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Global Oil Supply in Surplus as Demand Remains Muted: ONGC Chief

Our Bureau

New Delhi: The global oil market appears to be facing a problem of plenty with producers having a combined spare capacity of 9 million barrels a day (mbd) at a time when demand is muted, ONGC chairman Arun Singh said.

"We are moving into an era of plenty," Singh said during a panel discussion on Thursday. "The world has 9 mbd of surplus capacity lying in the valves. All you have to do is open the valves," he said, referring to the spare capacity at major producers such as Saudi Arabia, UAE, Iraq, Guyana, Canada, and the US.

The last quarter of 2025 may see a surplus of 1 million barrels "unless they remove this from the market," Singh said.

The world currently produces around 100 mbd of crude, and the producer cartel OPEC+ member countries have kept more than 5 mbd of production capacity unused to support prices.

Global oil demand has been muted in 2024 due to slower economic growth and a shift to alternative fuels. China's economic troubles and its rapid shift to EVs have slowed oil consumption.

"Oil demand worldwide, including in India, is not the same as it used to be," Singh said. India's oil demand will continue to grow at around 3-4%, but global growth will remain muted, Singh added.

The demand-supply imbalance has prompted international oil companies to scale back exploration, Singh said, adding that India has no option but to continue exploring, as it is dependent on imports.

The current international trend towards deglobalisation "will not last long," said Singh, referring to nations' insistence on onshoring manufacturing.

गेल
GAIL

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Indian petroleum product exports escape US tariffs

Exemption may not significantly alter existing exports

SUBHAYAN CHAKRABORTY
New Delhi, 3 April

The baseline 10 per cent tariff on all imports to the US — and higher for many major trading partners — will not apply to crude oil, natural gas, and refined products, the White House said on Wednesday. It will save India's oil and petroleum exports to the US, valued at $5.8 billion in financial year 2023-24 (FY24), from being burdened with import duties.

The US is India's largest exporter, with total outbound trade reaching $60 billion in the April-December period of FY25. Within this, refined petroleum exports stood at $3.15 billion. The US was the fourth-largest destination for Indian petroleum in the first nine months of FY25. The top three spots were taken by Netherlands ($10.89 billion), UAE ($ 4.74 billion) and Singapore ($3.83 billion).

The majority of petrochemical exports to the US comprised specialised light oils. This refers to petroleum oils and those obtained from bituminous minerals, other than crude. In FY25, other light oils and preparations ($2.5 billion), petrol ($538.2 million), and other petroleum oils ($105 million) made up the entirety of sectoral export to the US.

The US was the fourth-largest destination for Indian petroleum in the first nine months of FY25

India exported 26.25 million barrels of refined products to the US in 2024, down from 39.5 million in 2023, according to the US Energy Information Administration. No crude oil was exported last year.

Petroleum ministry officials said the latest exemption is not expected to significantly alter existing exports to the US. "It's a time of flux and trade patterns are changing. But we do not expect to see a major uptake of Indian (energy products) by the US in the short term," an official said. India doesn't feature in the top 15 sources of crude oil or refined petroleum products for the US, a list which is dominated by Canada. Mexico and Saudi Arabia are also significant contributors to US energy imports.

On the other hand, the government is facing pressure from Washington to ramp up buying of US liquified natural gas. During Prime Minister Narendra Modi's US visit in February, India had committed to raise its purchase of US energy to $25 billion. While the Presidential administration of Donald Trump is keen on India negotiating term contracts with US producers, both Indian oil marketing companies (OMCs) and gas importers had earlier said they are still weighing their options.

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Muted impact seen on energy exports

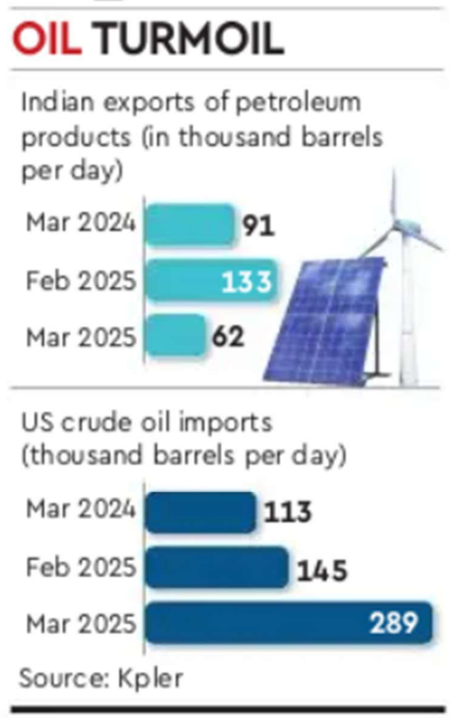
ARUNIMA BHARADWAJ
New Delhi, April 3

THE EXEMPTION OF US energy products from reciprocal tariffs comes as relief to the energy majors, with Indian exports of petroleum products likely to witness a muted impact, industry players say.

