

# Bad news on crude price front

With tensions in the Middle East showing no signs of abating, easing Russia sanctions is the way out. But that seems unlikely

## THE WIDER ANGLE.



PARAN BALAKRISHNAN

**T**he timing for US President Joe Biden who's facing a very close election fight couldn't be worse. The Russia-Ukraine war shows no sign of ending. In Israel, it's looking like Prime Minister Benjamin Netanyahu wants to keep fighting the Gaza war forever. Huge crowds turned out in Tel Aviv Monday calling on Netanyahu to quit. Netanyahu knows an end to his governing coalition and his judicial reckoning will come when the fighting against Hamas stops.

Even Israelis now are saying Netanyahu may want to drag on the war as long as possible to avoid his day in court. Bombing the Iranian embassy in Damascus was a reckless, virtually unprecedented act. The world's holding its breath and waiting for the inevitable Iranian retaliation.

In anticipation, the global benchmark Brent crude price has surged above \$91, up from \$84 before Hamas attacked Israel last October and the below \$80-level where prices stabilised following Russia's Ukraine invasion.

Analysts say it's more than likely crude prices will head toward \$100 for the first time in nearly two years, especially if Iran chooses to launch a major strike-back which would restrict Iran's oil flow and potentially other regional producers. OPEC production cuts, big Mexican crude export curbs and Houthis rebel attacks on tankers in the Red Sea are also pinching supplies.

Prime Minister Narendra Modi will probably be lucky because his electorate will not be feeling the impact of rising oil prices when they cast their votes. But gasoline prices in the US have been drifting upward this year — they're now \$3.60 per gallon, up from \$3.20 in January.

For Biden, it will be bad news if oil prices soar to the sensitive touchy \$4-mark or even \$5 a gallon as some analysts forecast may happen with the US summer driving season looming.



**OIL SLICK.** India continues to be a major buyer of Russian oil. The world must brace up for higher oil prices REUTERS

Voters have a habit of punishing presidents on whose watch gas prices rise. Biden can dip into the US oil stockpile, already at 40-year lows. But that could lead to charges of oil reserve mismanagement.

### RUSSIA OIL

Biden has one solution that might immediately send oil prices southward. India's faced criticism for buying Russian oil but it's always been clear that if India stopped buying, it would result in an instant negative shock to global supplies and prices. Easing up on sanctions and allowing Russian oil exports to flow more freely would have a rapid positive supply impact.

But the US has been doing the exact

**For Biden, it will be bad news if oil prices soar to the sensitive touchy \$4-mark or even \$5 a gallon as some analysts forecast may happen**

opposite in the last few months. It's been tightening the screws. The US Treasury Department's Office of Foreign Assets Control (OFAC) is squeezing Russia's 'Dark Fleet' that's been ferrying oil to different corners of the world.

The result is 40 vessels, or 15 per cent of Russia's shadow fleet is now banned from many ports globally, including India. And in February, OFAC moved against the Russian state-owned shipping giant Sovcomflot. It also added 14 tankers partly owned by Sovcomflot to its banned list. Sovcomflot is thought to form a quarter of Russia's Dark Fleet. The Russians have, according to analyst Craig Kennedy, spent \$8.5 billion to buy ageing, often poorly maintained ships in the global market.

Nevertheless, despite the sanctions and the fact Russian discounts have fallen steeply, India's still lapping up Russian crude. In 2023, Russia emerged as India's top oil supplier and we purchased \$37 billion worth of Russian crude, up from virtually zilch before the Ukraine conflict.

Buying of Russian crude is "by no means the exclusive behaviour of a

select few. All of India's commercial-scale refineries with access to coastal ports are buying," says Viktor Katona, lead crude analyst, at Kpler, a global trade intelligence consultancy. Reliance got in the game first on a large-scale but IndianOil has now overtaken it.

