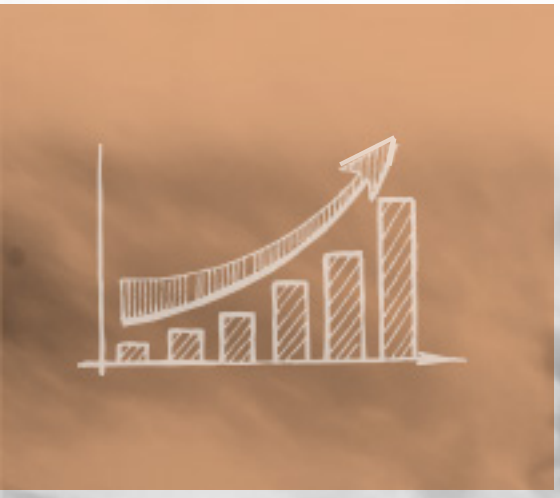
FIPI

Federation of Indian Petroleum Industry

POLICY & ECONOMIC REPORT

OIL & GAS MARKET

JUNE 2024



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Executive Summary

According to World Bank's latest Global Economic Prospects report, the global economy is expected to stabilize for the first time in three years in 2024. The global growth is projected to hold steady at 2.6% in 2024 before edging up to an average of 2.7% in 2025-26. The growth is still below the 3.1% average in the decade before COVID-19.

In advanced economies, growth is set to remain steady at 1.5% in 2024 before rising to 1.7% in 2025. Growth in the United States strengthened to 2.5 % last year, owing primarily to robust consumption, government spending, and significantly reduced imports of goods and services. While the developing economies are projected to grow 4% on average over 2024-25, slightly slower than in 2023, growth in low-income economies is expected to accelerate to 5% in 2024 from 3.8% in 2023.

In case of India, National Statistical Office (NSO), Ministry of Statistics and Programme Implementation (MoSPI) released the Provisional Estimates of Annual Gross Domestic Product (GDP) for the Financial Year 2023-24 and Quarterly Estimates of GDP for the Fourth quarter (January-March) of 2023-24 on 31st May, 2024. Real GDP has been estimated to grow by 8.2% in FY 2023-24 as compared to the growth rate of 7.0% in FY 2022-23. Real GVA has grown by 7.2% in 2023-24 over 6.7% in 2022-23. This GVA growth has been mainly due to significant growth of 9.9% in Manufacturing sector in 2023-24 over -2.2% in 2022-23 and growth of 7.1% in 2023-24 over 1.9% in 2022-23 for Mining & Quarrying sector. Real GDP in Q4 of 2023-24 is estimated at ₹47.24 lakh crore, against ₹43.84 lakh crore in Q4 of 2022-23, showing a growth rate of 7.8%. According to data released by Ministry of Statistics & Programme Implementation, the year-on-year inflation rate based on all India Consumer Price Index (CPI) is 4.75% (Provisional) for the month of May, 2024. The retail inflation eased to a 12-month low of 4.75 per cent on an annual basis in May as against 11-month low of 4.83 per cent in the previous month. The food inflation rate in May eased to 8.62 per cent from 8.75 per cent in April. However, it has remained higher than the 3.3 per cent registered in May 2023. The number has remained within the Reserve Bank of India's (RBI) tolerance band of 2-6 per cent. Assuming a normal monsoon next year, CPI inflation for 2024-25 is projected at 4.5 % with Q1 at 5.0 %; Q2 at 4.0 %; Q3 at 4.6 %; and Q4 at 4.7 %. The MPC has decided to keep the policy repo rate unchanged at 6.50 %.

According to the latest data available from the Centre for Monitoring Indian Economy (CMIE), unemployment rate in India saw a significant drop in May 2024 to 7 per cent, which was its lowest recorded since September 2022. In April 2024, the unemployment rate was at a much higher 8.1 per cent.

As far as oil and gas industry is concerned, Brent crude futures continued to slide in May and early June, as flagging oil demand growth and inventory builds pointed to a comfortably supplied market. Brent futures fell by $6/bbl in May, before tumbling further in early June after the OPEC+ alliance announced plans to gradually unwind last year's extra voluntary output cuts starting in 4Q24.

In May, crude spot prices averaged lower, reversing all previous gains, mainly due to heavy selling in the oil futures market and changes in the market's perception of short-term oil market outlooks. The decline in prices was more pronounced in the light sweet Brent benchmark, as the selloff from speculators was concentrated in ICE Brent futures and options contracts. Lower gasoline and diesel crack spreads in major trading hubs added downward pressure to light sweet crudes.

Hedge funds and other money managers closed a large volume of bullish futures and options positions in the ICE Brent futures market, while sharply raising short positions to their highest since November 2020. This fuelled volatility and accelerated the decline in oil futures prices. Combined futures and options net long positions in ICE Brent and NYMEX WTI dropped to their lowest level since last January. Between late April and the week of 28 May, hedge funds and other money managers sold an equivalent of 144 mb of oil in Brent and WTI futures and options positions.

Natural gas spot prices at the US Henry Hub benchmark averaged $2.12 per million British thermal units (MMBtu) in May 2024. Henry Hub's natural gas prices advanced for a second consecutive month in May, increasing by ~33%, m-o-m. Prices rallied on the back of higher domestic cooling demand amid warmer-than-expected weather and an increase in US LNG demand, particularly from the Asian region. However, prices remained at historical lows (at an average of $2.1/mmbtu in May), capped by strong domestic production.

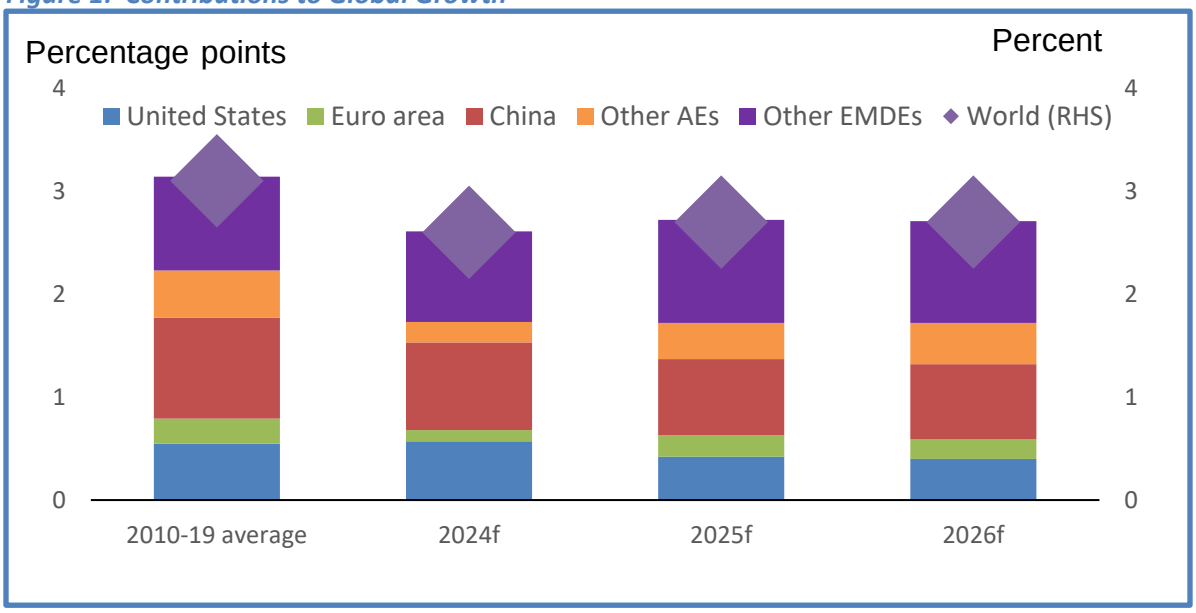
Economy in Focus

1. A snapshot of the global economy

Global economic growth

- According to World Bank's latest Global Economic Prospects report, the global economy is expected to stabilize for the first time in three years in 2024.
- The global growth is projected to hold steady at 2.6% in 2024 before edging up to an average of 2.7% in 2025-26. The growth is still below the 3.1% average in the decade before COVID-19.
- The forecast implies that over the course of 2024-26, countries that collectively account for more than 80% of the world's population and global GDP would still be growing more slowly than they did in the decade before COVID-19.
- In advanced economies, growth is set to remain steady at 1.5% in 2024 before rising to 1.7% in 2025. Growth in the United States strengthened to 2.5 % last year, owing primarily to robust consumption, government spending, and significantly reduced imports of goods and services.
- While the developing economies are projected to grow 4% on average over 2024-25, slightly slower than in 2023, growth in low-income economies is expected to accelerate to 5% in 2024 from 3.8% in 2023.
- Growth in China is expected to slow this year and ease further in 2025 and 2026, with cyclical headwinds weighing on growth in the near term, along with a continuing structural slowdown.

Figure 1: Contributions to Global Growth



Source: World Bank

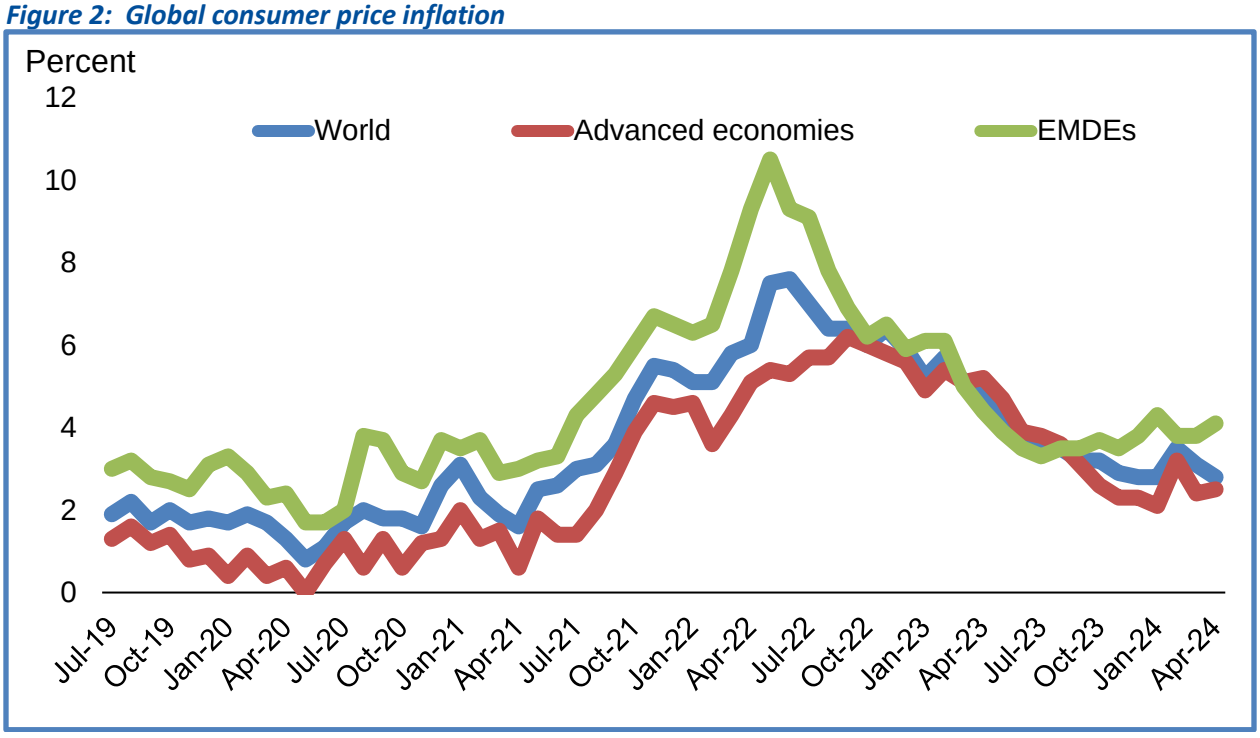
Global Inflation

Global inflation has continued to decline, yet it remains above target in most advanced economies and in about one-fourth of inflation-targeting EMDEs. Inflation continues to wane globally, making progress toward central bank targets in advanced economies and EMDEs, but at a slower pace than previously expected.

According to World Bank, global inflation is expected to decline to 3.5 percent in 2024, before easing further, to 2.9 percent in 2025 and 2.8 percent in 2026. The slowdown is expected to be driven by softening core inflation, as services demand moderates and wage growth slows, in addition to a modest decline in commodity prices.

In advanced economies, disinflation in consumer goods prices appears to have bottomed out, while inflation in consumer services remains elevated. In the United States, resilient economic activity, alongside rapid increases in the cost of shelter, has given rise to persistently high services and, more broadly, core inflation over the past few months.

Figure 2: Global consumer price inflation



Source- World Bank

As against commodity prices, World Bank highlights that aggregate commodity prices have generally increased in 2024 after declining, on average, last year. The commodity prices are projected to decline slightly but remain well above 2015-19 levels. Oil prices have remained volatile this year amid a confluence of heightened geopolitical tensions and OPEC+ production cuts. According to World Bank, robust growth of clean energy investment is expected to continue supporting base metals prices. Food prices are projected to soften in the next two years, aided by growing supplies of grains and edible crops.

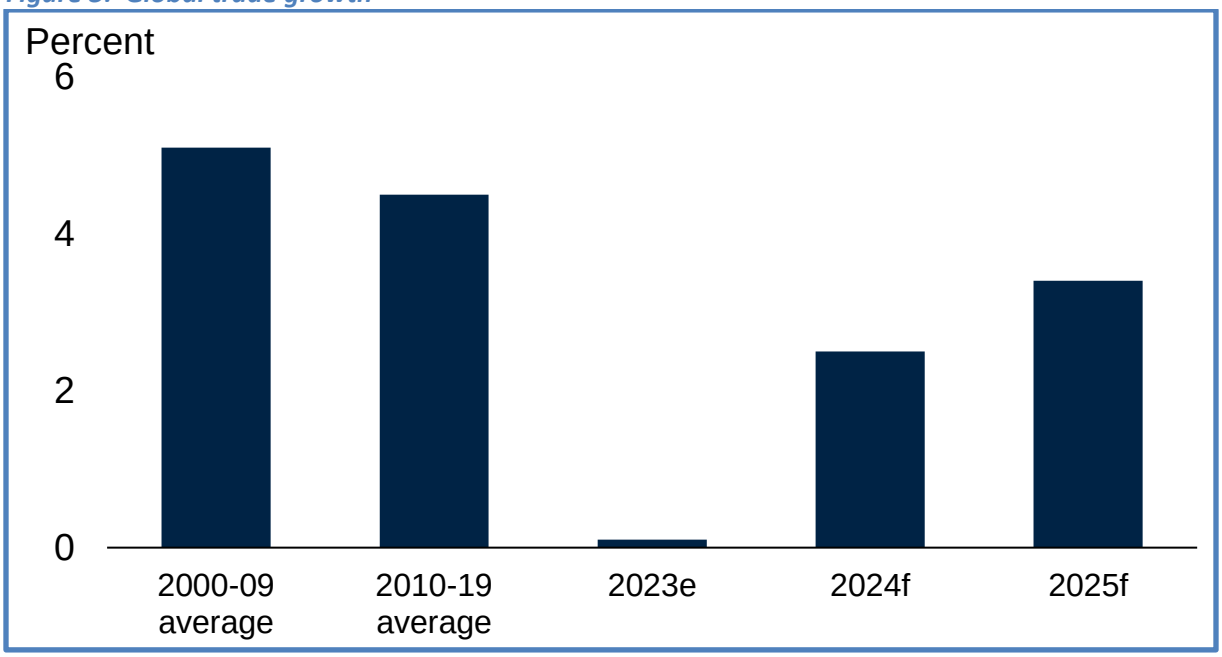
Global trade

According to World Bank, global trade in goods and services was nearly flat in 2023—the weakest performance outside of global recessions in the past 50 years. Global trade in goods and services is projected to expand by 2.5 percent in 2024 and 3.4 percent in 2025 but remain well below the average rates of the two decades preceding the pandemic. In all, global trade growth in 2020-24 is set to register the slowest half decade of growth since the 1990s.

Amid a sharp slowdown in global industrial production, the volume of goods trade contracted for most of 2023 and fell by 1.9 percent for the year. The evolution of goods trade diverged across regions, with volumes declining in advanced economies, especially in Europe, and stagnating in EMDEs as expansions in China and Europe and Central Asia (ECA) offset contractions in Latin America and the Caribbean (LAC), Sub-Saharan Africa (SSA), and Middle East and North Africa (MNA).

The value of global services trade grew about 9 percent in 2023, driven primarily by a recovery in tourism flows—exports of travel services surged by about 38 percent.

