ASIAN AGE, Delhi, 15.5.2024
Page No. 7, Size:(4.64)cms X (9.41)cms.

Energy prices set to decline in 2024

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CHENNAI, MAY 14

Energy prices are expected to decline by 3 per cent in 2024, as natural gas and coal prices may remain subdued against oil prices which may be impacted by geopolitical issues.

Energy prices may see a further decline of 4 per cent in 2025. Globally, agricultural prices are expected to ease as well in this year and next amid improved supply conditions.

According to the World Bank, commodity prices fell 3 per cent in the March quarter, driven by lower energy prices alongside relatively stable agriculture and metals prices. Natural gas prices plummeted, reaching levels almost 40 per cent lower than a year earlier.

However, oil prices exhibited significant volatility, responding to escalating tensions in the Middle East and a supply outlook that was tighter than anticipated. Brent crude oil prices surpassed $91 per barrel in early April.

Apart from geopolitical tensions and more production cuts by OPEC+, recent reductions in US inventories, coupled with revised projections from the International Energy Agency shifting from a predicted surplus to a modest deficit, have further bolstered market confidence. Oil prices are anticipated to average to $84/bbl in 2024 up from $83/bbl in 2023, before tapering to $79/bbl in 2025.

● ACCORDING TO the World Bank, commodity prices fell 3 per cent in the March quarter, driven by lower energy prices alongside relatively stable agriculture and metals prices.

Agriculture prices saw minimal change in Q1, with decreases in food and fertiliser prices balanced by a surge in beverage prices, attributed to supply shortages induced by adverse weather conditions. Food insecurity remains a pressing issue, particularly in regions affected by conflict. The number of people experiencing acute food insecurity has risen sharply in recent years, to more than 282 million people in 2023 from 100 million in 2018.

Meanwhile, metal prices remained generally unchanged during the quarter, with a decline in iron ore prices offsetting increases in other metal prices.

Gas-based power plants' utilisation up at 14.8%

HIGH ON ENERGY. Rising demand from industrial and power sectors expected to further accelerate India's consumption of natural gas

Rishi Ranjan Kala
New Delhi

The capacity utilisation, or plant load factor (PLF), of gas-based power plants rose to 14.8 per cent in FY24 from 11.5 per cent in FY23 aided by India's rising electricity consumption due to growing industrial and commercial activity as well as increasing demand from households.

India's power demand, which grew at more than 7 per cent y-o-y in FY24, forcing the government to direct gas-based power plants with around 25 gigawatts (GW) of installed capacity to run at full capacity, which coupled with declining liquefied natural gas (LNG) prices pulled up demand for natural gas.

The world's fourth largest LNG importer consumed 66.63 billion cubic meters (BCM) natural gas in FY24, compared to 59.97 BCM and 64.16 BCM in FY23 and FY22, respectively.

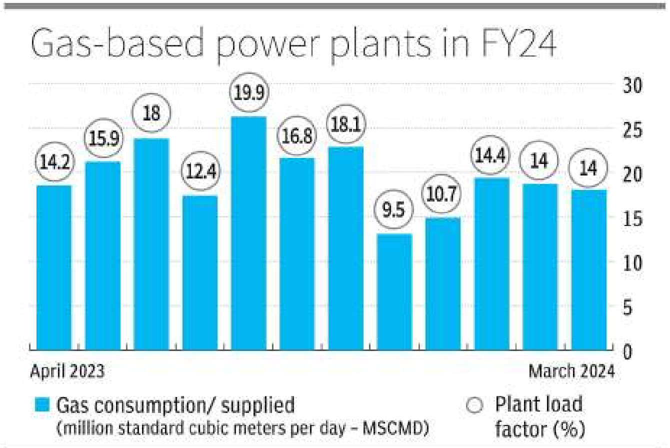
GAS-BASED POWER

In FY24, gas-based power plants produced 31.30 billion units (BU) against a target of 32 BU cumulatively consuming 235.78 million standard cubic meters of natural gas per day (mscmd). India's peak power demand in 2023 rose to a record 240 gigawatts (GW) in September 2023.

India's total generation capacity grew 10 per cent y-o-y to 442 GW as of March 2024 (March 2022: 399 GW).