India is a difficult market for Russia to serve: it requires a larger number of ships to bring crude all the way here. But India now is an even more valued Russian customer than before because due to sanctions other countries like South Korea have stopped buying Russian crude. Only the Chinese continue as the biggest buyer globally. It's "unlikely India will fall below the 1.5 million/mbd pace of Russian purchases over the course of 2024," Katona says.

All in all, though, the world needs to brace for higher oil prices. And say goodbye to rate cut hopes. With the US – and Indian – economies growing more vigorously than expected and inflation sticky here and abroad, caution will be the driving force for central bankers amid fears that a sustained oil cost uptick will fuel prices.



# Europe becomes top spot for India's exports of petroleum products

**RAKESH KUMAR** @ New Delhi

EUROPE became the top destination for India's export of petroleum products such as petrol and diesel, supplying \$18.4 billion worth of these products this fiscal, from April to January 2024.

According to the commerce ministry data, India exported refined petroleum product the most, \$10.9 billion, to the Netherlands, followed by \$5.7 billion to Singapore, \$5.4 billion to the UAE, \$5 billion to the USA, \$3.5 billion to Australia, and \$3.2 billion to South Africa for the same period.

Overall, India exported petroleum products worth \$70.13 billion. In terms of crude oil imports, India received the largest quantity from Russia, followed by Iraq, Saudi Arabia, the UAE, and the USA from April to January 2024.

The country imported crude worth \$38.9 billion from Russia, with Iraq as the second-largest supplier at \$23.4 billion. From Saudi Arabia, India imported crude worth \$17.7 bil-

lion, and from the USA, it imported \$4.7 billion worth of crude. Despite decreasing discounts on oil and sanctions from G7 nations due to its actions in Ukraine, Russia remained dominant supplier of oil to India in 2023-24. Initially, Russian crude was sold at a discount of \$30/barrel to the international benchmark Brent, but now the discount has narrowed to \$2-3 per barrel.

As per the commerce ministry data, India's imports from Venezuela also began. India imported \$0.179 billion worth of crude from the South American country in January.

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India, which resumed importing Venezuelan crude oil in December 2023 after a hiatus of more than three years, emerged as the largest buyer in January 2024 for the South American nation that has the world's largest proven oil reserves.

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## India exports petroleum products of \$70 billion

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# Fuel usage surges as industrial, political activity intensifies

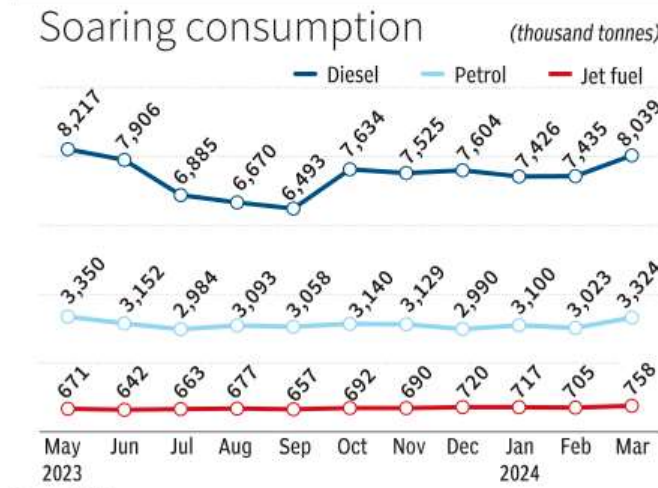
**TANKING UP.** Petrol, diesel use in March second highest; jet fuel, too, was at all-time high

**Rishi Ranjan Kala**  
New Delhi

India's petrol and diesel consumption surged to its second-highest levels on record in March 2024, while jet fuel usage hit an all-time high, reflecting the country's fast expanding industrial base and growing demand for personal and commercial mobility.

Besides, higher consumption also points to the growing air and road travel as political parties and politicians criss-cross the country for campaigning ahead of the elections to Lok Sabha, which commences on April 19 and concludes on June 1.

