

Note: Rs 1 crore = Rs 0.01 billion; Rs 1 lakh = Rs 0.1 million; Rs 1,000 million = Rs 1 billion

Midstream

❖ According to **Fitch Ratings**, the **five-month-old tax** on **windfall profits** made by **oil companies** will be **phased out** in **2023** as **oil rates** have started **moderating**. The tax rates are revised every fortnight based on prevailing international rates. The levy on petrol export has since been abolished. Moreover, Fitch projected USD85 per barrel price for Brent crude oil in 2022-23, down from USD100 in 2021-22. It expected India's petroleum product demand recovery to be supported by a gross domestic product growth estimate of 6.7 per cent. It expects Oil and Natural Gas Corporation's (ONGC) upstream production volumes to rise by 3 per cent during 2023-24, driven by production ramp-up at its KG basin. Further, Oil India Limited's upstream volumes are likely to grow by 4 per cent on volume-enhancement projects at existing fields. As per the rating agency, downstream oil refining and fuel retailing companies will continue to have high capex during 2023-24 as they invest in expanding refining capacity and retail networks.

❖ **Hindustan Petroleum Corporation Limited** has **issued a prompt tender** for the **import of 40,000 tonnes of non-oxygenated 91 research octane number gasoline** for **delivery on December 11 to 25, 2022**. Reportedly, the tender will close on December 13, 2022. The refiner had earlier sought 40,000-55,000 tonnes of non-oxygenated gasoline for delivery during December 20-30 via another tender that closed on December 1, 2022.

❖ According to **Moody's**, **ONGC, Indian Oil Corporation Limited (IOCL)** and **Vedanta Resources Limited** together have around **USD1.9 billion** of rated **USD dollar maturing in 2023-24**. Vedanta's bond issue of USD400 million at coupon rate of 8 per cent and another bond issue of USD500 million at coupon rate of 7.125 per cent will mature on April 23, 2023 and May 31, 2023. Similarly, ONGC's bonds of USD500 million at coupon rate of 3.75 per cent and IOCL's bonds at coupon rate of 5.75 per cent will mature on August 1, 2023 and May 7, 2023 respectively.

❖ **Atlantic, Gulf and Pacific (AG&P)** is **looking to set up its first liquefied natural gas (LNG) terminal** in **India** by the end of **2024**. Initially, AG&P planned to develop the terminal in Karaikal, Pondicherry, however, now they are planning to set it in other locations after feasibility studies. The terminal at the Karaikal port was planned to have an initial capacity of one million tonnes per annum and would provide natural gas to power plants, industrial and commercial customers within a 300-kilometre radius.

Downstream

❖ The **Kirit Parikh Committee** has **recommended** that the **central government** should **moderate** the **excise duty** it levies on **compressed natural gas (CNG)** till such time that **environmentally friendly natural gas** is **included** in **goods and services tax (GST) regime**. Correspondingly, the central government does not levy excise duty on natural gas when sold in gaseous form, however, it charges a 14 per cent tax on CNG in addition to value added taxes of 24.5 per cent imposed by certain states. According to the panel, bringing natural gas under the ambit of GST regime will help government realise country's vision for a gas-based economy and raise the share of environment-friendly fuel in India's energy basket from 6 per cent to 15 per cent.

❖ According to **ICRA Ratings**, **rising gas prices** have **constrained CNG penetration** in **commercial vehicles to 9-10 per cent** in **2022-23** from **peaks of 16 per cent**. Moreover, the rising prices of natural gas has led to decline in CNG vehicles in 2022-23. The percentage of vehicles powered by CNG has dropped from 38 per cent in 2021-22 to 27 per cent in first eight months of 2022-23. The rising prices of CNG means that CNG vehicles have similar fuel costs to diesel vehicles, despite having lower load carrying capacity making them less attractive than diesel based commercial vehicles.

Note: Rs 1 crore = Rs 0.01 billion; Rs 1 lakh = Rs 0.1 million; Rs 1,000 million = Rs 1 billion

- ❖ According to **Ministry of Petroleum and Natural Gas (MoPNG)**, the number of **liquefied petroleum gas connections increased** from **140 million** in **2014** to **325 million** in **2022**. Out of these 325 million connections, around 96 million connections were extended under Pradhan Mantri Ujwala Yojana. Despite rise in international prices of natural gas by 303 per cent, the government and MoPNG have passed on only 28 per cent to final consumers.
- ❖ **Megha City Gas Distribution Private Limited (MCGDPL)**, a part of Megha Engineering and Infrastructures Limited (MEIL) Group, has **inaugurated** a **CNG station** in **Nidigonda, Warangal, Telangana**. In a separate development, MCGDPL has inaugurated a CNG station in Kondamallepalle, Nalgonda, Telangana. MEIL bagged gas licences for 15 geographic areas across India, in the 11th city gas distribution (CGD) bidding round held by Petroleum and Natural Gas Regulatory Board. It has won geographical areas in nine states, i.e., Odisha, Uttar Pradesh, Punjab, Rajasthan, Karnataka, Telangana, Maharashtra, Madhya Pradesh, and Tamil Nadu.
- ❖ **Indraprastha Gas Limited** has **inaugurated** the **Amita CNG station** located at Chanchal Park, Baprola, Nangloi, Najafgarh Road, **New Delhi**. It will cater to the CNG customers from the nearby residential and industrial areas.
- ❖ **According to MoPNG**, around **90 retail fuelling stations** are **selling compressed biogas** while **three outlets** are **selling 100 per cent ethanol blended fuel** as of December 8, 2022. Additionally, according to studies undertaken by Automotive Research Association of India, Indian Institute of Petroleum, IOCL and Society of Indian Automotive Manufacturers, the increase in sale of fuel blended with 20 per cent ethanol has led to reduction of carbon monoxide emissions by 50 per cent in two wheelers and 30 per cent in four wheelers compared to normal petrol.

Overseas

- ❖ Reportedly, **India** has **asked** several state-run **firms** to **increase imports** of **natural gas** in **anticipation** of **higher power demand** next **summer** in April 2023 in order to **avoid** repeating the **power crisis** that occurred in **April 2022**. The share of natural gas in India's power generation mix declined to 1.5 per cent in 2022 substantially down from 3.3 per cent in 2019 due to limited local availability and high global prices. However, natural gas-based electricity is seen as vital given its high ramp rate. The high ramp rate of natural gas-based electricity is especially useful in summer period when heat drives up air conditioning use leading to spikes in load. Additionally, the government has asked Gas Authority of India Limited to increase supplies to power plants during the summer months. NTPC Limited has also been asked to have up to 2 GW of gas-fired power plants - more than half of its capacity - ready to produce at full capacity if needed next year to address peak summer demand.
- ❖ **India's import dependency** based on **consumption** for **natural gas** has **decreased** from **48.2 per cent** in **2021-22** to **46.3 per cent** in **April to October 2022-23**. The government has taken multiple steps and launched various policy initiatives to increase domestic production of natural gas and adopted strategies for promotion of biofuels. These include support for compressed biogas, national gas grid for pipeline infrastructure, CGD networks and LNG regasification terminals are being developed to ensure availability of gas to all demand centres.

Miscellaneous

- ❖ **ONGC** is **planning** to **develop** a **mega carbon capture and storage project** in collaboration with **Equinor** from **Norway**. This project will help ONGC capture 1.5 million tonnes of carbon dioxide annually from several emission emitting industries and store it permanently deep under the seabed off the coast of Gujarat.