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# Coal, the dirtiest fossil fuel, prepares for a long goodbye

**Thanks to a combination of China's energy insecurity, rising Indian demand, fallout of the war in Ukraine, and faltering international programmes to wean developing economies off fossil fuels, coal is proving remarkably resilient**

BLOOMBERG
24 March

More than two years after climate negotiators first attempted to consign coal to history, the dirtiest fossil fuel is having a moment.

Thanks to a combination of China's energy insecurity — pushing Beijing back to trusted power sources — plus rising Indian demand, the continued fallout of the war in Ukraine and faltering international programmes to wean developing economies off fossil fuels, coal is proving remarkably resilient. Output hit a record last year, and producers are preparing for a future where they will be required for decades yet to balance renewable energy.

Even prices are holding up. While thermal coal is trading at just a fraction of the lofty levels reached in 2022, after Russia's invasion of its neighbor, prices are still well above historic norms. Benchmark Newcastle coal futures are changing hands just under $130 a tonne, roughly a quarter of the peak but higher than any level between 2011 and 2020.

Much of this second wind is down to Asia. In 2000, the International Energy Agency estimated advanced economies accounted for almost half of coal consumption. By 2026, China and India alone will make up more than 70 per cent. Those two heavyweights and Indonesia started operating new coal power plants amounting to 59 gigawatts last year, and either launched or revived proposals for another 131 gigawatts — about 93 per cent of the world's total, according to Global Energy Monitor.

"You look at Asia, the demand and the build out of coal-fired power plants, particularly in India — coal's not going anywhere anytime soon," Rob Bishop, chief executive officer of Australian miner New Hope, said in an interview.

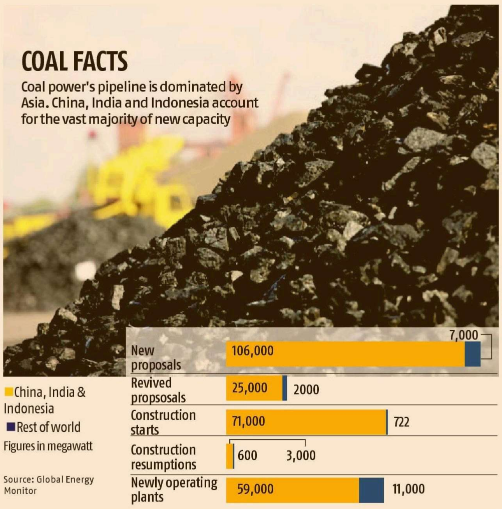
The extended final act will be a vindication for fossil fuel executives, who have long argued against the feasibility of shifting swiftly out of carbon-intensive power, pointing out benefits in terms of reliability and cost. A mention of coal's buoyancy earned Saudi Aramco CEO Amin Nasser a round of applause at a major energy conference in Houston last week.

It's less good news for efforts to curb carbon emissions and reach global climate goals.

For years, analysts expected coal production to plateau after it hit a then-record in 2013. Funding, after all, was drying up. Then came 2021, when power shortages in China set Beijing on a path to order more mining to ensure energy security.

In 2022, Russia's invasion of Ukraine and blackouts during heatwaves in India further bolstered coal demand. By last year, output had risen to a record 8.7 billion tonnes, according to the IEA.

That figure is expected to drop this year. But the agency expects it to stabilise through 2026 — in line with industry forecasts of a long goodbye.




All of this is visible on the ground. In China, which produces and consumes half the world's coal, miners are struggling to maintain growth rates after boosting output 21 per cent over the past three years to 4.7 billion tonnes. Low-cost reserves have mostly been tapped, leading companies to dig deeper, more expensive mines. Fatalities have also started rising after years of declines.

Record amounts of new solar panels and wind turbines, along with a rebound in hydropower and steadily growing nuclear generation, mean low-carbon energy will likely exceed the growth in electricity consumption, according to the Centre for Research on Energy and Clean Air.

But that clean energy will also be coal's lifeline, said Zhang Hong, deputy secretary— general of the China National Coal Association. Renewable power only generates when weather permits, so even as other baseload options emerge, cheap and reliable coal will still play a role.

