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UJJWALA YOJANA INCREASES SUBSIDY BILL

Monthly Oil News Commentary: November - December 2018

India

According to the government, nine out of 10 Indian homes now use cleaner cooking gas according to the government. State oil companies, pushed by the oil ministry, have added record 100 million consumers since April 2015, expanding the active consumer base by two-thirds. This has increased access to cooking gas, or LPG to 89% of the country's households by October end, a sharp jump from 56.2% on 1 April 2015. A subsidy for fresh LPG connection to poor families helped fuel demand. Rural areas still have untapped potential with more than half of all consumers, or about 136 million residing in urban areas. India has a total of 249 million active customers, of which 229 million receive subsidy. Those with double cylinders comprise barely half of the consumer universe—one reason why new customers do not entirely give up polluting fuels as they are forced to fall back on their traditional fuel while refill is on way. Companies are beefing up distribution infrastructure, which has been slow to expand compared with the consumer base, becoming another hurdle in smooth delivery of services. Northern states have the highest 99.9% LPG coverage ratio, with Punjab (136%) and Delhi (126%) leading the table. Chandigarh, Haryana, Himachal Pradesh, J&K, and Uttarakhand have recorded more than 100% subscription while Uttar Pradesh (89.7%) and Rajasthan (95.4%) have lower coverage. The government calculates LPG coverage ratio by factoring in the number of subscribers and the current population, which is estimated by adding certain growth rate to 2011 census figures. Due to increased migration, some of the states like Delhi and Punjab end up having population that's higher than the estimates, resulting in an LPG coverage ratio of more than 100%. Overall, Goa has the highest coverage ratio of 139%. Telangana, Puducherry, Kerala and Mizoram are other states with higher than 100% coverage. Southern states together have a coverage of 99.7% while western states have 81.9%. With 74.6% coverage, the eastern states are at the bottom of the pile although they have come a long way from their traditionally poor access to clean energy. The worst among major states are Jharkhand (65.4%), Bihar (67%) and Odisha (66.9%). In Gujarat too, the LPG coverage ratio is 66.6% but that's more because the state is already well connected to the alternative piped natural gas. Most north-eastern states have less than 80% coverage. Over 60,000 households in six districts of Himachal Pradesh will be supplied LPG through pipeline. The Indian Oil-Adani Gas Private Ltd would develop city gas distribution network in Sirmaur, Solan and Shimla districts, while Bharat Gas Resources Limited in Bilaspur, Hamirpur and Una.

The reality of the LPG scheme appears to differ from the government narrative. Sky rocketing LPG prices are leaving a big dent in the monthly budget of households in the city and the beneficiaries under the central government's visionary Ujjwala scheme are finding it difficult to purchase the cylinders at ₹ 1,000, which is beyond their affordability. LPG price is a main concern of many during the winter season as consumption is higher than summer months mainly for heating water. A daily labourer with daily wage of ₹ 500 finds LPG cylinder too expensive, so they have started cooking on firewood again. Many houses have started rethinking their daily cooking plans to save LPG. An LPG dealer said that the Ujjwala scheme is a failure at least as far as Madurai is concerned as the beneficiaries do not buy cylinders even once in three months. Also, under the scheme they get the subsidy only for six months, after which the subsidy is accounted towards the cost of the stove, regulator, gas tube and other accessories, though it is initially made to look like they are given the connection for free. Mix-ups in the bank accounts and Adhaar linking are also affecting these people.

For its part, busting rumours that LPG cylinder prices are likely to be hiked to ₹ 1,000/cylinder, the petroleum ministry said domestic LPG cylinder rates are likely to be reduced in the coming days. It said because of a fall in international fuel prices, domestic LPG prices are also likely to fall down in the coming days. At present, subsidised LPG costs ₹ 507 in Delhi and non-subsidised ₹ 942/cylinder. LPG prices are revised at the beginning of each month but for the month of November, the price hike came twice — by ₹ 2.94 and then ₹ 2. The rates of non-subsidised LPG cylinders have been increased by ₹ 60 in Delhi already and for the sixth consecutive time in as many months. The government absorbs any increase in international prices of LPG as subsidy. Only a subsequent increase, if any, on GST is passed on to the consumers. Rates of LPG cylinders differ by a few rupees from state to state because of transportation cost and local taxes. The government subsidises only 12 cylinders of 14.2 kilogram each per household in a year by transferring the subsidy amount directly into the bank accounts of LPG consumers.

The government's expenditure on petroleum subsidy in the first six months of the current financial year crossed 83 percent of the budgeted allocation of ₹ 249.33 billion for the fiscal, fresh data published by the oil ministry's statistical arm data showed. This mostly includes under-recovery on LPG and Kerosene apart from natural gas subsidy for northeast. The total subsidy expenditure went up 82.10 percent to ₹ 206.72 billion during the first six months (April-September) of the current financial year, as compared to an expenditure of ₹ 113.52 billion incurred in the corresponding period a year ago. The government had budgeted for an overall petroleum subsidy of ₹ 249.33 billion for financial year 2018-2019, a mere 1.93 percent increase over Revised Estimate of ₹ 244.60 allocated for 2017-2018. The budgeted petroleum subsidy for 2018-2019 should be around ₹ 450-500 billion considering Brent crude price at $70 per barrel for the year and an exchange rate of ₹ 65 against the dollar. The budgeted petroleum subsidy could fall short by around ₹ 200-250 billion.

India's monthly petroleum products consumption dropped 1.7 percent to 17,273 in November primarily due to a decline in usage of LPG, Diesel, Kerosene and Petcoke, data from PPAC showed. LPG consumption, which had been recording growth for 62 straight months, declined for the first time in November. It dropped 7.34 percent to 1,842 tonne during the month as compared to 1,988 tonne recorded in November 2017, data from PPAC showed. Consumption of cooking gas has been buoyant over the past few years mainly due to increased LPG penetration under PMUY. According to the PMUY, OMCs have distributed 58.4 million LPG connections under the scheme. LPG penetration in the country has gone up to 88.5 percent in 2018 as compared to 56.2 percent in 2015, according to data.

ONGC's $1.7 billion work package, one of the biggest deep sea contracts offered in recent years, for its largest offshore block has perked up a listless global oilfield services industry and is likely to see fabrication of crucial underwater kits in the country for the first time. The state-run explorer has awarded the contract, its single-largest ever, to a consortium of BGHE (Baker Hughes, a GE company), McDermott International and LTHE (L&T Hydrocarbon Engineering) for block KG-DWN-98/2 off the Andhra coast. The block has the potential to reduce India's import dependence for oil and gas by 10 percent. India currently imports 82 percent of oil need and 45 percent of gas requirement. ONGC expects to start producing gas by December 2019 and oil by March

2021. Total peak gas production rate is projected at 16 million cubic meters per day and peak oil output is pegged at 80,000 barrels a day.

Nagaland government and the Lotha Hoho, the apex body of Lotha Nagas, have signed an MoU to amend the Nagaland Petroleum and Natural Gas Regulations and Rules, 2012 with certain terms and conditions. The main oil belt of Nagaland is situated in the Lotha Naga areas. The State Assembly had enacted the Nagaland Petroleum and Natural Gas Regulations and Rules, 2012. However, around three years after it was enacted the Kohima bench of Gauhati High Court issued a stay order against the permit given to MOGPL following a PIL filed by the Lotha Hoho. The PIL raised issues involving "controversial" MOGPL which bagged the lucrative oil zones in Wokha district. Other issues included the fixing of eight percent royalty in addition to other Excise tax by the State Government on the plea of sharing the revenue with non-oil bearing districts. According to the Nagaland Petroleum and Natural Gas Regulations and Rules, 2012, the State Government set up the Nagaland Petroleum and Natural Gas Regulations and Rules Board to monitor all activities related to oil and natural mining.

India's crude oil imports in October rose to their highest level in at least more than seven years, data from the PPAC of the oil ministry showed. Crude imports in October climbed 10.5 percent from a year earlier to 21.02 mt the highest monthly import figure in PPAC data going back to April 2011. Imports rose as many refiners resumed purchases after maintenance of units. In October, India's oil imports from Africa surged to more than a three-year high. In India, the world's third-largest consumer, oil imports typically rise from October due to higher fuel demand in the festival season and as industrial activity picks up after months of monsoon rains. India is among the eight countries to have received a waiver from the US to continue crude oil imports from Iran without penalty after sanctions were reimposed on Tehran. India's oil imports from Iran fell by about 12 percent to about 466,000 bpd in October. The country's overall purchases from Iran in the April-October period, the first seven months of the current fiscal year, rose 34 percent. Meanwhile, imports of oil products declined nearly 20 percent and exports fell more than 4 percent, the data showed.

Indian oil refiner HPCL will buy Iranian crude in January after a gap of six months, with the nation's overall purchases from Tehran at 9 million barrels in the month. The US in early November granted India a six-month waiver from sanctions against Iran's oil exports. Under the agreement, New Delhi must restrict its Iran oil purchases to 1.25 million tonnes, or 9 million barrels. As part of the deal, HPCL will lift 1 million barrels of Iranian crude oil in January, one source with knowledge of the matter said, asking not to be named due to the political sensitivity of Iran sanctions. It was unclear whether HPCL would continue to buy Iranian oil on a regular basis during the waiver period. HPCL had halted Iranian oil purchases in July after its insurance company refused to provide coverage for the crude because of US sanctions, although its chairman said last month that HPCL may resume buying Iranian oil under sanctions waivers. IOC, the country's top refiner, will lift 5 million barrels of Iranian oil in January compared to 6 million this month, while MRPL will buy 3 million barrels. Some of India's oil imports from Iran will be paid for in rupee under a payment mechanism with Indian state-owned UCO Bank.

RIL is looking at expanding the production capacity of it's SEZ refinery at Gujarat's Jamnagar to 41 mtpa from the present 35.2 mtpa. RIL's current refinery complex in Jamnagar has a cumulative capacity to process 68.2 mtpa of crude oil. After expansion, RIL's total crude oil processing capability would increase to 74 mtpa, overtaking IOC's cumulative capability of 69.2 mtpa. RIL had increased the SEZ refinery's capacity to 35.2 mtpa in financial year 2017-2018 from 27 mtpa in financial year 2016-2017. According to oil ministry's committee on refinery expansion report, India is projected to increase its total oil refining capacity by 76 percent to 438.65 mtpa by 2030 from the current 249.4 mtpa. According to the report, IOC is expected to increase its refining capacity to 116.5 mtpa by 2030, ONGC is expected to increase its capacity to 62.9 mtpa, Nayara Energy (erstwhile Essar Oil) to 45 mtpa, and RIL's cumulative refining capacity to 98.2 mtpa.

IOC the country's largest fuel retailer, said it has invited entrepreneurs to set-up 27,000 petrol pumps pan India. The retailer said that the eligibility norms have been relaxed this time and availability of suitable land at the advertised location or stretch was the most important requirement. However, applicants without land can also apply on a condition that when called by IOC they should be able to offer land. In a bid to cement their market leadership and expand their footprint in other geographical areas of the country, oil firms had invited applications last month to set-up 55,649 retail outlets in 30 states and union territories in the country. Out of these, about 27,000 petrol pump dealerships have been offered by IOC followed by 15,802 dealerships by BPCL and 12,865 by HPCL.