According to the Petroleum Planning and Analysis Cell (PPAC), diesel consumption in the world's third largest fuel guzzler rose 8 per cent m-o-m and 3 per cent y-o-y to 8.04 million tonnes (mt), the second highest in FY24 as well as on record. The usage of the fuel—the mainstay of the transport sec-



Source: PPAC

tor—rose to a record 8.22 mt in May 2023.

Similarly, petrol consumption grew 10 per cent m-o-m and 7 per cent y-o-y to 3.32 mt. This is also the second highest for the last financial year as well as the second highest so far. Usage of motor spirit—a personal mobility favourite—hit its highest in May 2023 (3.35 mt).

In a sign that a growing number of people are opting for air travel, the world's fastest growing air

passenger market consumed 7,58,000 tonnes of jet fuel—the highest on record. It was also higher by 8 per cent m-o-m and 10 per cent y-o-y.

## MOBILITY GROWTH

Analysts and market players attribute the rising consumption, a proxy for oil demand, to growth in personal and commercial mobility. Besides, March is the month during which industrial and construction activities picks up pace.

Historically, March also witnesses heightened activity due to financial year closing, which also reflects in higher sales of auto fuels.

An official with a refiner said that campaigning by the political parties for the upcoming Lok Sabha elections is also resulting in higher sales of auto and jet fuels. "Politicians and party workers are holding rallies across the country leading to more demand for choppers, small aircrafts, cars, SUVs and buses. This will continue right up till June and will reflect in sales," he added.

For FY24, the consumption of diesel and petrol at 89.65 mt and 37.22 mt, respectively, is an all-time high. However, usage of jet fuel at 8.25 mt is still below pre-pandemic levels. Jet fuel consumption in FY19 stood at 8.30 mt.

The total consumption of refined petroleum products in FY24 rose by 4.6 per cent y-o-y to 233.276 MT, which is also an all-time high.



# Global Biofuels Alliance to prepare charter for switch

The objective of the alliance is to promote biofuels and lower the dependence on fossil fuels

Rituraj Baruah  
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NEW DELHI

India- and US-backed Global Biofuels Alliance (GBA) is set to draw up a charter to achieve its objective of promoting biofuels and lowering the dependence on fossil fuels, two people aware of the developments said. Talks are also underway on its governance structure including the creation of a governing body and a secretariat.

"We will now look at preparing the charter, which will help in finalizing the governance structure—executive body, secretariat and general secretary of the alliance. Talks for the governance structure have been ongoing for sometime now. But preparing the charter and finalizing the governance structure will take time," said one of the persons mentioned above.

Work at the alliance is currently taken up by its temporary executive committee. The person mentioned above also said that the temporary executive committee is likely to meet in April to discuss the way forward for the alliance. The meeting is expected to be on the sidelines of a G20 working group meeting in Brazil.

One of a series of meetings of G20 working groups, the Energy Transition Working Group would meet on 15 April. "We are looking at having a physical



The platform is aimed at bringing together the biggest consumers and producers of biofuels to drive development and deployment of biofuels. AFP

meeting of the temporary executive committee of the alliance soon, may be in Brazil on the sidelines of upcoming G20 meetings in April," said the person, but added that the committee may not take major decisions on this front.

Queries mailed to the ministry of petroleum and natural gas remained unanswered till press time.

This would be second meeting of the temporary executive committee, which has representatives from all the member countries of the alliance. The committee had first met in December on the sidelines of the COP28 in the United

Arab Emirates.

After the first meeting of the committee union minister for petroleum and natural gas Hardeep Singh Puri had tweeted: "Since the launch of #GBA by PM @narendramodi at #G20Summit2023 in New Delhi, we have successfully convened the first Temporary Executive Committee meeting, seen our membership swell to 22 countries & represented #GBA at #CoP28."

Conceptualized by India during its G20 presidency in 2023, the platform is aimed at bringing together the biggest consumers and producers of biofuels to drive development and deployment of

biofuels and reduce the reliance on crude amid ambitious net zero goals.