"The next 10 to 15 years will remain a crucial strategic window," Zhang said.

India is the one country where the IEA forecasts coal output to grow this year, with production set to top 1 billion tonnes for the first time. Prime Minister Narendra Modi needs to meet growing energy demand while reducing reliance on expensive imports. Yet even after a surge in renewables, nuclear, hydropower and other baseload options have fallen short — so coal is expected to remain the dominant source of power at least until the end of this decade.

Indonesia, meanwhile, the world's top thermal coal exporter, sees production stable for the next two years. That's partly to feed surging domestic demand from a booming, power-hungry nickel processing sector, even if lower prices eventually cool enthusiasm.

But it's also evidence of the difficulty of accelerating the end of coal where economies have newer plants, rising energy demand and an urgent need to create jobs.

In 2022, Jakarta agreed to a $20 billion green deal with wealthy governments and financial institutions that would, among other things, close coal power stations early. Coal phaseouts, however, have proved far more challenging than anticipated. Landmark deals remain on the negotiating table.

Coal's days are numbered, of course. Advances in solar and wind have made those technologies far cheaper than coal power in most parts of the world, and similar gains for batteries and energy storage systems could finally make around-the-clock renewable power affordable enough to transform the energy mix.

But for now, the transition is testing years-long expectations of rapid peaks and subsequent steep declines.

"We see that the world needs more operators to mine coal and support the transition over many decades to come," New Hope's Bishop said.

FREE PRESS JOURNAL, Mumbai, 25.3.2024
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# Gas refill quota shock: Residents denied essential cooking fuel

THE GOAN | NETWORK

**MAPUSA**
In a surprising turn of events, residents relying on LPG gas for cooking faced a rude shock as routine gas refills were denied due to purported quota exhaustion, leaving many scrambling for explanations and solutions.

A resident of Assagao, Owen Braganza was taken aback when his scheduled gas cylinder refill was not delivered as expected.

Upon inquiry at Goa Gas Service, the local Bharat Gas dealer in Mapusa, Braganza was informed that he had exceeded his annual quota for refills.

Despite following the standard booking procedure, Braganza found himself without a refill and was directed to submit an additional application for consideration.

Expressing confusion and concern, the Assagao resi-

▸ read more on **thegoan**.net

ECONOMIC TIMES, Delhi, 25.3.2024
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# ONGC to Drill Well in Bihar

## First drilling will be done this year in Samastipur and is likely to cost ₹30-35 crore

Sanjeev.Choudhary
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**New Delhi:** Oil and Natural Gas Corp (ONGC) is planning to drill a well in Bihar this year to look for oil and gas. A commercial discovery will not just put the state on India's oil map but also open up for exploration the entire Ganga basin stretching from Bihar to Uttar Pradesh and Punjab.

Sushma Rawat, director (exploration) at ONGC, told ET that the company has acquired 3D seismic data for 300 sq km for its block in Samastipur, Bihar, and is now planning to drill two exploratory wells. The first drilling will be done this year and may cost ₹30-35 crore, she said.

Data from the first well's drilling will help guide the company's plans for the rest of the exploration block, including the planned drilling of the second well.

Exploratory drilling was last undertaken in Bihar about half a century ago. Since then, a lot of seismic data have emerged and drilling of wells can help calibrate that.

"This one well will open up the entire basin for future exploration, of which we are very hopeful," said Rawat. And if a commercial discovery is made, it will change the "energy scenario as well as lead to the development of local industry around the oil and gas production area".

ONGC, India's largest oil and gas producer, also plans to drill an exploratory well in another block in the Ganga basin in Ballia, Uttar Pradesh, but has been facing hurdles in acquiring land.

**Data from the first well's drilling will help guide the company's plans for the rest of the exploration block**

Both blocks in Samastipur and Ballia were obtained in the fourth Open Acreage Licensing Policy (OALP) round a few years ago.

"We don't require a very big patch (for well). It's just 130x130 or 150x150 meters of land. It's a small parcel but still difficult to acquire as over the years, the number of owners (for a land parcel) increases and convincing each and every owner is difficult," Rawat said.

In the absence of full property division within families, some land parcels tend to be collectively owned by multiple family members, coordinating with whom is a challenge.