Petrol and diesel may soon again become cheaper in Delhi as compared to adjoining cities of Uttar Pradesh as ad valorem duty structure has translated into a bigger reduction in daily prices in the national capital. While petrol and diesel traditionally have been cheaper in Delhi than most states in the country, due to lower local sales tax or VAT the 5 October cut in the VAT by BJP-ruled states led to fuel being available at cheaper rates in places such as Ghaziabad and Noida -- the Uttar Pradesh towns that adjoin the national capital. However, the difference that had peaked to over ₹ 3/litre in case of petrol and about ₹ 2.3/litre in diesel on 5 October, has now come down to just ₹ 0.44-0.57/litre in petrol and about ₹ 1/litre in diesel, an analysis of the daily price revision notification issued by state-owned oil firms showed. Petrol prices in Delhi stood at ₹ 71.72/litre as compared to ₹ 71.15/litre in Ghaziabad and ₹ 71.28/litre in Noida. A litre of diesel in the national capital is priced at ₹ 66.39 as opposed to ₹ 65.31 in Ghaziabad and ₹ 65.44 in Noida. The Union government slashed the petrol and diesel price by ₹ 2.50/litre by reducing excise duty and asking state-owned oil firms to bear subsidy. This was matched by several states which reduced local sales tax. BJP-ruled Uttar Pradesh too followed suit. Prior to the cut, it levied 26.80 percent or ₹ 16.74/litre, whichever is higher as VAT on petrol and 17.48 percent or ₹ 9.41/litre on diesel. Petrol price had touched a record high of ₹ 84/litre in Delhi and ₹ 91.34/litre in Mumbai on October 4. Diesel on that day had peaked to an all-time high of ₹ 75.45/litre in Delhi and ₹ 80.10/litre in Mumbai. Many states including Maharashtra matched that with a reduction in local sales tax.

India's Vedanta Resources wants US oilfield services companies to set up consortia to help develop the 41 blocks in India acquired this year by its Cairn Oil & Gas unit. The company won 41 of the 55 blocks auctioned under India's first licensing round for small discovered fields earlier this year. It expects the blocks will eventually produce 500,000 barrels per day of oil equivalent. Vedanta hopes to speed up development of the blocks by getting the oilfield firms to organise consortia that would deliver integrated services.

Maharashtra has put on hold the process to buy land for the country's biggest oil refinery that state-run oil companies are building with Saudi Aramco after strong opposition from farmers. The $44 billion refinery was seen as a game changer for both parties - offering India steady fuel supplies and meeting Saudi Arabia's need to secure regular buyers for its oil. But thousands of farmers are refusing to surrender land, fearing it could damage a region famed for its Alphonso mangoes, vast cashew plantations and fishing hamlets that boast bountiful catches of seafood. Ratnagiri Refinery & Petrochemicals Ltd, a joint venture between IOC, HPCL and BPCL, has said suggestions the refinery would damage the environment were baseless.

A wave of shutdowns will hit Indian state-owned refineries next year as the country prepares for cleaner fuels from April 2020, in moves that could temporarily dent oil demand and push up imports of refined fuels. India, the world's third-biggest oil importer and consumer, has surplus refining capacity and rarely imports gasoil and gasoline. State refiners - IOC, BPCL, HPCL and MRPL - account for about 60 percent of the country's nearly 5 million barrels per day capacity. The refiners will have to shut gasoil- and gasoline-making units at their plants for 15 to 45 days to churn out Euro VI-compliant fuels from January 2020 to be able to sell them from April of that year.

OMCs have offered setting up maximum number of fuel retail outlets through dealerships in Uttar Pradesh (9,370), Maharashtra (6,765), Karnataka (5,024), Gujarat (4,450) and Haryana (3,370), according to information provided by the OMCs on Petrol Pump Dealer Chayan website. The website houses the details of state-wise distribution of pumps to be set up under the latest mega drive by the oil firms to expand fuel dispensing facilities. Other states where sizeable number of retail outlets has been offered include Bihar (2,951), Tamil Nadu (2,951), Andhra Pradesh (2,815), Odisha (2,636), West Bengal (2,242), Jharkhand (1,905), Kerala (1,730) and Assam (1,026). In a bid to cement their market leadership and expand their footprint in other geographical areas of the country, the oil firms had invited applications to set-up 55,649 retail outlets in 30 states and Union Territories in the country. Of this, 26,982 have been offered by IOC followed by 15,802 dealerships by Bharat Petroleum Corp and 12,865 dealerships offered by Hindustan Petroleum Corp. India currently has 63,674 petrol and diesel retail outlets. The three government-owned OMCs account for 90 percent of these. Among private players, Nayara Energy tops the list with 4,895 retail outlets followed by RIL with 1,400 and Royal Dutch Shell with 116 retail outlets. According to the oil ministry, most of the petrol and diesel retail outlets are currently present in Uttar Pradesh (7,473), Maharashtra (5,970), Tamil Nadu (5,388), Rajasthan (4,476), Karnataka (4,214), Gujarat (4,025), Madhya Pradesh (3,711), Punjab (3,427), Haryana (2,862), Telangana (2,626), Bihar (2,695), West Bengal (2,333) and Kerala (2,100). India has added around 17,481 petrol and diesel retail outlets in the past six years across the country, growing at an average annual rate of 5.61 percent.

The state government has decided to phase out all diesel autos older than 10 years from Gurgaon as per the directions of the Supreme Court. The apex court had in last month ordered the transport departments of Delhi and surrounding NCR cities to act tough against polluting vehicles by prohibiting plying of more than 15-year-old petrol and 10-year-old diesel vehicles. Of all the diesel autos in Gurgaon that provide last-mile connectivity, some 687 are 10 years old.

Rest of the World

The global oil market could move into deficit sooner than expected thanks to OPEC's output agreement with Russia and to Canada's decision to cut supply, the IEA said. The Paris-based IEA kept its 2019 forecast for global oil demand growth at 1.4 mn bpd unchanged from its projection last month, and said it expected growth of 1.3 million bpd this year. Uncertainty over the global economy stemming from US-China trade tensions could undermine oil consumption next year, as growth in supply gathers pace. The OPEC agreed with Russia, Oman and other producers to cut oil output by 1.2 million bpd from January to stem a build-up in unused inventories of fuel. The decision by the government of Canada's Alberta province to force oil producers to curtail supply will bring the largest reduction to crude output next year, the IEA said. Alberta crude and oil sands output will drop by 325,000 bpd from January to force down vast inventories that built up because of pipeline capacity constraints.

Russian President Vladimir Putin said he had no concrete figures on possible oil output cuts, though his country would continue with its contribution to reducing global production. Russia, one of the world's major crude producing nations, has been bargaining with OPEC's leader, Saudi Arabia, over the timing and volume of any reduction. OPEC and its allies will be meeting amid concerns over a slowing global economy and rising oil supplies from the US. Oil prices had their weakest month in more than 10 years in November, losing more than 20 percent as global supply has outstripped demand. Losses were limited, however, on hopes of a production cut agreement.

Iran has no plans to reduce its oil production, but will remain a member of OPEC. OPEC and its Russia-led allies agreed in Vienna to slash oil production by more than the market expected in a bid to shore up prices despite pressure from US President Donald Trump to reduce the price of crude. Oman will be cutting oil output by 2 percent from January for an initial period of six months, according to a letter sent to customers of Omani oil by the country's oil and gas ministry. OPEC and its Russia-led allies agreed to slash oil production by more than the market had expected despite pressure from US President Donald Trump to reduce the price of crude.

Malaysia will extend its oil production cuts by another six months after the agreement between OPEC and other oil producers to reduce global supply ends this year. OPEC and non-OPEC producers agreed at a meeting in Vienna to a new level of production cuts from January to June 2019, setting it at 1.2 million barrels per day from the current rate of 1.8 million barrels per day. Malaysia is not an OPEC member. In 2016, via its state-owned oil company Petroliam Nasional Berhad, Malaysia announced that it would cut oil output by 20,000 barrels per day as part of its commitment to reduce supply following an agreement between the OPEC and non-OPEC producers. The initial agreement, led by Russia, was later extended for another year till the end of 2018.

Iraq has increased production at its southern Halfaya oilfield by 100,000 bpd to a total of 370,000 bpd. Halfaya, operated by PetroChina, is Maysan province's largest field. Production rose after the completion of a new oil processing facility. Increasing production from Halfaya had raised the company's overall output to around 510,000 bpd. The new crude facility, which has a capacity to process 200,000 bpd of crude oil, will help further boost output from Halfaya to reach 470,000 bpd in the first quarter of 2019.

Iran has set the official selling price of its Iranian Light grade for its Asian buyers at 30 cents above the Platts Oman/Dubai average for January, $1 lower than the previous month, a price document showed. The producer has cut prices for the other three crude grades it sells to Asia. The price cuts were in line with Saudi crude price adjustments for January, keeping Iranian oil prices at the largest discounts in more than a decade against Saudi grades for a third consecutive month since November when US sanctions on Iran started. China's Iranian oil imports are set to rebound in December after two state-owned refiners in the world's largest oil importer began using the nation's waiver from US sanctions on Iran while Japanese and South Korean buyers are preparing to resume loadings in January.

Saudi Crown Prince Mohammed bin Salman and Bahraini King Hamad bin Isa Al Khalifa opened a new oil pipeline between the two countries. The pipeline connects Saudi oil processing facilities at Abqaiq with the Bahrain Petroleum Company refinery in Bahrain, with a flow that currently reaches 220,000 barrels per day, and a transport capacity of up to 350,000 barrels per day.

Gulf states which depend heavily on energy exports for most of their revenues should brace for a long period of low oil prices and subdued economic growth, experts warned. Signs of an "economic war" between the US and China, the world's largest economies, and an expected global economic slowdown starting next year will dampen demand for oil, the experts said. The six member nations of the GCC earn more than 80 percent of their revenues from energy. The GCC states -- Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates -- have lost hundreds of billions of dollars in oil revenues since crude prices crashed in mid-2014. Oil prices later rebounded after OPEC and non-OPEC producers reduced their production. But they slid again when producers boosted output to compensate for expected losses from Iran because of the re-imposition of US sanctions. Economic growth in the GCC region was still dependent on oil price movements. Unemployment rate among Arab youths is 30 percent and higher among females, adding that growth is not producing enough jobs. OPEC and non-OPEC producers decided to cut production by 1.2 million barrels a day from January to shore up prices, which some analysts warned would hit economic growth.

Libya's NOC has declared force majeure on operations at El Sharara oilfield, it said. NOC said that oil production from Libya's biggest oilfield will only restart after "alternative security arrangements are put in place". The NOC declared force majeure on exports from the 315,000 barrels per day oilfield located in the south of the North African country after the field was earlier seized by a local militia group. NOC said the shutdown would result in a production loss of 315,000 bpd at its biggest oilfield, and an additional loss of 73,000 bpd at the El Feel oilfield. Production at the Zawiya refinery was also at risk due to its dependence on crude oil supply from Sharara, NOC said.

Colombia has canceled two auctions of rights to explore for oil in dozens of areas of the Andean nation and plans to relaunch bidding early next year, the government said. The Sinu-San Jacinto round of bidding on 15 blocks in northern Colombia was scrapped after interested companies withdrew, and a round known as the Permanent Competitive Procedure was canceled because of a judicial ruling, the National Hydrocarbons Agency said. It plans to relaunch bidding in February. Colombia last held auctions in 2012 and 2014, when it awarded 76 blocks. The government subsequently held off further auctions because of low international oil prices. Colombia needs to boost foreign investment to revive its stagnant crude and gas production. The nation has 1.78 billion barrels of reserves, equivalent to about 5.7 years of consumption but wants to increase that to at least 10 years of consumption. It produces some 860,000 bpd of crude, half for export. The government expects to increase output to 900,000 barrels of oil equivalent a day this year.