Softening LNG prices and higher requirement of gas by the industrial and power sectors also pushed up the trade on gas exchanges.

For instance, Indian Gas Exchange (IGX) witnessed Free Market Gas trade volumes hit a record 17.5 Million mBtu (million British thermal units), an increase of 20 per cent y-o-y in FY24. There were 998 trades executed throughout the year. Dahej dominated Free Market Gas trades.



Source: Central Electricity Authority (CEA)

However, total trading volume stood at 41 million mBtu, which was lower by 20 per cent y-o-y mainly due to decline in sale by domestic gas producers and its resale by marketers. Domestic Ceiling Price Gas accounted for 23.3 Million mBtu.

GIXI (Gas Index of India) for March 2024 was Rs 799 or $9.6 per mBtu, lower by 10 per cent from February. GIXI-South was ₹677 or $8.1 per mBtu and GIXI-West Rs 814 or $9.8 per mBtu. Total Domestic ceiling price category gas traded during the month was 3,31,100 mBtu at below ceiling price (average ₹730 per mBtu) at KG Basin delivery point.

Different spot gas benchmark prices recorded during March 2024 with Henry Hub (HH) at around $1.5 per mBtu and Dutch TTF at around $8.5, whereas LNG benchmark indice West India Marker (WIM) stood at around $10 per mBtu.

RISING DEMAND

Rising demand from the industrial and power sector is expected to further accelerate India's consumption of natural gas. The Power Ministry expects India's peak demand to hit 260 GW during April to June 2024.

The International Energy Agency (IEA) projects India's gas demand to grow by 7 per cent y-o-y in 2024 calendar year, while the Gas Exporting Countries Forum (GCEF) predicts usage to grow at 6 per cent on an annual basis.

Fitch Ratings expects India's power demand to rise by 7-8 per cent y-o-y in April-June 2024 due to robust industrial activity, strong GDP growth and Indian Meteorological Department's (IMD) forecast of above-normal temperatures during the summer months.

"Utilisation of gas-based plants has been low in the past due to higher fuel prices or lack of availability of fuel. However, both spot- and term-market liquefied natural gas prices have fallen by around 30 per cent y-o-y. The relatively lower price should improve the viability and utilisation of gas-based plants, especially during peak summer months when spot power prices also increase. The price of electricity on short-term exchanges has already increased to above ₹5 per kWh from average levels of ₹3-4 per kWh," it added.

FINANCIAL EXPRESS, Delhi, 15.5.2024
Page No. 2, Size:(9.29)cms X (11.17)cms.

India's oil demand to grow 4% in 2025, says Opec

ARUNIMA BHARADWAJ
New Delhi, May 14

INDIA'S OIL DEMAND is expected to grow to 5.80 million barrels per day in 2025, up 4.1% from the 5.57 million barrels per day projected in 2024, the Organisation of Petroleum Exporting Countries (Opec) said. In its latest oil market report for the month, the grouping highlighted that the growing demand will be supported by increased consumption of gasoline and other petroleum products on the back of growing economic activity.

"Healthy economic momentum in 2024 is expected to continue into 2025. Manufacturing and business activities are expected to be steady, supporting oil demand growth of 227,000 bpd on year, to average 5.80 mbd," Opec said in its report.

Transportation and industrial fuels are expected to continue to drive demand, followed by bitumen. LPG (liquified petroleum gas) and naphtha are also expected to support oil demand over the year, Opec said.

In the current year itself, the country is guided for a healthy oil demand growth of 228,000 barrels per day. Opec also sees the current strong economic growth in the country to continue in the second quarter of 2024.

"Strong investment is expected to drive economic growth, together with an expansion in manufacturing activity with the government focusing on this sector to further support the economy amid an expected surge in construction. Overall, these factors are expected to bolster India's oil demand in 2Q24," the report said.

Additionally, the country's gasoline demand is set to get a boost from the annual traditional festivities and increasing transportation activity. The ongoing air travel recovery is also anticipated to support jet and kerosene demand.