"We reassessed the subsurface data. Then we shifted the on-surface location so that we can drill an inclined or a deviated well. Now we are in the process of finalising the acquisition of that land," Rawat said on shifting the well location in Ballia. "There is a lot of support required from the local administration."

ONGC and other explorers have to directly deal with land owners to acquire land.

Explorers get licence to explore an oil and gas block for a limited time. They have to undertake seismic surveys, obtain multiple clearances from several authorities, and drill wells in the given time to know if the area has commercially exploitable resources.


FILE PHOTO

OMCs STARE AT UNDER-RECOVERIES

# The mirage of pricing freedom

ARUNIMA BHARADWAJ
March 24

**JUST AS THE** retail market dynamics have become favourable for the state-owned oil marketing companies (OMCs) and enabled them to make profits big enough to offset the losses incurred last year, they came under apparent pressure from a poll-bound government. They cut auto fuel prices by ₹2/litre effective March 15. Worse, the move coincided with escalating crude oil prices (around $85.81/barrel last Thursday for the Indian basket), raising fresh concerns about their profitability, and ability to keep the aggressive capital expenditure plans.

The volatility in the global crude oil market due to geopolitical tensions has constrained the ability of the three firms — Indian Oil, Bharat Petroleum and Hindustan Petroleum — from registering sustained healthy marketing margins over the last couple of years. Strong refining margins, however, came in handy and are expected to provide a cushion through FY25 as well.

Petroleum minister Hardeep Singh Puri said OMCs' pricing decisions would be based on their assessment of market conditions and profitability, but analysts aren't fully convinced. With the latest price reductions, industry estimates an immediate hit to these companies' marketing margins. "We estimate an impact of ₹33,000 crore on Ebitda and topline of private and public sector undertakings (OMCs). There would be some pressure on marketing margins. However, the gross refining margins (GRMs) are in double digits and are expected to be healthy in FY25 also. There would be some compensation by GRMs," said Prashant Vasisht, senior vice president and co-head, Corporate Ratings, Icra.

Nomura noted that OMCs have a "7-10% sensitivity to FY25 Ebitda," if refining margins are $1/bbl higher than factored in. However, if crude oil prices continue to rise in the short term, they could face under-recoveries from petrol and diesel sales for the next year. "Currently, the under-recoveries are marginal or there's break-even for diesel. Petrol sales aren't loss-making yet, although the margins are low. However, if crude oil prices continue to rise or remain elevated at $87-$90 per barrel, then under-recoveries could start again and stay through FY25 as in FY23," Vasisht said.

Another analyst who did not wish to be identified noted that marketing margins of OMCs have reduced by ₹1.5 per litre after the price cut. As per Nomura, diesel margins have declined to below normative levels to ₹0.9 per litre and gasoline margins have declined to below normative levels of ₹1.7 per litre.

In fact, for a long time now, OMCs have failed to enjoy healthy marketing margins for a sustained period of time.

This is despite the fact that officially, auto fuel pricing is market-determined. The UPA government in 2010 had deregulated pricing of petrol, and started the process of freeing diesel prices in 2013 with monthly incremental hikes of 50 paisa/litre. The Narendra Modi government completed the process and announced complete deregulation of diesel prices in the light of the under recoveries faced by OMCs on the transport fuel.

"Refining margins have been healthy and may now correct a bit. The companies will also need to augment capex. But when the equity is eroding for two consecutive years, why will the investor even look at them? Sentiments might remain negative, these (stocks) will be available at below book values," said another analyst. Amid these uncertainties, the three OMCs have ramped up their capex plans for the next fiscal year. BPCL in an investor call in January set its capital expenditure target for FY25 at ₹15,000 crore and announced plans to expand its market networks with new pipeline projects underway.

Similarly, IOC and HPCL have set their capex targets at ₹30,910 crore and ₹12,500 crore respectively in FY25. IOC, the country's top oil refiner with a market share of over 43%, plans the bulk of investment in expansion and upgradation of its seven refineries. HPCL and BPCL hold another over 25% market share each in the country's fuel sector.