Figure 3: Global trade growth

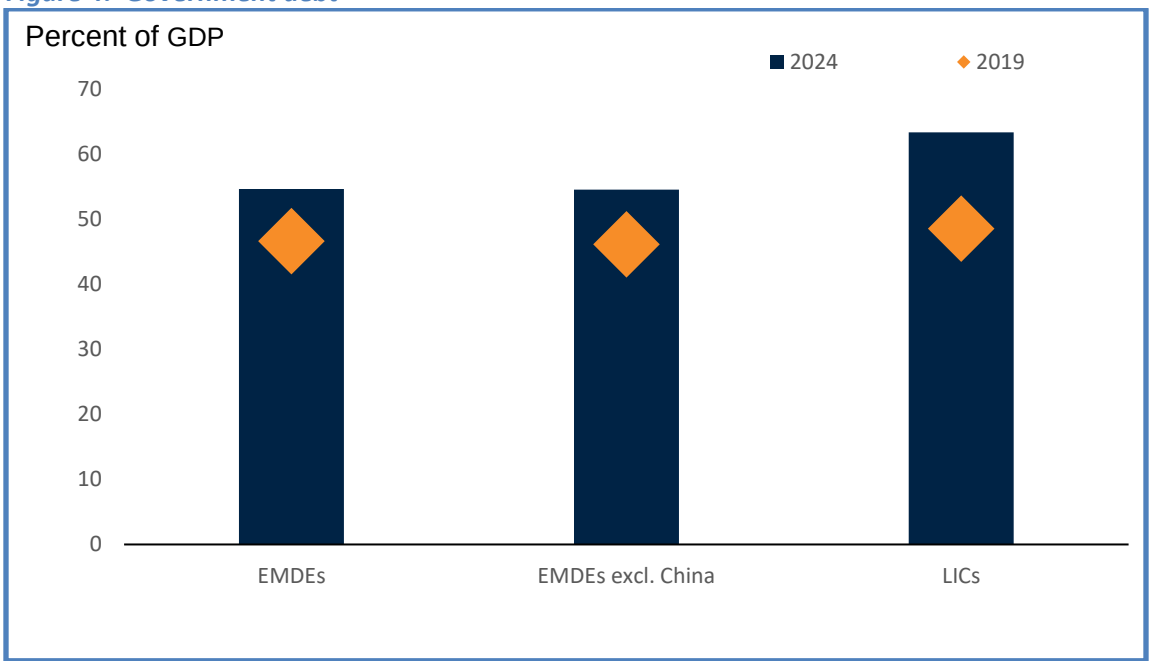


Source- World Bank

2. Emerging Market & Developing economies (EMDEs) face high debt and exposed to climate change exposure risk- World Bank

- High levels of debt across many EMDEs, notably Low-Income Countries (LICs) highlight the need for global policy action to prevent costly debt crises. LICs are especially exposed to climate change risks and have the largest investment needs to achieve a resilient and low-carbon pathway. Despite improvements over the past two decades, EMDEs continue to lag advanced economies in access to key infrastructure.

Figure 4: Government debt

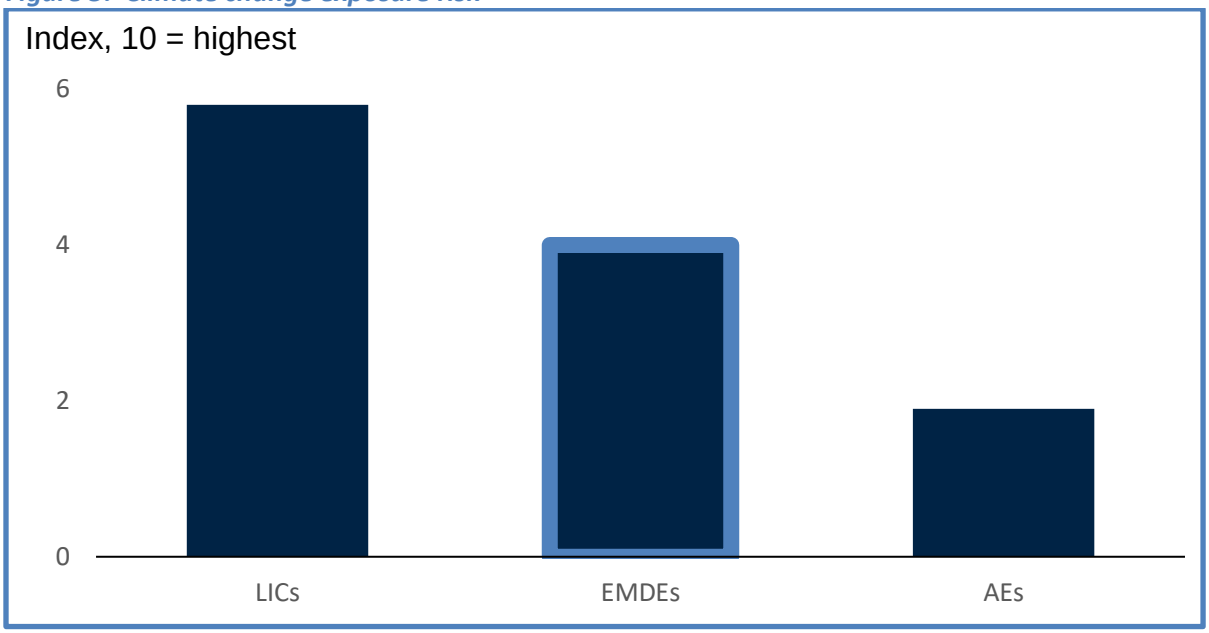


- Decarbonizing the global economy will require sizable investments and financing, yet policies worldwide remain inadequate to meet global climate goals. Reaching net zero by 2050 will require cutting greenhouse gas emissions by between one-fourth and one-half by 2030 relative to 2019; however, current global commitments are estimated to reduce emissions by only about 10 percent by the end of this decade.

- In EMDEs, the amount of investment spending needed to tackle development goals and reduce emissions by 73 percent by 2050 ranges from about 1 to 10 percent of GDP per year. The cost of achieving these goals will increase further if progress is delayed. In EMDEs, mobilizing public resources, including through subsidy reforms and carbon pricing, can help finance the needed public investments and social transfers to ensure a low-emission and equitable development pathway. This can be complemented with measures to attract private investment, including policies that strengthen the regulatory environment and tackle corruption.

- Strong global cooperation is also needed to increase access to financing to address climate change, especially for vulnerable countries facing significant budgetary constraints.

Figure 5: Climate change exposure risk



Source- World Bank

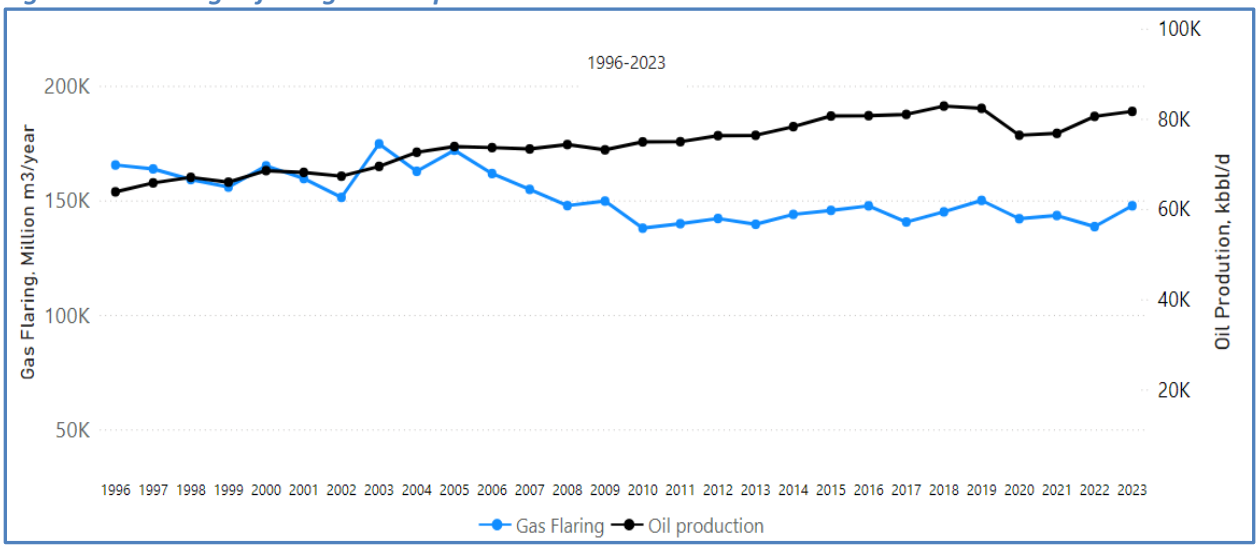
3. Global Gas Flaring Jumps to Highest Level since 2019

- In 2023, the amount of gas flared worldwide rose by nine billion cubic meters (bcm) to 148 bcm, its highest level since 2019. The data shows that 148 billion cubic meters (bcm) of associated gas was flared at upstream oil and gas facilities and LNG liquefaction plants in 2023.The increase resulted in an additional 23 million tons of carbon dioxide equivalent emissions, an amount like adding about five million cars to the roads, according to new satellite data compiled by the World Bank's Global Flaring and Methane Reduction (GFMR) Partnership.

- Gas flaring releases harmful pollutants, including black carbon and unburnt methane, which contribute to climate change and pose risks to both people and the planet. Eliminating gas flaring would avert at least 381 million tons of carbon dioxide equivalent emissions being released into the atmosphere each year. When productively used, wasted flared gas can help displace dirtier energy sources, increase energy access in some of the world's poorest countries, and provide many countries with much-needed energy security.

- The World Bank's annual Global Gas Flaring Tracker Report is a tool for monitoring and understanding the state of flaring worldwide and the progress made towards achieving Zero Routine Flaring by 2030.

Figure 6: Global gas flaring and oil production



Source- World Bank

- According to World Bank, the top 9 largest flaring countries in 2023 were Russia, Iran, Iraq, the United States, Venezuela, Algeria, Libya, Nigeria, and Mexico. These countries accounted for around 75 percent of all gas flared and 46 percent of global oil production.

- According to World Bank, capturing and using this wasted gas could displace dirtier energy sources, reduce greenhouse gas emissions, and generate enough power to double the amount of electricity provided in Sub-Saharan Africa.

4. Global FDI declines by 2% in 2023 – UNCTAD

- According to UNCTAD, global FDI flows fell 2% to $1.3 trillion in 2023, as trade and geopolitical tensions weighed on a slowing global economy.

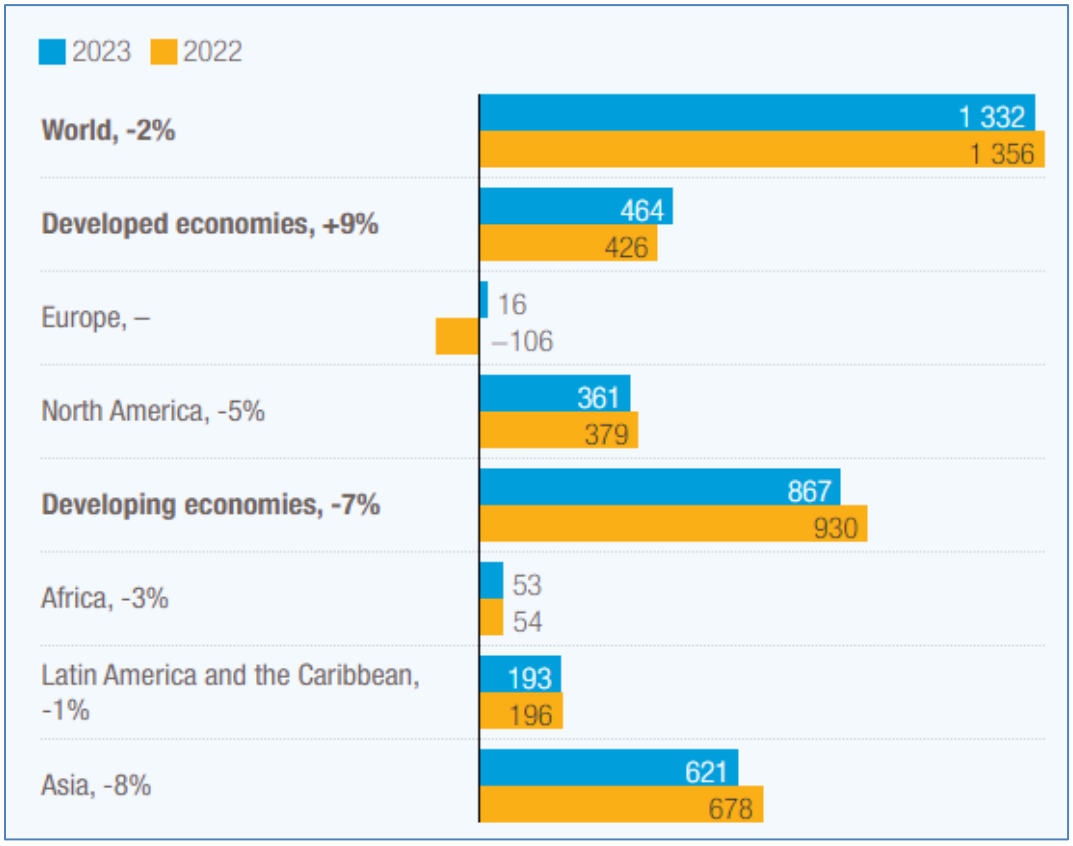
- FDI flows to developing countries dropped by 7% to $867 billion, reflecting an 8% decrease in developing Asia, 3% in Africa and by 1% in Latin America and the Caribbean. Tight financing conditions led to a 26% fall in international project finance deals, critical for infrastructure investment.

- On the other hand, flows to developed countries were strongly affected by financial transactions of multinational enterprises, partly due to efforts to implement a global minimum tax rate on the profits of these corporations. Inflows to most parts of Europe and North America were down by 14% and 5%, respectively.

- According to UNCTAD crises, protectionist policies and regional realignments are disrupting the world economy, fragmenting trade networks, regulatory environments, and global supply chains. This undermines the stability and predictability of global investment flows, creating both obstacles and isolated opportunities.

- However, UNCTAD remains optimistic, suggesting the possibility of a return to modest FDI growth in 2024 due to the easing of financial conditions and concerted efforts towards investment facilitation. Investments are growing in several global value chain-intensive manufacturing sectors like automotive and electronics in regions and countries with easy access to major markets.

Figure 7: FDI inflows by region, bn of $ & % change



Source- UNCTAD

- With tight financing conditions in 2023, the number of international project finance deals - crucial for funding infrastructure and public services such as power and renewable energy - fell by a quarter. This triggered a 10% reduction in investment in sectors linked to the Sustainable Development Goals (SDGs), most notably impacting agrifood systems, and water and sanitation.

5. Large Jump in Greenfield Investment in 2023 in Developing Asia- UNCTAD

- According to UNCTAD, a significant increase in greenfield foreign direct investment (FDI) is seen in developing economies in Asia. In 2023, these economies experienced a 44% rise in the overall value of greenfield investment announcements and a 22% increase in the number of such announcements, where companies establish or expand their operations overseas.

Figure 8: Developing Asia: announced greenfield projects; By sector, value in bn of $, no. of projects, growth rate %, 2021-2023

SECTOR/ INDUSTRY	2021	2022	2023	Growth Rate 2022-2023
Total	**Value: 171** **Number: 3275**	**Value: 313** **Number: 4749**	**Value: 451** **Number: 5798**	**+44** **+22**
Primary	Value: 0.3 Number: 18	Value: 38 Number: 35	Value: 11 Number: 49	-70 +40
Manufacturing	Value: 87 Number: 1308	Value: 124 Number: 1445	Value: 240 Number: 2196	+93 +52
Services	Value: 84 Number: 1949	Value: 150 Number: 3269	Value: 200 Number: 3553	+33 +9

Source- World Bank

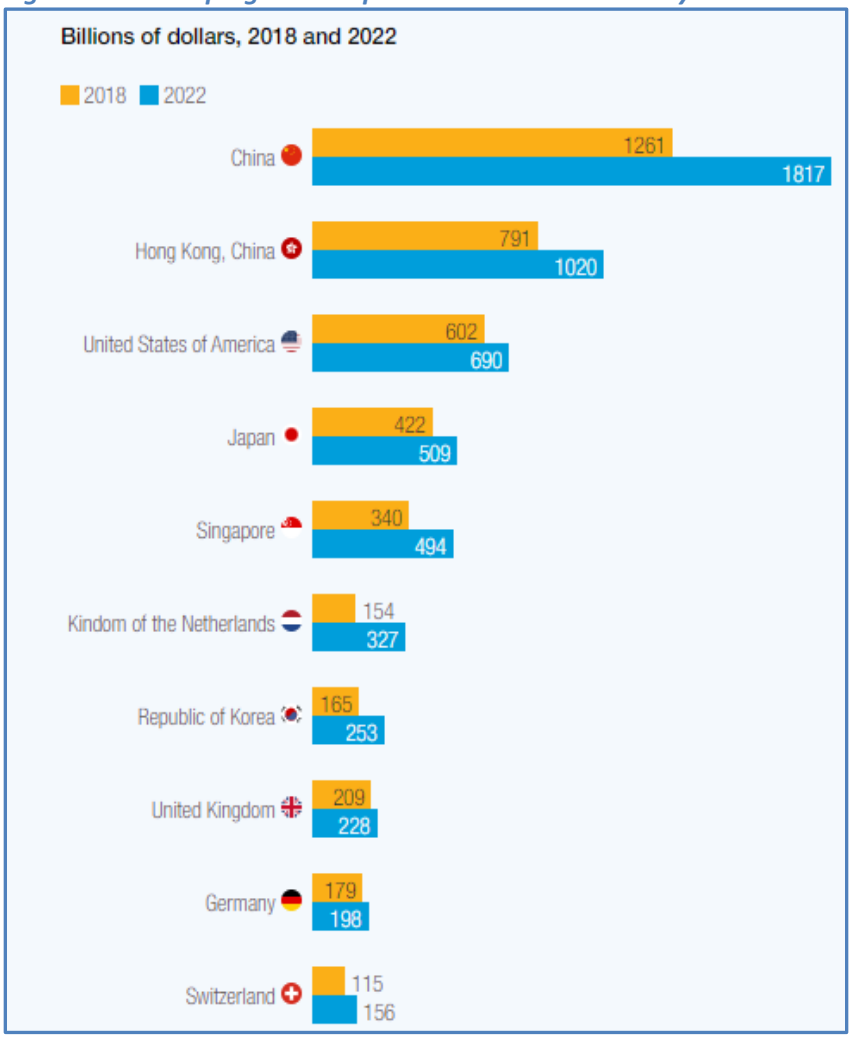
- The continent, led by East and Southeast Asia, continued to be the world's largest recipient of FDI, accounting for nearly half of global inflows.

