



February
2018

Policy & Economic Report - Oil & Gas Market



Federation of Indian Petroleum Industry (FIPI)

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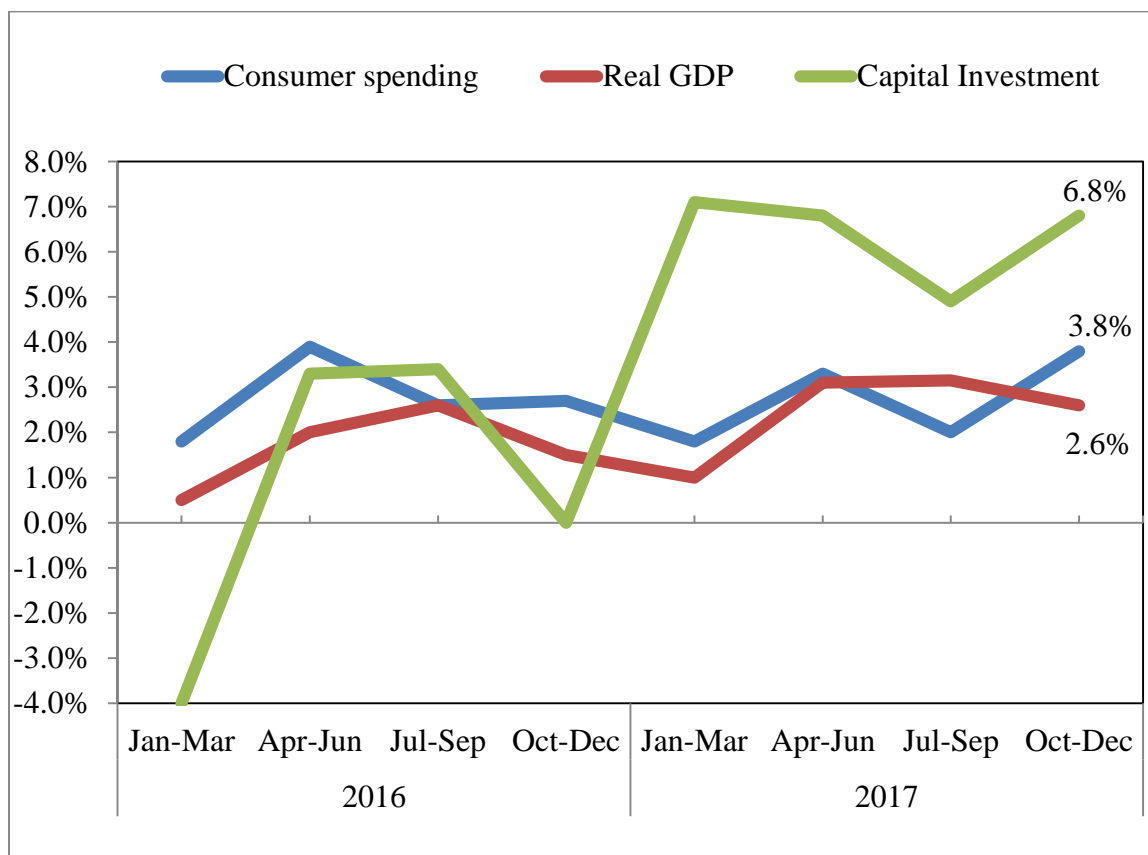
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Policy & Economic report – Oil & Gas market