The industry believes that tariff announcements are unlikely to pose a threat to the Indian oil and gas sector, at least, in the near term.

"US' share in the Indian petroleum products export has been in the range of 6-8% over the last 2-3 years. This, coupled with the fact that petroleum products have been exempted from the recently announced tariffs, point towards a muted impact of these tariffs on Indian exports of petroleum products. Any change in the crude sourcing mix on account of these tariffs remains to be seen," said Ankit Jain, vice president & sector head, corporate ratings, ICRA.

While the US imposed reciprocal tariffs of 27% on India, some goods, including energy and other certain minerals, have been exempted from the tariffs. The exemptions come as a relief to the energy markets which have been concerned about disruptions in flows and higher costs.



However, the tariffs, wherever applicable, might slow down the global economic activity, exerting downward pressure on crude oil prices. India, being one of the largest importers of crude oil, might stand to benefit from lower oil prices.

Furthermore, the announcement only increases the possibility of strengthening of energy trade between the two countries.

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Oil Is Not Well

The Delhi High Court's recent verdict in the ONGC-RIL suit puts the spotlight on judicial intervention in arbitration awards.

SHIVANAND PANDIT

The Delhi High Court has ruled in favour of the government in a long-standing gas migration dispute between ONGC and a Reliance Industries (RIL)-led consortium. This decision has overturned an earlier verdict by an international arbitration tribunal, which had favoured RIL. The judgment is expected to have significant implications for India's oil and gas sector, potentially influencing future contractual obligations related to shared reservoirs.

In mid-February 2025, a division bench of the Delhi High Court had sought a response from RIL and its partners regarding the government's appeal. The appeal had accused the Mukesh Ambani-led conglomerate and its associates of committing an "insidious fraud" and engaging in "unjust enrichment" by allegedly siphoning gas from deposits outside their rightful claim.

The dispute, which dates back to 2014, centres on gas migration from ONGC's block to an adjacent block operated by RIL and its partners. Over the years, it has been the subject of multiple judicial and arbitration proceedings. Following the high court's ruling, the government has issued a demand of $2.81 billion against RIL and its partners.

The dispute originates from a production-sharing contract (PSC) signed in 2000 between a consortium led by RIL and the Union government, granting RIL the rights to explore and extract natural gas from the Krishna Godavari (KG) basin off the coast of Andhra Pradesh. The contract outlined various entitlements, responsibilities and revenue-sharing arrangements.

Commercial production commenced in April 2009 from assets located adjacent to State-owned ONGC's Godavari petroleum and mining lease and the KG-DWN-98/2 block. At the time, RIL had held a 60 per cent stake in the KG-D6 block, while BP and Niko Resources had owned 30 and 10 per cent respectively.

The conflict emerged in 2013, when ONGC accused RIL of illegally extracting natural gas from its adjacent blocks in the KG basin. ONGC had alleged that RIL had drilled wells near the boundaries of its hydrocarbon fields, enabling gas to migrate from ONGC's blocks to RIL's KG-D6 block between 2009 and 2013. The State-run company had claimed that this unauthorised extraction had led to RIL's "unjust enrichment."

In 2013, ONGC had approached the Delhi High Court, seeking compensation for losses incurred due to extraction of gas. The court had directed the government to make a decision based on an independent study by global consultant DeGolyer and MacNaughton (D&M), which confirmed reservoir connectivity between the two blocks. As a result, in 2016, the government had demanded $1.55 billion from RIL and its partners for gas allegedly migrating from ONGC's block.

RIL had challenged this demand before an international arbitration tribunal, which had ruled in its favour in July 2018. In May 2023, a single judge of the Delhi High Court had dismissed the government's appeal against the arbitration award. The government had then filed an appeal before the division bench of the Delhi High Court, which ultimately ruled in its favour.