- Cross-border mergers and acquisitions (M&A), which usually constitute 10% to 15% of foreign investments in developing Asia, declined by almost $30 billion to $57 billion in 2023. This decline accounted for about half of the total drop in FDI inflows to the region.

- China and its Hong Kong Special Administrative Region (SAR) continue to be the largest investors in the region by total FDI stock, followed by the United States, Japan, and Singapore.

- FDI inflows to Southeast Asia remained stable, with an increase in M&A sales. The number of greenfield announcements surged by 42%, adding $62 billion more in value. However, this gain was countered by a $64 billion fall in the value of international project finance deals.

Figure 9: Developing Asia: Top 10 investor economies by FDI stock



Source- World Bank

- The decline in FDI inflows to South Asia is mostly explained by a 43% decrease in India, while flows to other countries remained relatively stable.
- In West Asia, FDI dropped by 9% due to lower M&A sales. However, the region posted growth in both the number and value of greenfield investments and project finance deal announcements, particularly in Saudi Arabia, Türkiye, and the United Arab Emirates.

Investing in sustainable development

- Across developing Asia, investment in sectors linked to the Sustainable Development Goals rose modestly.
- The number of announced greenfield projects in these sectors grew by 30% to 1,225 projects with a 54% rise in value, notably in renewable energy, transport, and telecommunication.
- By contrast, the number of international projects finance deals dipped by 17%, partly offsetting gains in greenfield FDI for sustainable development.

6. India sees 43% decline in FDI inflows in 2023, drops to 15th spot

India slipped seven ranks to 15 in the World Investment Ranking in 2023 as foreign direct investment inflows fell 43 percent to $28 billion, a report released by the United Nations Conference of Trade and Development (UNCTAD) showed on June 20, 2024. The country was ranked eighth last year, as it attracted inflows worth $48 billion.

While India's rank slipped, Brazil, Canada, Germany, and Mexico moved up the rank in the global index, with Brazil becoming the fifth top FDI destination. The top order remains unchanged with the US attracting highest FDI at $311 billion, followed by China, Singapore and Hong Kong, China.

However, despite the fall in global rankings according to value, India remained one of the top destinations in terms of greenfield project announcements and international project deals.

The country ranked second in international project deals securing 163 deals in 2023, topped only by the US at 334. In terms of greenfield projects, India was ranked fourth with 1,058 projects, after the US, the UAE, and the UK.

Table 1: Inflows declined in more than half of the top 20 countries

RANK in 2023	Country	FDI inflows 2022 (Billion dollars)	FDI inflows 2023 (Billion dollars)
1	US (1)	332	311
2	China(2)	189	163
3	Singapore (3)	141	160
4	Hong Kong, China (4)	110	113
5	Brazil (6)	73	66
6	Canada (9)	46	50
7	France (5)	76	42
8	Germany (17)	27	37
9	Mexico (12)	36	36
10	Spain (10)	45	36
15	**India (8)**	**49**	**28**

Source- UNCTAD

India moved up the ranks in terms of outflows as well, with the country ranking 20th in 2023 compared with 23rd in the previous year. The amount of outflows increased to $15 billion from $13 billion in the previous year.

The report also noted that India is among the countries that rolled out national strategies or frameworks on sustainable finance, underscoring a trend towards a growing commitment to adopt a systematic approach to policymaking in this area. India along with Bangladesh, China, Singapore, and Thailand released policies to support the banking industry in integrating sustainable development considerations into operations, covering sustainable deposits, sustainable loans and green credits, the report highlighted.

7. Indian Economy

India's economic growth

National Statistical Office (NSO), Ministry of Statistics and Programme Implementation (MoSPI) released the Provisional Estimates of Annual Gross Domestic Product (GDP) for the Financial Year 2023-24 and Quarterly Estimates of GDP for the Fourth quarter (January-March) of 2023-24 on 31st May, 2024.

The key highlights pertaining to annual estimates are as below: -

- Real GDP has been estimated to grow by 8.2% in FY 2023-24 as compared to the growth rate of 7.0% in FY 2022-23.
- Nominal GDP has witnessed a growth rate of 9.6% in FY 2023-24 over the growth rate of 14.2% in FY 2022-23.

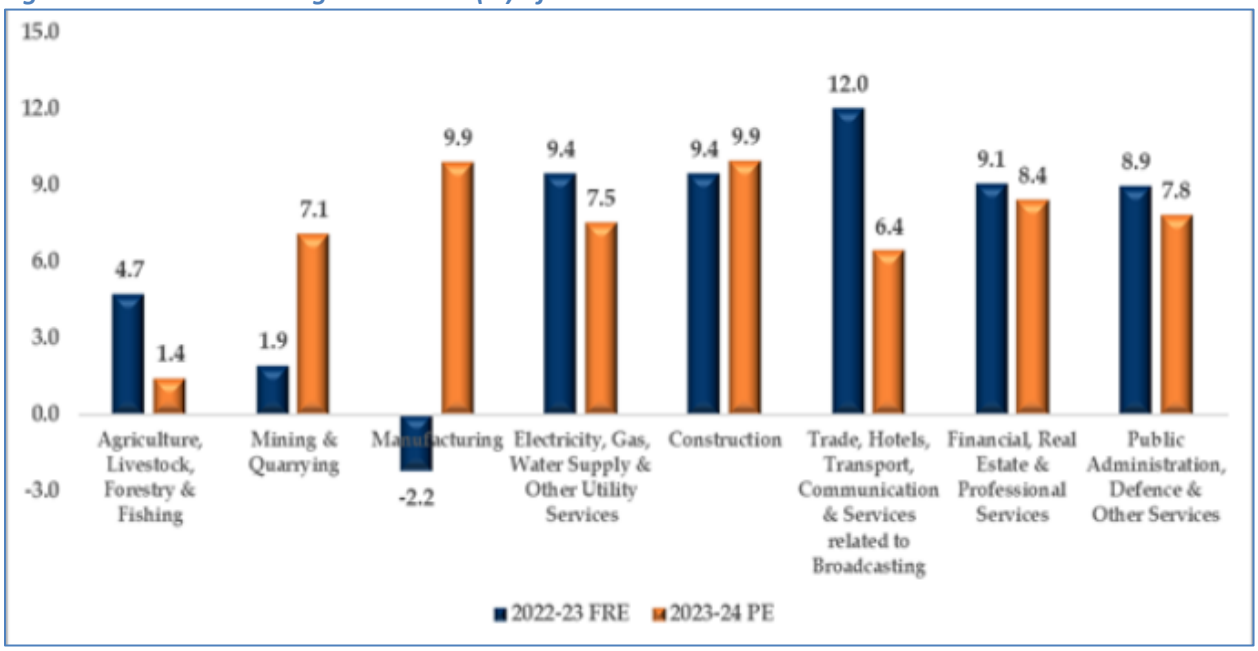
Figure 10: Annual GDP estimates (in lakh crores) and Growth rates (%)

Source- NSO

- Real GVA has grown by 7.2% in 2023-24 over 6.7% in 2022-23. This GVA growth has been mainly due to significant growth of 9.9% in Manufacturing sector in 2023-24 over -2.2% in 2022-23 and growth of 7.1% in 2023-24 over 1.9% in 2022-23 for Mining & Quarrying sector.

- Real GVA and Real GDP have been estimated to grow by 6.3% and 7.8% respectively in Q4 of FY 2023-24. Growth rates in Nominal GVA and Nominal GDP for Q4 of FY 2023-24 have been estimated at 8.0% and 9.9% respectively.

Figure 11: Sectoral -wise growth rates (%) of Real GVA in FY 2022-23 & 2023-24

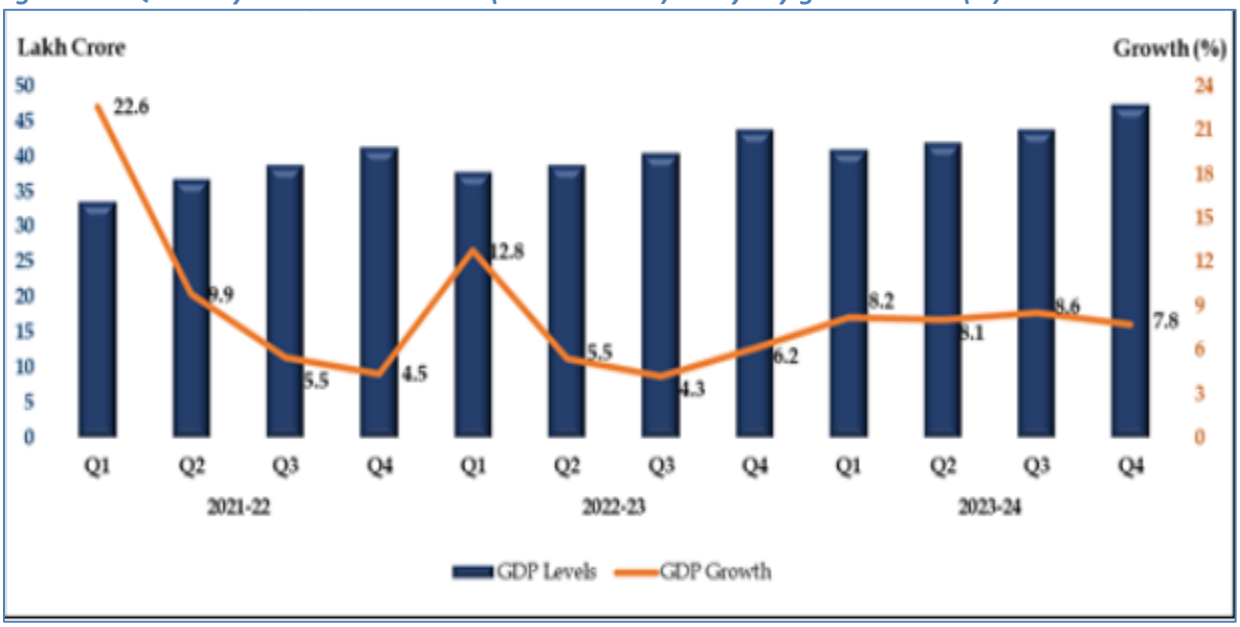


Source- NSO

The key highlights pertaining to quarterly estimates are as below: -

- Real GDP in Q4 of 2023-24 is estimated at ₹47.24 lakh crore, against ₹43.84 lakh crore in Q4 of 2022-23, showing a growth rate of 7.8%.
- Nominal GDP in Q4 of 2023-24 is estimated at ₹78.28 lakh crore, against ₹71.23 lakh crore in Q4 of 2022-23, showing a growth rate of 9.9%.
- Real GVA in Q4 of 2023-24 is estimated at ₹42.23 lakh crore, against ₹39.74 lakh crore in Q4 of 2022-23, showing a growth rate of 6.3%.
- Nominal GVA in Q4 of 2023-24 is estimated at ₹70.97 lakh crore, against ₹65.74 lakh crore in Q4 of 2022-23, showing a growth rate of 8.0%.

Figure 12: Quarterly real GDP estimates (in lakh crores) and y-o-y growth rates (%)

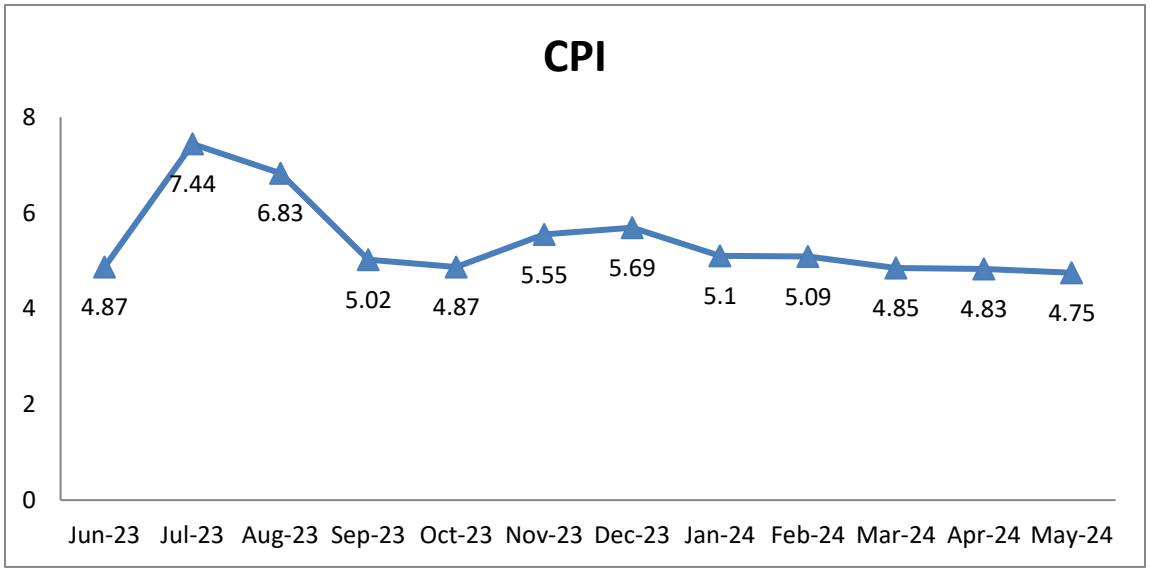


Source- NSO

Inflation in India

- According to data released by Ministry of Statistics & Programme Implementation, the year-on-year inflation rate based on all India Consumer Price Index (CPI) is 4.75% (Provisional) for the month of May, 2024.
- The retail inflation eased to a 12-month low of 4.75 per cent on an annual basis in May as against 11-month low of 4.83 per cent in the previous month.

Figure 13: Inflation trend based on CPI (%)



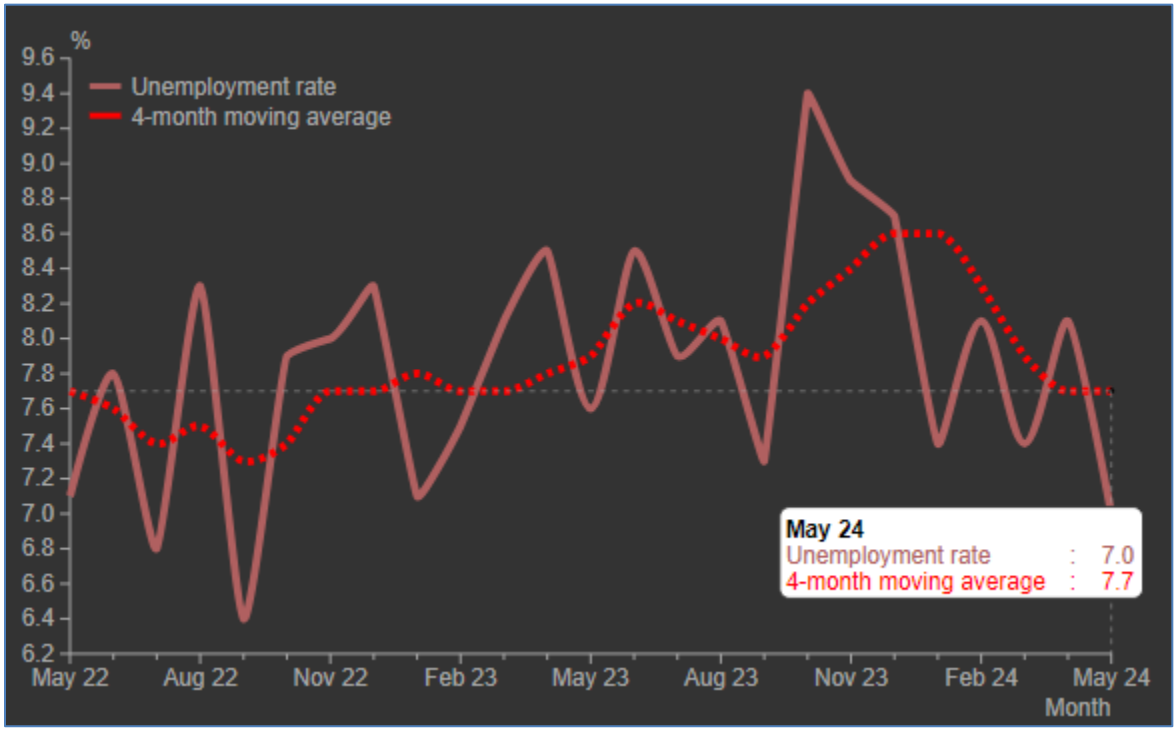
Source- NSO

- The food inflation rate in May eased to 8.62 per cent from 8.75 per cent in April. However, it has remained higher than the 3.3 per cent registered in May 2023.
- The rural inflation dipped to 5.28 per cent in May from 5.43 per cent. Meanwhile, urban inflation rate stood at 4.15 per cent in May.
- The fuel and light inflation rate for May contracted to 3.83 per cent as against a contraction of 4.24 per cent in April.
- The number has remained within the Reserve Bank of India's (RBI) tolerance band of 2-6 per cent.
- Assuming a normal monsoon next year, CPI inflation for 2024-25 is projected at 4.5 % with Q1 at 5.0 %; Q2 at 4.0 %; Q3 at 4.6 %; and Q4 at 4.7 %. The MPC has decided to keep the policy repo rate unchanged at 6.50 %.