Economy in Focus

Global Economy

Capital investment pulls up consumer spending in US economy



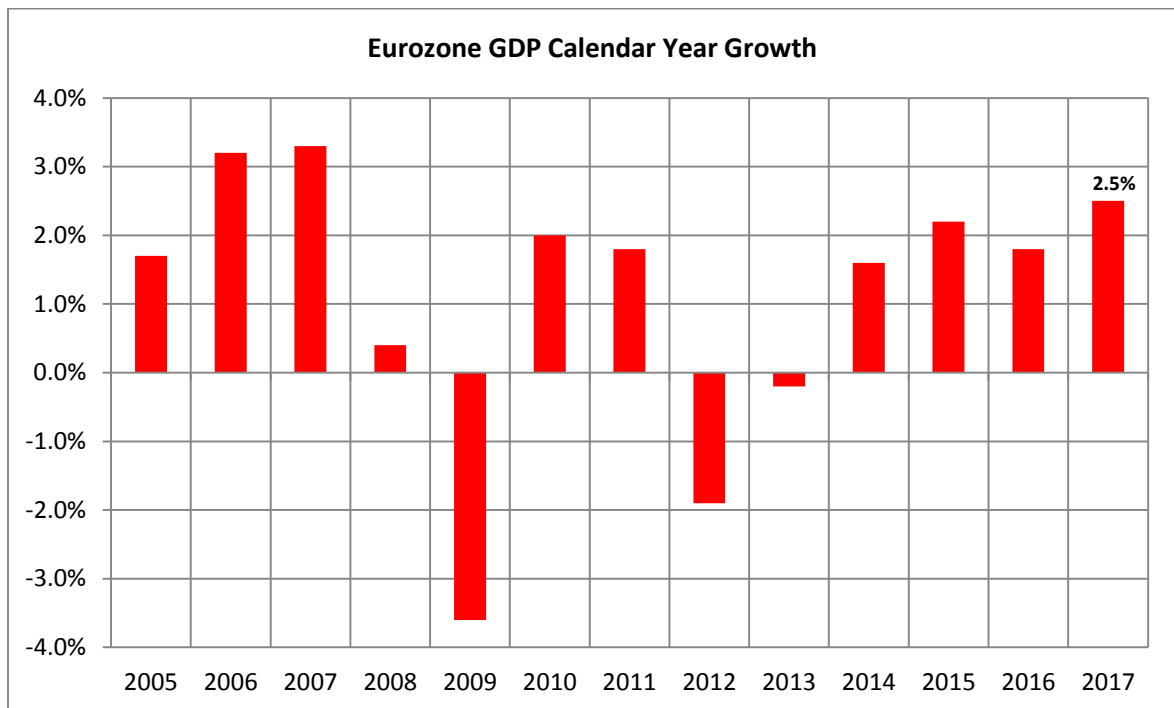
Source: US Commerce Dept.

- US economy is robust and after years of stagnation is experiencing strong economic growth. Although the beginning of February saw plunging stock prices in United States rocking the financial markets globally, favorable conditions seem to prevail in the US.
- Real growth rate of the gross domestic product for October to December 2017 was an annualized 2.6 percent.

- US retail sales rose by 5.5 percent during 2017 year-end sales season over the previous year to about \$690 billion, largest since the 2008 financial crisis caused by the collapse of U.S. investment bank Lehman Brothers.
- With an increase in total nonfarm payroll employment by 200,000, the unemployment rate remained unchanged at 4.1% in US.
- Robust imports slow U.S. economic growth in fourth quarter.

European Union grows at fastest pace for 10 years

- Europe's economy grew faster than the U.S. last year.