The Norwegian government has postponed a decision on whether to mandate the construction of an oil processing terminal near the Arctic tip of northern Europe until the third quarter of next year, it said. If built, the onshore Veidnes terminal would receive crude via a pipeline from Equinor's offshore Johan Castberg oilfield, which is expected to start producing in late 2022. Equinor originally ditched plans for an onshore terminal in order to save costs, preferring instead to load oil on to crude tankers at the field before exporting it to global markets. The energy ministry said further studies were needed into the project, which is supported by labour unions. Environmentalists, however, oppose both the oilfield and the proposed terminal.

Angola's state oil company Sonangol and Exxon Mobil signed a Memorandum of Understanding for oil exploration in the country's Namibe basin, the two firms said. Angola, Africa's second-largest crude producer, is facing a steep output decline unless it can revive exploration in what was once one of the world's most exciting offshore prospects. Sonangol is negotiating contracts for new blocks with oil majors and Angola plans to hold an auction next year, the first tender for exploration rights since 2011. The memorandum paves the way for the parties to start contract negotiations for new oil concessions, part of the state firm's strategy to strengthen the search for new oil activities and discovery of new reserves. The new field of exploration can be viewed as the resurgence of oil activity in the country. The signs of fresh exploration in Angola comes after a period of near-paralysis due to a lack of drilling success, a slump in oil prices and a deteriorating relationship between Sonangol and the oil majors. Oil accounts for 95 percent of Angola's exports and around 70 percent of government revenues.

Hess Corp said it expects oil and gas output to grow more than 10 percent a year compounded through 2025, touting development of its Bakken shale and offshore Guyana projects. The company projects higher margins will drive compound annual cash flow growth of 20 percent through 2025, it said. Hess shrugged off a recent dip in oil prices and said it was moving from growth and investment mode to where its major assets will start producing free cash flow. Hess boosted the production forecast for its Bakken shale field in North Dakota to 200,000 boepd by 2021, from 175,000 boepd. The shale acreage, the jewel in the crown of the company's onshore production, will produce $5 billion in free cash flow between 2019 and 2025.

US gasoline prices at the pump fell to the cheapest in about a year-and-a-half, driven lower by sagging crude oil prices and excess supply of the fuel, market participants said. Gasoline futures on the New York Mercantile Exchange RBc1 were the lowest seasonally since 2015. Prices have changed course from earlier this year, when they hit seasonal four-year highs. Plummeting oil futures have helped deflate gas prices. Crude has plunged about 30 percent since October as global supply has surged and demand growth has weakened. Further, analyst said excess supply of gasoline in the US has depressed prices. US refiners have been encouraged to run at high rates to take advantage of strong diesel margins. However, in the process they have over produced gasoline and driven up those inventories.

Kazakhstan's central bank has trimmed its forecast for the country's oil output in 2019 and said it expects Brent crude oil to average $60 a barrel next year. The bank said that it expects the country to produce 91 mt of oil next year, down from its previous estimate of 93 mt and taking into account scheduled maintenance work at oilfields. It reduced its forecast for oil production this year to 90 mt from 91 mt. The new forecasts would still be above forecasts in the government's budget for oil production of 87 mt this year and 88 mt in 2019.

Argentina's state-controlled energy company YPF and Malaysia's Petronas are forming a joint venture to invest $2.3 billion over the next four years in the country's Vaca Muerta shale oil fields, the president's office announced. The Belgium-sized Vaca Muerta deposit, located in western Argentina, is regarded as having the world's second-largest shale gas and fourth-largest shale oil deposits. The companies' objective is to reach a production equivalent of 60,000 barrels a day by 2022, it said. Total investment could reach $7 billion within 20 years, it said.

Exxon Mobil and Chevron are seeking to sell their stakes in Azerbaijan's largest oilfield, marking the retreat of the US majors from the former Soviet state after 25 years as they re-focus on domestic production. Exxon is hoping to raise up to $2 billion from the sale of its 6.8 percent in the ACG field in the Caspian Sea. Rival Chevron said it had also decided to launch the sale of its 9.57 percent stake in ACG as well as its 8.9 percent interest in the Baku-Tbilisi-Ceyhan pipeline. For both companies, the sale would mark the end of a 25-year involvement. Exxon and Chevron were among five US oil companies that helped create Azerbaijan's current oil industry soon after the collapse of the Soviet Union, and acquiring a stake in ACG in 1994. The ACG fields still account for the lion's share of Azeri oil output. They produced around three quarters of overall Azeri crude output, or nearly 600,000 barrels per day, in the first half of 2018.

Exxon Mobil Corp and its partners expect the large Stabroek oil block offshore Guyana to contain 25 percent more recoverable oil than previously estimated, the companies said. Exxon and Hess Corp said more than 5 billion barrels of oil equivalent could be recovered from the Stabroek block, which is part of one of the biggest oil discoveries in the world in the last decade. The companies had previously estimated 4 billion barrels of oil equivalent could be recovered from the block.

Top Chinese oil and gas firm PetroChina is aiming to raise the annual crude oil output to 3 million tonnes in 2021 at a newly discovered oilfield in the remote northwestern Xinjiang region, triple this year's estimated rate. Mahu, in the Junggar basin, is named as one of the largest discovery in China after more than a decade of work. PetroChina is keen to boost output at Mahu to 5 mt in 2025. One of the recently drilled wells, Mahu-015, produced 405.6 cubic metres of oil and 36,000 cubic metres of natural gas a day in test production. China's top two onshore producers Sinopec and PetroChina are speeding up exploration and production from major shale oil and gas formations in the country's western regions to boost domestic output. China's crude oil output rose 0.3 percent on year to 16.09 mt or 3.79 mn bpd the second year-on-year increase recorded this year.

A top aide to Brazilian president-elect said the new government would adopt concession contracts for lucrative pre-salt oil auctions, raising concerns that talks to change the regime would drag and derail much-needed investment. There was no final decision yet on what contracts the new administration would offer in the highly prized deep water oil tenders. Investors are eager to win a bigger slice of Brazil's oil prize, but the shift away from an increasingly successful production sharing auction regime also raises concerns that any changes would require lengthy discussions in Congress, raising uncertainty and causing investment to dry up.

South Africa will invest $1 billion in South Sudan's oil sector, including in the construction of a refinery. South Sudan exports its crude through a pipeline that goes to a port in neighbouring Sudan to the north. South Sudan is producing 135,000 bpd from 130,000 bpd in August.

Venezuela's state-run oil firm PDVSA has begun talks with shipping firms to set up a second ship-to-ship operation off the country's eastern coast in an effort to increase sagging crude exports. PDVSA this year began sea-borne oil transfers off its western coast, mainly to move crude and fuel oil to Asia, after its ports clogged with tankers waiting to load and its Caribbean terminals faced seizure. PDVSA's ship-to-ship activity has expanded recently, but not enough to expedite operations at its main oil port of Jose, according to Refinitiv Eikon data. The country's crude exports fell 21 percent to an average 1.126 mn bpd between January and October, according to data. At the end of the first half, PDVSA's contractual obligations totaled 2.19 mn bpd.

Equinor and Global Petro Storage have entered into a long-term agreement to build and operate a terminal and storage facility for LPG in Malaysia, the Norwegian company said. Oil and gas firm Equinor will bring LPG to the terminal at Port Klang, expected to start operating in mid-2021, to sell into Malaysia and other Asian markets including Bangladesh, the Philippines, India, Indonesia and Vietnam, it said. Equinor plans to source the LPG from the North Sea, North Africa, the Middle East and Australia. The 135,000 cubic metre-capacity terminal could handle 1.5 mt of LPG per year, the company said. Equinor said its operations already account for around 10 percent of global waterborne LPG volumes. As part of the agreement, Equinor will have an option to acquire a share of the new storage facility and terminal, of which it will be the only user. The IEA said in March it expected demand for petrochemical feedstock including LPG to rise over the coming years, driven by demand for products from fertilisers to plastics and beauty products.

LPG: liquefied petroleum gas, GST: Goods and Services Tax, PPAC: Petroleum Planning and Analysis Cell, PMUY: Pradhan Mantri Ujjwala Yojana, OMCs: Oil Marketing Companies, ONGC: Oil and Natural Gas Corp, MoU: Memorandum of Understanding, MOGPL: Metropolitan Oil and Gas Private Ltd, PIL: public interest litigation, US: United States, HPCL: Hindustan Petroleum Corp Ltd, IOC: Indian Oil Corp, MRPL: Mangalore Refinery and Petrochemicals Ltd, RIL: Reliance Industries Ltd, bpd: barrels per day, mt: million tonnes, SEZ: Special Economic Zone, mtpa: million tonnes per annum, BPCL: Bharat Petroleum Corp Ltd, VAT: Value Added Tax, BJP: Bharatiya Janata Party, NCR: national capital region, OPEC: Organization of the Petroleum Exporting Countries, IEA: International Energy Agency, GCC: Gulf Cooperation Council, NOC: National Oil Corp, boepd: barrels of oil equivalent per day, ACG: Azeri-Chirag-Gunashli

India's crude oil production down 3.6 percent in current fiscal so far

25 December. India's crude oil production slumped 3.6 percent to 23,075 thousand metric tonne (tmt) in the first eight months (April-November) of the current financial year from 23,943 tmt recorded in the same period last fiscal. Oil production during the period was also down 5.26 percent as compared to the target of 24,357 tmt set by the government for the April-November 2018 period, according to the oil ministry. This comes at a time the government is working on a target to cut the country's import dependence for energy supply by 10 percent by 2022. India meets over 80 percent of its crude oil demand through costly imports in the absence of adequate domestic output. Crude oil production by state-owned explorer Oil and Natural Gas Corp (ONGC) stood at 14,146 tmt in the first eight months of 2018-19, down 5.6 percent as compared to the production in the same period last year. India's natural gas production during the April-November period of the current fiscal also dropped 0.69 percent to 21,783 million metric standard cubic meter (mmscm).

Source: ***The Economic Times***

Jingle bells for Delhites as petrol prices hit new 2018 low on Christmas

25 December. Petrol price in Delhi fell further on 25 December to touch a new 2018 low of ₹ 69.79 per litre. On 24 December, petrol was sold at ₹ 69.86 a litre in the national capital, the IOC (Indian Oil Corp) website data showed. In Kolkata and Mumbai, petrol prices which had already hit their respective lowest levels of 2018 declined further on 25 December to ₹ 71.89 and ₹ 75.41 against the previous price of ₹ 71.96 and ₹ 75.48 per litre. The decline in domestic fuel prices comes amid the recent fall in global crude oil prices. As per the country's dynamic pricing mechanism, the domestic fuel prices depend upon international fuel prices on a 15-day average and the value of the rupee. However, cost of diesel remained stagnant in the four metro cities. In Delhi, Kolkata, Mumbai and Chennai, diesel was prices were maintained at ₹ 63.83, ₹ 65.59, ₹ 66.79 and ₹ 67.38 respectively.