Unemployment in India

- According to the latest data available from the Centre for Monitoring Indian Economy (CMIE), unemployment rate in India saw a significant drop in May 2024 to 7 per cent, which was its lowest recorded since September 2022. In April 2024, the unemployment rate was at a much higher 8.1 per cent.

Figure 14: Unemployment rate in India



Source- CMIE

India's external position

India's forex reserves

- According to latest data released by Reserve Bank of India, India's forex reserves contracted by $2.92 billion to $652.9 billion as of June 14, 2024.
- According to the Weekly Statistical Supplement released by the RBI, foreign currency assets (FCAs) decreased by $2.1 billion to $574.2 billion
- Expressed in dollar terms, the FCAs include the effect of appreciation or depreciation of non-US units like the euro, pound and yen held in the foreign exchange reserves.
- Gold reserves dropped by $1.02 billion to $55.97 billion, whereas SDRs were down by $54 million to $18.11 billion.
- Reserve position in the IMF increased by $245 million to $4.58 billion.

India's foreign trade position

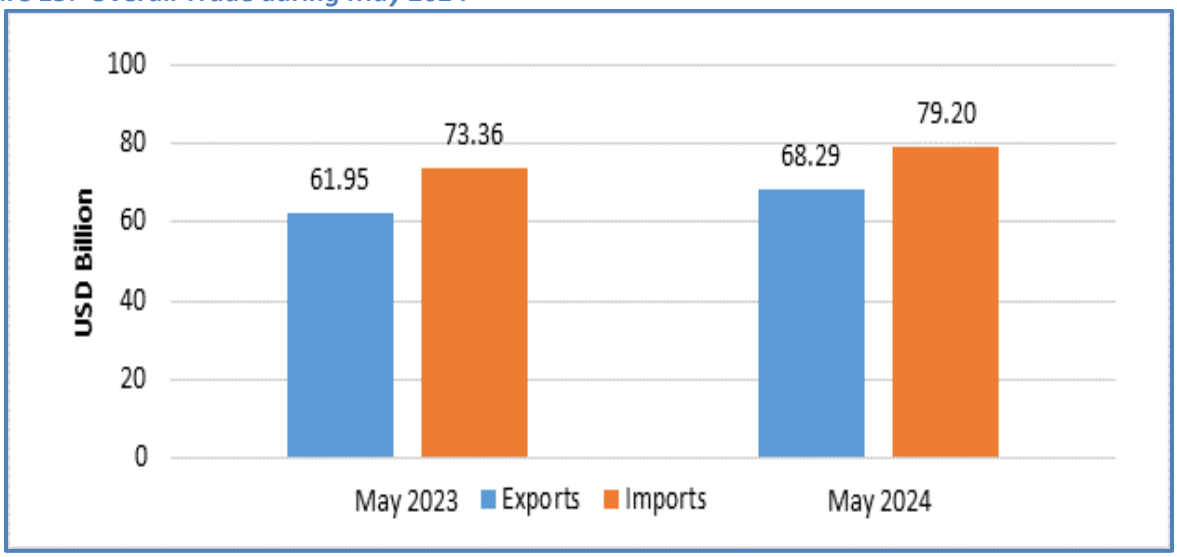
- India's total exports (Merchandise and Services combined) for May 2024 is estimated at USD 68.29 Billion, registering a growth of 10.25 percent vis-à-vis May 2023.
- Total imports (Merchandise and Services combined) for May 2024 is estimated at USD 79.20 Billion, registering a growth of 7.95 percent vis-à-vis May 2023.

Table 2: Trade during May 2024

		May 2024 (USD Billion)	May 2023 (USD Billion)
Merchandise	Exports	38.13	34.95
	Imports	61.91	57.48
Services	Exports	30.16	26.99
	Imports	17.28	15.88
Overall Trade (Merchandise +Services)	Exports	68.29	61.95
	Imports	79.20	73.36
	Trade Balance	-**10.90**	**-11.41**

Source- Ministry of Commerce & Industry

Figure 15: Overall Trade during May 2024



Source- RBI

- Exports of Coffee (64.23%), Tobacco (58.38%), Electronic Goods (22.97%), Meat, dairy & poultry products (22.95%), Fruits & Vegetables (20.75%), Handicrafts excl. handmade carpet (20.63%), Tea (19.57%), Carpet (17.55%), Plastic & Linoleum (16.6%), Petroleum Products (15.75%), Cereal preparations & miscellaneous processed items (14.31%), Drugs & Pharmaceuticals (10.45%), RMG of all Textiles (9.84%), Cotton Yarn/Fabs./made-ups, Handloom Products etc. (9.75%), Engineering Goods (7.39%), Oil seeds (5.75%), Man-made Yarn/Fabs./made-ups etc. (4.65%), Organic & Inorganic Chemicals (3.21%), Rice (2.76%) and Mica, Coal & Other Ores, Minerals including processed minerals (1.08%) record positive growth during May 2024 over the corresponding month of last year.

- Imports of Project goods (-44.31%), Coal, Coke & Briquettes, etc.(-26.55%),Cotton Raw & Waste(-24.46%),Sulphur & Unroasted Iron Pyrts(-20.92%), Fertilizers, Crude & manufactured(-20.42%), Leather & leather products(-20.05%), Chemical material & products (-9.81%), Gold (-9.76%), Wood & Wood products(-7.2%),Iron & Steel (-6.65%),Dyeing/tanning/coloring mtrls.(-5.1%),Newsprint(-4.49%), Textile yarn Fabric, made-up articles(-1.15%) and Organic & Inorganic Chemicals(-0.49%) record negative growth during May 2024 over the corresponding month of last year.

- Services exports is estimated to grow by 14.63percent during April-May 2024 over April-May 2023.

- Top 5 export destinations, in terms of change in value, exhibiting growth in May 2024 vis a vis May 2023 are U S A (13.06%), Netherland (43.92%), U Arab Emirates (19.43%), Malaysia (86.95%) and U K (33.54%).

8. Current account balance posts surplus of 0.6% of GDP in Jan-Mar 2024: RBI

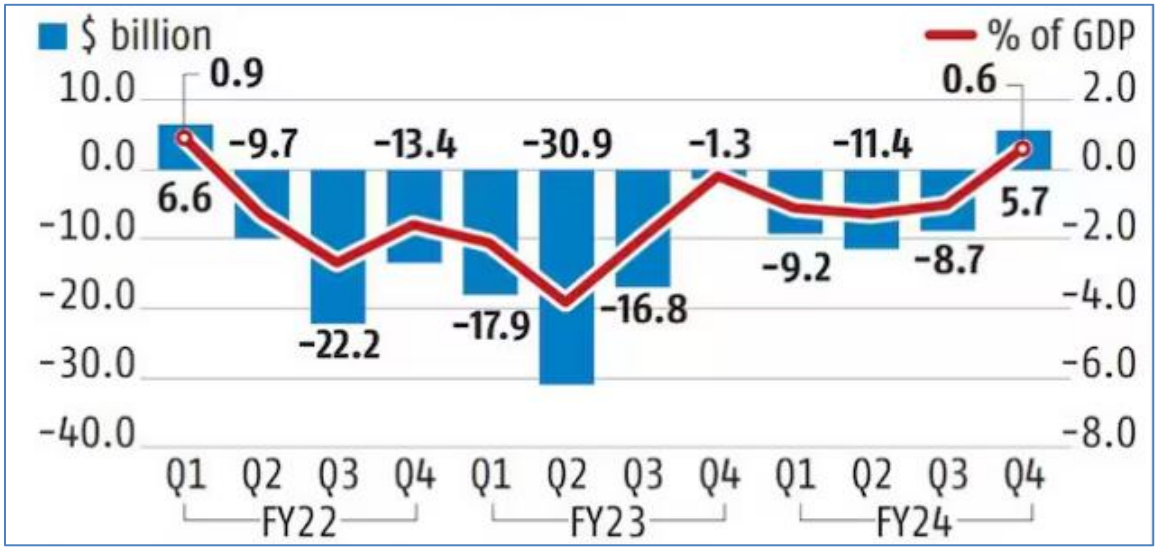
India's current account balance posted a surplus of $ 5.7 billion or 0.6 per cent of gross domestic product (GDP) during the fourth quarter ended March 2024 (Q4FY24). This comes after a gap of 10 quarters on the back of a surge in services exports, according to latest data released by the Reserve Bank of India (RBI).

There was a current account deficit (CAD) of $1.3 billion (0.2 per cent of GDP) during the fourth quarter of the previous financial year. CAD was $8.7 billion (1 per cent GDP) during the quarter ended December 2023 (Q3FY24).

For FY24, the CAD moderated to $23.2 billion (0.7 per cent of GDP) from $67 billion (2 per cent of GDP) in FY23. This was on the back of a lower merchandise trade deficit to a 10-quarter low of $50.9 billion in Q4 FY24 from $69.9 billion in Q3 FY24 and a robust expansion in the services trade surplus.

Elaborating on the quarterly trends, RBI said the net services receipt at $42.7 billion was higher in Q4 FY24 than its level a year ago ($39.1 billion). This contributed to the surplus in the current account balance during Q4.

Figure 16: India's current account balance



Source- RBI

9. India remains world's fastest growing major economy globally: World Bank

The World Bank predicted that India is set to remain the fastest-growing major economy globally, though its growth rate is expected to slow. The June 'Global Economic Prospects' report maintained the GDP growth forecast for India at 6.6 per cent for FY25.

After a robust performance in FY24, the World Bank projected an average growth rate of 6.7 per cent (6.7 per cent in FY26 and 6.8 per cent in FY27) annually over the three fiscal years starting from FY25, as outlined in its Global Economic Prospects for June 2024.

In the January-March quarter, India's GDP growth surpassed expectations, reaching 7.8 per cent, although this was a decline from 8.4 per cent in the third quarter. For the entire fiscal year 2023-24, GDP growth has been revised upwards to 8.2 per cent from the second advance estimate of 7.6 per cent, according to the Ministry of Statistics and Programme Implementation data released on May 31.

According to World Bank, India, the largest economy in South Asia, has significantly contributed to regional growth, particularly through its manufacturing and services sectors. The country's growth rate for FY24 is estimated at 8.2 per cent, a notable increase of 1.9 percentage points from earlier projections, the report said.

India's economic growth has been driven by its industrial and services sectors, which have offset a slowdown in agricultural production caused by monsoon disruptions. Domestic demand remains strong, buoyed by infrastructure investments, even as post-pandemic pent-up consumption demand eases, the World Bank report noted. Inflation in India has remained within the Reserve Bank's target range of 2-6 per cent since September 2023, contributing to a stable economic environment, the report added.

10. S&P retains India FY25 GDP growth estimate at 6.8%; forecast lower than RBI

S&P Global Ratings retained India's GDP growth forecast for the current financial year at 6.8 per cent and said high interest rates and lower fiscal spur would temper demand. In its economic outlook for Asia Pacific, S&P Global Ratings said India's economic growth continues to grow on the upside with the economy growing 8.2 per cent in fiscal year 2023-24.

For the fiscal years 2025-26 and 2026-27, S&P projected growth rates of 6.9 per cent and 7 per cent, respectively.

S&P's estimates for FY'25 is lower than that of the Reserve Bank of India (RBI), which earlier this month projected the Indian economy to expand at 7.2 per cent in the current fiscal, on the back of improving rural demand and moderating inflation.

While rating agency Fitch estimates India's growth at 7.2 per cent in FY'25, the Asian Development Bank (ADB) estimates India's GDP to grow at 7 per cent. Moody's Ratings and Deloitte India estimates India's GDP to grow at 6.6 per cent in 2024-25 fiscal, while Morgan Stanley projects growth rate of 6.8 per cent.

Lessons from Economics

Reserve Currency

A reserve currency is a large quantity of currency maintained by central banks and other major financial institutions to prepare for investments, transactions, and international debt obligations, or to influence their domestic exchange rate. A large percentage of commodities, such as gold and oil, are priced in the reserve currency, causing other countries to hold this currency to pay for these goods.

Holding a reserve currency minimizes exchange rate risk, as the purchasing nation will not have to exchange its currency for the current reserve currency to make the purchase. Since 1944, the U.S. dollar has been the primary reserve currency used by other countries. As a result, foreign nations closely monitor the monetary policy of the United States to ensure that the value of their reserves is not adversely affected by inflation or rising prices.

Benefits of Reserve Currency Status

- Being the country issuing a reserve currency reduces transaction costs, since both sides of the transaction involve the same currency and one is yours.
- Reserve currency issuing countries are not exposed to the same level of exchange rate risk, especially when it comes to commodities, which are often quoted and settled in dollars.
- Because other countries want to hold a currency in reserve and use it for transactions, the higher demand means lower borrowing costs through depressed bond yields (most reserves are of government bonds).
- Issuing countries are also able to borrow in their home currencies and are less worried about propping up their currencies to avoid default.

Drawbacks of Reserve Currency Status

- Low borrowing costs stemming from issuing a reserve currency may prompt loose spending by both the public and private sectors, which may result in asset bubbles and ballooning government debt.

Dollar dominance in the International Reserve system

The post-war emergence of the U.S. as the dominant economic power had enormous implications for the global economy.

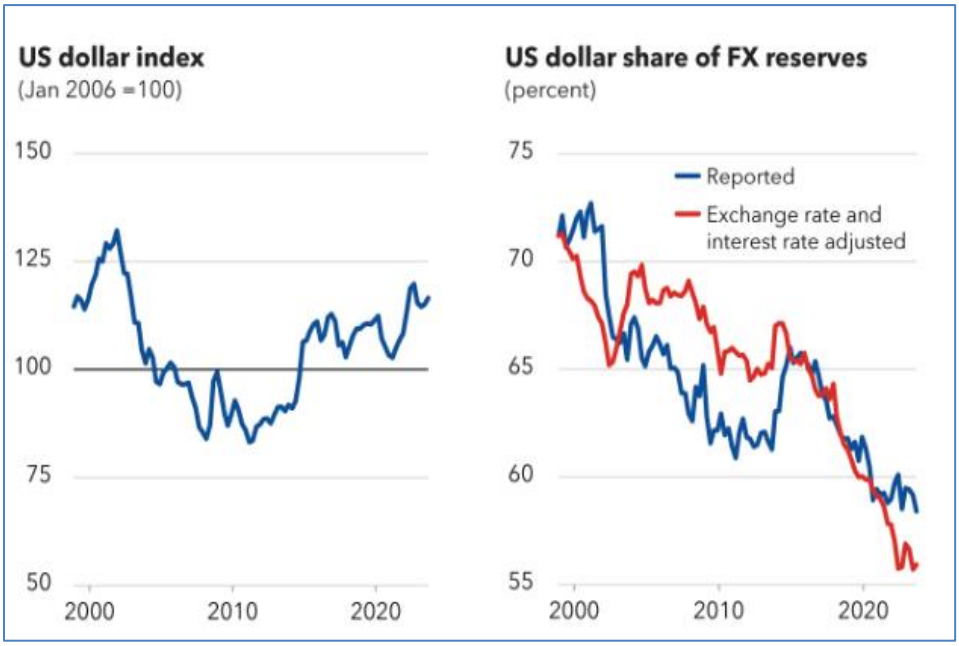
- At one time, U.S. Gross Domestic Product (GDP), which is a measure of the total output of a country, represented 50% of the world's economic output. As a result, it made sense that the U.S dollar would become the global currency reserve. Since then, other countries pegged their

exchange rates to the dollar, which was convertible to gold at the time. Because the gold-backed dollar was relatively stable, it enabled other countries to stabilize their currencies.