Impact on RIL

A division bench of the Delhi High Court, comprising Justice Rekha Palli and Justice Saurabh Banerjee, has overturned a May 2023 single bench ruling, along with the arbitral award, deeming them "contrary to the settled position of law". The court held that the arbitral award in favour of RIL was marred by "patent illegality" and violated India's public policy and the public trust doctrine. Furthermore, it stated that since RIL is an Indian entity and the opposing party is the Government of India, the arbitration must be treated as a domestic dispute.

RIL had invoked the arbitration clause under the terms of the contract, opting for resolution through an international arbitration tribunal. In 2018, the tribunal had ruled in

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RIL's favour, dismissing the government's claims and asserting that the PSC did not prohibit contractors from extracting and selling gas that had migrated from an external source. However, in May 2023, the government had contested the ruling once again, citing a violation of public policy and accusing RIL of unlawfully accumulating wealth.

RIL has consistently refuted these allegations, maintaining that it has operated in compliance with the contract. The company, relying on legal counsel, has stated that the division bench's judgment and the corresponding provisional demand are "unsustainable". In a stock exchange filing, RIL has announced its intention to challenge the high court's verdict and asserted that it does not anticipate any financial liability in this regard.

The company may escalate the matter to the Supreme Court. If the order remains in force, the Oil Ministry will have the authority to enforce its claim of $2.81 billion against RIL and its foreign partners. Meanwhile, in a strategic move, RIL and its partner BP have for the first time being collaborated with State-run ONGC to bid for an exploration block in the Gujarat-Saurashtra basin jointly. This bid falls under the ninth round of oil and gas asset auctions, conducted as a part of the Open Acreage Licensing Policy.

Broader implications

The Delhi High Court's reliance on "public policy" to annul an arbitration award has sparked legal concerns. In India, public policy remains an evolving and inconsistently-interpreted concept, with different Supreme Court benches offering varied perspectives over time. While intended as a safeguard against fraud and unethical conduct, it can also serve as a means to overturn unfavourable arbitration rulings, potentially undermining the finality of commercial dispute resolution.

The conflict emerged in 2013, when ONGC accused RIL of illegally extracting natural gas from its adjacent blocks in the KG basin.

Oil disputes are inherently intricate, involving questions of jurisdiction, contractual obligations and technical complexities.

Oil and gas disputes are inherently intricate, often involving questions of jurisdiction, contractual obligations, trading terms and technical complexities. To sustain investors' confidence in India's hydrocarbon sector, a more predictable and robust dispute resolution framework is essential. The Delhi High Court's decision could have significant repercussions, reigniting legal battles over financial liabilities in the energy sector, while raising concerns about judicial intervention in arbitration.

The Arbitration and Conciliation Act, 1996, was enacted to limit judicial interference in arbitration proceedings. However, this ruling sets a precedent for increased court scrutiny, which could make foreign investors and energy partners more cautious about arbitration in India. Legal certainty and contract enforcement play a crucial role in the ease of doing business, and this decision may deter companies from choosing India as a preferred jurisdiction for resolving commercial disputes. Consequently, the ruling could impact future foreign direct investment in the oil and gas industry.

With the arbitration award annulled, RIL is expected to challenge the verdict before the Supreme Court, prolonging the legal battle. The case has reignited a broader debate on striking a balance between judicial review and the sanctity of arbitration awards.

The Supreme Court's stance will be pivotal in determining whether arbitration in India remains a credible and independent mechanism for resolving high-stakes commercial disputes. While the Delhi High Court's ruling aims to protect the public interest and prevent alleged unjust enrichment, it may also lead to unintended consequences for India's arbitration framework and investment climate. Both legal and business communities will be closely watching the next developments in this high-profile case.

(The author is a tax specialist based in Goa.)

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Oil slumps over 7% on tariffs, OPEC+ boosting output

REUTERS
Houston, April 3

OIL PRICES FELL on Thursday as the decision by the OPEC+ group to speed up its unwinding of oil output cuts in May compounded already heavy losses following US President Donald Trump's announcement of sweeping new tariffs.

Brent futures were down $5.33, or 7.11%, at $69.62 a barrel by 15.04 GMT. US West Texas Intermediate crude futures were down $5.59, or 7.80%, at $66.12.

Brent was on course for its worst percentage drop since August 1, 2022, and WTI its worst since July 11, 2022.

