

BP to ditch renewables goals in new strategy

Strategy shift will see the company returning its focus to fossil fuels

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BP's chief executive will scrap a target to increase renewable generation 20-fold by 2030, returning the focus to fossil fuels, as part of a strategy shift announced on Wednesday to tackle investor concerns over earnings, two sources told *Reuters*.

BP's shares have underperformed rivals in recent years and the oil major has already dropped its target to cut oil and gas output by 2030, *Reuters* reported in October.

On Wednesday, when BP holds a capital markets day, chief executive officer (CEO) Murray Auchincloss will tell investors the company is abandoning its target to grow renewable generation capacity 20-fold between 2019 and 2030 to 50GW, two sources close to the matter said. The plan to drop the target has not been previously reported.

BP declined to comment.

Its earnings reports show the company has 8.2GW of renewable generation capacity, and that for 2019, BP's net wind generation capacity reached 926MW. It did not give a figure on total renewable capacity for that year.

The sources said BP will also ditch a target to reach core earnings (Ebitda) of \$49 billion this year and instead set an annual percentage growth target, the sources said. They declined to be named because they were not authorized to speak publicly on the strategy change.

While BP has said in a call with analysts it could drop the targets, it has yet to formally announce any decision. BP failed to reach its 2024 Ebitda target of \$40.9 billion.

The company will also make public plans to divest assets and cut other low-carbon investments to reduce debt and boost returns, the sources said.



Under CEO Murray Auchincloss' predecessor, Bernard Looney, BP pledged in 2020 to cut oil and gas output by 40% while rapidly growing renewables by 2030. AFP

The capital markets day was originally scheduled for 11 February in New York, but was changed to Wednesday in London because Auchincloss had to undergo a medical procedure.

Across the energy sector, major companies that shifted their portfolios in response to the need to lower carbon emissions and

Pressure has become intense on BP after activist investor Elliott Investment Management built up a nearly 5% stake.

Elliott, known for pushing changes at companies such as Honeywell and Southwest Airlines, is demanding an overhaul, including tighter cost discipline at BP.

A separate source familiar with the matter told *Reuters* Elliott wanted BP to scale down its green energy spending and sell assets such as wind and solar.

BP would also benefit from selling its Castrol lubricants and its network of service stations to unlock value and boost share buybacks, added

the source, who also asked not to be named.

Under Auchincloss' predecessor, Bernard Looney, BP pledged in 2020 to cut oil and gas output by 40% while rapidly growing renewables by 2030.

BP lowered the reduction target to 25% in 2023.

CHANGING TACK

BP is scrapping a target to increase its renewable generation capacity 20-fold by 2030

THE oil major has already dropped its target to cut oil and gas output by 2030, as per earlier reports

THE firm will also make public plans to divest assets and cut other low-carbon investments

curb climate change have returned the focus to oil and gas, where returns have become easier as fossil fuel prices have rebounded from pandemic lows.

The investor environment has also been transformed by the re-election of US President Donald Trump, a climate sceptic and advocate of fossil fuels.

THE COMPASS

Capex to weigh on OMC cash flows

DEVANGSHU DATTA

At the India Energy Week, an interaction between analysts and the Minister of Petroleum and Natural Gas (MoPNG), Hardeep Singh Puri, and Secretary, MoPNG, Pankaj Jain outlined the challenges for Oil Marketing Companies or OMCs.

Pricing freedom is not likely and while the Ministry will push for LPG compensation, entire under-recovery is unlikely to be compensated. There is also a focus on increasing OMCs petrochemical integration which means large capex at a time of weak earnings. Moreover, several projects have been delayed, implying longer time to production.

Despite no financial year 2026 (FY26) budget provisions, OMCs may be partially compensated for LPG under-recovery. In the first nine months of FY25 (9MFY25), combined under-recovery amounted to ₹29,160 crore with ₹14,330 crore to IOCL, ₹7,230 crore to BPCL and ₹7,600 crore for HPCL.