- However, the outsized role of the US dollar in the world economy—has been brought into focus recently as the robustness of the US economy, tighter monetary policy and heightened geopolitical risk have contributed to a higher greenback valuation. At the same time, economic fragmentation, and the potential reorganization of global economic and financial activity could encourage some countries to use and hold other international and reserve currencies.

- Recent data from the IMF's Currency Composition of Official Foreign Exchange Reserves (COFER) point to an ongoing gradual decline in the dollar's share of allocated foreign reserves of central banks and governments.

Figure 17: US dollar share of foreign reserves

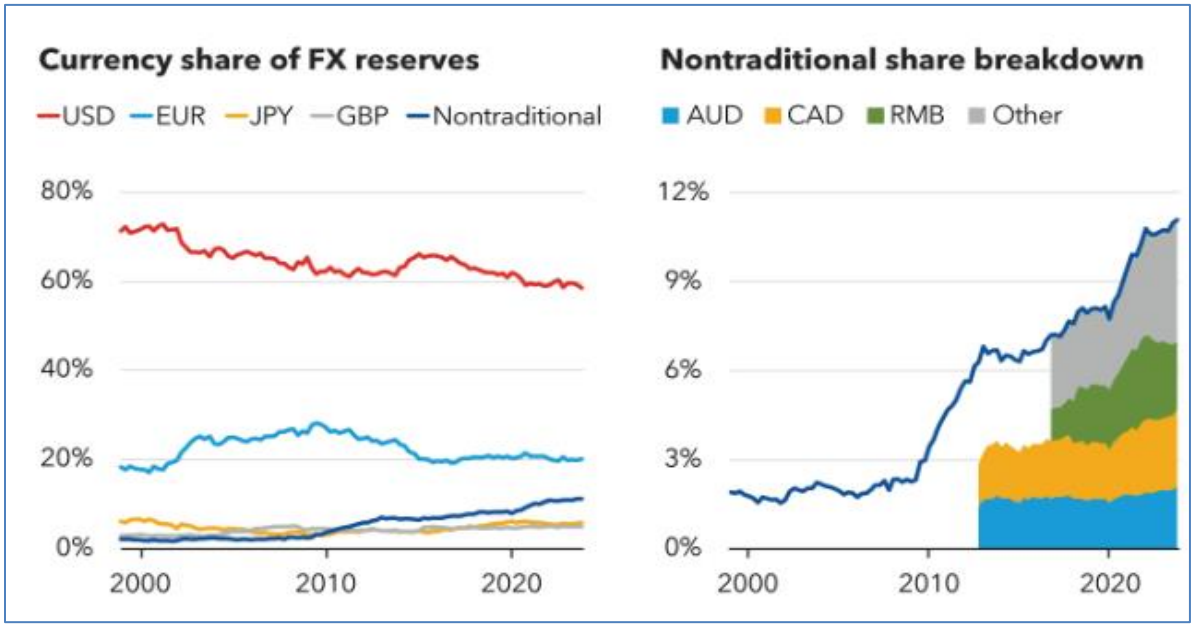


Source- IMF

- The reduced role of the US dollar over the last two decades has not been matched by increases in the shares of the other "big four" currencies—the euro, yen, and pound. Rather, it has been accompanied by a rise in the share of what we have called nontraditional reserve currencies, including the Australian dollar, Canadian dollar, Chinese renminbi, South Korean won, Singaporean dollar, and the Nordic currencies.

- These nontraditional reserve currencies are attractive to reserve managers because they provide diversification and relatively attractive yields, and because they have become increasingly easy to buy, sell and hold with the development of new digital financial technologies.

Figure 18: Nontraditional currencies rise



Source- IMF

Oil Market

Crude oil price – Monthly Review

Brent crude futures continued to slide in May and early June, as flagging oil demand growth and inventory builds pointed to a comfortably supplied market. Brent futures fell by $6/bbl in May, before tumbling further in early June after the OPEC+ alliance announced plans to gradually unwind last year's extra voluntary output cuts starting in 4Q24. Traders' initial response was overwhelmingly bearish, with prices falling to a low of around $77.50/bbl., but OPEC+ officials quickly reiterated that a rollback of output reductions will be contingent on market conditions. Brent rebounded to $81.50/bbl, still about $11/bbl below early April's 2024 highs.

In May, crude spot prices averaged lower, reversing all previous gains, mainly due to heavy selling in the oil futures market and changes in the market's perception of short-term oil market outlooks. The decline in prices was more pronounced in the light sweet Brent benchmark, as the selloff from speculators was concentrated in ICE Brent futures and options contracts. Lower gasoline and diesel crack spreads in major trading hubs added downward pressure to light sweet crudes. This largely offset a draw in US crude stocks and higher global oil refinery intakes. High crude supply availability in Northwest Europe and supplies from the US Gulf Coast (USGC), weighed on the value of crude differentials in the Atlantic Basin and pushed the value of the North Sea Dated benchmark lower.

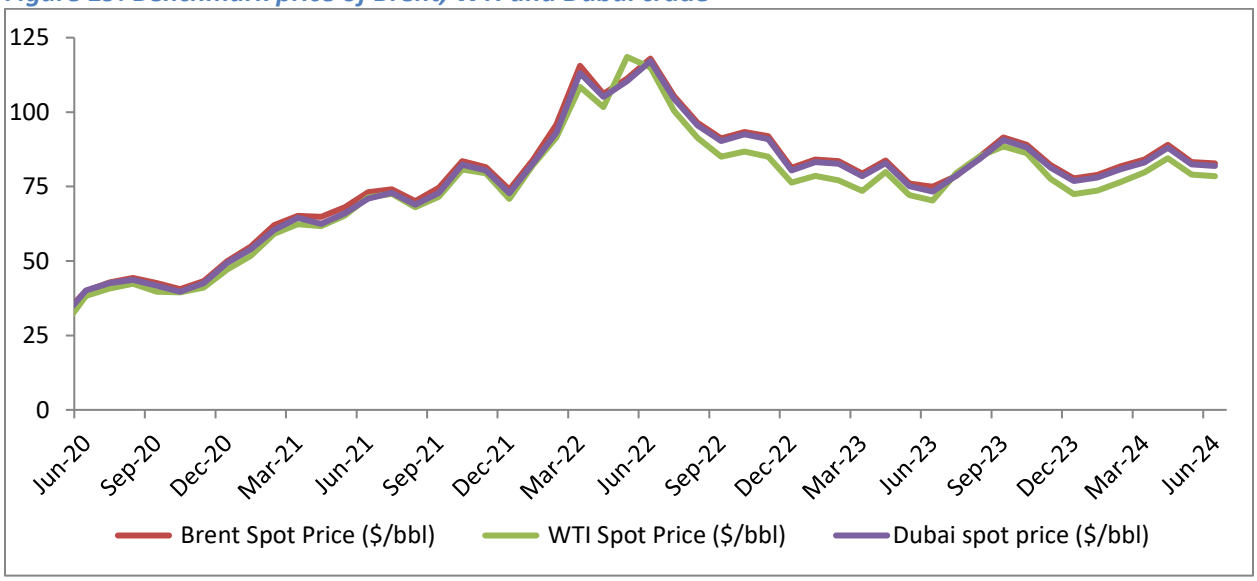
Hedge funds and other money managers closed a large volume of bullish futures and options positions in the ICE Brent futures market, while sharply raising short positions to their highest since November 2020. This fuelled volatility and accelerated the decline in oil futures prices. Combined futures and options net long positions in ICE Brent and NYMEX WTI dropped to their lowest level since last January. Between late April and the week of 28 May, hedge funds and other money managers sold an equivalent of 144 mb of oil in Brent and WTI futures and options positions.

The OPEC Reference Basket (ORB) value averaged $5.53, or 6.2%, lower, m-o-m, to stand at $83.59/b, with all ORB component values falling alongside their respective crude oil benchmarks.

The premium of light sweet crude over medium sour crude continued to narrow in May, a trend observed across all major regions for several consecutive months. High availability of light sweet crude, especially from increased US crude exports, and a reduction in gasoline and diesel crack spreads in all refining hubs, negatively impacted the value of light sweet crude, while medium and heavy sour crude values experienced comparatively a less significant decline.

Brent crude ranged an average to $82.75 a barrel and WTI ranged to $78.52 per barrel in the month of June 2024.

Figure 19: Benchmark price of Brent, WTI and Dubai crude



Source- World Bank

- Brent crude price averaged $82.75 per bbl in June 2024, down by 0.6% on a month on month (MoM) and up by 10.5% on year on year (YoY) basis, respectively.

- WTI crude price averaged $78.52 per bbl in June 2024, down by 0.6% on a month on month (MoM) and up by 11.7% on year on year (YoY) basis, respectively.

- Dubai crude price averaged $81.89 per bbl in June 2024, down by 0.7% on a month on month (MoM) and up by 11.7% on year on year (YoY) basis, respectively.

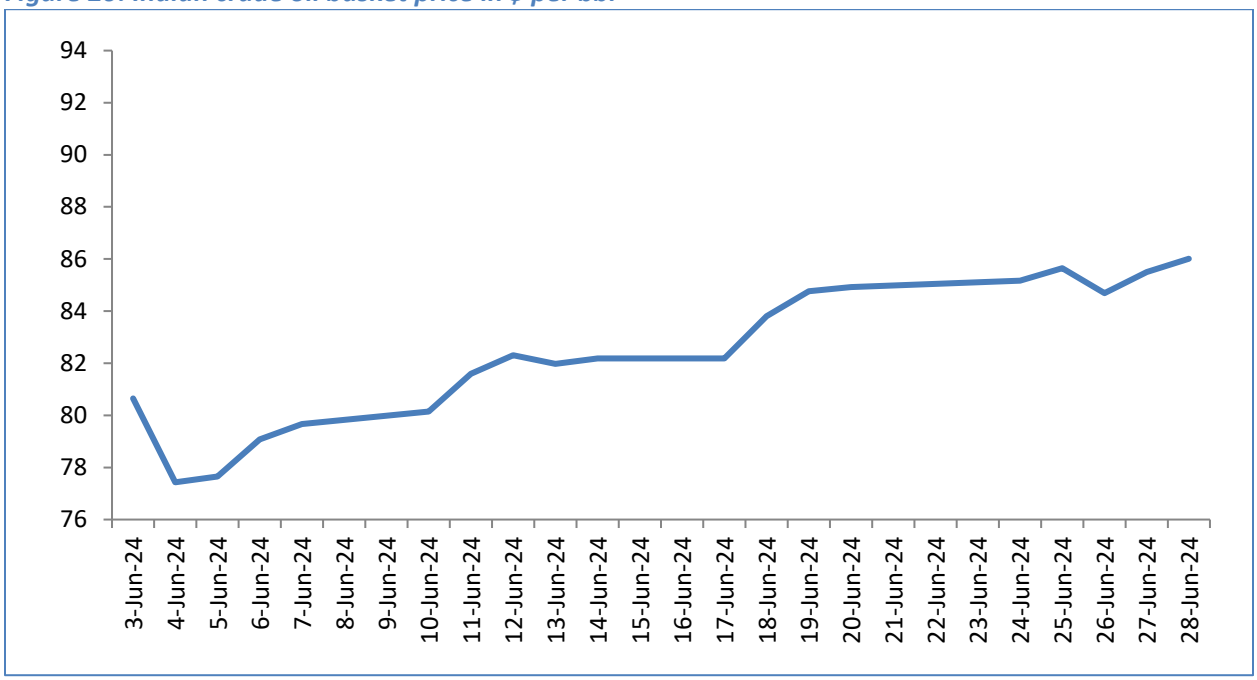
Table 3: Crude oil price in June, 2024

Crude oil	Price ($/bbl)	MoM (%) change	YoY (%) change
Brent	82.75	-0.6%	10.5%
WTI	78.52	-0.6%	11.7%
Dubai	81.89	-0.7%	11.7%

Source- World Bank

Indian Basket Crude oil price

Figure 20: Indian crude oil basket price in $ per bbl



Source- PPAC

- Indian crude basket price averaged $82.55 per barrel in June 2024, down by 1.4% on Month on Month (M-o-M) and up by 10.5% on a year on year (Y-o-Y) basis, respectively.

Oil production situation

- The non-Declaration of Cooperation (DoC) liquids supply (i.e., liquids supply from countries not participating in the DoC) is expected to grow by 1.2 mb/d in 2024, unchanged from the previous month's assessment. The main drivers for growth are expected to be the US, Canada, Brazil and Norway. In 2025, non-DoC liquids supply growth is expected at 1.1 mb/d, unchanged from the previous month's assessment. The growth is expected to be mainly driven by the US, Brazil, Canada and Norway.
- Separately, DoC natural gas liquids (NGLs) and non-conventional liquids are forecast to grow by about 0.1 mb/d to average 8.3 mb/d this year, followed by an increase of 20 tb/d to average 8.3 mb/d in 2025. The DoC-22 crude oil production in May dropped by 123 tb/d, m-o-m, averaging 40.92 mb/d, as reported by available secondary sources.

Table 4: Non-DoC liquids production in 2024, mb/d

Non-OPEC liquids production	2023	1Q24	2Q24	3Q24	4Q24	2024
Americas	26.60	26.92	27.20	27.38	27.58	27.27
of which US	*20.90*	*21.02*	*21.40*	*21.43*	*21.51*	*21.34*
Europe	3.65	3.67	3.74	3.73	3.88	3.76
Asia Pacific	0.44	0.45	0.43	0.43	0.43	0.44
Total OECD	**30.69**	**31.04**	**31.37**	**31.54**	**31.89**	**31.46**
China	4.52	4.62	4.59	4.46	4.46	4.53
India	0.77	0.78	0.79	0.79	0.78	0.78
Other Asia	1.61	1.62	1.58	1.58	1.58	1.59
Latin America	6.96	7.28	7.20	7.42	7.47	7.34
Middle East	2.02	2.00	2.02	2.01	2.01	2.01
Africa	2.22	2.26	2.26	2.24	2.27	2.26
Other Eurasia	0.36	0.36	0.36	0.36	0.36	0.36
Other Europe	0.10	0.10	0.10	0.10	0.10	0.10
Total Non-OECD	**18.57**	**19.02**	**18.91**	**18.96**	**19.03**	**18.98**
Total Non-DoC production	49.26	50.06	50.27	50.50	50.93	50.44
Processing gains	2.47	2.52	2.52	2.52	2.52	2.52
Total Non-DoC liquids production	**51.73**	**52.58**	**52.79**	**53.02**	**53.45**	**52.96**

*Note. *2024 = Forecast. Totals may not add up due to independent rounding*
Source- OPEC monthly report, June 2024

- From the above table, it can be inferred, that the total non-DoC liquids production is expected to reach 52.96 mb/d by 2024.
- The non-DoC liquids supply (i.e. liquids supply from countries not participating in the Declaration of Cooperation) is expected to expand by 1.2 mb/d in 2024, unchanged from the previous month's assessment, to average 53.0 mb/d.

Oil demand situation

- The global oil demand growth forecast for 2024 remained unchanged from last month's estimates at 2.2 mb/d. There were some minor downward adjustments for 1Q24 due to actual data from the OECD, more specifically Europe and Asia Pacific. This was offset by a better-than-expected performance in the non-OECD in 1Q24. Accordingly, OECD oil demand is now expected to grow by 0.2 mb/d while the non-OECD forecast remains at 2.0 mb/d.
- In 2025, global oil demand is expected to see robust growth of 1.8 mb/d, y-o-y, unchanged from the previous month's assessment. The OECD is expected to grow by 0.1 mb/d, y-o-y, while demand in the non-OECD is forecast to increase by 1.7 mb/d.