"Obviously, there's a lot of fear and moaning this morning," said Phil Flynn, senior analyst with Price Futures Group.

"A lot of people didn't think Trump would go through with it and he did."

At a ministers' meeting on Thursday, OPEC+ countries agreed to advance their plan for oil output hikes, now aiming to return 411,000 barrels per day to the market in May, up from 135,000 bpd initially planned.

"The economy and oil demand are inextricably linked," said Angie Gildea, KPMG U.S. energy leader.

"Markets are still digesting tariffs, but the combination of increased oil production and a weaker global economic outlook puts downward pressure on oil prices — potentially marking a new chapter in a volatile market."

Oil prices were already trading some 4% lower prior to the meeting, as investors reacted to Trump's tariffs with concerns that they would escalate a global trade war, curtailing economic growth and limiting fuel demand. Trump on Wednesday unveiled a 10% minimum tariff on most goods imported to the United States, the world's biggest oil consumer, with much higher duties on products from dozens of countries.

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OPEC+ to raise crude oil output by 411,000 b/d in May

Our Bureau
New Delhi

Eight key members of the OPEC+ grouping on Thursday announced a cumulative crude oil output ramp up of 4,11,000 barrels per day (b/d).

The eight OPEC+ countries — which previously announced additional voluntary adjustments in April and November 2023, namely Saudi Arabia, Russia, Iraq, UAE, Kuwait, Kazakhstan, Algeria and Oman — met virtually on April 3, 2025, to review global market conditions and outlook, OPEC said.

"In view of the continuing healthy market fundamentals and the positive market outlook, and in accordance with the decision agreed upon on December 5, 2024, subsequently reaffirmed on March 3, 2025, to start a gradual and flexible return of the 2.2 million barrels per day (mb/d) voluntary adjustments starting from April 1, 2025, the eight participating countries will implement a production adjustment of 411,000 b/d, equivalent to three monthly increments, in May 2025," OPEC said.

SUPPORTING STABILITY

The gradual increases may be paused or reversed subject to evolving market conditions, it added.

This flexibility will allow the group to continue to support oil market stability. The eight OPEC+ countries also noted that this measure will provide an opportunity for the participating countries to accelerate their compensation.

The eight countries will meet on May 5 to decide on June production levels.

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US is among India's top buyers of petroleum products. REUTERS

Petroleum product exports to the US may be impacted

Rituraj Baruah
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NEW DELHI

As the US has announced an additional 27% tariff on imports from India, petroleum products exports to the country are set to witness a major impact going ahead, said sector experts. A bulk of the petroleum exports to the US from India comprises petrol or gasoline, which currently attract import duty of 14%.

According to Deepak Mahurkar, leader, oil & gas at PwC India, the tariffs may lead to an increase in trade deficit for India. "Imports of petroleum products into the US from India of about $6 billion in 23-24 (FY24) will significantly get affected. The trade deficit on just the account of petroleum crude at about $5 billion will further widen."

The US is among top buyers of petroleum products from India. Post Russia's invasion of Ukraine and halt of oil supplies to the West, India became a key source of refined petroleum products for countries like the Netherlands and the US as India increased its intake of Russian oil due to deep discounts being offered.

Data from Petroleum Planning and Analysis Cell (PPAC) shows India's petroleum product exports grew by 3.7% in volume terms, reaching 59 million tonne (mt) during April-February, compared to 56.9 mt in the same period last fiscal.

Despite the rise in volumes, value of these exports declined nearly 7% to $40.4 billion during the period under review, down from $43.4 billion in the same period of last year.

It is the private refining companies—Reliance Industries and Nayara Energies—which export products from India.

"If India decides to apply reciprocal tariffs, which seems unlikely, crude, LNG- and ethane-like feedstock will be costlier," Mahurkar said. "That may force importers to look for alternative sources or raise end product prices."

The development comes at a time when India is looking at expanding its crude refining capacity and become and refining and petrochemicals hub. India oil refining capacity stands around 257 million tonne per annum (mtpa). The government aims to expand it to over 309.5 mtpa this decade.

For an extended version of this story, go to livemint.com.

