MINT, Delhi, 18.5.2024
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IndianOil signs 2nd LNG deal with Total

FROM PAGE 16

"The gas market is expected to witness a glut starting 2026 with the US and Qatar ramping up their gas liquefaction capacities and that is when most long-term contracts would come into effect. India has a lot of appetite and is still looking for long-term contracts," said Prashant Vasisht, senior vice president & co-group head, corporate rating, Icra Ltd.

"Gas prices are relatively lower now as demand for both the Europe and China has somewhat declined. Even during the last winter, they did not rise as the winter was warmer than expected," he added.

Spot prices of natural gas now are around $10 per mmBtu (metric million British thermal unit). Prices had touched $50-60mmBtu in 2022 at the height of the energy crisis due to the Ukraine war.

> **The gas market could witness a glut from 2026, with the US and Qatar raising their gas liquefaction capacities**

India is a net importer of natural gas and imports about 55% of its total gas requirement.

According to the Petroleum Planning and Analysis Cell (PPAC), India's LNG imports increased 17.5% year-on-year in FY24 in terms of volumes to 30,917 million standard cubic metre (mmscm). That figure equates to about 23.5 mmtpa. However, despite rise in import volumes, India's gas import bill fell 22% to $13.3 billion from $17.1 billion in FY23 due to global fall in prices.

ECONOMIC TIMES, Delhi, 18.5.2024
Page No. 13, Size:(5.09)cms X (11.75)cms.

Russia, China to Expand Oil and Gas Trade

Russia and China are interested in increasing their oil and gas trade, President Vladimir Putin told reporters in Harbin on Friday. "Mutual interest in implementation of such projects has been confirmed," Putin said in the final hours of his state visit to China, as per a briefing broadcast by state-run *Rossiya 24 TV*.

"We have a huge common border and nothing can interfere: neither sanctions against the tanker fleet, nor sanctions against financial institutions. We will buy and sell everything in national currencies." Russia's relations with western nations, formerly its main energy market, are at the lowest point since the Cold War due to Putin's invasion of Ukraine. That makes Moscow increasingly reliant on oil and gas deliveries to growing Asian economies. China, the word's largest energy importer, is currently a key buyer of Russian barrels and Gazprom PJSC's natural gas.

Russia currently delivers gas to China through the Power of Siberia pipeline and plans to build a second supply link along the same route no later than in 2027. It has, for years, been trying to sign a third gas contract with China, which would pave the way for a third pipeline via a different route via Mongolia. If all three lines operate as planned, Russia's gas flows to China could reach nearly 100 billion cubic meters per year. **Bloomberg**

FINANCIAL EXPRESS, Delhi, 18.5.2024
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Q1 OUTLOOK

OMCs may post weak refining margins

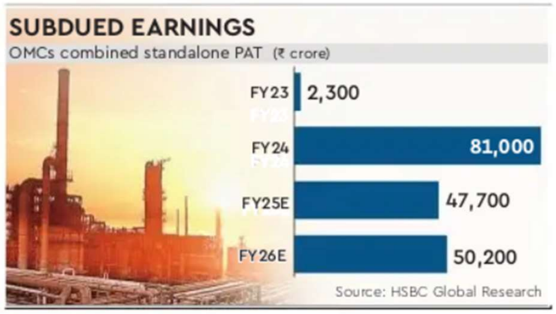
ARUNIMA BHARADWAJ
New Delhi, May 17

THE WEAK REFINING margins that weighed on the state-owned oil marketing companies' profitability in Q4FY24 against last year is yet again likely to result in a subdued earnings for the country's downstream sector in the first quarter of the current financial year 2024-25.

Even though oil prices have moderated now, the peak witnessed in the global oil prices in the beginning of FY25 is likely to lead to muted refining performance of OMCs in Q1FY25, analysts say.

"Singapore gross refining margin has been weak so far in Q1FY25 till date at $3.6 per barrel as against $7.3 per barrel in Q4FY24, which may lead to muted refining performance in Q1FY25," said Motilal Oswal in its report.

Coupled with the weak refining margins was the cut of ₹2 per litre in retail prices of auto fuels by the OMCs earlier this year.



Analysts, however, believe that the government will allow them to tweak auto fuel pump prices once the elections are over.

The three OMCs were able to register a strong ending to the financial year 2023-24 but may see a marginally weaker FY25 in terms of its Return on Equity.

"We expect FY25 to be weaker than FY24 (where OMCs earned Return on Equity of 31-47%) but still expect OMCs to earn normative ROE of 16-22%," HSBC Global Research had said in its review.

For OMCs as a group, the fourth quarter of FY24 turned out to be the weakest quarter in terms of reported profitability largely driven by poor performance by Indian Oil Corp which disappointed on gross refining margins and losses in petrochemicals, the firm noted.

As per analysts at HSBC, any additional profitability for the OMCs in the coming quarter will depend upon cheaper crude sourcing, higher share of value added products in the product slate, and better spreads of non-auto fuel products and volume growth.

For the full year FY25, analysts see crude prices now to remain range bound at current levels which may limit the margin hit to the OMCs.

Presently, the gross refining margins for OMCs are lower owing to the weakness in diesel demand, tightness in heavy crude market, and stronger supply from China.

In FY24, Indian Oil Corp lost its market share a bit while Hindustan Petroleum Corp gained market share as it pushed its product in the market," HSBC noted in its report. BPCL maintained its market share during the fiscal.

While the first quarter of the current fiscal may see a blip, FY25-FY26 may see sustained earnings improvement due to targeted investments in improving scale and complexity of downstream business by the OMCs, their diversification, and a likely improvement in margins, analysts say.