Given similar trends in Q4FY25 cumulative under-recoveries could exceed ₹40,000 crore for FY25.

India's refining capacity is expected to increase from 257 million metric tonnes per annum or mmtpa to 310 mmtpa by 2028. Petrochemical capacity is projected to rise from 29.6 mmtpa to 46 mmtpa.

Higher petchem capacity will reduce dependence on imports, and allow refiners to upgrade to higher-value products and achieve a diversified earnings profile. But until projects are complete, it will mean more debt and less free cash flows.

HPCL could offer comparatively better prospects. The positive triggers include the demerger and potential listing of the lubricant business, the commissioning of its bottom-upgrade unit in Q4FY25, production start at its Rajasthan refinery in calendar year 2025 (CY25), and LPG under-recovery compensation.

The core performance of OMCs in Q3FY25 was in line. There was a Y-o-Y and Q-o-Q increase in operating profit and net profit driven by better core gross refining margins or GRMs. BPCL and HPCL outperformed IOCL. The GRMs for the three OMCs ranged between \$3-\$6 per barrel or bbl on a reported basis including inventory losses, while marketing

margin was also variable.

In terms of blended marketing margins, BPCL was better than HPCL and IOCL. BPCL at \$6.2 per bbl continues to outperform HPCL (\$5.9/bbl) and IOCL (\$5.2/bbl). The debt situation is also best for BPCL.

Softening of crude oil prices limits inventory gains and keeps refining margins under pressure. The rupee weakness raises import costs for crude oil, LNG, equipment among others. The Russian crude discount is dropping (it is zero in CY2025 versus \$3-3.5/bbl in 2024 and \$7-8/bbl in 2023) and this reduces profitability. A rising share of non-OPEC supply may improve sourcing flexibility. Despite earnings pressure and inventory losses, the three OMCs have big capex plans. IOCL is aiming at ₹35,800 crore annual capex for FY25 and ₹33,000 crore for FY26. BPCL has capex plans of ₹1.7 trillion, with ₹1.3 trillion already approved.

Capex for FY26 & FY27 stands at ₹19,000-24,000 crore annually, with capex at ₹25,000 crore annually from FY28 onwards. HPCL has committed

₹13,000-15,000 crore in annual capex for FY25 & FY26. Its ₹71,800 crore Rajasthan refinery is 83 per cent complete but is facing cost overruns and delays.

Many other large-scale projects are running behind schedule. IOCL's Panipat Refinery expansion is rescheduled for completion in December, 2025.

The project cost has escalated from ₹33,000 crore to ₹36,225 crore. IOCL's Gujarat refinery expansion has cost overruns of ₹24,000 crore and IOCL's Barauni refinery expansion also has cost overruns. IOCL and CPCL's Cauvery Basin refinery at Nagapattinam was initially scheduled for end-2025 completion but has now been pushed to 2027. The project cost has increased to ₹36,400 crore, with 66 per cent debt financing.

BPCL, HPCL, and IOCL have all seen corrections but while valuations are below long-term averages, there could be further downsides due to multiple challenges. Currently the three OMCs (and other midstream PSUs such as MRPL) are trading at expected price/book value (P/BV) of between 1.1 and 1.5 times for FY25. Given the cyclical history, and the squeeze on free cash flow triggered by capex plans, valuations could slide till the 0.6-0.7 P/BV levels.



Govt plans to anchor oil tanker production via SPVs

STRATEGIC ALLIANCE. Shipping Ministry eyes picking up stake in joint ventures

Abhishek Law

New Delhi

The Ministry of Ports, Shipping and Waterways (MoPSW) will back proposals by picking up equity for manufacture of oil tankers through SPVs (special purpose vehicles) between the Shipping Corporation of India, oil marketing companies (OMCs), dockyards and other financial institutions. Projects will have a nearly 70:30 debt-equity component, indicating that the majority of the projects will be funded through loans or borrowings.