In March, the country's oil demand grew by 169,000 barrels per day from the same period last year but slightly down from growth of 207,000 bpd seen in February. "The largest oil demand increase in March was recorded for LPG, which expanded by 77,000 bpd, up from growth of 47,000 bpd in February," said the report.

Gasoline also grew by 59,000 bpd, up from an increase of 43,000 bpd seen the previous month supported by healthy mobility.

As per Opec's estimates, global oil demand in the first quarter of 2024 is expected to have grown by 2.4 million barrels per day on year. For 2024, the group anticipates total world oil demand to reach 104.5 million barrels per day. The growth will be supported by strong air travel demand and healthy road mobility, including trucking, as well as industrial, construction and agricultural activities in non-OECD (Organisation for Economic Co-operation and Development) countries, it said.

India's crude imports in April averaged 4.9 million barrels per day, recovering by 8% from the decline seen in the previous month.

FUEL TOP DRIVER

- Opec highlighted that the growing demand will be supported by increased consumption of gasoline and other petroleum products
- LPG and naphtha are also expected to support oil demand over the year
- In the current year, the country is guided for a healthy oil demand growth of 228,000 barrels per day

FREE PRESS JOURNAL, Mumbai, 15.5.2024
Page No. 10, Size:(13.76)cms X (4.56)cms.

THE SUMMIT IS BEING HELD IN ROTTERDAM IN NETHERLANDS FROM MAY 13 TO 15

India showcases its green hydrogen potential at World Hydrogen Summit 2024

IANS / Rotterdam (Netherlands)

India has set up one of the largest pavilions at the World Hydrogen Summit 2024, being held here, to showcase the country's progress in the field of Green Hydrogen.

The India Pavilion, set up by the Ministry of New & Renewable Energy is at the Summit and has been inaugurated by Secretary, Ministry of New and Renewable Energy, Bhupinder S. Bhalla on May 12.

The World Hydrogen Summit, being held in Rotterdam in Netherlands from May 13 to 15, is a prestigious event in the global green hydrogen ecosystem. Around 15,000 delegates from around the world are attending the Summit.

The Indian delegation headed by Bhalla also comprises officials from the Department of Science and Technology, Ministry of Railways, Ministry of Petroleum and Natural Gas and from private sector companies as well.

In addition to various government-government interactions, the summit provides a platform for Indian industry to engage with companies from around the globe.

India launched its National Green Hydrogen Mission in January 2023 with an overall outlay of Rs 19,744 crore and has set an ambitious target to achieve a green hydrogen production capacity of 5 million metric tonnes by end of 2030. Till date, the Ministry of New & Renewable Energy has awarded tenders for setting up of 412,000 tonnes of Green Hydrogen production capacity and 1,500 MW of electrolyser manufacturing capacity.

India has also notified scheme guidelines for use of Green Hydrogen in steel, transport/mobility and shipping sectors. The Department of Science and Technology has initiated Hydrogen Valley Innovation Clusters to foster innovation and promote Green Hydrogen ecosystem in India.

A dedicated portal for the National Green Hydrogen Mission has been launched recently, to serve as a one-stop location for information on the Mission and steps taken for the development of the green hydrogen ecosystem in India.

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Short take

OPEC sticks to oil demand view

Reuters

OPEC stuck to its forecast for strong growth in global oil demand in 2024 on Tuesday and said it would switch to focus on projected demand for OPEC+ crude, reflecting that the wider group is now the main forum for cooperation in the market.

The Organization of the Petroleum Exporting Countries, in a monthly report, said it expected world oil demand to rise by 2.25 million barrels per day (bpd) in 2024 and by 1.85 million bpd in 2025. Both forecasts were unchanged from last month.

This is the last report before OPEC+, which groups OPEC and allies led by Russia, meets on June 1 to decide whether to extend voluntary oil output cuts into the second half of the year. OPEC sounded an upbeat tone on the economic outlook.

"Despite certain downside risks, the continued momentum observed since the start of the year could create additional upside potential for global economic growth in 2024 and beyond," OPEC said in the report.

OPEC+ has implemented a series of output cuts since late 2022 to support the market. The latest cut of 2.2 million bpd is in place until the end of June unless it is extended, as some OPEC+ sources have said it could be.