Source: ***Business Standard***

KMSS to launch 'resistance movement' against oilfield privatization attempts

25 December. Amid resentment among locals in upper Assam over attempts to privatize Tengakhat and Jorajan oilfields, the Krishak Mukti Sangram Samiti (KMSS) announced a 'resistance movement' to save the oilfields of Assam. KMSS adviser Akhil Gogoi alleged that there is a conspiracy to remove government control from the oil sector by 'handing over' rich oil fields to foreign private companies. The KMSS announced that its members will gherao Oil India Ltd (OIL)'s headquarters at Duliajan. Extending its support to OIL employees' 'non-cooperation' strike scheduled on 2 January, he said another round of protest will be staged before the Moran office of OIL in upper Assam on 5 January, demanding cancellation of the bidding process.

Source: ***The Economic Times***

Petroleum products should be under GST: PHD Chamber

23 December. Hailing the GST Council's decision to reduce tax rates on several items and services, President of PHD Chamber of Commerce and Industry, Rajeev Talwar urged the government and the council to consider bringing petroleum products under the ambit of Goods and Services Tax (GST). Currently, petrol and diesel are outside the purview of GST, and attract excise duty and VAT (Value Added Tax) among other levies. Sector experts say, bringing the two under GST would lower their price, which this year surged to record levels, before taking a downturn in mid-October.

Source: ***Business Standard***

Oil companies setting up 60 LPG bottling plants under PPP mode

21 December. Three state-run oil marketing companies are setting up 60 LPG (liquefied petroleum gas) bottling plants under the public-private-partnership (PPP) mode across the country to meet the increased cooking gas demand, Indian Oil Corp (IOC) said. Around 5.87 crore new connections under the Pradhan Mantri Ujjwala Yojana (PMUY) have been given to poor families which require additional LPG bottling capacity, IOC chief Sanjiv Singh explained. He explained that it is a good proposition to engage private players for bottling LPG cylinders because they have many advantages like land and financial tie up for setting up such plants. Singh said that IOC can increase the capacity of its plants which have one set for bottling 24 units at time. A bottling plant has many such sets with annual capacity of 120,000 tonnes per annum while small private bottling plants would have the capacity of 30,000 tonnes per annum each. About the growth in LPG consumption in India he said that the IOC is expecting 6 to 8 percent growth next year but this would also taper with achieving 100 percent cooking gas penetration in the country and more consumers opting for piped natural gas with availability of city gas distribution infrastructure in their towns. The PMUY for which a budgetary provision of ₹ 128 bn has been provided for releasing 50 mn LPG connections to women member of BPL (below poverty line) households by March 2019 and additional 3 crore LPG connections by March 2020. The scheme was formally launched by Prime Minister Narendra Modi at Balia, Uttar Pradesh on 1 May 2016. Oil companies crossed 5 crore mark during August 2018 which was eight months ahead of the schedule. Since inception of the scheme, IOC has released more than 2.75 crore connections and the industry released more than 5.87 crore LPG connections on all India basis. The scheme has resulted in mass coverage of rural poor households and have led to improved national LPG coverage which was less than 62 percent as on 1 April 2016 to 89.5 percent as on 1 December 2018.

Source: ***Business Standard***

Petrol costs ₹ 34 per litre before tax, dealer commission in NCR

21 December. Petrol will cost only ₹ 34.04 percent per litre and diesel ₹ 38.67/litre without taxes and dealer's commission in the national capital region (NCR). Giving details of the prices of petroleum products as on 19 December in a written reply to the Lok Sabha, Minister of State for Finance Shiv Pratap Shukla said the incidence of taxes and dealers commissions work out to be 96.9 percent in case of petrol and 60.3 percent for diesel. On 19 December, the retail price of petrol was ₹ 70.63 a litre. This included, ₹ 17.98 central excise duty, ₹ 15.02 state VAT (Value Added Tax) and ₹ 3.59 commission of dealer. Prices of petrol and diesel, which are market determined, change on daily basis. The prices of the fuel varies across the country as states and Union Territories levy their own rate of VAT.

Source: ***Business Standard***

ONGC tender to idle nearly 70 percent of the domestic drilling industry

21 December. Nearly 70 percent of the domestic drilling industry could go idle as Oil and Natural Gas Corp (ONGC), the country's largest oil and gas explorer, refuses to differentiate between old junk rigs and the new generation high spec jack-ups in its latest tender. ONGC owns 10 jack-up rigs and usually charters the balance 20 from fleet owners. Currently, the jack-up rigs hired by ONGC have an average age of 39 years. ONGC is the largest client for most of the domestic drilling industry and nearly 95 percent of the industry revenue comes from it. Greatship, Jagson, Dynamic Drilling, Aban Offshore along with Jindal Drilling are some of the top drilling companies in the domestic market. Over the last few years, these firms have actively invested in new generation high specification jack-up rigs to align themselves with ONGC's fleet modernisation plan. In 2006, ONGC realised the need to modernise its fleet to meet the rising workload and decided to issue annual tenders to hire jack-up rigs, in turn asking bidders to build rigs to suit the specifications of the oil explorer. In its latest tender, which closed on December 3, ONGC introduced the "Quality, Cost, Based Selection" criteria which gives 25 percent weightage to technical and 75 percent to commercial aspects. But, in effect, the technical weightage given is only 7.5 percent and this translates into a cost difference of just about $1,000-$1,500 a day between a new generation and a 39-year-old rig.

Source: *Business Standard*

'With India's prodding, Gulf nations moving towards Asian discount on oil'

20 December. West Asian countries are now contemplating discounts for Asian countries purchasing crude oil from them, according to Oil Minister Dharmendra Pradhan. These countries — Saudi Arabia, Kuwait, the UAE (United Arab Emirates), Qatar, Bahrain and Oman — come under the Gulf Cooperation Council (GCC), a political and economic alliance. According to Pradhan, a reason for the reversal of the situation is that producing nations are now convinced that India's market size will ensure a long-term market for crude oil.

Source: *The Hindu Business Line*

India plans to pay five Iran banks for oil purchases

19 December. India will use escrow accounts of five Iranian banks held with UCO Bank Ltd to deposit money for oil purchases from the Middle East producer to overcome US (United States) sanctions. Iran will use part of the deposits for purchasing essential goods from India and to meet expenditure incurred by its diplomatic missions in the South Asian nation. All spending will be in Indian rupees. Continued supplies is crucial for India, a country that imports nearly 80 percent of its annual crude requirement, as Tehran offers better credit terms than other Middle East oil producers and, in the past, has accepted payments in Indian rupees, rather than US dollars. The south Asian nation purchased crude worth about $9 billion from Iran in the financial year ended 31 March. The payment mechanism will allow India to continue oil purchases despite sanctions as it fulfills President Donald Trump's goal to choke money going directly to Iran. Washington has also granted an exemption for India. Refiners such as Indian Oil Corp and Mangalore Refinery & Petrochemicals Ltd will make payments after the mechanism is officially notified. Also, payment into multiple escrow accounts will reduce the risks of Iranian bank accounts being frozen in case the US brings new banks under sanctions. India and Iran followed a similar mechanism previously when the US imposed sanctions in 2012. At that time, 45 percent of the dues were paid into escrow accounts in India of Iranian banks and the remaining settled in euros through an overseas bank. Under the exemptions granted last month, US allowed India to import as much as 300,000 barrels a day of Iranian oil for 180 days. That's less than Iran's average daily exports to the nation of about 540,000 barrels this year, and almost 450,000 barrels in 2017, shipping data compiled by Bloomberg show.

Source: *Bloomberg*

NATIONAL: GAS

Petronet LNG to invest ₹ 21 bn at Dahej terminal

25 December. Petronet LNG Ltd, India's top gas importer, plans to invest ₹ 21 bn to expand its terminal capacity in Dahej, Gujarat, from 15 million tonnes per annum (mtpa) to 20 mtpa in the next two or three years. Of the total, ₹ 13 bn would be used to expand the Dahej terminal, while ₹ 800 crore will be spent on building LNG storage tanks. Petronet LNG, which built India's first LNG (liquefied natural gas) receiving and regasification terminal at Dahej, operates another terminal in Kochi. The Kochi terminal has a capacity of 5 mtpa. The company is in the process of building a third terminal, at Gangavaram, Andhra Pradesh.

Source: *Livemint*

₹ 34 bn Bokaro-Angul pipeline to help expand gas supply for 11 districts: Oil ministry

25 December. The ₹ 34 bn Bokaro-Angul gas pipeline, just inaugurated by Prime Minister (PM) Narendra Modi, will help pave the way for supply of natural gas for households, vehicles and industries across 11 districts of Odisha and Jharkhand, oil ministry said. PM Modi had laid the foundation stone of the Bokaro–Angul section, part of the larger 2,650 Kilometer Jagdishpur–Haldia & Bokaro-Dhamra (JHBDPL) pipeline, popularly known as the Pradhan Mantri Urja Ganga project. The Bokaro–Angul section is being constructed by GAIL (India) Ltd and will have a total length of 667 kilometre (km), of which 367 km will be in Odisha and 300 km in Jharkhand. It will cover five districts in Odisha -- Angul, Sundargarh, Jharsuguda, Sambalpur and Debagarh -- and six districts in Jharkhand -- Bokaro, Ramgarh, Ranchi, Khunti, Gumla, Simdega. The project is scheduled to be completed by December 2020. The Pradhan Mantri Urja Ganga is slated to pass through Uttar Pradesh, Bihar, Jharkhand, West Bengal & Odisha. The pipeline is further being extended from Baruani in Bihar to Guwahati Assam with a length of 730 km. It is expected to act as a gateway for pipeline infrastructure in North East. Petroleum and Natural Gas Regulatory Board (PNGRB) has already awarded the Geographical Areas for development of City Gas Distribution networks in these 11 districts to different entities and the Bokaro–Angul section will help expand the supply of natural gas to these areas. GAIL has already placed the order for line pipes for the section and delivery has commenced at the site. Work will be executed in five sections and five contractors have been engaged for the purpose.

Source: ***The Economic Times***

India mulls building natural gas reserves

21 December. India is considering building emergency stockpiles of natural gas, on the lines of strategic oil reserves, to deal with supply disruption amid the country's growing dependence on fuel and its import. The government wants domestic consumption of natural gas, a cleaner fossil fuel, to rise two-and-a-half times by 2030 and is encouraging big public and private investments in gas production, import, transport and distribution infrastructure. Local demand increased 5.5% between April and October to 35.1 billion cubic meters, increasing dependence on imports to 47% of total consumption from 44% a year earlier. The person is part of a panel formed by the petroleum and natural gas ministry to evaluate the need for strategic gas storage and prepare a plan to go about building and managing these. The panel has representatives from ONGC (Oil and Natural Gas Corp), GAIL (India) Ltd and Oil Industry Development Board. Most heavy gas consuming countries already have natural gas storage in place, primarily for supply security. About 30% of gas storage capacity is in the US (United States), a major producer and consumer of natural gas. Russia, Ukraine, Canada and Germany together account for another 40%. China, a late entrant to the game, too is fast building gas storage facilities. About three-fourths of underground gas storage is in depleted gas and oil fields while the balance is distributed between salt caverns and aquifers. The first storage in India could come up at a site connected to a pipeline. The reserve would store imported gas, which could be released when needed in the domestic market.

