

Crude oil loses ground on higher US stocks



London: Crude oil prices fell after industry data showed US crude inventories swelled more than expected, though crude futures were still up about three per cent this week as traders factored in continuing conflict in the Middle East. Brent crude futures dropped 73 cents to \$75.31; WTI crude futures shed 74 cents to \$71 a barrel. REUTERS

FinMin to consider ending windfall tax on crude oil

The finance ministry will take a decision on scrapping the windfall tax on local crude oil output, according to Tarun Kapoor, advisor to Prime Minister Narendra Modi. The windfall tax on crude oil was



introduced in 2022 to address excessive profits during periods of high prices. Kapoor noted that since global prices have softened, the tax may no longer be necessary. "The finance ministry will take a view... I think the petroleum ministry has already written to them," he said. **BS REPORTER**

‘FinMin to take call on ending windfall tax on local crude’

Rituraj Baruah &
Manas Pimpalkhare

NEW DELHI

The Union finance ministry will take a call on scrapping the windfall tax on crude oil as weakening prices of the commodity have made the levy irrelevant, said Tarun Kapoor, adviser to the prime minister.

The Union ministry of petroleum and natural gas has written to the finance ministry seeking withdrawal of the levy, Kapoor told reporters on the sidelines of the World Biogas Association India Congress 2024 in New Delhi on Wednesday.

A windfall tax was imposed on locally produced crude oil in 2022 after the Russia-Ukraine war shot up oil prices to multi-year highs, allowing oil and gas companies to make windfall profits. The tax is levied in the form of a special additional excise duty and is notified fortnightly, based on the average oil prices for two weeks.

The windfall tax on the sale of domestically produced crude oil has been nil since 18 September. The windfall tax on the export of diesel and aviation turbine fuel is also zero.

Crude oil prices have been largely subdued despite a volatile market amid the ongoing conflict in West Asia. The December contract for Brent crude oil on the Intercontinental Exchange traded at \$75.63



The windfall tax on the sale of local crude oil has been nil since 18 September. **REUTERS**

per barrel on Wednesday, 0.54% lower than its previous close.

Union minister for petroleum and natural gas Hardeep Singh Puri said on Tuesday that global oil prices may drop since there is no shortage of the fossil fuel. “I think [oil prices] should come down. It depends on global factors. One thing is very clear —there is no shortage of oil in the world. They were producing some 102 million barrels per day earlier, then some voluntary cuts took place,” he said.

In its oil market report for October, the International Energy Agency said world oil demand is on track to expand by just shy of 900,000 barrels per day (bpd) in 2024 and close to 1 million bpd in 2025, marking a sharp slowdown on the roughly 2 bpd seen over the 2022-2023 post-pandemic period.

rituraj.baruah@live-mint.com

Reduced prices of crude oil have made the levy irrelevant, says official

FinMin to take call on scrapping windfall tax

WITHDRAWING LEVY ON CARD

- Tarun Kapoor, advisor to the Prime Minister, said petroleum ministry has written to the finance ministry to withdraw the levy
- Windfall tax is assessed bi-weekly based on average oil prices from the preceding two weeks
- It was first implemented in 2022 following the onset of the Russia-Ukraine conflict, which led to significant spike in oil prices
- Despite ongoing volatility in the West Asian market, crude oil prices have remained subdued
- On Wednesday, the December contract for Brent crude oil traded at \$75.63 per barrel, down 0.54% from its previous closing
- Union minister Hardeep Singh Puri said public PSUs in the energy domain are harnessing AI and machine learning to improve safety, security, and operational efficiencies at various locations

RAKESH KUMAR @ NewDelhi

FINANCE ministry will decide on scrapping the windfall tax on crude oil as significantly reduced prices of the commodity have made the levy irrelevant, said Tarun Kapoor, advisor to the Prime Minister.

Kapoor, speaking at the World Biogas Association India Congress 2024, said petroleum ministry has written to finance ministry to withdraw the levy. "I think the petroleum ministry has written to the finance ministry. Anyway, there is not much relevance in it (windfall tax) now," Kapoor said.

