

Bears struggling

CRUDE CHECK. Revise the target for shorts

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Crude oil prices appreciated last week. Brent crude oil futures on the Intercontinental Exchange (ICE) gained 2.3 per cent as it closed at \$78.8 per barrel. Crude oil futures on the MCX was up 2 per cent by ending the week at ₹6,128 a barrel.

BRENT FUTURES (\$78.8)

Brent futures made a low of \$74.8 mid-week, but then recovered and posted a weekly gain by closing at \$78.8 on Friday versus the preceding week's close of \$77.

However, the trend has not turned bullish. The contract should decisively breach \$80 in order to establish a sustainable rally. The 50-day moving average coincides with \$80, making it a strong barrier.

A breakout of \$80 can lead to a quick rally to \$83 or even to \$85. On the other hand, if the contract declines, it can find support at \$76 and \$73. Although the trend has not turned bullish, the chart shows that the bears are losing their grip.

MCX-CRUDE OIL (₹6,128)

The January futures contract of crude oil made a low of ₹5,796



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last Wednesday. But then, it recovered to the current level of ₹6,128.

The chart shows that the contract is trying to form a higher low, indicating that the bears are losing traction. However, crude oil futures should break out of ₹6,300 decisively to call it a bullish reversal.

Resistance above ₹6,300 can be seen at ₹6,600 and ₹6,800.

On the downside, the nearest support is the price region between ₹5,750 and ₹5,800. Subsequent support is at ₹5,500.

Trade strategy: Since there is no bullish confirmation yet, hold the shorts initiated at ₹6,105. Retain the stop-loss at ₹6,350.

But revise the target upside from ₹5,550 since the downtrend appears to be losing momentum. Book profits at ₹5,800.



CRUDE WATCH

OIL PRICES SETTLE HIGHER

Oil prices settled higher on Friday as US Secretary of State Antony Blinken began a week-long sweep through the Middle East in an attempt to contain regional tensions stoked by the Israel-Hamas conflict. **REUTERS**



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Red Sea crisis may push shipping cost by up to 60 per cent: GTRI

PTI ■ NEW DELHI

The increasing Red Sea crisis may impact trade as it is expected to push shipping costs by up to 60 per cent and insurance premium by 20 per cent, a report by economic think tank GTRI said on Saturday. This conflict could also result in increased shipping costs (40-60 per cent) and delays due to rerouting (up to 20 days more), higher insurance premiums (15-20 per cent), and potential cargo loss from piracy and attacks. The situation around the Bab-el-Mandeb Strait, a crucial shipping route connecting the Red Sea and the Mediterranean Sea to the Indian Ocean, has escalated due to recent attacks by Yemen-based Houthi militants. Due to these attacks, the shippers are taking consignments through the Cape of Good Hope, resulting in delays of about 20 days. The Houthi conflict's disruption of the Red Sea shipping lanes significantly impacts



Indian trade, especially with the Middle East, Africa, and Europe, the Global Trade Research Initiative (GTRI) said. It said that India, heavily reliant on the Bab-el-Mandeb Strait for crude oil and LNG imports and trade with key regions, faces substantial economic and security risks from any disruption in this area. For overall merchandise trade with Europe and North Africa, about 50 per cent of imports and 60 per cent of exports, totalling USD 113 billion, might have used this route, it said. It added that the conflict has

necessitated India to consider alternative routes, such as the longer Cape of Good Hope, which could lead to increased energy costs. India might look to diversify its sources of crude oil and LNG, and explore alternative trade routes to reduce dependency on the conflict-prone Red Sea passage, it said. "This conflict could also result in increased shipping costs (40-60 per cent) and delays due to rerouting (up to 20 days more), higher insurance premiums (15-20 per cent), and potential cargo loss from piracy and attacks," it said.

While India is implementing measures to ensure the safety of its ships in the Red Sea, the effectiveness may be limited as most Indian cargo is carried by global shipping firms, the report added. "India must brace for an extended period of shipping disruptions in the Bab-el-Mandeb Strait. This requires a strategic blend of diplomatic, economic, and humanitarian measures to safeguard its interests. The situation demands a nuanced approach, balancing immediate needs with long-term geopolitical and economic considerations," GTRI Co-Founder Ajay Srivastava said. He suggested steps such as diversifying crude oil imports from regions like West Africa, the Americas, and the Mediterranean; relying on ports outside conflict zones, like Oman and Djibouti, for transshipment and regional trade; and offering financial support and insurance schemes to Indian companies affected by trade disruptions.



'India must diversify crude, LNG sources'

ENS ECONOMIC BUREAU @ New Delhi

INDIA must brace for an extended period of shipping disruptions in the Bab-el-Mandeb Strait, and the Indian government must adopt a nuanced approach, balancing immediate needs with long-term geopolitical and economic considerations, says independent research group Global Trade Research Institute (GTRI).