Table 5: World Oil demand, mb/d

	2023	1Q24	2Q24	3Q24	4Q24	2024	Growth	%
Total OECD	**25.03**	**24.57**	**25.38**	**25.58**	**25.44**	**25.25**	**0.22**	**0.88**
~ of which US	*20.36*	*19.98*	*20.67*	*20.67*	*20.85*	*20.54*	*0.18*	*0.90*
Total Non-OECD	**45.75**	**45.41**	**45.92**	**46.36**	**46.27**	**45.99**	**0.24**	**0.52**
~ of which India#	*5.34*	*5.66*	*5.66*	*5.40*	*5.59*	*5.58*	*0.23*	*4.36*
~ of which China	16.26	16.52	16.83	17.23	17.33	16.98	0.72	4.44
Total world	**102.21**	**103.51**	**103.80**	**104.90**	**105.60**	**104.46**	**2.25**	**2.20**

Source- OPEC monthly report, June 2024

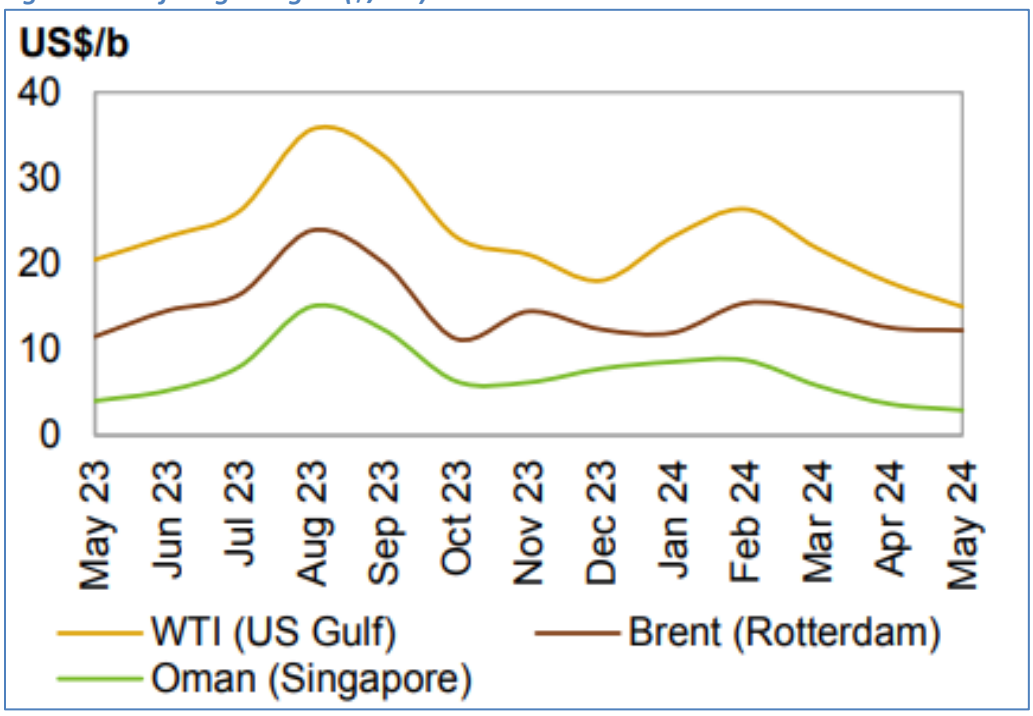
Note: 2024 = Forecast. Totals may not add up due to independent rounding*

Global petroleum product prices

US Gulf Coast (USGC) refining margins against WTI continued to trend downwards for the third consecutive month and showed the largest m-o-m decline compared to what was seen in other key trading hubs. US refinery processing rates in May climbed by 730 tb/d to 17.3 mb/d, a multi-year high, reaching 2019 levels. Rising product inventories with recovery in refinery runs led to losses all across the barrel in the USGC with the exception of naphtha. Total US motor gasoline inventories rose in May, while the Department of Energy's announcement to release gasoline for summer from the nation's Northeast Gasoline Supply Reserve added to the bearish market sentiment, positioning gasoline as the main source of weakness across the barrel. On the positive side, naphtha showed significant margin Graph 6 - 1: Refining margins gains as higher propane prices prompted petrochemical operators to resort to light distillates as the preferred feedstock. However, these gains were offset by the losses associated with all other key products. USGC margins against WTI averaged $14.98/b in May, down by $2.82, m-o-m, and by $5.49, y-o-y. In the previous month, USGC margins were $3.41 lower, y-o-y.

Refinery margins in Rotterdam against Brent eased to experience a mild loss and reach a four-month low, with mixed performance across the barrel. The supply side pressure derived from higher product output reflected on gasoil and much more distinctly on gasoline markets. According to Vortexa, East of Suez imports of European residual fuel oil reached a 22-month high amid improved arbitrage economics. Although a solid HSFO, naphtha and jet/kerosene upturn was registered, driven by supportive demand-side dynamics, this combined gain was insufficient to compensate for gasoline and gasoil weakness. Increased jet fuel demand as a consequence of a pick-up in air travel and sustained fuel oil cooling requirements in the East are expected to support product markets in Rotterdam in the near term.

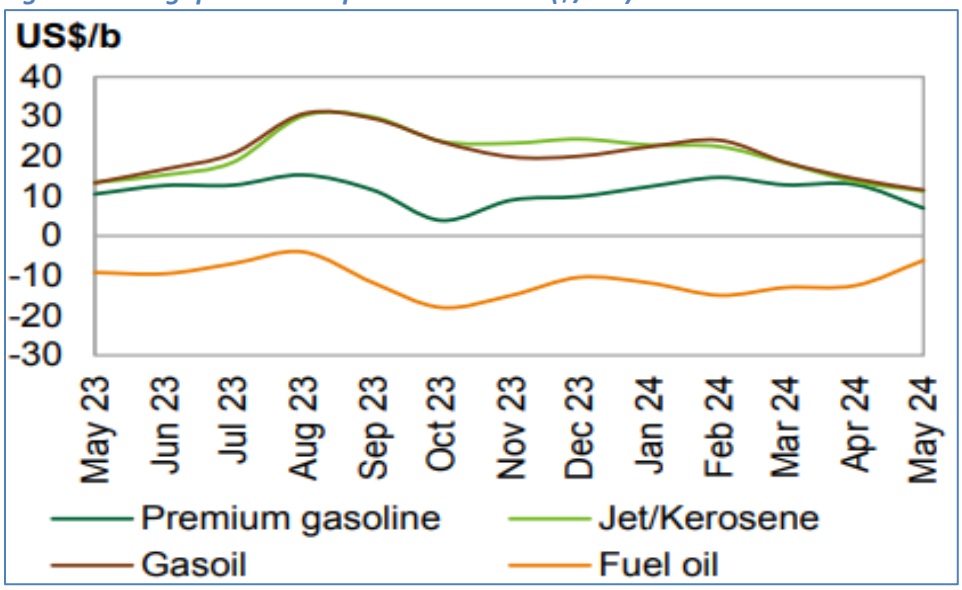
Figure 21: Refining Margins ($/bbl)



Source- Argus and OPEC

The Southeast Asian gasoline 92 crack spreads experienced a solid loss, registering the most significantly negative performance across the barrel, followed by gasoil and jet/kerosene. Elevated gasoline volume inflows from the Middle East amid firm flows from Chinese refiners led to gasoline weakness. Consequently, the products' margin dropped to a seven-month low, averaging $6.99/b. This was down $5.96, m-o-m, and $3.57, y-o-y.

Figure 22: Singapore crack Spreads vs. Dubai ($/bbl)



Source- Argus and OPEC

The Singapore gasoil crack spread declined for the third consecutive month in May to settle at a thirty-month low. Gasoil production in the region remained strong as Indian refiners practiced high run rates driven by strong domestic demand and acquisitions of cheaper crude. In addition, China increased its gasoil exports, m-o-m, while South Korea's gasoil exports stayed robust. Going forward, the start of the monsoon season is expected to further boost gasoil production and keep key Asian trading hubs well supplied, although an expected rise in Australian product (including diesel) stockpiling starting the first of July may somewhat limit the gasoil surplus. The Singapore gasoil crack spread against Dubai averaged $11.56/b, down $2.82/b, m-o-m, and $1.82/b, y-o-y.

Table 6: Singapore FOB, refined product prices ($/bbl) in May 2024

Singapore product prices	Price ($/b)	MoM (%) change	YoY (%) change
Naphtha	72.29	-4.4%	16.1%
Premium gasoline (unleaded 95)	95.38	-10.3%	5.6%
Regular gasoline (unleaded 92)	91.10	-10.7%	6.3%
Jet/Kerosene	95.45	-7.1%	7.7%
Gasoil/Diesel (50 ppm)	96.97	-7.0%	9.3%
Fuel oil (180 cst 2.0% S)	94.13	-7.1%	9.0%
Fuel oil (380 cst 3.5% S)	78.02	1.7%	18.2%

Source- OPEC

Petroleum products consumption in India

Monthly Review:

- Overall consumption of all petroleum products in May 2024 with a volume of 20.49 MMT registered a growth of 2.13% on volume of 20.06 MMT in May 2023.
- MS (Petrol) consumption during the month of May 2024 with a volume of 3.43 MMT recorded a growth of 2.41% on volume of 3.35 MMT in May 2023.
- HSD (Diesel) consumption during the month of May 2024 with a volume of 8.36 MMT recorded a growth of 1.79% on volume of 8.22 MMT in the month of May 2023.
- LPG consumption during the month of May 2024 with a volume of 2.39 MMT registered growth of 1.95% over the volume of 2.34 MMT in the month of May 2023.
- ATF consumption during May 2024 with a volume of 0.743 MMT registered a growth of 10.94% over the volume of 0.670 MMT in May 2023.
- Bitumen consumption during May 2024 with a volume of 0.816 MMT registered growth of 10.29% over volume of 0.740 MMT in the month of May 2023.

- Kerosene consumption registered de-growth of 40.62% during the month of May 2024 as compared to May 2023.

Table 7: Petroleum products consumption in India, May 2024 and Year till Date (YTD) 2024

	Monthly			Year till Date	
Consumption of Petroleum Products (P)	**Consumption in '000 MT**	**MoM (%) change**	**YoY (%) change**	**Consumption in '000 MT**	**YoY (%) change**
LPG	2393	1.5%	1.9%	4751	5.5%
Naphtha	1065	-7.9%	-7.3%	2221	-0.3%
MS	3429	4.4%	2.4%	6713	7.8%
ATF	743	0.2%	10.9%	1485	12.0%
SKO	25	-6.7%	-40.6%	52	-28.2%
HSD	8365	5.5%	1.8%	16291	1.6%
LDO	62	21.2%	-10.3%	113	-13.1%
Lubricants & Greases	331	11.6%	13.4%	628	9.8%
FO & LSHS	530	8.9%	-7.6%	1017	-12.5%
Bitumen	816	-1.8%	10.3%	1647	10.5%
Petroleum coke	1630	-2.4%	14.2%	3302	14.9%
Others	1095	6.5%	-7.2%	2124	7.3%
TOTAL	**20485**	**3.2%**	**2.1%**	**40343**	**4.5%**

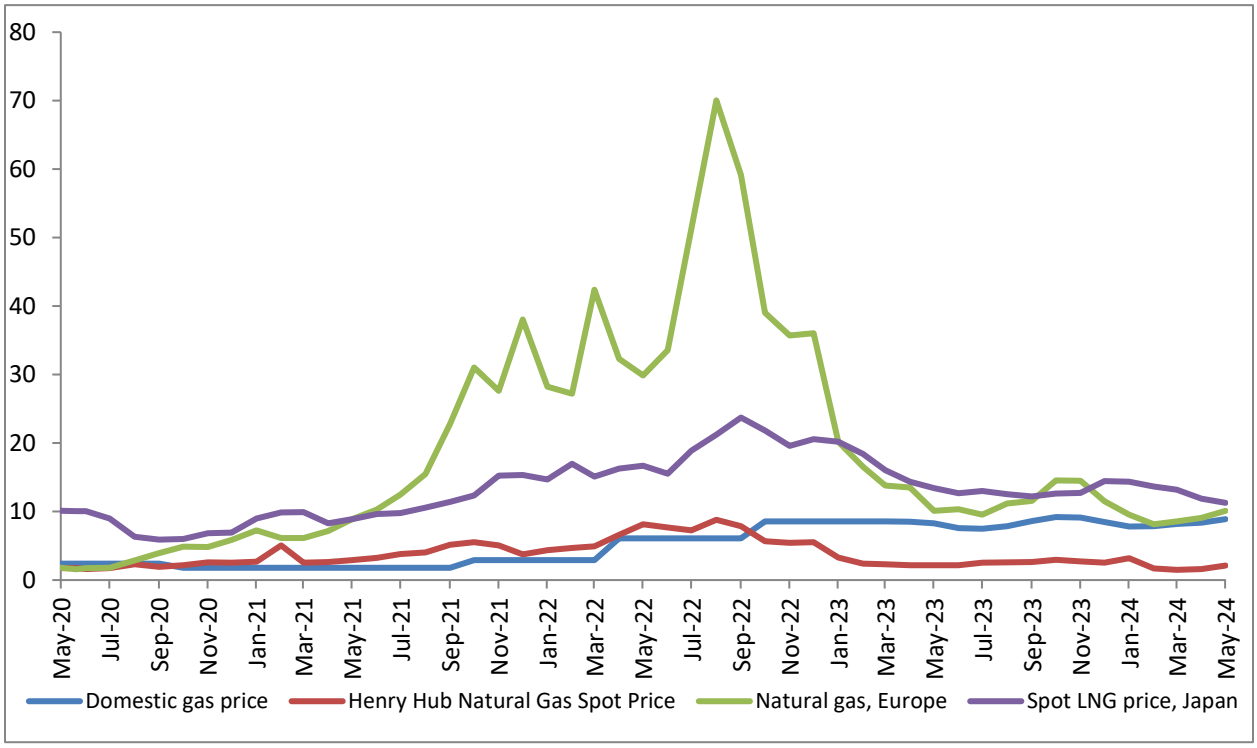
Source- PPAC
Fiscal Year: 1st April 2024 – 31st March 2025

Natural Gas Market

Natural Gas Price – Monthly Review

- Natural gas spot prices at the US Henry Hub benchmark averaged $2.12 per million British thermal units (MMBtu) in May 2024. Henry Hub's natural gas prices advanced for a second consecutive month in May, increasing by ~33%, m-o-m. Prices rallied on the back of higher domestic cooling demand amid warmer-than-expected weather and an increase in US LNG demand, particularly from the Asian region. However, prices remained at historical lows (at an average of $2.1/mmbtu in May), capped by strong domestic production.
- The natural gas spot price at the Title Transfer Facility (TTF) in the Netherlands in Europe traded at an average of $10.12 per MMBtu. Natural gas prices in Europe rose for a third consecutive month. The average Title Transfer Facility (TTF) price went from $9.1/mmbtu in April to $10.1/mmbtu in May, an 11.4%, m-o-m, increase. According to data from Gas Infrastructure Europe, EU storage levels were at 70% capacity as of 31 May of this year. Despite these healthy storage levels, prices remained sensitive to geopolitical developments. Moreover, expected plant maintenance outages at some Norwegian gas facilities this summer season renewed concerns over supply risk, thus adding upward pressure on prices. Prices were essentially flat y-o-y.
- Japan Liquefied Natural Gas Import Price averaged at $11.26 per MMBtu for May 2024. There is a change of -5.2% from last month and -16.2% from one year ago.
- The Union Cabinet has approved a new formula for pricing of natural gas and imposed cap or ceiling price on the same. Natural gas produced from legacy or old fields, known as APM gas, will now be indexed to crude oil prices. From April 1 2023, APM gas will be priced at 10% of the price of basket of crude oil that India imports. The rate such arrived at however will be capped at US$ 6.5 per MMBTU. The price such arrived at will also have a floor of US$ 4 per MMBTU.
- Further, in accordance with MoP&NG, Govt. of India, pricing freedom for gas being produced from discoveries in Deepwater, Ultra Deepwater and High Pressure-High Temperature areas, the gas price ceiling for the period 1st April, 2023 - 30th September, 2023 was notified as US$ 12.12/MMBTU on Gross Calorific Value (GCV) basis as per notification dated 31st March, 2023. Gas price ceiling was further revised for the period 1st October, 2023 – 31st March, 2024 was notified as US$ 9.96/MMBTU on Gross Calorific Value (GCV) basis as per notification dated 30th September 2023. Gas price ceiling was further revised for the period 1st April, 2024 – 31st September, 2024 was notified as US$ 9.87/MMBTU on Gross Calorific Value (GCV) basis as per notification dated 31st March 2024.