The OMCs had incurred heavy losses in the first two quarters of the financial year 2022-23, when crude prices skyrocketed on the back of Russia-Ukraine conflict, but have recouped their losses in the beginning of FY24.

The latter half of the second quarter again saw a great volatility in the oil market, owing to the production cuts by Saudi Arabia and Russia, in addition to those already in place by the Organization of Petroleum Exporting Countries. Crude prices, as a result, touched their highest level of $97/bbl since November 2022. Added to the concern was the outbreak of the Israel-Hamas war. The moot question is: is the sector really deregulated? "On paper, it is deregulated with respect to diesel and petrol. It is (unlikely) the government would allow complete and proper deregulation ... there would be some control," Vasisht said. The industry also expects the OMCs to increase the fuel prices once the elections are over.

"The Indian downstream sector is currently in a three-pronged challenging environment - global volatility leading to dynamic management of profitability, energy transition leading to rapidly changing product portfolio, and competition for customers leading to dramatic sharpening of front end businesses," said Gaurav Moda, partner, Energy Sector Leader from EY India.

"Every $1 increase in crude prices reduces margins by 30-40 paisa per litre," said another analyst. "Because of the price reduction and in the run up to the elections, they (OMCs) may be exposed to (rising) oil prices but once elections are over, there could also be price hikes."

THE BIG PICTURE

WITH THE LATEST PRICE REDUCTIONS, INDUSTRY ESTIMATES AN IMMEDIATE HIT TO OIL MARKETING COMPANIES' MARKETING MARGINS.

## SHRINKING MARGINS

**Auto-fuel marketing margins of the OMCs**

Blended marketing margins of auto-fuels increased sharply to ₹5.1/litre in Q4FY24-TD current margins (after price cut) are at ₹1.1/litre


Source: Nomura research

**Retail outlets**

IOCL 36,285

BPCL 8,000

HPCL 21,186

# Venezuela, India's fifth largest crude oil supplier

**Rishi Ranjan Kala**
New Delhi

In February, Indian refiners took advantage of the US sanctions waiver on Venezuela to increase crude oil imports from the South American country to over 175,000 barrels per day (b/d), making it the fifth-largest supplier.

Trade sources and refiners said that imports are continuing at a "healthy pace" during March but at lower levels compared with last month. After the US lifted sanctions on Venezuela for six months—beginning October 18, 2023—India has been procuring cargoes from December 2023, after a hiatus of over three years, emerging as the largest buyer of crude oil in January 2024 from the country with the world's largest proven oil reserves.

As per energy intelligence firm Kpler, the world's third largest importer secured more than 2,54,000 b/d in January and over 1,91,000 b/d in December 2023 from Venezuela. Until 2019, India was Venezuela's third largest purchaser, after the US and China, importing roughly 3,00,000 b/d on average.

**SECURING CARGOES**

Viktor Katona, Kpler's Lead Crude Analyst, told *businessline* that Indian refiners exploited the US sanctions waiver in less than a month after the lifting of sanctions. India's refining system is one of the most sophisticated in the world, so the likes of Reliance Industries (RIL) or Indian Oil Corporation (IoC) would want to buy heavier grades, even with higher levels of sulphur, because they can convert residue into diesel and gasoline, the high-value products, he explained.

Even though RIL took the lead in February, importing two very large crude carriers (VLCCs), IoC and HPCL-Mittal Energy (HMEL) also participated in sharing one VLCC tanker worth of cargo. RIL bought its first cargo that was already loaded in early December 2023 (aboard M/T Gustavia S).

When asked about the scenario in March, Katona said, "After Indian buyers received three cargoes in February, March should see the arrival of three new cargoes again (of this, two have already discharged to Jamnagar - Nissos Kea and Eurohope), whilst one Phoenix Vigor is en route and should start discharging March 31. So after a three-year high of 1,75,000 b/d in February, March should see a marginal decline to 1,55,000 b/d." Back in the day when Venezuelan grades were off-market and only Chinese buyers were in, a cargo of Merey would be priced around $20 a barrel to Brent, however, by now, with Venezuelan crude trading freely, a cargo of Merey would be discounted only to $8 to Brent. So the sanctions waiver also lifted Venezuelan prices massively, he added.

