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Puri may lay emphasis on gas economy, import substitution

ARUNIMA BHARADWAJ
New Delhi, June 10

AS HE RETAINS the Ministry of Petroleum and Natural Gas, Hardeep Singh Puri has a host of unfinished agendas to work upon. Despite numerous efforts by the previous government to enhance domestic oil and gas production and reduce import dependency, the country's output has remained static.

HARDEEP PURI
Petroleum and Natural Gas

In 2015, the government had set a target to reduce reliance on oil imports to 67% by 2022 from 77% in FY14, but the dependency has only increased to 88% in FY24.

The proliferation of electric vehicles is expected to play a key role in boosting self-reliance in energy but there are many bottlenecks to be removed, including addressing the issue of lack of battery storage infrastructure.

In recent years, agile shifting of oil sourcing strategies, and the windfall gain of availability of Russian oil at discounted prices have helped prevent the oil import bill from ballooning, even amid stagnation in domestic output.

The new government will start office with some familiar challenges of keeping energy supply affordable, reliable and clean while working towards achieving the goal of a 15% share of natural gas in the energy mix by 2030. The Bhartiya Janta Party first set the target of a 15% share of natural gas back in 2017 when the share of gas was just over 6% but no major change has happened since.

The minister will also have to work towards the realisation of 20% ethanol blending with gasoline by the year 2025.

In the Modi 2.0 government, Puri emphasised shifting to green energy and advocated green hydrogen as the fuel of the future. He also brought reforms and policies aiming at increasing the share of natural gas in the energy mix including mandatory blending of compressed biogas in compressed natural gas and piped natural gas.

As the world's largest importer of oil, efforts have been made to boost domestic oil and gas production. However, the achievements in the area have not been great and targets have remained tall. The new coalition government is expected to ensure policy continuity for the energy and commodity sectors with a focus on energy transition and meeting the goal of net zero by 2070, analysts said.

However, the lower-than-expected seat share by the Bharatiya Janata Party in Lok Sabha has created fears of regulatory risks to the PSU-dominated oil and gas sector, ICICI Securities said.

The oil market has been subjected to severe volatility in the past few years owing to rising geopolitical tensions and the mismatch between demand and supply. While the oil marketing companies had been able to register healthy profits in the previous quarters after the losses incurred in 2022, what needs to be seen is how the new coalition government navigates through the unforeseen situations going ahead.

Now that the elections are over, analysts are hopeful of a change in the pricing policies of the state-owned oil marketing companies and see them revising the retail prices of petrol and diesel once again.

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BPCL Plans to Set Up New Refinery for ₹50k cr

State-run oil co evaluating three states to set up 12 MMTPA refinery, plans big capex in 5 years to raise capacity amid surging demand for fuel

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Mumbai: State-run Bharat Petroleum Corporation (BPCL) plans to set up a new 12 million metric tonnes per annum (MMTPA) refinery in the country, two industry officials aware of the development told **ET**. The state-owned oil marketing company will invest around ₹50,000 crore in the project for which it is currently evaluating locations in three states — Andhra Pradesh, Uttar Pradesh, and Gujarat, they said.

"BPCL is planning another refinery either on the east coast or on the west coast as India needs more refineries to meet the increasing fuel demand," one of the officials said. "Talks are at a preliminary stage." The company may also consider UP, the officials said.

BPCL did not respond to an email query till press time on Monday.

Last month, BPCL chairman G Krishnakumar said the company is planning to increase its refining capacity to 45 mmtpa by FY29.

The company runs three refineries in Mumbai, Kochi, and Bina (in Madhya Pradesh) with a combined annual refining capacity of around 36 MMTPA.

Last month, BPCL chairman said the company is planning to increase its refining capacity to 45 mmtpa by FY29

BPCL plans to invest about ₹1.7 lakh crore over the next five years in its core oil refining, fuel marketing, and petrochemical business and in the clean energy business. Of the total capex, it has earmarked ₹75,000 crore for refineries and petchem projects, ₹8,000 crore for pipeline projects, and more than ₹20,000 crore for its marketing business.

The second industry official cited above said BPCL is looking to set up a new refinery because a proposed plan to set up a 60-MMTPA integrated refinery and petrochemicals complex on the west coast in Maharashtra did not take off. The government had in 2015 proposed the idea of setting up Asia's largest refinery in Ratnagiri, Maharashtra, at the cost of ₹3 lakh crore to meet the country's growing demand for fuel and petrochemicals.

VIJAY P

A joint venture company between Indian Oil Corporation, BPCL, Hindustan Petroleum Corporation and Saudi Aramco — christened Ratnagiri Refinery and Petrochemicals (RRPCL) — was formed in 2017 to execute the project. Saudi Arabia's national oil company held 50% stake in RRPCL while the three national oil companies of India were equal partners.

However, due to environmental concerns and opposition from a number of local residents, the project never got off the ground.

At the same time, fuel demand has also been increasing, driven by higher automotive fuel and naphtha sales. Fuel demand reached a record high of about 233.276 million tonnes in FY24 compared to 223.021 MT in the previous year.

To cater to the increasing oil demand, India is looking to increase its refining capacity by nearly 80% from the present 252 MMTPA to about 450 MMTPA by 2030.

The country is planning to set up smaller petroleum refineries as they pose fewer hurdles like land acquisition and other regulatory clearances. According to analysts, even as fuel demand grows across the world, new refineries are not coming up and the old refineries in Europe and the US are closing.

"World over refineries are closing, which may lead to a crisis of finished products," one of the industry officials cited above said. "This is where India can step in and become a refining hub for the world. But for that, we need to add more refining capacity. Fuel demand is predicted to be robust in the coming years."

Goldman Sachs in a report dated May 27 said most of the (international) refinery closures took place between 2020 and 2022 when refineries were forced to shut due to the Covid-19 pandemic, poor economics, regulatory changes, and geopolitical tensions.

"Outside of refinery closures already announced, Wood Mackenzie assess that 4% or 3.6 mb/d of global refining capacity is at a high risk of closure," the report said. "Based on their outlook of 2030 refining margins 45% of such high-risk sites are located in Europe, where a number of standalone catalytic cracking facilities could come under pressure due to local carbon taxes and weaker gasoline cracks in the medium term."

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