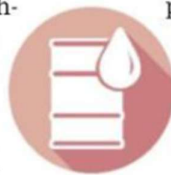
The windfall tax is assessed bi-weekly based on average oil prices from the preceding two weeks. It was first implemented in 2022 following the onset of the Russia-Ukraine conflict, which led to significant spike in oil prices, resulting in substantial profits for oil and gas companies.

As of September 18, windfall tax on domestically produced crude oil has been set to zero,

with similar exemptions for diesel and aviation turbine fuel exports. Despite ongoing volatility in the West Asian market, crude oil prices have remained subdued. On Wednesday, the December contract for Brent crude traded at \$75.63 per barrel, down 0.54% from its previous closing.

Meanwhile, petroleum and gas minister Hardeep Singh Puri addressing media said public sector undertakings (PSUs) in energy domain are also harnessing AI and machine learning (ML) to improve safety, security, and operational efficiencies at various locations. Through advanced tools like demand forecasting, customer analytics, and pricing analytics, AI is enhancing the overall customer experience in the energy sector.

In the upstream oil and gas sector, the minister said, AI-enabled mechanisms such as deep learning are being used to analyse complex seismic data for identifying potential hydrocarbon reservoirs.



● NO RELEVANCE OF LEVY ANYMORE, SAYS OFFICIAL

Govt may scrap windfall tax on crude, says advisor to PM

Move to benefit ONGC, Reliance, among others

ARUNIMA BHARADWAJ
New Delhi, October 23

THE GOVERNMENT IS mulling scrapping windfall tax on crude oil, Tarun Kapoor, advisor to the Prime Minister, said on Wednesday. Noting that there is no relevance of the tax anymore, he said the petroleum ministry had sought its removal and the finance ministry would take a call on it.

"The finance ministry will take a view. I think the petroleum ministry has already written to them," Kapoor said on the sidelines of an event. He said there is no relevance of the tax now as global crude oil prices have declined substantially compared to 2022 when the tax was brought in.

The removal of the tax, if implemented, would benefit upstream companies such as state-owned ONGC and private players like Reliance as a high windfall tax affects their profitability and cash accruals. The two companies in partnership have recently bid for

TARUN KAPOOR, ADVISOR TO PM

THE FINANCE MINISTRY WILL TAKE A VIEW (ON SCRAPPING WINDFALL TAX).

I THINK THE PETROLEUM MINISTRY HAS ALREADY WRITTEN TO THEM



TAX TALES

■ Windfall tax on crude oil introduced in July 2022

■ Govt cut windfall tax on domestically produced crude oil by 11.9% from Aug

■ Windfall tax on export of diesel & ATF was scrapped from September 18

an oilfield exploration licence. The government had first imposed windfall tax in July 2022 on the profits of crude oil producers when the global crude oil prices increased sharply nearing \$100 per barrel on the back of the Russia-Ukraine conflict.

At present, Brent crude oil prices are hovering around \$75 per barrel amid a rise in US crude oil inventories and mounting tensions in West Asia.

The government levies windfall tax when an industry earns large profits unexpectedly. The move was

aimed at curbing unprecedented profits earned by oil companies and generating additional revenue for the government. Windfall tax is reviewed every fortnight on the basis of oil prices and fuel margins in the international market. An increase in windfall tax comes against the prospects of upstream oil companies such as Oil and Natural Gas Corp and Oil India.

Earlier, the government had slashed windfall tax on domestically produced crude oil by 11.9% to ₹1,850 per tonne from previous ₹2,100 per tonne, effective from

August 31. It was later scrapped, effective September 18. Windfall tax on the export of diesel and aviation turbine fuel (ATF) was retained at nil.

Due to a slight lag in windfall tax adjustments compared to changes in prices of Brent crude, the country's upstream companies are expected to witness only a marginal growth in their net crude realisations in Q2FY25 compared to the previous quarter, according to analysts.

"Due to a slight lag in windfall tax adjustments in Q2FY25, relative to changes in Brent crude prices, net crude realisations are set to show nearly \$2 per barrel improvement quarter-on-quarter," ICICI Securities had said. Analysts see limited change in effective gas realisations, with a cap of \$6.5 per MMBtu. Oil India and ONGC are expected to deliver a similar trend in oil and gas production, with both companies likely showing 1% each on-quarter improvement in their oil and gas output. "Overall, Ebitda for both upstream companies may improve 1% q-o-q and 1% year-on-year, while PAT (profit after tax) will likely improve by 4% on a q-o-q basis with a decline of 12% y-o-y," according to ICICI Securities.



