

## Crude oil gains on China hopes, supply squeeze



Crude oil prices edged higher for the third straight session as signs of tighter supplies and pledges by Chinese authorities to shore up the economy lifted sentiment. Brent futures gained 22 cents to \$82.96 a barrel, while US West Texas Intermediate rose 23 cents to \$78.97. REUTERS

ET Q&amp;A

**FATIH BIROL**

EXECUTIVE DIRECTOR, IEA

FIs and development banks should give concessional funding for clean energy in developing countries

# India can be Key Player in Energy Transition and Leader in Green H2

India could play a pivotal role in energy transition and be a leader in green hydrogen because of the lower cost of renewable energy generation, International Energy Agency (IEA) executive director Fatih Birol told ET's **Shilpa Samant** in an interview. The country can increase foreign investment flow into green energy significantly if it simplifies bureaucratic procedures, he said. Edited excerpts:

## What is the kind of role that India could play in the various emerging technologies for energy transition?

India can make three types of contributions to global energy transition. It needs to make its voice much stronger to highlight successful interventions in the last few years – like full electrification of villages, the Ujjwala programme (to provide LPG connection to poor households), the LED revolution, and now the solar push. It can be a source of inspiration for many countries. The second is, it could share its expertise in reaching these goals. When PM Narendra Modi met US President Joe Biden recently in Washington, there was a paragraph in the joint statement on the support to India for full membership of IEA. The third one is, there are many challenges to reaching our energy and climate goals – more renewables, hydrogen, energy efficiency. But the most important challenge is forging international collaborations in a fair and effective way. There are not many countries in terms of

size, convening power, and economy that can build a bridge amongst all. I think that India can be a pivotal player in the clean energy transition.

## How do you see India's energy demand going forward?

India's energy demand will be very strong because its economy is growing, and it is getting industrialised. For me, the biggest challenge for India is, how we find investments in green energy. In my view, India is perhaps the number one country in terms of foreign investments for three reasons – you have the rule of law, there is political and economic stability, and there is huge potential for energy demand growth. If India is able to simplify the bureaucratic procedures of investment flows, we will see foreign investment flowing in India significantly.

## The G20 Energy Ministerial has agreed on low-cost financing to facilitate energy transition. What concrete measures do you think are needed on that?

The agreement is good, but we must materialise it. I believe that international financial institutions, regional financial institutions, and development banks should take reducing the cost of capital for clean

energy in developing countries as a priority and provide some concessional funding to them.

## The Russia-Ukraine war has brought energy security to the fore. Do you see it as a headwind for energy transition?

Many people understand that the more energy you produce at home, especially clean, the better it is for security. For example, if you are generating solar and wind, you are going towards clean energy. On the other hand, you are going to import less. The driving force behind clean energy is not only sustainability and climate change but also energy security. It is the reason clean energy is moving fast, and faster than many people think.

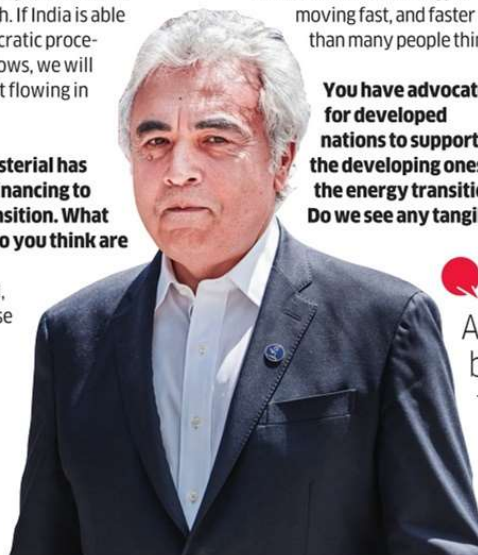
**You have advocated for developed nations to support the developing ones in the energy transition. Do we see any tangible**

## advancement towards it?

Clean energy investment around the world is growing very fast, but in the developing world, it has been flat in the last five-six years. Around \$1.7 trillion investment has been made in clean energy as of today from \$1 trillion in 2015. But almost all the growth came from the advanced economies and China. To address climate change, we need this everywhere.