Panama and Burundi have joined the alliance since the last meeting, said the second person.

The eight G20 countries which are members of the alliance are Argentina, Brazil, India, Canada, Italy, Japan, South Africa and the US. The other member countries include Bangladesh, Singapore, Mauritius, UAE, Iceland, Kenya, Guyana, Paraguay, Seychelles, Sri Lanka, Uganda, Finland, Tanzania and Philippines.

The alliance launched on 9 September on the sidelines of the G20 Leadership Summit was initially conceptualized with a view to getting all G20 members on board. However, China, Russia and Saudi Arabia have so far stayed out.

Russia and Saudi Arabia are major crude oil producers. Further, several European countries have also refrained from joining due to concerns over deforestation caused by key source plants such as palm and soy.

In an interview to *Mint* in September, union minister for petroleum and natural gas Hardeep Singh Puri said that the alliance will work on the definition and specification of biofuels, and also increase international cooperation through a virtual marketplace.

According to Statista, in 2022, the global biofuels market was valued at nearly \$117 billion and may reach \$201.2 billion by the end of this decade.

**15 Apr**  
Energy Transition Working Group expected to meet

**\$201.2 bn**  
likely to be value of biofuels market by end of this decade

# Hydrogen mission proposals' deadline extended

PRESS TRUST OF INDIA  
New Delhi, April 9

**THE NEW** & renewable energy ministry has extended the deadline until April 27 for the submission of research and development proposals under the National Green Hydrogen Mission, a release said on Tuesday.

The ministry on March 16, 2024, invited R&D proposals under the mission from the industry. The last date for submission was April 12.

While the 'Call for Proposals' is receiving encouraging responses, some stakeholders have requested more time for submission of R&D proposals, the release said.

"In view of such requests and to allow sufficient time to the institutions for submitting good-quality proposals, the ministry has extended the deadline for submission of proposals to 27th April 2024," the ministry said.

The National Green Hydrogen Mission was launched on January 4, 2023, with an outlay of ₹19,744 crore up to 2029-30.

The ministry has issued guidelines for the implementation of the R&D Scheme under the National Green Hydrogen Mission. The R&D Scheme will be implemented with a total budgetary outlay of ₹400 crore till 2025-26.



Training schools depend on the supply of Avgas from IOC.

## IOC ASSURES UNINTERRUPTED AVGAS SUPPLY TO TRAINING BODIES

**Neha LM Tripathi**

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**NEW DELHI:** Indian Oil Corporation (IOC), which provides aviation gasoline (Avgas) to country's flight training organisations (FTOs), on Tuesday assured of uninterrupted supply to the pilot training schools, saying it has received the much-awaited foreign certification.

The development came even as the Directorate General of Civil Aviation (DGCA) sought inputs to understand whether the FTOs were critically short of Avgas, something that the Association of FTOs (AFTO) had flagged to the civil aviation ministry in a letter, calling it a major concern with possible prolonged impact if not resolved soon.

HT had reported about the Avgas shortage being faced by FTOs on Monday.

"IndianOil confirms that a sufficient certified stock of Avgas is available. Enhanced dispatch of the same will commence from the production source today," Anjali Bhave, chief GM(CC), IndianOil, Refineries Division said on Tuesday. India's training schools are dependent on the continuous supply of Avgas from IOC. Around 80% of the trainer aircraft in the country use Avgas.

Supplies to the FTOs have been impacted for nearly a month due to a delay in product certification.

In the letter dated April 7 to civil aviation minister Jyotiraditya Scindia, the AFTO said the shortage was a threat that could impact the airline industry and policies of the government.

"The aviation ministry's intervention seems to have helped in resolving the matter, as with the necessary approvals in place, the problem will now be solved," an official close to the matter said.





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## IOC to resume Avgas supply to flying schools

### **Our Bureau**

Mumbai

Indian Oil Corporation (IOC) is resuming supplies of aviation gasoline (Avgas) to pilot training schools in the country, it said on Tuesday.