Source: ***The Economic Times***

PAC seeks inquiry into approval of RIL's gas field cost without third party validation

19 December. The Parliament's Public Accounts Committee (PAC) has sought an inquiry into oil regulator DGH (Directorate General of Hydrocarbons)-led panel approving Reliance Industries' $1.529 billion plan for developing four satellite gas discoveries in KG-D6 block without an independent validation and sought disciplinary action against guilty officers. Eastern offshore KG-D6 block, once considered the most prolific in India, had courted controversies when allegations of gold-plating or inflating the cost were levelled against Reliance Industries Ltd (RIL) when it had in 2007 revised estimated investment to $8.836 billion from $2.47 billion proposed in 2004, and then failed to deliver on the promised output. It brought in caution in the establishment and demands for the appointment of an independent validation when RIL in December 2009 submitted a field development plan for four satellite gas discoveries in the same block. The PAC felt that the decision of not appointing the third party for validation could be deliberate so that the ministry gets flexibility in the decision making.

Source: ***Business Standard***

In a first, CIL tries out 'Made in India' electric dumper

25 December. In an effort to support Make in India, Coal India Ltd (CIL), for the first time, has started using an indigenously-made, 205-tonne electric dumper, a critical piece of equipment in mining. The dumper has been developed by state-owned BEML and is expected to increase competition among suppliers, bring down costs and improve availability of spares. The electric dump truck is on trial at one of the largest CIL subsidiaries, Northern Coalfields' Amlohri coal mine, where all low-capacity dumpers are being replaced by larger ones. At present, equipment supply to CIL is dominated by a Russia's Belaz, Tata Hitachi and Caterpillar and each of these high-capacity dumpers come at prices upwards of ₹ 150 mn.

Source: ***The Economic Times***

Adani urges Australia's Queensland to speed up Carmichael coal mine approval

21 December. India's Adani Enterprises urged the government of Australia's Queensland state to approve a management plan that would allow construction to start at its controversial Carmichael coal mine. Adani, which has shrunk its initial plans for the thermal coal mine to around a quarter of its original size, said that it would fund the mine and rail project itself after failing to secure other finance. Adani shrank the Carmichael plans early last year to make it more affordable after banks backed away from funding new coal mines under pressure from investors worried about climate change. It plans to start by producing around 10 million tonnes a year, eventually ramping up to 27.5 million tonnes for the first stage of the project. Originally Adani planned to produce as much as 40 million tonnes a year.

Source: ***Reuters***

CIL banks on 8 railway corridors to boost productivity

21 December. Coal India Ltd (CIL) will be able to reach near its aspirational goal of producing 1 billion tonne by 2022-23 if all the eight proposed railway corridors are in place by then. Unless there can be a support system to evacuate an incremental coal production of 350 million tonnes per annum, increasing mine productivity would make no sense. While an ICRA report suggests that over the long and medium term, the major thrust of CIL's coal production is expected to come from the coalfields of North Karanpura, under Central Coalfields in Jharkhand, Manraigadh in Korba and Gevra in Chhattishgarh under South Eastern Coalfields and Talcher & IB Valley in Odisha under Mahanadi Coalfields, railway connectivity remains critical to increase production in these coalfields. CIL's subsidiary Northern Coalfields has almost zeroed down on a plan to produce 115 million tonnes (mt) by 2022-23 through expanding its Jayant and Dudhichuia mines and opening a green field Semaria mines, in the next two-three years. This would fetch an additional 2 mt of production per annum.

Source: ***The Financial Express***

Private players to again sell coal commercially in open market

20 December. Eight million tonnes of domestic coal extracted by private producers is expected to be commercially available for the first time in the open market after five-six years, a move that will end Coal India Ltd (CIL)'s monopoly which has been the sole domestic supplier of the dry fuel for the past four decades after the sector was nationalised in the 1940s. The government has already set the ball rolling this year and, iron & steel, cement and captive power plants were to submit technical bids for 18 coal blocks from which they can sell 25% of their production in the open market at CIL prices. However, following requests of potential bidders and also considering the number of requests received through email, the centre has decided to extend the timelines for various stages of the auction. According to the revised timeline, the last date for submitting technical bids is 2 January 2019, while price-based bidding for block auction would be held between 14 January and 27 January 2019. This is for the second time that the timelines are being extended. Nevertheless, the blocks on offer are scheduled to have a total peak rated production capacity of around 32 mt of which eight million tonnes can be sold in the open market. The process of coal block allocation was pushed on to a slow track last August when the fifth tranche of the coal block auctions did not evoke the necessary interest from the bidders. The government had initially offered 13 blocks for the sixth tranche, but it pulled off Odisha's Jamkhani block from the list a few days ago. Cement and captive power plants can bid for these blocks.

Source: ***The Economic Times***

NATIONAL: POWER

Tata Power overdrew from grid, made profit: Mahavitaran

24 December. The state-owned power distribution utility, Mahavitaran Ltd, has accused the Tata Power Company Ltd (TPC) of overdrawing electricity from state grid and earning undue profit to the extent of ₹ 91.6 mn. The State Load Dispatch Centre (SLDC) is investigating the matter. The Mahavitaran has complained to the SLDC that between June and September this year, TPC sold 27.71 million units on energy exchange by overdrawing from the state grid and earned ₹ 157.2 mn in revenue. It drew power at ₹ 2.37 per unit and paid ₹ 65.6 mn, but earned ₹ 157.2 mn in a period of three months and five days. The Mahavitaran has asked SLDC to investigate its complaint for the said period and for such instances in the past.

Source: ***The Economic Times***

Government plans to make all electricity meters smart prepaid in 3 yrs

24 December. The power ministry announced it has decided to make all electricity meters smart and prepaid within three years beginning 1 April 2019. It said the move towards smart meters is a pro-poor step as consumers need not pay the whole month's bill in one go. Instead they can pay as per their requirements. Manufacturing of smart prepaid meters will also generate skilled employment for the youth. State governments had earlier signed the Power for All document and had agreed to supply round-the-clock power supply to their consumers. The distribution licensee will provide round-the-clock power to their consumers by 1 April 2019 or earlier, the ministry said. However, power regulatory commissions may grant extension in this timeline under exceptional circumstances.

QUICK COMMENT
Smart prepaid meters will transform the electricity sector!
Good!

Source: ***The Economic Times***

'UP looks to achieved 100 percent electrification by month-end'

23 December. Uttar Pradesh (UP) is set to achieve 100 percent electrification by the month-end, State Power Minister Srikant Sharma said. UP is among the states where a large number of households are to be covered under the Saubhagya scheme for providing electricity connections. According to the power ministry's Saubhagya portal, around 11 percent or 34.46 lakh households in about 24 districts, as on 11 December, were yet to be provided with power connections under the Centre's ambitious scheme. Saubhagya Pradhan Mantri Sahaj Bijli Har Ghar Yojana-- was launched in September 2017 with the objective to provide access to electricity to all the remaining households in the country. He said that all the districts falling under Dakshinanchal and Paschimanchal Vidyut Vitran Nigam have been electrified. The districts falling under Madhyanchal and Purvanchal Vidyut Vitran Nigam would be electrified by December 31, he said. He said that the power department would celebrate a symbolic 'Diwali' on 26 Janurary next year to mark the 100 percent electrification. He said more than 1 lakh villages in the state were un-electrified when the BJP government came to power. At present, around 33,000 villages are yet to be given power connection.

Source: ***Business Standard***

Madhya Pradesh power discoms losses rose 900 percent in 15 yrs

22 December. Madhya Pradesh power distribution companies (discoms) have suffered a major setback in the last 15 years with their losses rising by a whopping 900% to ₹ 360 bn ever since the electricity board was dismantled into three discoms, alleged joint group of engineer and worker unions in energy sector. Blaming the wrong policies for the massive loss, the union has decided to go on a strike on 8 and 9 January. Convener of Madhya Pradesh united forum for power employees and engineers VKS Parihar said that in the meeting of the forum held at Jabalpur concerns were raised against the decisions initiated in the name of power reforms in the past 25 years.

> *QUICK COMMENT*
> *Unless the ultimate causes of discom losses are addressed it will continue to increase!*
> **Ugly!**

Source: ***The Economic Times***

Government to auction power transmission contracts worth ₹ 80 bn soon

22 December. The government will soon auction power transmission contracts worth over ₹ 80 bn connecting renewable energy projects in western and northern states while it has deferred a decision on lines worth ₹ 55 bn. Contracts worth about ₹ 35 bn have been awarded on nomination basis to Power Grid Corp of India Ltd (PGCIL). Private sector firms such as Tata Power, Adani Power Transmission, L&T Infra, Torrent Power, Kalpataru Power Transmission and Megha Engineering had earlier bid for such contracts. The government has compressed the timeline for implementing the projects to 18 months while setting September 2020 as the target completion date for some projects. Power transmission companies have welcomed the move but have demanded the government to half the auction timeline from the planned 140 days to 70 days. The companies have also said the government can auction transmission lines instead of deferring them and a green signal can be given later to the selected company to match the schedule of generation projects.

Source: ***The Economic Times***

JK Advisor reviews commissioning of Srinagar-Leh transmission line

22 December. The adviser to the Jammu and Kashmir (J&K) Governor, Kewal Kumar Sharma, reviewed preparedness for commissioning of Srinagar-Leh transmission line and discussed the proposed mode for execution of 850 MW Ratle hydroelectric project on the Chenab river. He informed that the line from Leh to Alasteng (Srinagar) having four substations at Leh, Khalsti, Kargil and Drass is complete in all respects and is ready for charging, he said. The line will ensure connectivity of Ladakh region with National Grid and subsequent availability of power supply to the region round-the-year, he said

Source: ***Business Standard***

Delhi consumers to get paid for power cuts

19 December. Capital's residents have a reason to cheer as the Delhi Electricity Regulatory Commission (DERC) has approved a compensation for them in case of unscheduled power cuts lasting more than one hour. According to Delhi government, the consumer will be compensated by ₹ 50 an hour for the first two hours and ₹ 100 for every subsequent hour. If an interruption recurs, the compensation will be paid from the initial default. With this, Delhi has become the first State in the country where consumers will be compensated by power distribution companies (discoms) in case of unscheduled power cuts. The Delhi government had approved the compensation plan in June this year. In case of unscheduled power cuts, the compensation shall be payable automatically by the discom to all the affected consumers, without requiring a claim to be filed by the consumer. After restoration of power supply, a confirmation message will be sent by discom to the consumer with restoration date and time, Delhi government said. In case the discom determines that no compensation is payable to affected consumer, he or she can approach the Consumer Grievances Redressal Forum (CGRF) and, if not satisfied from CGRF, to the Electricity Ombudsman. The revised (electricity) Supply Code 2017 also says that if the compensation claim of the consumer is upheld by the CGRF or Ombudsman, the amount payable will be ₹ 5,000 or five times the original compensation, whichever is higher.

Source: ***The Hindu Business Line***

India still faces challenges to meet growing power demand

19 December. Despite making a remarkable progress in electricity distribution over the years, India still faces challenges to meet its growing demand for power and reliable supply still remains low in the country, the World Bank said in a report. India has made enormous progress in expanding household access to electricity and reducing power shortages over the last few years. The report recognised that shortly after independence in 1947, India began adopting legislative measures to develop the core electricity sector followed by reforms in later years, but despite of all these the state power utilities have struggled to improve their performance. The inefficient state government owned power plants, under-investment in transmission, under-priced electricity, high losses of distribution utilities, groundwater depletion from cheap electricity are the key challenges to India's power generation sector. With the total installed generation capacity more than doubling over the past decade from 154.7 GW in 2006-07 to 345.5 GW in 2017-18, India is the world's third largest producer of electricity, after China and the US (United States). Significant capacity additions and lower than expected demand growth have helped reduce power shortages significantly, the report said. The Central Electricity Authority predicts that India is likely to become a power surplus country in fiscal 2019, it said. As per 2018 Global Competitiveness Report, India ranks at 80th position among 137 economies in the reliability of its electricity supply, the report said.

