

Fuel demand weakens in January, indicates slow economic recovery

- India's fuel demand faltered in January as festive and holiday season demands eased, indicating economic recovery still remains shaky.
- Latest sales data of the public sector fuel retailers, which have 90% market share, show diesel sales dropping 4% and petrol 2.3% in January from a month earlier, when consumption had posted gains of 1.8% and 1.4%, respectively.
- But compared to January 2020, diesel consumption, a bellwether for economic activity, stood just 1.4% short of the year-ago period.
- Petrol consumption was 7.5% higher than in January 2020. This is lower than December when sales were 8.7% higher than the year-ago.
- Jet fuel sales in January improved by 1.2% over December as the government further eased flight restrictions. But sales were still 57% lower than in January 2020.
- Oil demand is expected to rise and be above the pre-Covid levels in the January-March quarter of 2021.

India to lead world energy demand growth, oil to play key role: IEA

- India is set to witness the biggest increase in energy demand in the world over the next 20 years, with the potential for oil consumption rising as high as 4 million b/d at 8.7 million b/d by 2040, the International Energy Agency said recently.
- But a much stronger push for electrification, efficiency and fuel switching could limit that oil demand growth to less than 1 million b/d over the same period.
- The India Energy Outlook 2021 said domestic production of oil and gas continues to fall behind consumption trends and net dependence on imported oil could potentially be above 90% by 2040, up from 75% today.
- This continued reliance on imported fuels creates vulnerabilities to price cycles and volatility, as well as possible disruptions to supply.
- The natural gas market is growing fast in India, but the 6% share of natural gas in India's current energy mix is among the lowest globally..
- There are expectations that gas consumption could double in 2 decades as its use rises in the industrial sector and in city gas distribution.
- The report added that a long-term vision for gas needs to incorporate a growing role for biogases and low carbon hydrogen, for which India has a large potential.

A gas-based economy is what India needs today: PM Narendra Modi

- Prime Minister Narendra Modi recently inaugurated several oil and gas-related infrastructure projects in Haldia, including GAIL's 348-km Dobhi-Durgapur natural gas pipeline and an LPG import terminal.
- These infrastructure projects would strengthen gas connectivity in eastern India and improve ease of doing business.
- A gas-based economy is what India needs today, the Prime Minister said, noting that the 'one nation one gas grid' programme was aimed at meeting this need and that the government was focusing on bringing down the prices of natural gas besides developing the natural gas pipeline network.
- PM Modi also laid the foundation stone for a second catalytic dewaxing unit at Indian Oil Corporation's Haldia refinery.
- The Prime Minister said that the unit would reduce the nation's dependence on imports for lube based oils.

India's gas production rises above pre-COVID level

- India's natural gas production has risen above the pre-COVID level following the start of output from a KG-D6 field operated by Reliance Industries Ltd and its partner BP Plc.
- Natural gas production in the country in February 2020 was 80 million standard cubic meters per day and in January this year it reached 82 mmscmd.
- DGH, the government custodian of upstream oil and gas production in the country, said production levels are likely to be higher in the 2021 calendar year.
- The total gas production has risen because of R-Series fields in the KG-D6 block commencing production.
- Production from BP-Reliance block has touched 6 mmscmd and is slated to cross 13 mmscmd by June. Peak production from R-Cluster will be 12.9 mmscmd.

India may turn to Iran, Venezuela for oil imports

- India has already requested OPEC and its allies, including Russia to immediately restore the output that was substantially cut to stabilize crude prices when the Covid-19 pandemic began raging and most of the global economies were under lockdowns.
- India may make diplomatic efforts to organize oil-consuming countries against the OPEC+ as producers keep crude prices artificially high by restricting supply.
- It also plans to resume import of cheaper energy from countries such as Iran and Venezuela to counter the oil cartel.
- Domestic fuel prices have spiked because of rising energy demand after rapid recovery of major economies from the impact of the Covid-19 pandemic, but the oil cartel continues to restrict supply, which is a major concern.
- When OPEC was in crisis, India supported its output cut strategy to stabilize international oil prices that had plummeted below \$20 a barrel.
- Now that crude prices have jumped by over 200%, they should restore the supply immediately and India has already raised this issue at an international forum.
- India can resume supply of cheaper oil from Iran from a virtual zero since 2019, and also augment imports from Venezuela.
- Iran is expected to be the biggest beneficiary that could not only help India to start its oil imports from Iran, but also boost its exports to Tehran. India, imported about 23.5 million tonne of Iranian crude, nearly a 10th of its requirement, in 2018-19 on lucrative terms.

Oil India, EIL consortium to bid for BPCL's stake in Numaligarh refinery

- Engineers India Ltd (EIL) announced it has decided to bid for acquiring 61.65 per cent stake held by Bharat Petroleum Corp (BPCL) in Numaligarh refinery as part of a consortium with Oil India Ltd (OIL).
- EIL will hold a minority share in the consortium while OIL will be the leader. This would enable EIL to diversify its business into downstream oil & gas operations.
- As part of a larger plan for disinvestment of Public Sector Undertakings, the government wants to privatize downstream oil refiner BPCL by the end of the first half of next financial year (2021-22).
- The Oil India-EIL consortium is likely to pick up 49 per cent, the rest 13.65 per cent stake will be sold to the Assam government.

To access the entire report
please subscribe to our Newsletter