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फिलहाल शुल्क से बचे पेट्रोलियम उत्पाद

शुभायन चक्रवर्ती
नई दिल्ली, 3 अप्रैल

अमेरिका के राष्ट्रपति डॉनल्ड ट्रंप ने कच्चा तेल, प्राकृतिक गैस और रिफाइंड उत्पादों को फिलहाल शुल्कों के दायरे से बाहर रखा है। ट्रंप के इस फैसले से भारत से अमेरिका को निर्यात होने वाले तेल और पेट्रोलियम उत्पाद शुल्क से बच जाएंगे। वित्त वर्ष 2023-24 में भारत ने अमेरिका को 5.8 अरब डॉलर मूल्य के इन उत्पादों का निर्यात किया था।

अमेरिका भारत का सबसे बड़ा निर्यात बाजार है। वित्त वर्ष 2024-25 में अप्रैल से दिसंबर तक की अवधि में भारत ने 60 अरब डॉलर मूल्य के इन वस्तुओं का निर्यात किया था जो उसके कुल निर्यात का 18.62 प्रतिशत हिस्सा है। उनमें परिष्कृत पेट्रोलियम उत्पादों का निर्यात इस दौरान 3.15 अरब डॉलर रहा था। वित्त वर्ष 2025 के पहले नौ महीनों में भारत के पेट्रोलियम उत्पादों का अमेरिका चौथा सबसे बड़ा बाजार था। नीदरलैंड (10.89 अरब डॉलर), संयुक्त अरब अमीरात (4.47 अरब डॉलर) और सिंगापुर (3.83 अरब डॉलर) शीर्ष तीन बड़े निर्यात बाजार थे।

भारत से अमेरिका को जितनी मात्रा में पेट्रोलियम उत्पादों का निर्यात होता है उनमें अधिकांश हिस्सा विशिष्ट हल्के तेल की बड़ी हिस्सेदारी होती है। हल्के तेल में कच्चे तेल के अलावा पेट्रोलियम तेल एवं बिटुमिनस खनिजों से प्राप्त तेल शामिल हैं। वित्त वर्ष 2025 में अन्य हल्के तेल एवं उत्पाद (2.5 अरब डॉलर), पेट्रोल (53.8 करोड़ डॉलर) और अन्य पेट्रोलियम तेल (10.5 करोड़ डॉलर) का भी निर्यात हुआ।

वर्ष 2024 में 2.65 करोड़ बैरल परिष्कृत उत्पादों का भारत से अमेरिका को निर्यात हुआ। अमेरिका ऊर्जा सूचना प्रशासन के अनुसार 2023 में दर्ज 3.95 करोड़ बैरल की तुलना में यह कम रहा था। पिछले साल कच्चे तेल का निर्यात नहीं हुआ था।

पेट्रोलियम मंत्रालय के अधिकारियों के अनुसार शुल्कों से मिली रियायत से अमेरिका को होने वाले निर्यात पर कोई बड़ा फर्क पड़ने वाला नहीं है। मंत्रालय के एक अधिकारी ने कहा, यह बदलाव का दौर है और व्यापार के प्रारूप में भी बदलाव हो रहे हैं। हमें निकट अवधि में अमेरिका की तरफ से भारत के ऊर्जा उत्पादों की बड़ी खरीदारी की उम्मीद नहीं है। अमेरिका जिन देशों से कच्चा तेल या परिष्कृत पेट्रोलियम उत्पादों का आयात करता है, भारत उन शीर्ष 15 देशों की सूची में नहीं है। इस सूची में कनाडा का खास दबदबा है। मेक्सिको और सऊदी अरब अमेरिका को ऊर्जा उत्पादों का निर्यात करने वाले दो अन्य बड़े देश हैं।

दूसरी तरफ, अमेरिका भारत पर द्रवित प्राकृतिक गैस (एलएनजी) की खरीदारी बढ़ाने के लिए दबाव डाल रहा है। फरवरी में प्रधानमंत्री नरेंद्र मोदी के अमेरिका दौरे के समय भारत ने अमेरिका से पेट्रोलियम उत्पादों की खरीदारी बढ़ाकर 25 अरब डॉलर तक करने का वादा किया था। अधिकारी ने कहा कि अमेरिकी राष्ट्रपति डॉनल्ड ट्रंप चाहते हैं कि भारत अमेरिका के ऊर्जा उत्पादकों के साथ अनुबंध करें लेकिन भारतीय तेल-विपणन कंपनियां (ओएमसी) और गैस आयातकों ने कहा कि वे अब भी उपलब्ध विकल्पों पर विचार कर रहे हैं।