Source: ***Business Standard***

Tamil Nadu's industrial power demand increases by 3 GW

19 December. Tamil Nadu's power demand has increased by more than 3,000 MW this December, compared to the same period last year. The demand has been 14,500 MW in recent days, mostly owing to higher consumption in the industrial sector. On the other hand, domestic consumption has come down in the last two months due to cool weather. Agriculture demand is also low, TANGEDCO (Tamil Nadu Generation and Distribution Corp) said. The state has received projects worth ₹ 100 bn through single window clearance alone in the last one year. On the power generation side, the distribution company (discom) is using imported as well as local coal to generate power from its own thermal units. Power demand is high during morning and evening hours.

Source: ***The Economic Times***

Uttar Pradesh government to regularise illegal power connections

19 December. Following orders from the state government, the Uttar Pradesh Power Corp Ltd (UPPCL) has devised a special scheme to support financially weak power consumers of rural and slum areas using katia (illegal power connection). Such connections will be replaced with regular connections. No penalty will be charged from the beneficiaries. The scheme, called "Katia Hatao, Saiyojan Pao", will be run across the state till 31 January. To avail the scheme, those using illegal connections have to declare themselves before 31 January. If they are caught after that, they might face action. Also, those who have already been found stealing electricity cannot avail the benefits of "Katia Hatao, Saiyojan Pao". The scheme will be applicable to those living within 40 meter distance of the power supply line.

Source: ***The Economic Times***

NATIONAL: NON-FOSSIL FUELS/ CLIMATE CHANGE TRENDS

Uttar Pradesh government asks NCR districts to ensure EPCA orders on pollution

25 December. The Uttar Pradesh (UP) government asked districts in western part of the state adjoining Delhi to strictly adhere to a three-day ban on industrial and construction activities imposed by the Supreme Court-appointed Environment Pollution Control Authority (EPCA). The order was issued to the divisional commissioners of Meerut and Saharanpur divisions and district magistrates of Gautam Buddh Nagar (Noida), Ghaziabad, Hapur, Meerut, Baghpat, Muzaffarnagar, Bulandshahr and Shamli in a letter by Chief Secretary Anup Chandra Pandey. As the national capital's air quality remained in the 'severe' category for the third consecutive day, the EPCA ordered that industries in pollution hotspots -- Wazirpur, Mundka, Narela, Bawana, Sahibabad and Faridabad -- and construction work across Delhi-NCR remain closed. The Ghaziabad administration said the ban has been relayed to industries and law enforcement agencies have been asked to take action against violators, while in Noida, all efforts will be made to adhere to the guidelines. In the letter, the chief secretary reiterated the EPCA's orders and instructed the administrators of various districts to keep the UP Pollution Control Board in Lucknow regularly updated on the actions taken. The EPCA has directed the traffic police to deploy special teams and ensure congestion-free traffic flow particularly in identified high traffic corridors and told the police department to strictly ensure that non-destined heavy duty vehicles travel through eastern and western peripheral expressways.

Source: *Livemint*

University students build first solar powered driverless bus

24 December. Students of various departments of Lovely Professional University (LPU) have recently designed and built a solar-powered driverless bus. The bus is slated to enter commercial service and the first prototype will be utilized to welcome and ferry Prime Minister Narendra Modi to the Indian Science Congress venue, which will be held at LPU on 3 January 2019, the company said. After the commercial launch, the bus will be used at airports, housing societies, industrial complexes, and educational institutions. The design of the bus has been done keeping in mind Indian conditions and it will cost ₹ 6 lakh. Since the engine is battery and solar powered, the running cost is essentially negligible.

Source: *The Economic Times*

CEA study finds 200 new sites for thermal power plants of 428.9 GW

23 December. A total 200 potential sites have been identified for setting up as many large thermal power plants of total 428.9 GW capacity, more than the existing installed capacity of 346.61 GW, according to a study by the Central Electricity Authority (CEA). The authority conducted the study for identifying large pithead and coastal sites based on satellite mapping using remote sensing technology. At present, 37 hydropower projects above 25 MW, aggregating to 12,178.5 MW, are at various stages of construction in the country. Of these, 16 projects aggregating to 5,950 MW are stalled due to various reasons. NTPC Ltd which is mainly engaged in coal-based thermal power generation had an average tariff of ₹ 3.42 per unit during April-September this fiscal which is much less than hydropower tariffs.

Source: *Business Standard*

NLC India retires 100 MW unit of Thermal Power Station-1 in Tamil Nadu

22 December. Public sector NLC India Ltd said a 100 MW unit of its Thermal Power Station-I in Tamil Nadu has been retired as part of its planned phase-out process. The station's generating capacity stands reduced to 500 MW, NLC India Ltd said. The 600 MW Thermal Power Station-I is a vintage plant, which has been in service for more than 50 years.

Source: *Business Standard*

SDMC, SECI ink MoU to develop two solar plants

21 December. The municipal body for south Delhi signed an agreement with the Solar Energy Corp of India (SECI) for developing two solar plants for generating total power worth 27.5 MW. The work on the two units is likely to begin in the first half of April next year, the South Delhi Municipal Corp (SDMC) said. The agreement has been signed in continuation with the government of India's initiative on green energy concept and solar initiative of the SDMC. The SDMC has decided to utilise these vacant land for installation of solar plants. The MoU (Memorandum of Understanding) was exchanged by SDMC Commissioner P K Goel and Director of SECI Shailender Kumar Mishra.

Source: ***Business Standard***

Foreign players sweep Gujarat solar auction

21 December. Foreign developers won the entire 700 MW being bid for at the solar auction conducted by Gujarat Urja Vikas Nigam Ltd (GUVNL), with the Softbank-backed SB Energy winning 250 MW at the lowest tariff of ₹ 2.84 per unit. Finnish developer Fortum bagged 250 MW while French major Engie got 200 MW, both bidding the same price of ₹ 2.89 per unit. The last auction conducted by GUVNL in September for 500 MW had seen a lowest winning tariff of ₹ 2.44 per unit. The rise of 40 paise has been welcomed by developers and analysts, as it had been feared for some time that developers in their zeal to win projects had been making unrealistically low bids. Panels and modules used in Indian solar projects are mostly imported. Another reason for the increased tariff is that the projects have to be located in a solar park, unlike those of the last auction, experts said. GUVNL had in March cancelled the results of a solar auction in which the lowest discovered tariff was ₹ 2.65 per unit in non-solar park areas, because it found the tariff too high.

Source: ***The Economic Times***

Hydel project in Arunachal threatening a 'Dalai Lama'

20 December. Near the India border with China and Bhutan, in the village of Lumpu in Tawang, Arunachal Pradesh, local resident Nawang Chotta feels at peace. After a year's absence, the black-necked crane or 'Trung-Trung Karmo' as local Monpa Buddhists call it is back at its winter retreat in the valley. The bird is revered by the 1 lakh-strong community as an embodiment of the sixth Dalai Lama, but is at the centre of unrest brewing over a hydroelectric project nearby. In 2012, the environment ministry gave environmental clearance to the ₹ 64 bn 780 MW Nyamjang Chhu hydroelectric project. A 3km stretch of the Nyamjang Chhu between Brokenthang and Zemithang that comes under the project area is also a wintering site for the black-necked crane. Officers in charge of the hydroelectric project had said there are few, if any, black-necked cranes to be seen in the valley. The clearance was challenged by Save Mon Region Federation, a conservation group led by Buddhist lamas, at the National Green Tribunal, successfully. The Nyamjang Chhu project is one of 13 mega power proposed in Tawang. Hydel projects have begun disrupting local culture and ecology, protesters said. Two hydropower projects on the Tawang river - the 600 MW Tawang I project and the 800 MW Tawang II project - have been proposed on areas considered sacred by the Buddhists. Both Tawang I and II projects got environmental clearance in 2011, but the final forest clearance is pending. The Tawang-II project is also an important habitat for the red panda, categorised as 'endangered' in the IUCN Red List of Threatened Species. The hill state has a hydropower generation potential of 46,806 MW. Government-backed discussions often refer to cultural and environmental concerns as "roadblocks".

Source: ***The Economic Times***

Solar power players miffed with Haryana's policy hurdles, high land costs

20 December. A challenging regulatory environment and stuck clearances have made life for solar power project developers difficult in BJP-ruled Haryana. The state had made lofty claims of setting up projects totalling 2,000 MW at an estimated investment of ₹ 80 billion, but none have seen the light of day. Project developers claim slow land clearances, high cost of farmland, transmission niggles and lack of conducive policies for power sales have led to stagnant growth of the sector in the state. Solar developers have been pleading with the state government to extend the benefit to all expeditiously. The government is unable to procure land in many cases, and at times the land procured by a private player for solar project is stuck.

Source: ***Business Standard***

Centre provided ₹ 3.8 bn funding assistance to Madhya Pradesh for solar power

20 December. The central government provided total funding assistance of ₹ 3.82 bn to Madhya Pradesh over the past two financial year 2016-17 and 2017-18 for implementing solar power schemes and projects, Power and New and Renewable Energy Minister R K Singh said. The Ministry of New and Renewable Energy (MNRE) has been implementing various schemes in the country, including in Madhya Pradesh, to promote solar energy. The names of the schemes include development of solar parks and Ultra Mega Solar Power Projects, Singh said.

Source: ***The Economic Times***

Siemens Gamesa secures order for 126 MW wind projects in Maharashtra

20 December. Siemens Gamesa Renewable Energy said it has secured an order from one of India's largest utilities to construct a 126 MW wind farm in Osmanabad district of Maharashtra. As part of the turnkey contract, Siemens Gamesa will provide the infrastructure to install and operate the facility, including supply, erection and commissioning of 63 units of SG 2.0-114 wind turbines in Maharashtra, the company said. The order was signed in September 2018, it said. Present in India since 2009, Siemens Gamesa recently topped the 5.5 GW mark in the accumulated base.

Source: ***Business Standard***

Haryana government to install solar energy plants on gram panchayat land

19 December. The Haryana government has decided to install solar energy plants on gram panchayat land through Haryana Power Generation Corp Ltd (HPGCL). A decision to this effect has been taken in the review meeting of New and Renewable Energy Department held under the chairmanship of Chief Minister Manohar Lal Khattar. Haryana Minister O P Dhankar apprised in the meeting that Badhsa, Ghaglan and other villages of district Jhajjar have been applying for establishing solar power plant. On this, it was decided that HPGCL will initially establish solar power plant in these villages on pilot project basis.

Source: ***Business Standard***

Renewable purchase obligations should be strictly enforced: NITI Aayog

19 December. NITI Aayog in its latest strategy document recommended that renewable purchase obligations should be strictly enforced and inter-state sale of renewable energy should be facilitated. The document titled 'Strategy for New India @75', launched by Finance Minister Arun Jaitley, has recommended a slew of measures to reform the country's energy sector. It highlighted that the flexibility in generation and balancing requirements for the integration of renewable energy were emerging as major issues. It said that there has to be a mechanism for cost-effective power grid balancing (gas-based, hydro or storage). It said that hybrid renewable energy systems such as solar photovoltaic + biomass should be explored. India is the world's third largest energy consumer. In the power sector, the all-India installed power capacity is about 334 GW, including 62 GW of renewable energy.