Supplies to training schools were hit for nearly a month due to a delay in product certification.

On Tuesday IOC said it had received certification and is commencing supplies.

“We would like to confirm that the foreign certification has now been received. Additionally, there has been no disruption in Avgas production. We are pleased to confirm that a sufficient certified stock of Avgas is available with Indian Oil. Enhanced dispatch of the same will commence from the production source today,” a company spokesperson said.



**BETWEEN 2013-14 AND 2023-24...**

# Petrol Consumption Doubles in a Decade

Annual consumption of vehicular fuel up 117%, diesel use rises 31% and LPG 82%



ISTOCK

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**MUKESH SURANA**  
CEO, Ratnagiri Refinery & Petrochemicals Ltd

**New Delhi:** India now consumes more than double the petrol it used a decade ago as new and larger vehicles are selling at a scorching pace. Diesel consumption is up by about a third while the overall oil demand is up by half.

“The data show that fossil fuels continue to be in demand despite policy push for EVs (electric vehicles) and renewables. From the trajectory of demand numbers, it appears that oil will continue to be in demand for some time and peak oil demand in India is not likely before 2040,” said Mukesh Surana, CEO, Ratnagiri Refinery & Petrochemicals Ltd. “It’s a positive trend for Indian refiners, at least for the next 10 years.”

Between 2013-14 and 2023-24, the annual consumption of petrol increased 117%, diesel 31%, aviation turbine fuel 50% and LPG 82%, according to the petroleum and natural gas ministry data. Kerosene consumption slumped 93% during this period as the government’s clean cooking drive increased access to LPG.

Preference for petrol-powered vehicles has grown in a decade as deregulation has sharply shrunk the traditional price advantage diesel previously enjoyed. “Petrol vehicles also require lower maintenance, and are now available in EV hybrid variants,” said Surana, who was earlier chairman of Hindustan Petroleum Corporation.

Petrol consumption has also been boosted by more people buying cars after Covid-19, higher disposable income and an aspirational middle class, he said. On the other hand, the diesel demand, which makes up about 38% of India’s total oil consumption, has been impacted by improved power supply which has reduced the demand for backup diesel powered-generators. The growing adoption of solar farm pumps also weighs on agricultural diesel

**The data show that fossil fuels continue to be in demand despite policy push for EVs and renewables... it appears oil will continue to be in demand for some time and peak demand in India is unlikely before '40**

demand.

“Improved road infrastructure, removal of entry taxes post implementation of GST and use of fastags have helped in cutting unnecessary burn of fuels, and in a way negatively impacted fuel demand, especially of diesel,” said Surana. “Moreover, our economic growth has been led by the services sector. It’s the expansion in manufacturing sectors that would drive industrial demand for diesel.”

The rapid rise in the sales of sport utility vehicles bodes well for the consumption of diesel and petrol. “The future demand for petrol is likely to be more at risk than diesel as alternatives to petrol such as CNG, CBG, ethanol and EVs are beginning to play a role in the mix, especially in two- and three-wheeler segment while alternatives to diesel are slow to catch up,” Surana said.

Ethanol blending in petrol, currently at 12%, is set to rise to 20% by next year. Alongside, EV sales are picking up in the country, especially with the Centre and the states offering sops for their quick adoption.

With more and more people flying, the sales of jet fuel have sharply risen in a decade. It has helped that global crude oil prices stayed at moderate levels in the past decade.

CR)

**GREEN HYDROGEN & AMMONIA RIL, L&T, Greenko and Welspun** to set up units; expected investment: Up to ₹1 Lakh Cr

# RIL, 3 More Get Green Light to Dock at Kandla

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**Mumbai:** Reliance Industries Ltd (RIL) and Larsen and Toubro (L&T) as well as energy companies Greenko Group and Welspun New Energy will be setting up green hydrogen and green ammonia units at Gujarat's Deendayal Port Authority (DPA) in Kandla, said people with knowledge of the matter. The project could see a cumulative investment of up to ₹1 lakh crore, according to three industry executives aware of the development. This will be among the largest such investments in the sector and the energy infrastructure space in India.