GTRI says India would require a strategic blend of diplomatic, economic, and humanitarian measures to safeguard its interests while contributing to regional stability and humanitarian efforts.

GTRI says India is heavily reliant on the Bab-el-Mandeb Strait for crude oil and LNG imports and trade with key regions, faces substantial economic and security risks from any disruption in this area. As per it, about 65% of India's crude oil imports in FY23, valued at \$105 billion, from countries like Iraq, Saudi Arabia, and others, likely passed through the Suez Canal. For overall merchandise trade with Europe and North Africa, about 50% of imports and 60% of exports, totaling \$113 billion, might have used this route.

Prashant Mukherjee

The venue for this year's COP28 Summit raised many eyebrows. Dubai, built on the wealth of fossil fuels, seemed to be an odd choice for the United Nations' climate summit. Presided over by UAE minister Sultan Al Jaber, who is also the CEO of the Abu Dhabi National Oil Company, the event witnessed record attendance from lobbyists favouring the use of fossil fuels in the global energy mix.

What does this mean for the global transition to clean energy?

Fossil fuels continue to meet more than 80% of the world's energy needs despite a record growth in the share of renewable sources. Hence, an abrupt halt in their production could be catastrophic as humanity has depended on them as the predominant source of energy for centuries now. Despite marathon talks and debates to avoid a climate disaster, none of the world's major oil

and gas-producing countries has plans to eventually stop drilling for fossil fuels though many have pledged to reach net-zero emissions.

Nonetheless, there have been significant changes in the energy landscape in the last couple of years.

According to the International Energy Agency (IEA), there is no need for the world to open new coal mines or develop oil and gas projects that have long lead times. However, "continued investment is required in some existing oil and gas assets and other approved projects," the agency said in its September 2023 report.

Does it mean the world is transitioning fast towards clean energy?

The US's oil production is at a record high. India plans to double coal output by 2030. The UK is issuing new drilling licences in the North Sea. And American oil majors are splurging billions on deals that signal they see robust demand for decades to come.

The increased energy demand in the post-pandemic era indicates that only

Crude Truth

Fossil fuel will continue to be a big power source due to India's growing energy needs



fossils can salvage the world during emergencies and hence governments and companies are still dependent on energy from fossil fuels.

Now, let's see how India meets its energy requirements. The country currently has around 180 GW of installed renewable energy capacity and aims

to reach 500 GW by 2030. Between 2010 and 2023, India increased its share of renewable energy (including waste-burning and nuclear) from 16% to 22%, while the rest continues to be from fossil fuels.

Half of India's energy needs is met by coal, followed by oil and gas, which lights up one-third of the country. Total primary energy demand more than doubled from 2000 to 2020, surging to 937 million tonnes of oil equivalent (Mtoe) from 417 Mtoe. Still, India's per capita energy consumption is less than one-tenth of the US's.

According to senior government officials, coal will continue to drive the country's energy mix due to developmental priorities. They argue that India's per capita emission is far below the world average and will remain so.

"Coal is and would remain an important part of India's energy mix as we move forward to meet our developmental priorities in the country,"

India's foreign secretary Vinay Kwatra said at a press conference in New Delhi ahead of Prime Minister Narendra Modi's visit to Dubai for

We don't have an alternative to generate the required amount of electricity, and hence will have to depend on coal"

ANIL KUMAR JHA, former chairman and MD, Coal India

the summit.

It is worth noting that the country's coal production rose to 893 million tonnes in 2022-23, a 14% jump from 778 million tonnes in 2021-22, according to data from the Ministry of Coal. It is estimated that production would reach 1,335 million tonnes in 2031-32.

"We don't have an alternative to generate [the required] amount of electricity, and hence will have to depend on coal," says Anil Kumar Jha, former chairman and MD, Coal India.

According to a recent S&P Global Commodity Insights report, "The nation's oil consumption will jump to 305 Mtoe in 2030 from 210 Mtoe in 2020, gas consumption will rise to 70 Mtoe from 53 Mtoe. Limited domestic supplies mean that India's oil imports

will exceed 90% of demand by 2030 at 280 Mtoe. Gas imports will surpass 60% of supplies and coal will buck the trend, with imports remaining at about 25%, due to India's own substantial resources."

According to the IEA, the world will have to triple its renewable energy capacity in just seven years to cut fossil fuel demand by 20%. Despite producing cheap wind and solar energy, only 22% of India's power generation is met by renewables.

The case for climate action is stronger than ever now. Global carbon dioxide emissions from the energy sector reached a high of 37 billion tonnes in 2022, up 1% from the pre-pandemic level. Hence, tripling the installed renewables capacity across the world to 11,000 GW by 2030 could help achieve the largest emission reductions.

According to the UN, air pollution from fossil fuels resulted in health and economic costs of \$2.9 trillion in 2018, which translates into around \$8 billion a day. Switching to clean sources of energy such as wind and solar is important on many levels.

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