QUICK COMMENT

Enforcing renewable purchase obligations will contribute to financial challenges of discoms!

Bad!

Source: ***The Economic Times***

Russian Energy Minister sees oil prices stabilizing in first-half 2019

25 December. Russian Energy Minister Alexander Novak said that oil prices, which fell by more than a third this quarter, would become more stable in the first half of 2019. The Organization of the Petroleum Exporting Countries (OPEC) and other large oil producers led by Russia agreed to cut their combined crude output by 1.2 million barrels per day from January in order to stem the fall in oil prices.

Source: *Reuters*

Bahrain oil products to be excluded from VAT implementation

25 December. Bahrain will exclude oil products from a Value Added Tax (VAT) due to be implemented next year, part of an essential goods exclusion from the tax, Oil Minister Sheikh Mohammed bin Khalifa al-Khalifa said. Bahrain's upper house gave final approval to a draft law of the tax in October. Introducing VAT at 5 percent was part of a Gulf Cooperation Council agreement in 2018, a big step for governments that have traditionally levied little tax and relied instead on oil revenues.

Source: *Reuters*

Kuwait committed to recent OPEC, non-OPEC agreement: Oil Minister

25 December. Kuwait's newly appointed Oil Minister Khaled al-Fadhel said his country supports all efforts aimed at stabilising oil markets. Fadhel said Kuwait is committed to the recent OPEC (Organization of the Petroleum Exporting Countries), non-OPEC agreements made, which include a production cut of around 1.2 million barrels per day for six months starting from January.

Source: *Reuters*

Ghana's first oil exploration licensing round attracts global majors

24 December. Sixteen oil and gas firms have submitted applications for one or more of five Ghanaian offshore blocks in the West African country's first exploration licensing round, its energy ministry said. The interest is a major vote of confidence in Ghana, which is keen to unlock more resources after it began pumping from its flagship offshore Jubilee field in 2010. The companies that have submitted applications are Tullow Oil, Total, ENI, Cairn, Harmony Oil and Gas Corporation, ExxonMobil, CNOOC, Qatar Petroleum, BP, Vitol, Global Petroleum Group, Aker Energy, First E&P, Kosmos, Sasol and Equinor. The applications include expressions of interest in competitive bidding for three blocks in the Western Basin and for direct negotiations regarding another two blocks offshore Ghana, the energy ministry said. A total of 60 applications were received, but two were invalidated as they were for a block reserved for Ghana National Petroleum Corp. Ghana currently produces 200,000 barrels of oil per day (bpd), with the Jubilee field producing about 100,000 bpd. Some of the interested firms have already started boosting their presence in the country. ExxonMobil, for example, recently signed a deal with Ghana to explore for oil in the Deepwater Cape Three Point offshore oilfield. Ghana's only oil refinery, the Tema Oil Refinery, processes about 25,000 bpd of oil, far below its capacity.

Source: *Reuters*

October will be main reference for oil output cuts: UAE Energy Minister

23 December. October's production levels will be the reference point for oil output cuts for most OPEC (Organization of Arab Petroleum Exporting Companies) and non-OPEC producers that agreed on cuts, the UAE (United Arab Emirates)'s Energy Minister Suhail al-Mazrouei said. Libya, Iran and Venezuela are exempt from the production cuts, he said. He said the OPEC and non-OPEC producers aim to return the oil market balance to return to summer 2018 levels in the first quarter of 2019. Shale oil producers were the first to suffer from the fall in oil prices he said, as shale oil production slowed.

Source: *Reuters*

Alberta to give temporary break to some producers on oil cuts

22 December. Alberta is offering temporary flexibility to some oil producers on mandated production cuts, as the Western Canadian province reviews their claims that curtailment levels are unfairly high for some and pose technical and safety concerns for certain projects. The oil-rich province took the unusual step this month of mandating temporary production cuts amounting to 325,000 barrels per day (bpd), or 8.7 percent, starting in January to deal with a glut in storage and sagging prices.

Source: *Reuters*

Brazil's Petrobras suspends new oil exploration or production divestments

21 December. Brazil's state-controlled Petroleo Brasileiro SA (Petrobras) will suspend any new divestment initiatives in oil exploration or production, the company said, following a Supreme Court decision. The decision suspended an agreement between Petrobras, as the company is known, and the Brazilian government that helped shield the company from liability as it seeks to dispose of some $27 billion in assets in order to raise cash to pay its debts. The agreement also imposed transparency rules.

Source: *Reuters*

Pakistan hopes for deferred oil payments to UAE on top of $3 bn loan

21 December. Pakistan is hoping the United Arab Emirates (UAE) will offer further financial support through deferred oil payments. Pakistani Information Minister Fawad Chaudhry declined to disclose the sum of assistance through deferred oil payments, but said this was part of the discussions that led to the UAE announcing it would deposit $3 billion with Pakistan's central bank.

Source: *Reuters*

OPEC to release country quotas for oil output cut

20 December. Oil producer group OPEC (Organization of the Petroleum Exporting Countries) plans to release a table detailing output cut quotas for its members and allies such as Russia in an effort to shore up the price of crude, OPEC Secretary General Mohammad Barkindo said. Mohammad Barkindo said to reach the proposed cut of 1.2 million barrels per day, the effective reduction for member countries was 3.02 percent. That is higher than the initially discussed 2.5 percent as OPEC seeks to accommodate Iran, Libya and Venezuela, which are exempt from any requirement to cut. He commended Saudi Arabia for pledging to cut to 10.2 million barrels per day from January, a deeper reduction than allocated.

Source: *Reuters*

Oil companies in Colombia see 2019 investment around $5 billion, up 14 percent

20 December. Oil companies operating in Colombia plan to invest almost $5 billion next year, up 14 percent from this year but still far from what the Andean nation needs to bolster its production and reserves, the Colombian Petroleum Association (ACP) said. Oil companies invested $4.35 billion in 2018, most of which went into production and some $800 million into exploration, the association, which represents private oil companies, said. Colombia's proven oil reserves were 1.78 billion barrels at the end of 2017, equivalent to 5.7 years of consumption.

Source: *Reuters*

El Sharara oilfield to reopen: Libyan government

20 December. Libya's biggest oilfield, El Sharara, will reopen, the country's internationally recognized government said after Prime Minister Fayez al-Sarraj flew there to persuade protesters to end a blockage. Production had not restarted yet as oil workers were waiting for orders from state oil firm NOC. NOC runs the field with Spain's Repsol, France's Total, Austria's OMV and Norway's Equinor, formerly known as Statoil.

Source: *Reuters*

China's Sinopec opens first overseas fuel station in Singapore

19 December. Asia's largest oil refiner China Petroleum & Chemical Corp, or Sinopec, has opened its first overseas fuelling station in Singapore and is constructing a second station on the island, the company said. Sinopec's fuels, which include gasoline and diesel variants, are of China VI emission standards, the company said, similar to Europe VI specifications. State oil company PetroChina is involved in the Singapore retail fuel sector after acquiring Singapore Petroleum Company in 2009.

Source: *Reuters*

Iraq in deal with Schlumberger to drill 40 wells in Majnoon oilfield

19 December. Iraq has agreed a deal with US (United States) company Schlumberger Ltd to drill 40 wells in the giant Majnoon oilfield, the oil ministry said. Iraqi Oil Minister Thamir Ghadhban said that the agreement with the oil services firm was aimed at boosting production from Majnoon. A deal was signed between Basra Oil Co, which manages Majnoon, and Oil Exploration Co, two state-run Iraqi firms, to conduct a seismic survey in Majnoon.

Source: *Reuters*

INTERNATIONAL: GAS

China's LNG imports hit record in November

23 December. China's liquefied natural gas (LNG) imports hit record levels in November, data from the General Administration of Customs showed, with traders rushing to buy the fuel as households and businesses crank up their heating over the freezing winter months. LNG imports totaled 5.99 million tonnes in November, up 48.5 percent from the same month last year, data showed. That surpassed the previous record of 5.18 million tonnes (mt) hit in January this year. China has been pushing to switch parts of the country to gas for heating, shifting away from coal as it pushes to clean up its environment. For the first 11 months of 2018, LNG imports were up 43.6 percent from a year earlier to 47.52 mt, on track to beat 2017's annual record of 38.13 mt.

Source: *Reuters*

Israel, Greece, Cyprus to ink natural gas pipeline deal

21 December. Prime Minister Benjamin Netanyahu said that Israel, Greece and Cyprus will sign an agreement early next year to build a pipeline to carry natural gas from the eastern Mediterranean to Europe, while the United States pledged its support for the ambitious project. The $7 billion project, expected to take six or seven years to complete, promises to reshape the region as an energy provider and dent Russia's dominance over the European energy market. Israel has been developing natural gas fields off its Mediterranean coast for the past decade. Its "Tamar" field already is operational, while the larger "Leviathan" field is expected to be operational next year. While most of its gas is used domestically, it has signed export deals with Egypt and Jordan and has its eyes on the larger European market.

Source: *The Economic Times*

German regulator removes LNG connection line from grid expansion plan

20 December. A line to connect a planned German terminal for liquefied natural gas (LNG) in Brunsbuettel to the bigger gas grid needs to be build by the project company, not the gas grid operator, Germany's network regulator Bundesnetzagentur (BnetzA) said. The regulator, following the completion of its €6.9 billion ($7.9 billion) gas network expansion plan for 2018-2028, said the move did not preempt a decision on whether the planned terminal was needed or could be realised. German LNG Terminal, a joint venture of gas network operator Gasunie, tank storage provider Oiltanking, and storage tank company Vopak, plans to make an investment decision on the Brunsbuettel terminal next year.

Source: *Reuters*

Rising LNG demand to exert more pull on US natural gas prices

20 December. US (United States) liquefied natural gas (LNG) export capacity is on the brink of doubling in 2019, which will boost the super-cooled fuel's influence on the US natural gas market, where volatility surged in 2018 after several years of slumber. LNG exports have been the fastest growing source of US natural gas demand since the country started ramping up exports in 2016, and is expected to expand deliveries in coming years as several more export terminals enter service. Its imprint is being felt in the US gas futures market, which in November experienced its longest stretch of extreme volatility in nine years due to demand, low inventories and unseasonably cold US weather. LNG currently accounts for just a small amount of overall domestic gas demand. But as the country opens more facilities for export to meet growing needs abroad, analysts said more ups and downs in prices are expected. The US is on track to export about a trillion cubic feet of LNG by year-end, or about 3 percent of overall US gas demand in 2018. But LNG exports are expected to rise to 5 percent of overall US gas demand in 2019 and to 10 percent in 2024, according to the US Energy Information Administration (EIA), boosting LNG's potential to affect prices.

Source: ***Reuters***

ExxonMobil shelves Canada LNG export project

20 December. US (United States) oil major Exxon Mobil Corp has withdrawn its WCC liquefied natural gas (LNG) export terminal in Canada from the environmental assessment process, it said, signaling that the project has been shelved. The decision to pare its LNG project portfolio follows the go-ahead of a giant Royal Dutch Shell-led project in British Columbia, and Exxon's focus on LNG projects in Asia, the Middle East and the US. Global LNG demand is expected to double to 550 million tonnes per annum (mtpa) by 2030, as countries like China move away from coal to cleaner fuels. The top import market for LNG is northeast Asia.