## Green or low-carbon hydrogen is potentially seen as the fuel of the future, where India aims to be a leading producer. Do you see it progressing on that?

India is a top runner for green hydrogen because the cost of generating renewable energy is one of the lowest in the world. But what it needs to do, in my view, is to look at the manufacturing side of clean energy technologies – it can be solar panels or electrolyzers for hydrogen. India should have its own manufacturing and, therefore, production-linked incentives schemes should be endorsed.



## ADDRESSING CLIMATE CHANGE

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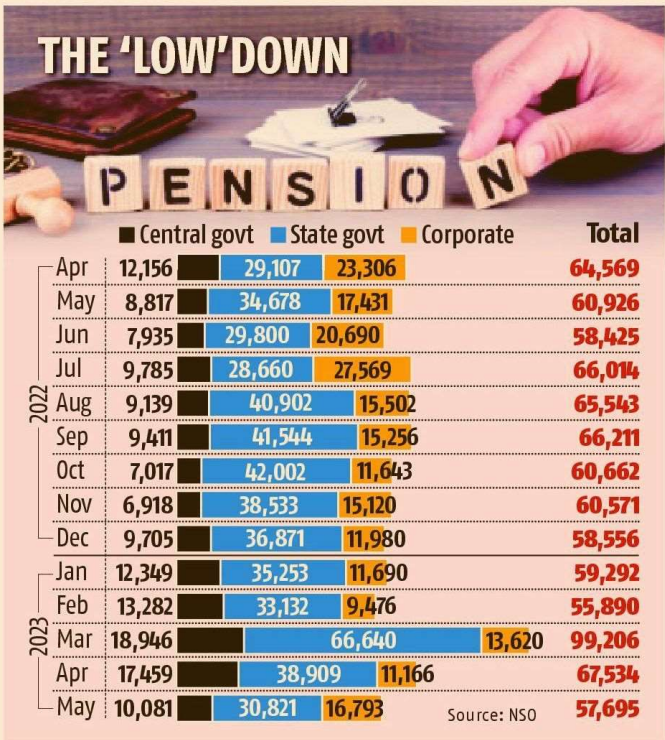
# NPS adoption by CPSEs decreases 42.5% to five-month low in May

SHIVA RAJORA  
New Delhi, 25 July

Adoption of the National Pension System (NPS) by employees of the central government and central public sector enterprises (CPSEs) declined to a five-month low in May, signalling a slowdown in fresh formal hirings by the public sector.

The latest NPS data released by the National Statistical Office on Tuesday showed that the number of new monthly subscribers under the central component of the NPS decreased by 42.5 per cent to 10,081 in May, from 17,459 in April 2023. Earlier, 9,705 new subscribers had joined the NPS in December 2022. Since the Centre has mandated the NPS for all of its new employees, analysts believe the monthly subscription figures can be considered as a proxy for new employment generation by the central government and CPSEs.

Of the total 10,081 new subscribers who joined the NPS in May under the central government and central public sector undertakings, the share of young subscribers (aged 18-28



years) fell to nearly 57 per cent in May, from 74 per cent in the preceding month. This is crucial because subscribers in the 18-28 age group are usually first-timers in the labour market, and this metric reflects its robustness. However, the share of women subscribers improved marginally to 22.2

per cent, from 21.9 per cent in April. The decline in new subscribers in May comes in the wake of the decline seen in the new Employee Provident Fund subscribers in May, as the number of new monthly subscribers declined marginally by 1 per cent to 883,176 in May, from 891,974 in April.

Besides, the NPS data also shows that the number of new subscribers under states fell for the second consecutive month to 30,821 in May, from 38,909 in April.

Earlier, a few Opposition-ruled states, including Rajasthan, Chhattisgarh, Himachal Pradesh, Jharkhand, and Punjab, had announced a return to the Old Pension Scheme, thereby abandoning NPS. Hence, it cannot be used as an exact metric to gauge hiring at the state level.