Figure 23: Global natural gas price trends ($/mmbtu)



Source- EIA, World Bank

Table 8: Gas price, May 2024

Natural Gas	Price ($/MMBTU)	MoM (%) change	YoY (%) change
India, Domestic gas price (June'24)	8.44	-5.17	11.35
India, Gas price ceiling – difficult areas (Apr-Sep'24)	9.87	-0.90%	-18.56%
GIXI (Gas index of India) price*	10.2	13%	-10%
Henry Hub	2.12	32.5%	-1.4%
Natural Gas, Europe	10.12	11.3%	0.1%
Liquefied Natural Gas, Japan	11.26	-5.2%	-16.2%

Source- EIA, PPAC, World Bank, IGX

**Prices are weighted average prices (excluding ceiling price gas)*

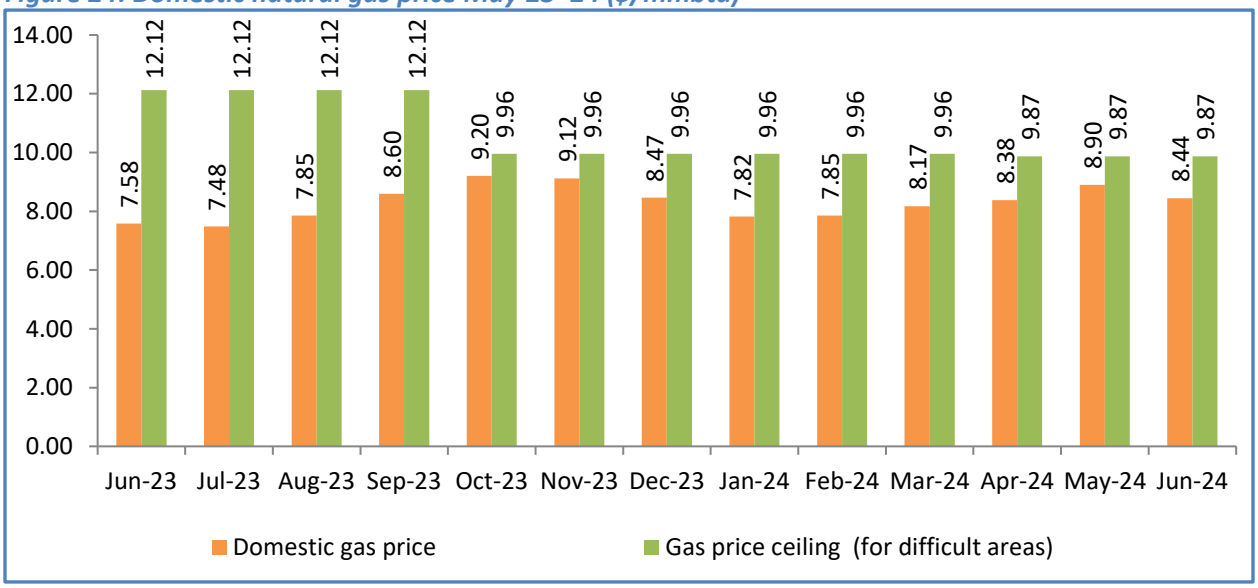
Table 9: Gas price, GCV Basis

Period	Domestic Gas calculated price in US$/MMBTU	Gas price ceiling – difficult areas price in US$/MMBTU
1-31 May 2023	8.27	12.12
1-30 June 2023	7.58	12.12
1-31 July 2023	7.48	12.12
1-31 August 2023	7.85	12.12
1-30 September 2023	8.60	12.12

Period	Domestic Gas calculated price in US$/MMBTU	Gas price ceiling – difficult areas price in US$/MMBTU
1-31 October 2023	9.20	9.96
1-30 November 2023	9.12	9.96
1-31 December 2023	8.47	9.96
1-31 January 2024	7.82	9.96
1-29 February 2024	7.85	9.96
1-31 March 2024	8.17	9.96
1-30 April 2024	8.38	9.87
1-31 May 2024	8.90	9.87
1-30 June 2024	8.44	9.87

Source- PPAC

Figure 24: Domestic natural gas price May'23–24 ($/mmbtu)



Source- PPAC

Indian Gas Market

- Gross production of natural gas for the month of May 2024 (P) was 3105 MMSCM which was higher by 6.7% compared with the corresponding month of the previous year.
- Total imports of LNG (provisional) during the month of May 2024 were 2648 MMSCM (P) (decrease of 7.2% over the corresponding month of the previous year).
- Natural gas available for sale during May 2024 was 5232 MMSCM (increase of 0.1% over the corresponding month of the previous year).

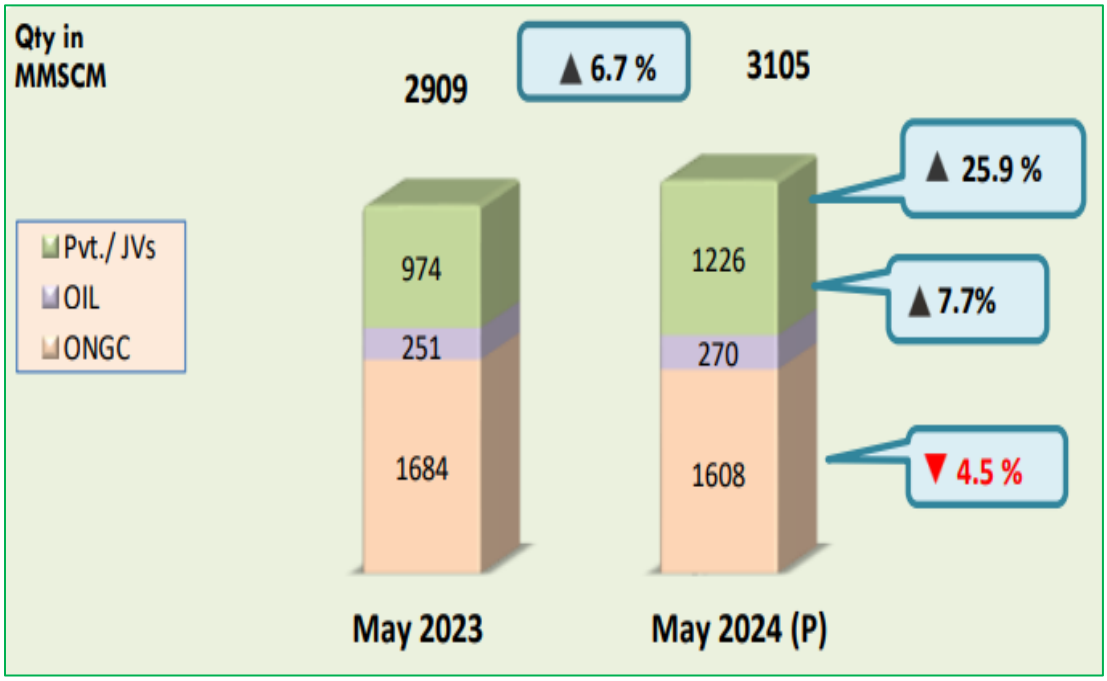
- Total consumption during May 2024 was 6605 MMSCM (provisional). Major consumers were fertilizer (31%), City Gas Distribution (CGD) (19%), Power (19%), Refinery (7%) and Petrochemicals (5%).

Monthly Report on Natural gas production, imports, and consumption – May 2024

1. Domestic Natural Gas Gross Production:

Domestic natural gas gross production for the month of May 2024 was 3105 MMSCM (increase of 6.7% over the corresponding month of the previous year).

Figure 25: Domestic natural gas Gross production (Qty in MMSCM)

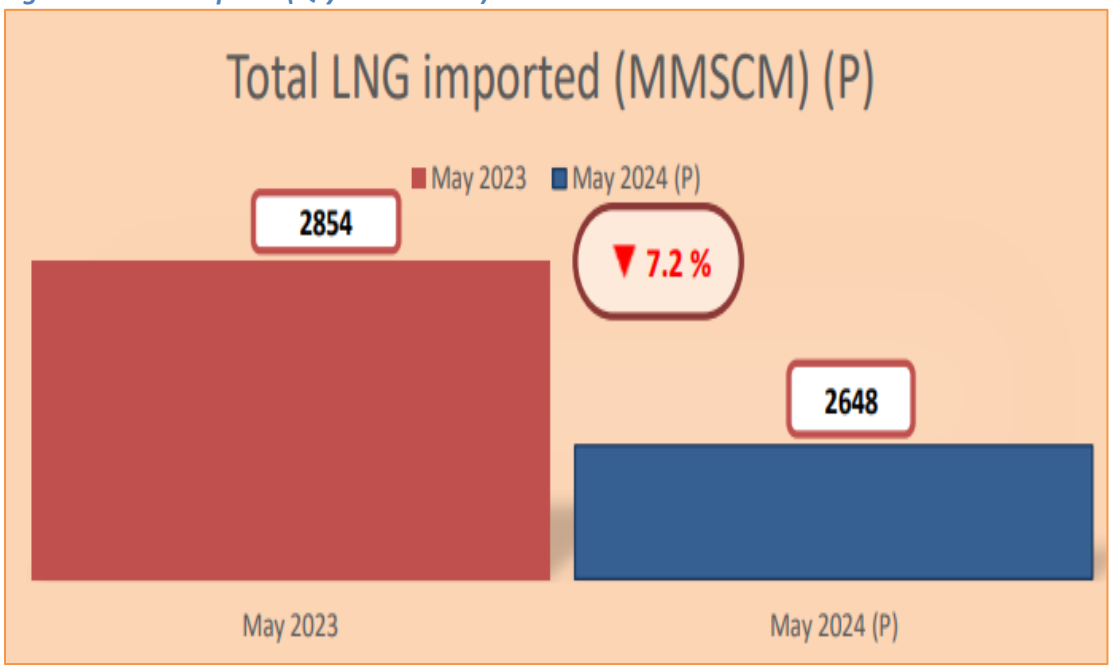


Source- PPAC

2. LNG imports:

Total imports of LNG (provisional) during the month of May 2024 were 2648 MMSCM (decrease of 7.2% over the corresponding month of the previous year).

Figure 26: LNG imports (Qty in MMSCM)

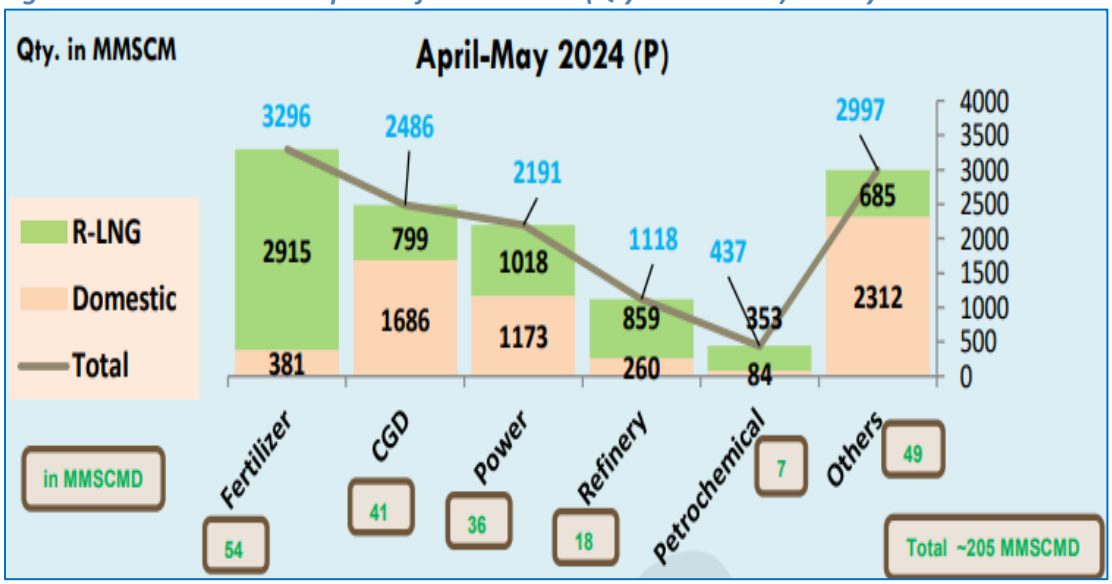


Source- PPAC

3. Sectoral Consumption of Natural Gas:

Major consumers were fertilizer, CGD, power, refinery, petrochemicals among others.

Figure 27: Sectoral Consumption of Natural Gas (Qty in MMSCM) in May 2024



Source- PPAC

Key developments in Oil & Gas sector

- **Monthly Production Report for May, 2024**

1. Production of Crude Oil

Indigenous crude oil and condensate production during May 2024 was 2.5 MMT. OIL registered a production of 0.3 MMT, ONGC registered a production of 1.6 MMT whereas PSC/RSC registered production of 0.6 MMT during May 2024. There is a degrowth of 1.1% in crude oil and condensate production during May 2024 as compared to May 2023.

2. Production of Natural Gas

Gross production of natural gas for the month of May 2024 (P) was 3105 MMSCM which was higher by 6.7 % compared with the corresponding month of the previous year. The cumulative gross production of natural gas of 6063 MMSCM for the current financial year till May 2024 was higher by 7.2 % compared with the corresponding period of the previous year.

3. Crude Oil Processed (Crude Throughput)

Total Crude oil processed during May 2024 was 23.0 MMT which is 1.3% higher than May 2023, where PSU/JV refiners processed 15.7 MMT and private refiners processed 7.3 MMT of crude oil. Total indigenous crude oil processed was 2.3 MMT and total Imported crude oil processed was 20.7 by all Indian refineries (PSU+JV+PVT). There was a growth of 1.1 % in total crude oil processed in April-May FY 2024 – 25 as compared to same period of FY 2023 – 24.

4. Production of Petroleum Products

Production of petroleum products was 24.0 MMT during May 2024 which is 0.5% higher than May 2023. Out of 24.0 MMT, 23.7 MMT was from refinery production & 0.3 MMT was from fractionator. There was a growth of 2.2 % in production of petroleum products in April May FY 2024 – 25 as compared to same period of FY 2023 – 24. Out of total POL production, in May 2024, share of HSD is 41.6 %, MS 17.2 %, Naphtha 6.5 %, ATF 6.4 %, Pet Coke 5.3 %, LPG 4.5% which are of major products and rest are shared by Bitumen, FO/LSHS, LDO, Lubes & others.

Key Policy developments/significant news in Energy sector

Govt. reduces windfall tax on crude petroleum to Rs. 3,250/tonne

The government announced a decrease in the windfall tax on domestically crude oil to Rs. 3,250 per tonne from Rs. 5,200 per tonne effective June 16, 2024.

However, the Special Additional Excise Duty (SAED) on export of diesel, petrol and jet fuel or ATF has been retained at nil.

India initially introduced the windfall tax in July 2022 in response to the escalating price of crude oil. This tax is imposed by governments when an industry unexpectedly generates substantial profits, typically attributed to an unprecedented event. A windfall tax is imposed on domestically produced crude oil when the rates of the global benchmark exceed $75 per barrel. For the export of diesel, aviation turbine fuel (ATF), and petrol, the levy is applicable when the product cracks, or margins, surpass $20 per barrel.

Shri Hardeep Singh Puri takes Charge as Minister of Petroleum and Natural Gas

Shri Hardeep Singh Puri has officially taken charge as the Minister of Petroleum and Natural Gas.

After taking charge as Minister of Petroleum and Natural Gas, Shri Hardeep Singh Puri said that India under the visionary leadership of Prime Minister Shri Narendra Modi successfully navigated the energy trilemma of energy availability, affordability and sustainability while nations in our neighbourhood and even developed countries struggled with energy rationing, pump dry-outs and spiralling fuel prices. India is perhaps the only country in the world where fuel prices have come down over a two- and half-year reference period.

The Minister said “in 2014, our LPG connections numbered only 14 crores and only 55% population had access to LPG cylinders and now they have reached 32 crore and all mothers & sisters now have access to LPG as our Ujjwala scheme has been very successful.”

Speaking about Exploration and Production, Shri Puri said that Oil production from the 98/2 well will increase to 45,000 barrels per day very soon and gas production will also start soon. “For western offshore, ONGC has already floated a tender to get an international technology partner. All international oil and gas majors having an annual revenue above 75 billion USD have been invited to participate in this tender.”, he noted.

Reiterating government’s commitment to achieve 20% ethanol blending target by 2025, the Minister said, “in the month of May only, we were able to cross 15% of ethanol blending.” He further added, “As you know, the Prime Minister had set a target originally of 20 percent blending by 2030. On the basis of what I have seen and in the basis of work in progress, I am reasonably confident that the 20% blending target, which was brought forward from 2030 to 2025, will be completed by the year 2025.”

Highlighting the government's dedication to integrating green hydrogen in the refining process, Shri Puri said that green hydrogen plants at refineries in Panipat (10 KTA), Mathura (5 KTA), and Paradeep (10 KTA) will be installed soon. "First green hydrogen plant (10 MW) was commissioned on 27th May 2024, even as elections were on. Many of our Oil PSUs are in the process of issuance of tender for supply of green hydrogen. Green hydrogen station at Kochi has been commissioned for bus plying from Kochi Airport.", he added.

Talking about upcoming projects in refining sector, Shri Puri, said that BPCL is in advanced stage to set up greenfield refineries and GAIL is also planning an ethane cracker unit for petrochemicals. "BPCL's Bina refinery is coming up and Cauvery Basin Refinery is also coming up by IOCL at Chennai", he added.

Shri Suresh Gopi takes Charge as Minister of State for Ministry of Petroleum and Natural Gas

Shri Suresh Gopi, Member of Parliament from Thrissur, Kerala, has officially taken charge as the Minister of State for the Ministry of Petroleum and Natural Gas. Shri Gopi, who has been an influential figure in various fields, steps into this role following his predecessor, Shri Rameswar Teli.

The Minister of Petroleum & Natural Gas, Shri Hardeep Singh Puri, extended a warm welcome to Shri Gopi.

Born on June 26, 1958, in Alappuzha, Kerala, Gopi has had a distinguished career both in the entertainment industry and public service. He holds a Bachelor of Science degree in Zoology and a Master of Arts degree in English Literature from Fatima Mata National College in Kollam. His extensive background includes serving as a nominated member of the Rajya Sabha from 2016 to 2022, where he was known for his advocacy on environmental issues and social justice.