The Ministry's exposure could be limited to a maximum of 15 per cent of the project cost or SPV, an official aware of the discussions told *businessline*.

Owning oil tankers hedge Indian oil supplies from geopolitical headwinds and probable sanctions apart from reducing ship chartering bills, an outgo to the exchequer.

SPECIAL ENTITY

The first such special entity could materialise over the next 6-9 months, the person said, adding that the Shipping Corporation of India (SCI) – a CPSE of the Ministry – would be roped in as one of the key investors or



IMPORT DEPENDENCY. India does not manufacture oil tankers at the moment and nearly all its requirement are met through imports. REUTERS

stakeholders in the project.

The SCI recently signed an MoU and a non-disclosure agreement (NDA) with BPCL to explore "strategic alliance in the shipping sector". This includes developing "comprehensive roadmap, structure, and operating model for the proposed strategic alliance or entity".

"At the most the Ministry will take up 49 per cent of the equity contribution in the SPV, which works out to be a maximum of 15 per cent of the total project cost at the most. But that too will be decided based on the project specifics," the official said.

Nearly a year after the idea was mooted, the Ministry's internal survey indicate that there could be requirement for nearly 100 such oil tankers across categories such as Panamax, Suezmax, ultra large crude

carriers, very large crude carriers and others; and project cost – spread across 5-10 years for these 100 ships – could be around ₹25,000-30,000 crore range.

Approximately depending on size of the tanker, capex varies on the ₹800-2,000 crore range.

India does not manufacture oil tankers at the moment and nearly all its requirement are met through imports. The import bill runs into nearly \$100 billion, and it includes ship chartering services. Insurance payouts and all.

FUNDING DETAILS

According to the official, the SPVs would look to secure funding primarily from financial institutions and international funds, international VCs, sovereign funds, and also through PEs. This would account for "at the most" 70

per cent of the project cost.

The remaining equity could come from OMCs, the dockyards, SCI including the Ministry pitching-in where required.

TALKS WITH DOCKYARDS

"So, we have initiated discussions with dockyards too to ensure there is availability of space to carry out construction activities. In the next 6-9 months, the first SPV could materialise," said the official.

Dockyards have been asked to ramp up on capacities and ensure space availability while the Ministry has asked them to work on expansion plans.

There were internal discussions to bring in some second-hand tankers and retrofit them, in order to speed up work. But these proposals were shot down by the Ministry. "Retro-fitting is not an option here," a second official said.

For instance, Cochin Shipyard Limited (CSL) has entered into a memorandum of understanding with A.P. Moller-Maersk to explore collaboration opportunities in ship repair, maintenance, and shipbuilding in India. The MoU encompasses exploration of ship repair, dry docking, and new building opportunities, among others.



■ IndianOil organised a workshop on “Catalysing Corporate Partnerships for Indoor Solar Cooking System” with Finovista. The workshop was focused on expanding access to Surya Nutan, the indoor solar cooking device.



US sanctions 4 Indian firms for role in Iran's oil industry

WASHINGTON, FEBRUARY 24

Four Indian companies are among 16 firms sanctioned by the US on Monday for their alleged involvement in Iran's petroleum and petrochemical industry.

According to a press release issued by the treasury department, the sanctioned Indian firms are Austinship Management Pvt Ltd, BSM Marine LLP, Cosmos Lines Inc, and Flux Maritime LLP.

This marks the second round of sanctions targeting Iranian

oil sales since President Donald Trump issued a national security memorandum on February 4, ordering a campaign of maximum pressure on Iran, the state department said in a press statement.

"This network of illicit shipping facilitators obfuscates and deceives its role in loading and transporting Iranian oil for sale to buyers in Asia. It has shipped tens of millions of barrels of crude oil worth hundreds of millions of dollars," the statement said. — PTI