फारस की खाड़ी से रॉटरडम तक के परिवहन शुल्क से कहीं ऊंची है। पिछले साल फरवरी में यूक्रेन पर रूस के हमले के बाद रूसी तेल पर यूरोपीय खरीदारों और जापान जैसे एशिया के कुछ देशों ने प्रतिबंध लगा दिया था।

इसके चलते रूसी यूराल्स कच्चे तेल का कारोबार ब्रेंट कच्चे तेल यानी वैश्विक बेंचमार्क

कीमत से काफी कम दाम पर होने लगा। हालांकि, रूसी कच्चे तेल पर जो छूट पिछले साल के मध्य में 30 डॉलर प्रति बैरल थी, वह अब घटकर चार डॉलर प्रति बैरल पर आ गई है।

भारतीय रिफाइनरी कंपनियां कच्चे तेल को पेट्रोल और डीजल जैसे ईंधन में बदलती हैं। अभी ये कंपनियां रूसी तेल की सबसे बड़ी खरीदार हैं। इस मामले में भारत ने चीन को पीछे छोड़ दिया है। अर्थव्यवस्था में सुस्ती और वाहनों के बड़े पैमाने पर विद्युतीकरण के चलते चीन का रूस से कच्चे तेल का आयात काफी घट गया है। रूस के सस्ते कच्चे तेल पर अपनी पैठ जमाने के लिए भारतीय रिफाइनरी कंपनियों ने काफी तेजी से अपनी खरीद बढ़ाई है। यूक्रेन युद्ध से पहले रूस की भारत की कुल कच्चे तेल की खरीद में सिर्फ दो प्रतिशत हिस्सेदारी थी जो आज बढ़कर 44 प्रतिशत पर पहुंच गई है। लेकिन अब रूसी कच्चे तेल पर छूट या रियायत काफी घट गई है।

इसकी वजह यह है कि सार्वजनिक क्षेत्र की इंडियन ऑयल कॉरपोरेशन (आईओसी), हिंदुस्तान पेट्रोलियम कॉरपोरेशन लिमिटेड, भारत पेट्रोलियम कॉरपोरेशन लिमिटेड (बीपीसीएल), मंगलूर रिफाइनरी एंड पेट्रोकेमिकल्स लिमिटेड और एचपीसीएल-

मिन्तल एनर्जी लिमिटेड के साथ निजी रिफाइनरी कंपनियां मसलन रिलायंस इंडस्ट्रीज लिमिटेड और नायरा एनर्जी लिमिटेड रूस के साथ कच्चे तेल के सौदों के लिए अलग-अलग बातचीत कर रही हैं।

सूत्रों ने कहा कि यह छूट ऊंची रह सकती थी, यदि सार्वजनिक क्षेत्र की इकाइयां इस बारे में सबसे साथ मिलकर बातचीत करतीं। फिलहाल रूस से प्रतिदिन 20 लाख बैरल कच्चा तेल आ रहा है। इसमें सार्वजनिक क्षेत्र की इकाइयों का हिस्सा करीब 60 प्रतिशत है।

यूक्रेन पर रूस के हमले से पहले फरवरी, 2022 तक समाप्त 12 माह की अवधि में भारत रूस से प्रतिदिन 44,500 बैरल कच्चा तेल खरीदता था। पिछले कुछ माह के दौरान समुद्र के रास्ते भारत की रूसी कच्चे तेल की खरीद चीन को पार कर गई है। सूत्रों ने बताया कि भारतीय रिफाइनरी कंपनियां रूस से कच्चे तेल की खरीद उसकी आपूर्ति किए जाने के आधार पर खरीदती हैं। इसके चलते रूस को तेल के परिवहन और बीमा की व्यवस्था करनी पड़ती है। हालांकि, रूस से कच्चा तेल 60 डॉलर प्रति बैरल से कम के भाव पर मिल रहा है, लेकिन कुल मिलाकर यह राशि 70 से 75 डॉलर प्रति बैरल बैठ रही है।

भारत को रूसी कच्चे तेल पर छूट घटकर चार डॉलर प्रति बैरल पर आई

नई दिल्ली। यूक्रेन युद्ध के बाद से भारत को रूस से कच्चे तेल की खरीद पर जो छूट या रियायत मिल रही थी, अब वह काफी घट गई है। वहीं दूसरी ओर रूस द्वारा इस तेल के परिवहन के लिए जिन इफाइयों की व्यवस्था की गई है, वे भारत से सामान्य से काफी ऊंची दर वसूल रही हैं। सूत्रों ने यह जानकारी दी। भारतीय रिफाइनरी कंपनियों से रूस पश्चिम द्वारा लगाए गए 60 डॉलर प्रति बैरल की मूल्य सीमा से कम की कीमत वसूल रहा है। लेकिन वह कच्चे तेल के परिवहन के लिए 11 से 19 डॉलर प्रति बैरल की कीमत वसूल रहा है। यह बाल्टिक और काला सागर से पश्चिमी तट तक डिलिवरी के लिए सामान्य शुल्क का दोगुना है। मामले की जानकारी रखने

वाले तीन सूत्रों ने कहा कि रूसी बंदरगाहों से भारत तक परिवहन की लागत 11-19 डॉलर प्रति बैरल बैठ रही है। यह तुलनात्मक रूप से फारस की खाड़ी से रॉटरडम तक के परिवहन शुल्क से कहीं ऊंची है। पिछले साल फरवरी में यूक्रेन पर रूस के हमले के बाद रूसी तेल पर यूरोपीय खरीदारों और जापान जैसे एशिया के कुछ देशों ने प्रतिबंध लगा दिया था। इसके चलते रूसी यूरेल्स कच्चे तेल का कारोबार ब्रेट कच्चे तेल यानी वैश्विक बेंचमार्क कीमत से काफी कम दाम पर होने लगा। हालांकि, रूसी कच्चे तेल पर जो छूट पिछले साल के मध्य में 30 डॉलर प्रति बैरल थी, वह अब घटकर चार डॉलर प्रति बैरल पर आ गई है।