Gopi's entry into politics was marked by his commitment to philanthropy and social work. In the 2024 Indian General Elections, he has been elected as the Member of Parliament for Thrissur, representing the Bharatiya Janata Party (BJP). His appointment as the Minister of State for Petroleum and Natural Gas signifies the government's trust in his abilities to oversee this critical sector.

Suresh Gopi is poised to bring his diverse experiences and passion for public service to the Ministry of Petroleum and Natural Gas, aiming to drive innovation and efficiency in the sector.

Prime Minister of Nepal triggers the last blast of Head Race Tunnel of Arun-3 Hydro Electric Project in Nepal

Prime Minister of Nepal Shri Pushpa Kamal Dahal 'Prachanda' triggered the last blast to mark the completion of heading excavation for the 11.8 km long Head Race Tunnel of 900 MW Arun- 3 Hydro Electric Project in Sankhuwasabha District of Nepal. Arun - 3 Hydro Electric Project is being executed by SJVN Arun-3 Power Development Company Pvt. Ltd. (SAPDC), a fully owned subsidiary of SJVN. SAPDC is a significant collaboration between SJVN and the Government of Nepal, which aims to enhance regional energy security and boost economic development through sustainable hydropower generation in Arun River Basin.

Addressing the gathering, the Prime Minister of Nepal said that this breakthrough brings us closer to the goal of providing clean, renewable energy and in contributing to the sustainable development of the region. He expressed his appreciation for the ongoing efforts and reaffirmed the commitment of the Government of Nepal to facilitate the timely completion of Arun - 3 Hydro Electric Project.

India's Ambassador to Nepal Shri Naveen Srivastava recalled in his address that the Prime Minister of India Shri Narendra Modi and his Nepali counterpart Shri Pushpa Kamal Dahal 'Prachanda' had agreed last year, to the long-term power trade agreement for the import of electricity from Nepal. He said that completion of export-oriented 900 MW Arun 3 Hydro Electric Project will be a major milestone for this.

CMD, SJVN, Shri Sushil Sharma apprised the Prime Minister of Nepal that the successful breakthrough of the Head Race Tunnel marks a significant milestone in the construction of the 900 MW Arun-3 Hydro Electric Project. He added that the successful completion of the Head Race Tunnel is a monumental achievement in the journey to harness the hydropower potential of the Arun River.

The CMD briefed the Prime Minister about the progress of the project and the associated 217 km. long transmission line. He informed that more than 74% of the project works have been completed and that the remaining works are going on in full swing. He added that Arun- 3 Hydro Electric Project will start generating electricity by next year and that it has the potential to generate 3,924 million units of electricity every year.

The CMD said: "We are grateful for the unwavering support from the Government of Nepal, local authorities, and the community. This project symbolizes the strong partnership between India and Nepal in the energy sector and our collective efforts to achieve energy security and environmental sustainability."

Currently, SJVN is executing 2,200 MW of three Hydroelectric Projects on Arun River basin in Nepal.

Ministry of Power takes comprehensive measures to ensure adequate power supply during increased summer demand

The Northern Region of India has been experiencing high demand conditions due to a prevailing heat wave since 17th May 2024. Despite these challenging conditions, the highest ever peak demand of 89 GW in the Northern Region was successfully met on 17th June 2024. This achievement was made possible by importing 25 to 30% of the region's power requirement from neighboring regions. All utilities have been advised to maintain a high state of alert and minimize forced outages of equipment. According to the IMD forecast, heat wave conditions in North-West India are expected to abate from 20th June.

In response to the increased demand and to ensure adequate power availability across the country, the Ministry of Power has implemented a series of measures to meet the highest ever peak demand of 250 GW during this ongoing summer season. These measures include:

1. **Imported Coal Based (ICB) Plants Operation:** Directions have been issued under Section 11 of the Electricity Act, 2003, for ICB plants to continue the generation support during the high demand period.
2. **Maintenance Scheduling:** Minimum planned maintenance of generating units has been scheduled during this period. Efforts are being made to minimize partial and forced outages to

maximize the availability of generation capacity. Additionally, plants under long-term outage have been sensitized to revive their units to ensure maximum power generation.

3. **GENCOs Advisory:** All generating companies (GENCOs) have been advised to keep their plants in healthy condition to ensure full capacity availability for optimal operation of various generation sources.
4. **Coal Stock Maintenance:** Adequate coal stocks are being maintained at coal-based thermal stations.
5. **Hydro Stations Advisory:** Hydro stations have been advised to conserve water during solar hours and dispatch maximum generation during non-solar hours to ensure power adequacy at all times.
6. **Gas-Based Power Plants Operation:** Gas-based power plants have been directed to provide grid support under Section 11 of the Electricity Act, 2003. Additionally, around 860 MW of additional gas-based capacity (non-NTPC) has been tied up through competitive bidding specifically for this summer. Furthermore, approximately 5000 MW of NTPC gas-based capacity has been instructed to be ready for immediate operation as per system requirements.
7. **Market Utilization of Surplus Power:** Any un-requisitioned or surplus power available with generating stations is to be offered in the market as per provisions of the Electricity (Late Payment Surcharge and Related Matters) Rules, 2022, and its amendments. This power can be utilized by any other buyer from the power market.
8. **Inter-State Power Tying:** States can also tie up power with other states having surplus capacity via the PUShP portal.

Government of India approves new transmission schemes worth ₹13,595 crore to evacuate 4.5 GW RE power each from Rajasthan and Karnataka

The Government of India has approved new Inter State Transmission System (ISTS) schemes to evacuate 9 GW of RE power from Rajasthan and Karnataka. These schemes will be implemented through Tariff Based Competitive Bidding (TBCB) mode. These schemes are part of 500 GW RE capacity by 2030 out of which 200 GW is already connected.

Brief of the approved schemes is as under:

1. The power evacuation scheme of Rajasthan Renewable Energy Zone (REZ) will evacuate 4.5 GW of RE power from Rajasthan. It comprises 1 GW from Fatehgarh complex, 2.5 GW from Barmer Complex and 1 GW from Nagaur (Merta) Complex. This power will be transferred to Mainpuri Region, Fatehpur and Orai of Uttar Pradesh. The completion period of the scheme is two years. Cost of the scheme is about ₹12,241 crore.
2. The System strengthening scheme of Karnataka will evacuate 4.5 GW RE power from Koppal area and Gadag area. The scheme will be completed by June 2027. Cost of the scheme is about ₹1,354 crore.

Shri Pralhad Joshi assumes charge of Ministry of New and Renewable Energy

Shri Pralhad Joshi took charge as Union Minister of New and Renewable Energy in addition to his portfolio of Minister of Consumer Affairs, Food and Public Distribution, at Atal Akshaya Urja Bhawan. Shri Shripad Yesso Naik also assumed charge as the Minister of State in the Ministry of New and Renewable Energy.

Secretary, Ministry of New and Renewable Energy, Shri Bhupinder Singh Bhalla, along with senior officials of the ministry welcomed the ministers.

Speaking to the media, the Union Minister Shri Pralhad Joshi emphasized the critical importance of the renewable energy sector for ensuring India's energy security and outlined the vast potential for growth in this field. He also underscored the government's commitment in advancing renewable energy initiatives to meet the country's rising energy demands and environmental goals.

The Union Minister was later briefed by senior officials of the Ministry of New and Renewable Energy and took a meeting with them.

Solar Energy Corporation of India issues RfS for selection of Green Ammonia Producers under SIGHT Programme of the National Green Hydrogen Mission (NGHM)

India has taken a crucial step towards demand creation of Green Hydrogen and its derivatives in the country. Solar Energy Corporation of India (SECI) has issued **Request for Selection (RfS)** for Selection of Green Ammonia Producers for the production of Green Ammonia in India through cost based competitive bidding under **Mode 2A** of Strategic Interventions for Green Hydrogen Transition (SIGHT) Programme of the National Green Hydrogen Mission being implemented by the Ministry of New & Renewable Energy (MNRE).

Big boost to green ammonia production

The bidding for a total available capacity of 5.39 lakh Metric Tonnes (MT)/annum of Green Ammonia intended for production and supply will be carried out through e-bidding followed by e-Reverse Auction process. Green Ammonia produced will be supplied to the fertilizer companies.

Strategic Interventions for Green Hydrogen Transition (SIGHT)

MNRE had earlier issued the Scheme Guidelines for implementation of SIGHT Programme – Component II: Incentive for Procurement of Green Ammonia Production (under Mode2A) of the NGHM. SECI has been appointed as implementing agency for this Scheme.

Under the SIGHT Programme, MNRE has already allocated 4.12 lakh Metric Tonnes (MT)/annum of Green Hydrogen production capacity and 1.5 GW/ annum of Electrolyzer manufacturing capacity.

National Green Hydrogen Mission

The National Green Hydrogen Mission was launched on 4th January 2023 with an outlay of Rs. 19,744 crores up to FY 2029-30. It will contribute to India's goal to become *Aatmanirbhar* (self-reliant) through

clean energy and serve as an inspiration for the global clean energy transition. The Mission will lead to significant decarbonization of the economy, reduced dependence on fossil fuel imports, and enable India to assume technology and market leadership in Green Hydrogen.

Cabinet approved Viability Gap Funding (VGF) scheme for implementation of Offshore Wind Energy Projects

The Union Cabinet, chaired by Prime Minister Shri Narendra Modi, approved the Viability Gap Funding (VGF) scheme for offshore wind energy projects at a total outlay of Rs.7453 crore, including an outlay of Rs.6853 crore for installation and commissioning of 1 GW of offshore wind energy projects (500 MW each off the coast of Gujarat and Tamil Nadu), and grant of Rs.600 crore for upgradation of two ports to meet logistics requirements for offshore wind energy projects.

The VGF scheme is a major step towards implementation of the National Offshore Wind Energy Policy notified in 2015 with an aim to exploit the vast offshore wind energy potential that exists within the exclusive economic zone of India. The VGF support from the Government will reduce the cost of power from offshore wind projects and make them viable for purchase by DISCOMs. While the projects will be established by private developers selected though a transparent bidding process, the power excavation infrastructure, including the offshore substations, will be constructed by Power Grid Corporation of India Ltd (PGCIL). Ministry of New and Renewable Energy, as the nodal ministry, will coordinate with various Ministries/Departments to ensure successful implementation of the scheme.

Construction of offshore wind energy projects and its operations also require specific port infrastructure, which can handle storage and movement of heavy and large dimension equipment. Under the scheme, two ports in the country will be supported by Ministry of Ports, Shipping and Waterways to meet the requirements of offshore wind development.

Offshore wind is a source of renewable energy which offers several advantages over onshore wind and solar projects, such as higher adequacy & reliability, lower storage requirement and higher employment potential. Development of offshore wind sector will lead to economy-wide benefits by attracting investments, development of indigenous manufacturing capabilities, creation of employment opportunities across the value chain and technology development for offshore wind in the country. This will also contribute towards achieving India's energy transition targets.

The successful commissioning of 1 GW offshore wind projects will produce renewable electricity of about 3.72 billion units annually, which will result in annual reduction of 2.98 million ton of CO2 equivalent emission for a period of 25 years. Further, this scheme will not only kick start the offshore wind energy development in India but also lead to creation of required ecosystem in the country to supplement its ocean based economic activities. This ecosystem will support the development of initial 37 GW of offshore wind energy at an investment of about Rs.4,50,000 crore.

Government enhanced allocation for Fertilizer Sector under SIGHT Programme of the National Green Hydrogen Mission (NGHM)

Ministry of New & Renewable Energy (MNRE) is implementing the National Green Hydrogen Mission (NGHM) with a target to achieve production capacity of 5 million tonnes per annum of Green Hydrogen in the country by the year 2030.

Under the Mission, MNRE had issued the Scheme Guidelines for implementation of SIGHT Programme – Component II: Incentive for Procurement of Green Ammonia Production (under Mode2A) of the NGHM on 16.01.2024. Mode 2A caters to the requirements of the fertilizer sector. As per the said Guidelines, the capacity available for bidding under Tranche I of Mode 2A was 5,50,000 tonnes per annum of Green Ammonia. Thereafter, Solar Energy Corporation of India (SECI) also issued Request for Selection (RfS) for selection of Green Ammonia Producers through a cost based competitive bidding process.

As the implementation of the Mission is gaining traction, the demand of Green Hydrogen and its derivatives from various sectors is also increasing. In response to the increase in demand of Green Ammonia from the fertilizer sector, MNRE has decided to amend the Scheme Guidelines dated 16.01.2024 by increasing allocation under Mode 2A Scheme for Fertilizer sector by 2 lakh tonnes per annum i.e. the existing allocation of 5,50,000 tonnes per annum of Green Ammonia has been increased to 7,50,000 tonnes per annum. This is a significant step towards demand creation of Green Hydrogen and its derivatives in the country.

Shri Bhupender Yadav takes charge as the Union Minister of Environment, Forest and Climate Change

Shri Bhupender Yadav assumed charge as the Union Minister of Environment, Forest and Climate Change (MoEF&CC) on 11th June 2024. He was greeted at the office at Paryavaran Bhawan by Secretary Ms. Leena Nandan, Secretary (EF&CC) and other senior officials of the Ministry. Shri Kirtivardhan Singh also assumed charge as Minister of State.

Briefing the media after assuming the charge, the Union Minister thanked Hon'ble Prime Minister for giving him this opportunity and said he is ready to discharge his duties and responsibilities in the Ministry. He also welcomed his colleague Shri Kirtivardhan Singh, Minister of State. He said many steps have been taken by this Ministry in the last 10 years under the leadership of PM Modi and that the Government was moving ahead taking environment and development together. He also said that the focus will remain on initiatives such as Mission LiFE- Lifestyle for Environment. He said that globally there is an environment crisis and Hon'ble PM announced Mission LiFE- Lifestyle for Environment at the Glasgow, Climate Conference 2021. He also said that Mission LiFE seeks to mobilize individuals for climate-positive behavior and to create an ecosystem to reinforce and enable environmental-friendly self-sustainable behaviours. It upholds mindful consumption rather than mindless consumption.

Hon'ble Minister for MoEF&CC also said that the government believes environmental conservation and development can go hand in hand. He said that Hon'ble PM has also started a plantation initiative "एक पेड़ माँ के नाम" to counter escalating global warming and urged all citizens to take part in this initiative,

launched by Hon'ble PM on World Environment Day, 2024 to promote mass plantation. This will help combat rising temperature, desertification and challenges facing biological diversity.

Ministry of Coal initiates India's First Ever Pilot project for Underground Coal Gasification in Jharkhand

Under the strategic direction of the Ministry of Coal, Eastern Coalfields Limited (ECL) has embarked on an innovative pilot project for Underground Coal Gasification (UCG) at the Kasta coal block in Jamtara District, Jharkhand. This underscores the Ministry's proactive diversification efforts within the coal sector. This first ever groundbreaking initiative aims to revolutionize the coal industry by using in-situ coal gasification to convert it into valuable gases such as methane, hydrogen, carbon monoxide, and carbon dioxide. These gases can be utilized to produce synthetic natural gas, chemical feedstocks for fuels, fertilizers, explosives, and other industrial applications. The Ministry of Coal is fully committed to promoting coal gasification projects, recognizing their potential to transform coal into various high-value chemical products.

Underground Coal Gasification offers a significant advantage by providing access to coal resources that are economically unviable through traditional mining methods. This pilot project represents a significant milestone for Coal India Limited (CIL) and its subsidiaries, positioning India as a leader in adopting advanced coal gasification technologies.

In December, 2015, the Ministry of Coal approved a comprehensive policy framework for UCG in coal and lignite-bearing areas. In alignment with this policy, Coal India selected the Kasta coal block to implement UCG technology tailored to Indian geo-mining conditions. Managed by ECL in collaboration with CMPDI Ranchi and Ergo Exergy Technologies Inc. (EETI) from Canada, this project spans two years and comprises of two phases.

The first phase, which commenced on June 22, 2024, involves preparing a Technical Feasibility Report through borehole drilling and core testing. The second phase will focus on coal gasification at a pilot scale. This ambitious R&D project, funded by the CIL R&D Board, exemplifies collaboration between Eastern Coalfields Ltd and Ergo Exergy as sub-implementing agencies. The successful execution of this pilot project is expected to create transformative opportunities for India's energy sector, showcasing the sustainable and efficient use of the country's coal resources.

Ministry of Coal to provide unwavering support for the successful implementation of this pioneering initiative and looks forward to its positive impact on India's energy landscape. This strategic initiative led by Eastern Coalfields Limited (ECL) represents a significant advancement in coal gasification technology, enhancing energy security and promoting sustainable development. As the pilot project progresses, it aims to establish new standards in coal resource utilization, contributing to India's journey towards energy self-reliance. The Ministry remains dedicated to fostering innovation and efficiency in the coal sector, paving the way for a resilient and environmentally sustainable energy future for the nation.

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