Moreover, the corporate component under the NPS saw a 50 per cent increase in the number of new subscribers to 16,793 in May, from 11,166 in April.

Mukesh Anand, assistant professor at the National Institute of Public Finance and Policy, said the spike in new subscribers under the corporate component could be due to an increase in tier II or voluntary accounts under the NPS as a number of employees tend to take advantage of tax rebates and other incentives provided under it as they migrate from other social security instruments.

## Oil prices hit fresh 3-month highs on tightening supplies

**OIL PRICES** rose to fresh three-month highs on Tuesday, as signs of tighter supplies and pledges by Chinese authorities to shore up the world's second-biggest economy lifted sentiment, reports **Reuters**.

Brent futures gained 31 cents at \$83.05 a barrel by 11:03 am EDT, after hitting \$83.30 earlier, the highest since April 19. US West Texas Intermediate (WTI) crude rose 35 cents at \$79.09. The

contract earlier rose to \$79.34 a barrel, the highest since April 19.

The crude benchmarks have already clinched four weekly gains in a row, with supplies expected to tighten due to output cuts from the Organisation of the Petroleum Exporting Countries (Opec) and allies. Earlier-loading Brent contracts are selling above later loadings, a price structure known as backwardation

indicating traders see tight supply, with the six-month spread near a two-and-a-half month high.

"The market is getting more concerned about the trend of tightening oil supplies, and it's becoming more obvious to the naysayers that the expected drop-off in demand isn't happening," Price Futures Group analyst Phil Flynn said.





## Operating profits of OMCs may reach ₹1 trillion in FY24 : CRISIL

Oil marketing companies (OMCs) may see operating profit rebound to ₹1 trillion in the current financial year of 2023-24 (FY24), rising by more than 3 times from FY23's low of ₹33,000 crore, CRISIL Ratings said in a report on Tuesday. Higher profitability would help improve the sector's credit metrics. Average operating profits for OMCs stood at ₹60,000 crore between FY17 and FY22. **BS REPORTER**



## Pak Plan to Import Russian Crude Hits Payments Roadblock

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**New Delhi:** Pakistan's plan to import future shipments of Russian crude oil under a government-to-government (G2G) mechanism has hit a roadblock as Moscow is frustrated with the delay by Islamabad in setting up a Special Purpose Vehicle (SPV) to handle the payments and shipments.

A Russian delegation visited Karachi last week to discuss the quality and pricing of its Ural grade crude oil, but was not satisfied with the progress made by Islamabad in creating the SPV, ET has learnt. This delegation from Russia visited Pakistan during the same week



**Islamabad drags feet on payment mechanism; Russia offers no special discount to Pakistan**

Unlike for India Russia is also not offering any special discount to Pakistan for importing crude, according to persons tracking Russian oil exports. Pakistan has so far imported two consignments of Russian crude but has failed to pass on the discounts to its citizens.

Pakistan's refineries are also dragging their feet regarding refining of Russian crude on the grounds of technicalities, claimed one of the persons quoted above. The first consignment of Russian crude arrived at Karachi port last month. Pakistan used Yuan to pay for this consignment. Islamabad entered into Russian the deal to save on foreign exchange reserves hoping to manage better discounts.

Incidentally, Pakistan is dragging its feet on Russian crude imports while seeking to expand arms supplies to Ukraine.

# PSU oil marketing companies' operating profit likely to hit ₹1-lakh crore in FY24

**Our Bureau**

New Delhi

The operating profit of the three state-run oil marketing companies (OMCs) is expected to hit ₹1-lakh crore in FY24, from the average of around ₹60,000 crore between FY17 and FY22, Crisil Ratings said on Tuesday.

The cumulative operating profit of ₹1-lakh crore this financial year by Indian Oil Corporation (IOCL), Hindustan Petroleum Corporation (HPCL) and Bharat Petroleum Corporation (BPCL) will be three times of the profit of ₹33,000 crore clocked in FY23.