However, the threat of reimposition of sanctions by the US, after April 18, due to no visible progress between Venezuela's President Nicholas Maduro and Unitary Platform, particularly on allowing all presidential candidates to compete in the election, has threatened to impact the trade. But, an official with a domestic refiner said that so far imports are continuing and even if sanctions are imposed, the impact on imports would 'not be substantial'.

NAVBHARAT TIMES, NOIDA, 25.3.2024
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## CAQM ने ज़िले की 23 औद्योगिक इकाइयों में की कार्रवाई

# पीएनजी में कन्वर्ट न करने पर 47 डीज़ल जनरेटर किए सील

■ सिद्धार्थ अग्रवाल, ग्रेनो

कमीशन फॉर एयर क्वॉलिटी मैनेजमेंट (सीएक्यूएम) ने नोएडा और ग्रेनो की औद्योगिक इकाइयों में डीजल से संचालित जनरेटर (डीजी सेट) के चलने पर कार्रवाई की है। कमीशन ने जिले की औद्योगिक इकाइयों में लगे डीजी सेट को पीएनजी में नहीं बदलने पर 23 से अधिक इंडस्ट्रीज में लगे डीजी को सील कर दिया है। उद्योगों के बाद शहर की हाईराइजिंग बिल्डिंगों में चलने वाले जनरेटरों की जांच की जाएगी। यदि बिल्डरों और रेजिडेंट्स ने डीजल जनरेटर नहीं बदले होंगे तो उन्हें भी सील किया जाएगा।

उत्तर प्रदेश प्रदूषण नियंत्रण बोर्ड (यूपीपीसीबी) के क्षेत्रीय अधिकारी डीके गुप्ता ने बताया कि सीएक्यूएम के आदेश पर प्रदूषण नियंत्रण बोर्ड ने एक अक्टूबर से सभी औद्योगिक इकाइयों में जनरेटर चलाने पर पाबंदी लगाई थी। हाल ही में ग्रैप खत्म हो गया, लेकिन प्रदूषण का स्तर कम नहीं हो रहा है। औद्योगिक इकाइयों में अब भी पीएनजी की जगह डीजल जनसेट ही चल रहे हैं। कुछ जगह हमे डीजी सेट को सील लिया है। कुछ इंडस्ट्री संचालकों को समय दिया है। इस कार्रवाई कोई रियायत नहीं दी जाएगी।

### अब सोसायटी का नंबर

डीके गुप्ता ने बताया कि शहर के अस्पतालों ने अपने जनरेटर में पीएनजी किट लगवा ली है। छोटे नर्सिंग होम जहां 23-24 केवीए के जनरेटर लगे हैं, वहां बदलने की जरूरत नहीं है। हाउसिंग सोसायटियों में पावर बैकअप के लिए डीजल जनरेटर का उपयोग किया जाता है। जल्द ही इनकी जांच की जाएगी। जहां भी डीजल जनसेट पाया जाएगा। उन्हें नोटिस जारी कर सीलिंग की कार्रवाई की जाएगी।

RASHTRIYA SAHARA, Delhi, 25.3.2024
Page No. 13, Size:(8.76)cms X (14.41)cms.

# यूएई की कंपनी को रणनीतिक भंडार से तेल निर्यात की अनुमति

**नई दिल्ली (भाषा)।** सरकार ने अबू धाबी नेशनल ऑयल कंपनी (एडनॉक) को मंगलौर में भूमिगत रणनीतिक भंडार में संग्रहीत कच्चे तेल का निर्यात करने की अनुमति दी है। वाणिज्य और उद्योग मंत्रालय ने एक आदेश में शनिवार को कहा कि यूएई की फर्म को परिचालन संबंधी लचीलापन देने के लिए यह फैसला किया गया।

इस समय आईओसी के अलावा किसी को कच्चे तेल का निर्यात करने की अनुमति नहीं है। मंत्रालय ने कहा कि आईओसी के माध्यम से निर्यात की अनुमति की शर्त जारी रहेगी, लेकिन 'एएमआई (एडनॉक मार्केटिंग इंटरनेशनल (इंडिया) आरएससी लिमिटेड इंडिया) को एसटीई शर्तों से छूट दी गई है।'