OMCs allocate 837 cr litres of ethanol to distilleries for supply in 2024-25

Our Bureau
New Delhi

Oil Marketing Companies (OMCs) have allocated 837 crore litres of ethanol to distilleries for supply during the 2024-25 Ethanol Supply Year (ESY), which runs from November to October.

Of this, the contribution of the biofuel to be made out of damaged foodgrain (a term used for rice) will be 94 crore litres. It will have to be produced from over 2 million tonnes (mt) of rice.

As the sugar-based distilleries are expanding to dual-based feedstock with creation of 126 crore litres so far, and with the rise in standalone grain-based distilleries (capacity 742 crore litres in total so far) coming up in last few years, the capacities have substantially gone up to 868 crore litres.

On the other hand, sugar-based distilleries have a capacity to produce 941 crore litres of ethanol.

Of this, 815 crore litres are by only molasses-based and 126 crore litres by dual feed plants.

The latest allocation of OMCs show the importance of grain-based distilleries, which rely mainly on maize (corn).

FIRST 2 QUARTERS ALLOCATION

The allocation in the first two quarters (November-April) of 2024-25 show that OMCs will buy 235 crore litres from sugar-based plants — 185 crore litres to be made of sugarcane juice/syrup, 44 crore litres out of B Heavy Molasses (BHM) and 6 crore litres from C Heavy Molasses (CHM).

On the other hand, as high as 231 crore litres will be purchased from grain-based distilleries, out of which 188

The companies have placed orders for 525 cr litres of ethanol with grain-based distilleries to be made from 11 million tonnes of corn and 2 million tonnes of rice

crore litres have to come from maize as feedstock and the remaining 43 crore litres from rice as feedstock.

However, OMCs have not mentioned the price they will purchase the ethanol at.

The distilleries hope that OMCs will soon announce the new rates to be applicable in 2024-25 ESY, raising the ethanol prices from the previous levels.

LAST 2 QUARTERS DEMAND

The first two quarters are important for the sugar mills as the crushing season also coincides with ethanol and maximum quantity is produced in these six months.

For the last two quarters of ESY, sugar-based distilleries have received orders worth 75 crore litres, which is less than 25 per cent of their total order of 312 crore litres for the whole year.

At macro level, the maize-based distilleries have received orders worth 431 crore litres, which is nearly 52 per cent of the 837 crore litres OMCs are to buy in 2024-25 ESY.

This is followed by 189 crore litres from sugarcane juice, which is 23 per cent share in the total order, BHM at 114 crore litres (14 per cent), damaged foodgrains at 94 crore litres (11 per cent) and CHM at 9 crore litres (1 per cent).

Puri: AI adoption a 'necessity' for oil and gas sector



THE ADOPTION OF artificial intelligence has become a necessity for optimising operations in the

oil and gas industry, as India navigates the complexities of global energy markets, petroleum and natural gas minister **Hardeep Puri** said at the 15th edition of Global Energy Conclave-ENRich 2024 on Wednesday. He said public sector undertakings are increasingly adopting AI and machine learning technologies to enhance security, operational efficiency, and for demand forecasting. "Upstream oil and gas sector companies can use AI-enabled mechanisms like deep learning to analyse complex seismic data to identify potential carbon reservoirs," Puri said. —ANI

Sugar mills ask for hike in ethanol prices

M. Soundariya Preetha

COIMBATORE

The Indian Sugar and Bio Energy Manufacturers Association (ISMA) is pushing for a hike in prices for ethanol supplies by sugar mills to oil marketing companies (OMCs), that have not been raised for two years while sugarcane and input costs had risen along with conversion rates.

“We hope the government will announce an increase in ethanol prices soon,” ISMA director general Deepak Ballani told *The Hindu*. For the ethanol supply year, sugar mills expect diversion of about 40 lakh-42 lakh tonnes of sugar to ethanol production.