The higher profitability would help improve the sector's credit metrics, which had weakened significantly in the past few fiscals amid muted profitability and significant capital expenditure (capex), Crisil Ratings said.

An analysis of three OMCs rated by Crisil Ratings, accounting for the entire sector, indicates as much.

## TWO BUSINESS SOURCES

Government-owned OMCs earn from two businesses: refining, where they earn a gross refining margin which is the value of refined products at the refinery gate minus the cost of



The higher profitability would help improve the sector's credit metrics

crude oil used to produce them; and marketing, where they earn a margin on petrol, diesel and other petroleum products sold mainly through retail pumps, the agency explained.

It pointed out that FY23 witnessed record gross refining margins averaging \$15 per barrel. Global demand, particularly for diesel, was strong as prices of alternative fuels such as natural gas soared and the European Union imposed sanctions on Russian products.

"But soaring crude oil prices, which averaged \$94 per barrel for the fiscal, were not accompanied by higher retail prices, which have remained unchanged since May 2022. What that meant was, despite strong refining margins, marketing losses were a steep ₹8 per litre,

which kept the overall profitability of OMCs weak last fiscal," it added.

Fortuitously, there was a steady fall in the price of crude oil as last fiscal progressed, which helped OMCs swing from an operating loss in the first quarter to strong profits in the fourth quarter.

"This fiscal (FY24) should see a switch in the growth drivers. Marketing margins could veer to an operating profit of ₹5-7 per litre, while gross refining margins may moderate to \$6-8 per barrel as global product demand-supply imbalance eases," Crisil Ratings Director Naveen Vaidyanathan said.

The rebound in operating profit is critical for the sector that has seen a significant increase in capex, as much as, around ₹3.3-lakh crore between FY17 and FY23 to expand capacity in downstream refining and petrochemicals, product pipelines and marketing infrastructure.

## GROSS DEBT RISES

"Consequently, gross debt more than doubled from ₹1.2-lakh crore in FY17 to ₹2.6-lakh crore in FY23, even as profitability remained subdued. Capex will continue to be high this fiscal and is estimated at ₹54,000 crore," Crisil added.



Russia's crude flows from western ports slump to 7-month Low

BLOOMBERG  
July 25

**RUSSIA'S SEABORNE CRUDE** flows from Baltic and Black Sea ports slumped to the lowest in seven months as Moscow belatedly implements cuts that it promised for March.

Shipments from the ports of Primorsk, Ust-Luga and Novorossiysk fell to 1.17 million barrels a day in the week to July 23, a drop of 625,000 barrels a day from the previous week, according

**Russia initially said that it would cut oil production in retaliation for Western sanctions and price caps on its oil imposed after the invasion of Ukraine**

to vessel-tracking data monitored by Bloomberg and corroborated by other data sources.

The decline was partly offset by higher flows from Kozmino

on the Pacific, but nationwide shipments still fell by 311,000 barrels a day from the previous week to 2.73 million barrels a day. They are now down by 1.48 million barrels a day from a peak in the final week of April.

The figures support the notion that Moscow is honoring a pledge to keep supply off the global market alongside its allies in the OPEC+ producer coalition. It is also an opportune time for Russia to cut shipments given a revival in domestic oil refining and soon-to-end subsidies for supplying the local market with fuel.

Russia initially said that it would cut oil production in retaliation for Western sanctions and price caps on its oil imposed after the invasion of Ukraine, using February as a baseline. But seaborne flows continued to rise, only dropping significantly in the last few weeks.

Weekly data are affected by the scheduling of tankers and loading delays caused by bad weather. Port and pipeline maintenance can also disrupt exports for several days at a time.

Four-week average shipments, which smooth out some of the volatility in the weekly numbers, edged up as the very low shipments seen in the seven days to June 25 dropped out of the calculation, though the effect was partly offset by a slump in shipments from Ust-Luga last week. The figure is expected to drop again next week when it ceases to be affected by the very high flow of crude seen in the week to July 2.