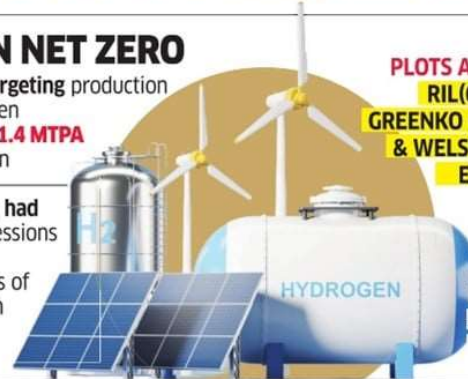
The port authority had received expressions of interest for 14 land parcels of 300 acres each in October last year. Each parcel was earmarked for 1 million tonnes per annum (MTPA) of green ammonia. Last month, DPA allotted the plots to the four companies, said the people cited above.

"DPA offered 14 plots with around 4,000 acres of land in total. Of this, RIL has been allotted six plots,

## MISSION NET ZERO

Kandla Port targeting production of **7 MTPA** green ammonia and **1.4 MTPA** green hydrogen

Port authority had received expressions of interest for 14 land parcels of 300 acres each in October last year



**PLOTS ALLOTTED:**  
RIL(6), L&T(5),  
GREENKO GROUP(2)  
& WELSPUN NEW  
ENERGY(1)

Allotment to be formally notified in June, after elections

## PLAN TO DRIVE IN SELECT REBADGED MODELS FROM MARUTI

### Toyota to Step up Play in Smaller Towns



Toyota India is embarking on an aggressive sales plan. It is looking to establish a footprint in smaller cities with rebadged versions of some affordable Maruti cars. **Shally Seth Mohile** reports. ▶▶ 5

L&T has been allotted five, Greenko Group has bagged two and Welspun New Energy has been allotted one plot. These four companies had bid the highest in the auction," said one of them.

The information hasn't been made

public because the Model Code of Conduct is in place ahead of the general elections. A formal announcement will be made in June after the polls, said the people cited above.

**Action Plan for Green Shipping ▶▶ 8**



# Action Plan for Green Shipping

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## ►► From Page 1

Kandla port is targeting green ammonia production of 7 MTPA and 1.4 MTPA of green hydrogen. Located in the Gulf of Kutch, DPA is one of the major ports on the country's western coast. Green hydrogen (GH<sub>2</sub>) is made by electrolysing water using power from renewable energy sources, without the emission of any greenhouse gases. This is part of a global effort to make green hydrogen the fuel that can help countries attain their net-zero emission targets, since water is the only byproduct. Ammonia is the largest end-user segment for green hydrogen and plays a pivotal role in producing GH<sub>2</sub> at scale.

As part of the National Green Hydrogen Mission, the ministry of ports, shipping & waterways (MoPSW) had identified and nominated DPA, Paradip Port in Odisha and VO Chidambaranar Port in Tamil Nadu for development as hydrogen hubs, capable of handling, storage and generation of green hydrogen by 2030. DPA had last year signed 13 memoranda of understanding (MoUs) with energy companies including ReNew E-Fuels, Statkraft India, Welspun

New Energy, Sembcorp Green Hydrogen India, Torrent Power Ltd, NTPC Green Energy and Greenko Group among others.

RIL, Greenko, Welspun and DPA didn't respond to queries. L&T declined comment.

The ports and shipping ministry has also drawn up a National Action Plan for Green Shipping. This involves the increased use of renewable energy (solar, wind) and clean fuels (electric, liquefied natural gas, compressed natural gas) to reduce vehicle emissions at ports. It also aims to introduce ammonia and hydrogen as a fuel for future use at ports.

