

India's oil industry struggles to predict demand recovery in pandemic

- The uncertainty around when the virus wave will subside and the lack of a unified government response has left the oil industry in the dark as to how quickly consumption might pick up again.
- Indian energy demand is taking a big hit as Covid-19 runs rampant across the country. However, the demand destruction over the last couple of months has been less severe than last year.
- Sales of the diesel and gasoline at the three biggest retailers are about a third lower so far in May compared with pre-virus levels two years earlier. That's not as bad as April 2020, however, when demand nearly halved.
- This time round, more factories have remained open and cargo movements between states haven't been as badly affected. Even so, around 65% of India's truck fleet is idle due to weak demand and a shortage of drivers.
- Indian refiners were hoping to keep processing rates reasonably high this year, encouraged by low stockpiles and export opportunities, even as consumption dropped.
- May shipments of clean fuels like gasoline and diesel are set to be the highest since January 2020.
- However, a slowdown in construction and factory activity has led to a build-up of sulfur and bitumen stockpiles, making it more difficult to maintain operations.
- Crude processing fell to 4.86 million barrels per day in April, from 4.96 million in March, official data show.
- The expected run rates are 4.45 million this month, 4.6 million in June and then averaging 4.8 million over July and August.
- Demand for key oil products like diesel, gasoline, LPG, naphtha, jet fuel and fuel oil is set to drop by about 730,000 barrels per day in May from 4 million in March.
- June demand will be only around 30,000 barrels a day higher than this month.

Total signs deal to supply LNG to ArcelorMittal's plants in Gujarat

- French energy giant Total said it has signed a deal to supply imported LNG to ArcelorMittal Nippon Steel's (AMNS) steel and power plants in Gujarat.
- Under the deal, Total will supply up to 0.5 million tonnes of liquefied natural gas (LNG) per year until 2026.
- The LNG will be sourced from Total's global portfolio and offloaded either in Dahej or Hazira LNG terminal, on the west coast of India.
- The supply of LNG will contribute to the reduction of AMNS's carbon emissions, in line with Total's ambition to offer its customers energy products that emit less CO2 and to support them in their own low-carbon strategies.
- Total is the world's second-largest privately owned LNG player, with a global portfolio of nearly 50 million tonnes per year by 2025 and a global market share of around 10 per cent.
- It has interests in liquefaction plants in Angola, Australia, Egypt, the United Arab Emirates, the United States, Nigeria, Norway, Oman, Russia and Qatar, and markets LNG globally.

India grapples with LNG oversupply as deadly virus dashes demand

- India's liquefied natural gas importers are asking suppliers to defer deliveries as measures to curb the spread of the deadly Covid-19 virus have cut demand for the fuel.
- At least three companies, including Indian Oil Corp., have asked to delay shipments slated for May and June delivery.
- Inventories at import terminals in western India, such as Dahej, are near full capacity.
- The deferrals illustrate the extent of the natural gas glut in India, which has worsened over the past several weeks.
- To make matters worse for suppliers, a cyclone in the vicinity of several import terminals in western India has also forced diversions and rearranged delivery schedules.
- More deferral from India could result in an oversupply of prompt cargoes in the spot market, which will weigh on prices that have rallied to the highest seasonal level in seven years.

Cairn Oil & Gas starts production from tight oil project in Rajasthan

- Cairn Oil & Gas, India's largest private oil and gas exploration and production company, has achieved a significant milestone by starting production from its NA #01 facility in Aishwariya Barmer Hills in Rajasthan.
- The project is a first in Cairn's tight oil portfolio with a growth potential to contribute 20 per cent to the company's vision production.
- The project has been executed in collaboration with global oilfields services company, Schlumberger.
- The ABH development uses some of the most advanced technologies for its operations.
- It is the largest horizontal well with multi-frac development campaign of 37 wells in the Indian subcontinent which is the key enabler to unlock tight oil.

India offers to lift regular Saudi oil volumes in June after May cuts

- Indian state refiners placed orders for regular supplies from Saudi Aramco for June, after reducing purchases this month, drawn by lower prices by the world's top oil exporter.
- Indian Oil Corp, Bharat Petroleum Corp, Hindustan Petroleum Corp and Mangalore Refinery and Petrochemicals Ltd - normally buy 14.8 million-15 million barrels of Saudi oil a month.
- This time there is no direction from the ministry to cut imports in June and unlike last time Aramco have reduced the prices as well.
- Saudi Arabia has cut the June official selling prices (OSPs) of all crude grades it sells to Asia.
- It set the June OSP for the flagship Arab light crude at \$1.7 a barrel above the Oman/Dubai average for Asia, down 10 cents from May and its first price cut since December last year.
- India urged refiners to diversify crude sources to cut reliance on the Middle East and directed them to reduce intake of Saudi oil. The refiners cut purchases by over a third in May.
- However, Indian refiners cannot continue with the cuts from Saudi Arabia on a sustained basis as the companies have to lift the volumes under annual contracts.

To access the entire report
please subscribe to our Newsletter