Source: ***Reuters***

Poland's PGNiG finalises deal on LNG supplies from Texas

19 December. Poland's dominant gas firm PGNiG said that it had finalised a 20-year deal for deliveries of liquefied natural gas (LNG) from the United States (US) to Poland's terminal in the Baltic Sea. PGNiG said that annual supplies of 2 million tonnes of LNG, which will be delivered free-on-board, will start no sooner than 2023 when the Port Arthur production facility in Texas will be completed. The contract is the result of an agreement PGNiG signed with US.Port Arthur in June. Poland has increased supplies of LNG in the past few years in order to reduce its reliance on Russian gas. Poland consumes around 17 billion cubic meters (bcm) of gas annually and more than half of it comes from Russia's Gazprom under a long-term deal which expires in 2022 and which Warsaw does not plan to extend.

Source: ***Reuters***

Austria's OMV joins ADNOC for Ghasha gas project in Abu Dhabi

19 December. OMV has signed a 40-year concession agreement with Abu Dhabi National Oil Company (ADNOC) for a 5 percent stake in the Ghasha offshore gas and condensate fields, the Austrian oil and gas group said. The Ghasha project consists of the three major gas and condensate development projects - Hail, Ghasha and Dalma - as well as other offshore oil, gas and condensate fields, including Nasr, SARB and Mubarraz, OMV said.

Source: ***Reuters***

INTERNATIONAL: POWER

Iraq receives 90-day extension to import electricity from Tehran

22 December. The US (United States) has granted Iraq a 90-day Iran sanctions waiver to allow it to continue to import electricity from Tehran. Iraq's power sector is in disrepair and does not generate enough electricity to meet domestic demand. US sanctions that went into effect in November have threatened to cut the country off from its chief supplier, Iran. The US initially granted Iraq a 45-day waiver to allow it carry on buying electricity and gas from its neighbour while arranging for new suppliers. Iraq will now have another 90 days where it can continue to pay for electricity imports, the State Department's public affairs office said. The US is encouraging Iraq to break its dependence on Iran and develop its own gas and power generation sectors. Energy Secretary Rick Perry visited Iraq with a trade delegation from the Chamber of Commerce to promote US investment in Iraq's energy sector. Most experts, however, agree that Iraq will need at least a year to wean itself off Iranian energy imports, or risk worsening power outages. Electricity demand peaked at 24 GW this year while domestic production was fixed at 16 GW, leading to lengthy and unpredictable blackouts in the hottest months of summer. Iraq has a contract to import 1.2 GW of electricity from Iran, according to the Texas-based intelligence company Stratfor.

Source: ***The Economic Times***

Poland and Lithuania agree to build undersea power cable

21 December. Polish and Lithuanian power grid operators said they had agreed to build a high voltage direct current (HVDC) underwater cable by 2025 as part of a plan to connect the electricity grids of the Baltic states with those of the European Union. Poland's PSE and Lithuania's Litgrid said they signed an initial cooperation agreement regarding what they called a "Harmony Link", with an investment decision expected in 2020. In June, the leaders of the Baltic states and Poland signed a long-awaited deal to connect their power grids to the European Union by 2025 and break their dependence on Russia, a Soviet legacy. Under the deal, states would use the existing overland LitPol Link between Lithuania and Poland, as well as the planned cable under the Baltic Sea, looping around the territorial waters of Russia's Kaliningrad exclave.

Source: ***Reuters***

EEX aims to expand power market exchange services in Japan

21 December. Commodities exchange group EEX said it was aiming to expand its power market exchange services in Asia, in particular for the Japanese wholesale electricity market. Providing power derivative solutions in Japan, starting with a clearing service offering, would be an important step in the continued global expansion of our products and services, EEX said.

Source: ***The Economic Times***

Poland plans tax cuts and cost savings to stop surging electricity prices

21 December. The Polish government plans a cut in excise tax and cost savings at power companies as part of measures designed to prevent surging electricity prices next year. The steps planned by the government and expected to be adopted by the lower house of parliament will help keep 2019 power prices at the level seen in the first half of 2018, Poland's Prime Minister Mateusz Morawiecki said. Wholesale power prices in Poland surged, mostly driven by rising coal prices and carbon emission costs, as Poland generates most of its electricity in polluting coal-fueled power plants.

Source: ***Reuters***

Israel bows to pressure on planned electricity rate hike

19 December. In a bid to quell growing frustration over the rising cost of living in Israel, Prime Minister Benjamin Netanyahu said electricity prices will rise less than the planned 8 percent. The price of electricity was set to rise as much as 8 percent on 1 January, while a host of other prices — from food to water to municipal taxes — are also supposed to go up in 2019. Netanyahu said electricity costs have dropped 15 percent since 2013, after the Tamar natural gas field opened off Israel's Mediterranean coast. Netanyahu said the larger Leviathan gas field, slated to start production in a year, would lower electricity rates further.

Source: ***Reuters***

Ivory Coast to add 643 MW of power to grid by 2021

19 December. Ivory Coast plans to add 643 MW of power to its network by 2021, the government said, in a bid to meet domestic demand and boost electricity exports to the surrounding region. West Africa's largest economy, which produces most of its 2,200 MW of power from oil and gas, aims to generate 4,000 MW by 2020. The government said the 643 MW will be generated by expanding Azito Energie's power station in Ivory Coast, and by increasing the capacity of Ivorian electricity producer CIPREL. A 253 MW expansion of the Azito Energie plant worth 225.8 billion CFA francs ($392.9 million) is due to begin over the first quarter of 2019, it said. Ivory Coast's power exports to neighbouring countries fell by 26 percent last year to 1,225 gigawatt hours (GWh) due to a decline in demand and capacity constraints.

Source: ***Reuters***

INTERNATIONAL: NON-FOSSIL FUELS/ CLIMATE CHANGE TRENDS

French wind power generation jumps 19 percent in November: RTE

21 December. Electricity generated by French wind turbines rose 18.8 percent in November to 2.78 terawatt hours (TWh) due to increased wind capacity connected to the grid and favourable weather conditions, grid operator RTE said. Electricity generated by renewable sources, excluding hydro power, rose nearly 10 percent to 4 TWh during the month compared with the same period a year ago, RTE said. Nuclear power generation, which accounts for over 75 percent of France's electricity needs, was up 7.6 percent during the period at 32.7 TWh, while thermal fuel, coal and gas-fired power production fell nearly 20 percent to 5.67 TWh year-on-year in November. Hydro power generation was steady at 3.9 TWh, RTE said. French electricity demand in November was down 2.8 percent at 43.7 TWh compared with the same month in 2017.

Source: *Reuters*

Biofuel hardship waiver petitions to EPA rise to 22 as of mid-December

21 December. The US (United States) Environmental Protection Agency (EPA) has received 22 petitions for hardship waivers from US biofuel requirements for the 2018 compliance year, data on its website showed, up from 15 petitions in November. The US Renewable Fuel Standard requires oil refiners to blend biofuels like ethanol into their fuel each year or buy compliance credits from competitors that do. But it allows the EPA to exempt smaller plants if they show complying would cause financial hardship.

Source: *Reuters*

EU countries agree to 30 percent cut in truck CO_2 emissions

20 December. Ministers from European Union (EU) countries agreed to reduce carbon dioxide (CO_2) emissions from trucks and buses by 30 percent by 2030, albeit with the potential to review this in 2022, the EU's Austrian presidency said. Environment Ministers struck the deal, balancing the interests of Germany and the continent's largest auto sector with other countries, such as Sweden, which pushed for a sharper cut. The countries, collectively known as the Council, will still have to negotiate next year with the European Parliament, which envisages a tougher 2030 target of a 35 percent cut. The EU currently has no limits on emissions from heavy-duty vehicles, unlike other countries such as the United States, China, Japan and Canada. Trucks account for almost one quarter of the bloc's transport-related emissions. Curbs on the transport sector, the only one in which emissions are still rising, aim to help the bloc meet its overall goal of reducing greenhouse gases by at least 40 percent below 1990 levels by 2030 under the Paris climate accord. The EU agreed on targets for cutting emissions from cars and vans. The European Automobile Manufacturers' Association has lobbied for far lower reduction targets for trucks of 7 percent by 2025 and 16 percent by 2030.

Source: *Reuters*

Shell forms joint venture to produce offshore wind energy in New Jersey

20 December. EDF Renewables North America said it had formed a joint venture with oil and gas firm Royal Dutch Shell plc's new energies division to co-develop a lease area for offshore wind energy in New Jersey. The area, spread over 183,353 acres and located off the coast of Atlantic City, has the potential to produce about 2,500 MW of offshore wind energy, EDF said. The Trump administration is streamlining permits for offshore wind industry and carving out new areas for leasing to boost domestic energy production and jobs. States like New Jersey, Massachusetts and New York have also mandated utilities to procure offshore wind energy.

Source: ***Reuters***

Five oil majors face 2019 climate target pressure by investors

19 December. US and Norwegian oil majors Chevron and Equinor have become the latest target of activist investors moving to force five of the biggest oil companies to commit to fixed emissions targets and align with the Paris climate agreement. The activist investors of Chevron Corp said they had filed annual meeting resolutions calling for the oil company to embrace greenhouse gas reductions. They want Chevron to report on how it can reduce its greenhouse gas emissions to meet the Paris accord, arguing climate change presents "portfolio risks to investors," according to a copy of the resolution. BP and Total have set short-term targets on reducing their own carbon dioxide emissions. This year, Chevron resolutions to limit its methane emissions and to adapt its business to a low carbon economy received 45 percent and 8 percent support, respectively.

Source: ***Reuters***

British brewed Budweiser beer to rely on solar power from 2020

19 December. Budweiser beer will be brewed in Britain using solar power from 2020 following a 15-year deal signed by brewer Anheuser-Busch InBev (AB InBev) and renewable power developer Lightsource BP, the companies said. Lightsource BP will develop and operate 100 MW of solar projects to generate enough electricity for AB InBev's breweries. The power being generated is the equivalent to the amount used by 18,000 homes. The solar projects are expected to be completed and connected to Britain's power grid by the end of 2020. The initiative is part of the company's sustainability goals which include purchasing all electricity from renewable sources by 2025, AB InBev said.

Source: ***Reuters***

Saudi starts work with SoftBank on 200 GW solar plan: Energy Minister

19 December. Saudi Arabia has already started implementing an agreement with SoftBank Group's Vision Fund to provide 200 GW of solar power in the kingdom, Energy Minister Khalid al-Falih said. The kingdom's Public Investment Fund (PIF) agreed to invest $45 billion in the giant tech fund led by SoftBank and the pair are working with other parties on a number of large-scale, multi-billion dollar projects relating to the solar industry. The PIF and private sector will fund renewable energy projects in the kingdom, Falih said.

Source: ***Reuters***

DATA INSIGHT

Per Capita Electricity Consumption: States below National Average Consumption

State/UT	Electricity Consumption* (kWh per person)
All India	1122
Madhya Pradesh	989
Jharkhand	915
Meghalaya	832
Sikkim	806
Kerala	763
West Bengal	665
Arunachal Pradesh	648
Lakshadweep	633
Uttar Pradesh	585
Mizoram	523
Tripura	470
A.& N. Islands	370
Nagaland	345
Assam	339
Manipur	326
Bihar	272

**Figures are for the 2016-17.*

Source: CEA and Lok Sabha Un-starred Question

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