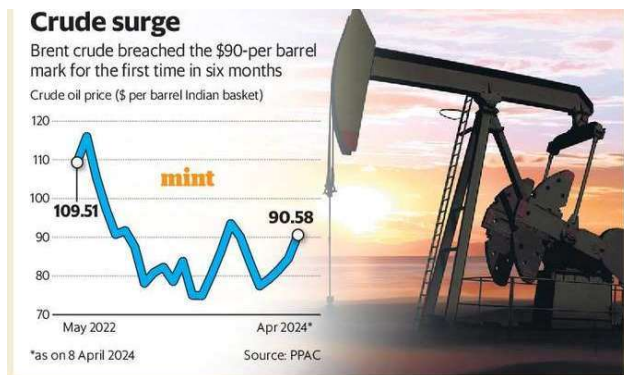
India's National Green Hydrogen Mission envisages making the country a global hub for green hydrogen production, utilisation and export to reduce its trillion-dollar energy imports and helping to decarbonise hard-to-abate sectors.

The mission targets a green hydrogen production capacity of 5 MTPA by 2030 with an associated renewable energy capacity addition of about 125 GW at an investment of over Rs 8 lakh crore and a cumulative reduction in fossil fuel imports by over Rs 1 lakh crore. It will also help abate nearly 50 MT of annual greenhouse gas emissions.

# Will domestic petrol prices go up pre-polls?

BY SUMANT BANERJI

Fresh geopolitical uncertainty has pushed global crude prices above \$90 per barrel. How does it impact India's oil marketing companies? Will they be forced to increase prices in the election season? *Mint* finds out.



## 1 Why have global prices shot up?

Brent crude prices have risen for two successive weeks and breached the psychological \$90 per barrel-mark for the first time in 6 months. In tandem with that the Indian basket of crude price has also risen more than 10% since the start of the year (*see table*). The current rise in prices has been attributed to fresh geopolitical tensions following the attack on Iran's embassy in Syria. While Israel has not taken responsibility, it has led to speculation of a direct retaliatory attack by Iran, which is the third largest Opec producer. With Israel-Palestine and Russia-Ukraine wars raging, this could further cripple global oil supplies.

## 2 Are fuel prices likely to go up in India?

It is unlikely domestic petrol and diesel prices will be revised until at least the end of elections. Prices of both fuels were decontrolled between 2010 and 2014. Initially prices were revised every fortnight but from June 2017 oil marketing companies began to revise prices daily. In the last few years revisions have been erratic. Prices remained frozen for a record 23 months from May 2022 before the Centre announced a ₹2 cut on 15 March 2024. Rising crude prices almost negates any scope of a further cut. Thanks to low prices in 2023-24, oil companies have been very profitable and have the cushion to absorb any temporary spike.





### **3 Is the EC model code of conduct a factor?**

Though the code restricts the government from bringing any new policy or fiscal measure, revision of fuel prices does not fall under that category. So, oil marketing companies are technically free to raise or reduce prices as per their need. In 2019 for example, prices were marginally revised on a couple of occasions while elections were underway in the country.

### **4 How are oil marketing companies doing?**

Typically, OMCs break even when global crude oil prices are at \$85 per barrel. Anything less and their profitability grows increasing the chances of a cut in pump prices. But any increase makes them unprofitable and strengthens the case for a price hike. Thanks to benign prices for much of FY24, the three state-owned OMCs—IOC, BPCL and HPCL—posted a robust ₹69,000 crore net profit for Apr-Dec 2023, way higher than the profit for all of FY23, when prices were above \$90 per barrel for much of the year.

### **5 How does the government benefit?**

Central and state governments generate revenues from oil by way of excise and customs duties, cesses, royalty and VAT. The Centre also earns dividend from the OMCs as well as corporate/income tax from companies. In 2022-23, the Centre earned ₹4.3 trillion while the states got ₹3.2 trillion. Frequent hikes in excise duties and VAT rates over the past few years have led to an over-30% increase in revenue from oil for the government—from ₹5.75 trillion to almost ₹7.5 trillion between 2018-19 and 2022-23.