The reduced availability of Russian crude alongside fewer barrels from the Middle East has narrowed discounts offered for ESPO crude deliveries to Chinese buyers for September delivery. Rising prices and a narrowing discount against international benchmarks is also making Russia's crude less attractive to Indian refiners, who are in talks with traditional Middle East exporters for increased purchases as Russian imports lose their pricing edge.

Overseas shipments of Russian crude from Baltic and Black Sea ports increased after the output cut was due to come into effect, peaking in late May. The reduction being seen now comes after fellow OPEC+ oil producer extended its own unilateral output cut. Russia's export curtailment was hailed as meaningful by Saudi Energy Minister Prince Abdulaziz bin Salman, who had urged Moscow to provide greater transparency on its oil flows.

Urals prices have breached a price cap set by the Group of Seven nations, which could complicate shipments. Russian crude cannot be transported on Western ships — or make use of Western services — unless it is priced under the \$60 a barrel threshold. Prices above that level will force buyers to use the shadow fleet of vessels that operate without Western insurance or other services.

Shipping firms relying on Western services can expect delays from financial and technical service providers to check the shipments weren't sold above the G7 price cap, according to the Standard Club, a protection and indemnity provider for shipowners.

With few buyers left in Europe, the impact of the lower flows is being felt in shipments to Asia, which remain near their lowest since mid-January.

On a four-week average basis, overall seaborne exports to Asian countries, plus the volumes on ships showing no final destination, have fallen by 720,000 barrels a day since mid-May.





## Saudi oil revenues drop to lowest level since Sep 2021

Saudi Arabia's receipts from oil sales abroad declined by more than a third to the lowest since September 2021, amid a spluttering recovery in energy markets. The kingdom's oil exports dropped to just over \$19 billion in May, according to data from the General Authority for Statistics. The share of oil sales in total exports fell to 74% from nearly 81% a year ago. Saudi Arabia, the world's largest oil exporter, saw a significant windfall from higher crude prices and production in 2022. This year, the kingdom said it would prolong production cuts it started earlier in 2023, trying to boost prices by keeping a lid on supply amid persisting fears over the global economy. Crude oil prices have gained in recent weeks due to the effect of the cuts, but are restrained by concerns that higher interest rates could throttle economic activity in the US and Europe. Brent prices averaged about \$75 per barrel in May, and traded at \$82.61 on Tuesday.

**BLOOMBERG**

## 'WE AREN'T RESPONSIBLE FOR RISING POLLUTION IN CITY, CAPITAL REGION'

THE new deadline issued to retrofit diesel generators with sustainable alternatives has set off the debate on its feasibility for residential complexes. IIT Delhi alumnus and member of an advisory team on the issue, **Sushil Jain**, compares the feasibility of conversion of such sets. He is former VP of Kausambi Apartments' Resident Welfare Association. **Excerpts:**

**Is it technically feasible to run power generating sets on LPG/natural gas/bio-gas/propane/butane in every society across the NCR cities?**

Dual fuel running of existing diesel-run generator sets is technically feasible but in a ratio of only upto 70% gas and 30% diesel. But the conversion by dual fuel kits (mostly imported) is expensive, while handling of diesel remains an issue. There remains a possibility that use of diesel may be banned in future.



**How will the order be implemented & who will bear the cost of diesel sets in societies?**

Long term feasible option is to go for new natural gas generators so that use of diesel is eliminated. IGL will provide the piped natural gas (PNG). RWAs have to bear the huge capital cost, as of now. Collection of funds from residents (many of whom are middle class/senior citizens) is not easy and requires a lot of time and effort. Time for the implementation is too short. It will not be possible to complete the changeover by the October 1st deadline.

**Will the CAQM order help to protect the environment?**

It is said that diesel generator sets contribution to the pollution in Delhi NCR is just 18%. Out of the all DG Sets in operation is Delhi NCR, DG Sets operated by RWAs may be less than 10%. Therefore, RWAs' contribution to pollution may be less than 1%. That too if the sets are in operation. Surely, the generalised order passed by CAQM is questionable and is not based on proper study.