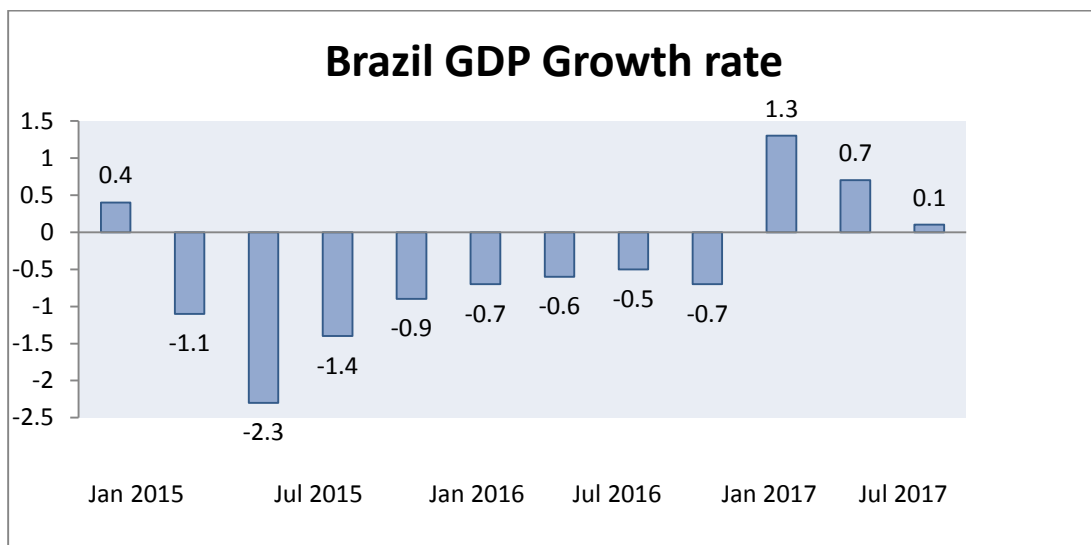
Source: Macrobond, The Independent

- 28-strong EU expanded by 2.5 percent in 2017, strongest performance since 2007.
- Mirrored by growth of EU's largest economy, Germany at 0.6 percent in the last quarter of 2017.
- Much of the growth driven by Eurozone's core four economies; Germany, France, Italy and Spain.
- Integrating migrants remains an economic and political challenge. And the region's aging population presents numerous challenges for health care systems and national pensions.

BRICS

Brazil recovering from its worst economic crisis

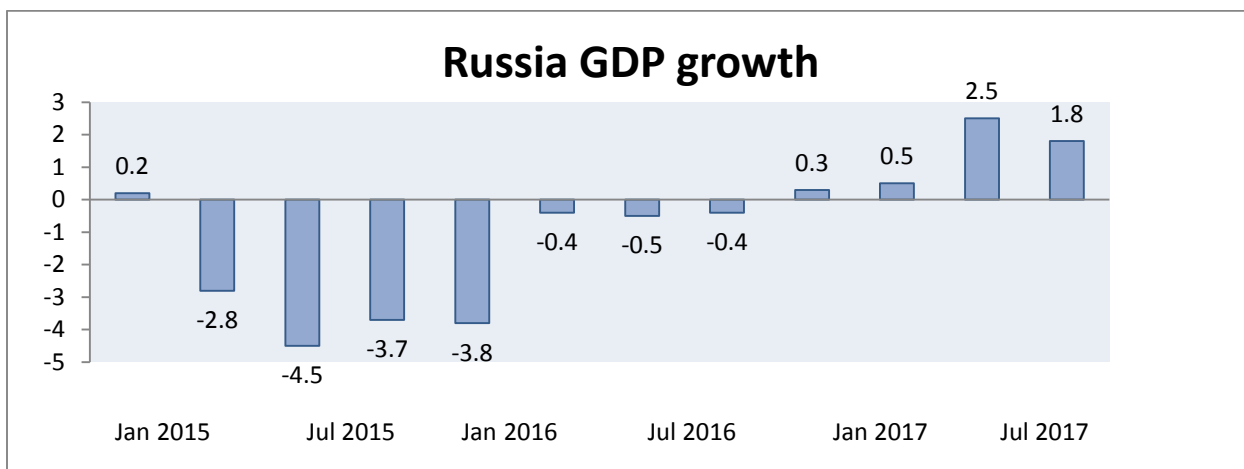
- Prediction of 1.9 percent growth in 2018, 2.1 percent next year.
- Brazilian Central Bank's economic activity index jumped 1.41 per cent on a seasonally adjusted basis.
- Public debt in Brazil is around \$1.5 trillion accounting for 75 per cent of GDP



Source: Instituto Brasileiro de geografia e estatística (IBGE)

Russian economy grows in 2017 for first time in three years

- Economy had shrunk by 0.2 per cent in 2016 and 2.8 per cent in 2015, in a recession caused by the fall in energy prices and the impact of US and EU sanctions triggered by Moscow's annexation of Crimea.
- Russia's economy grew 1.5 percent in 2017.
- A rise in oil prices to around \$70 a barrel has also helped fuel Russia's recovery from recession.



Source: FEDERAL STATE STATISTICS SERVICE

India to regain top global GDP growth spot in 2018-19

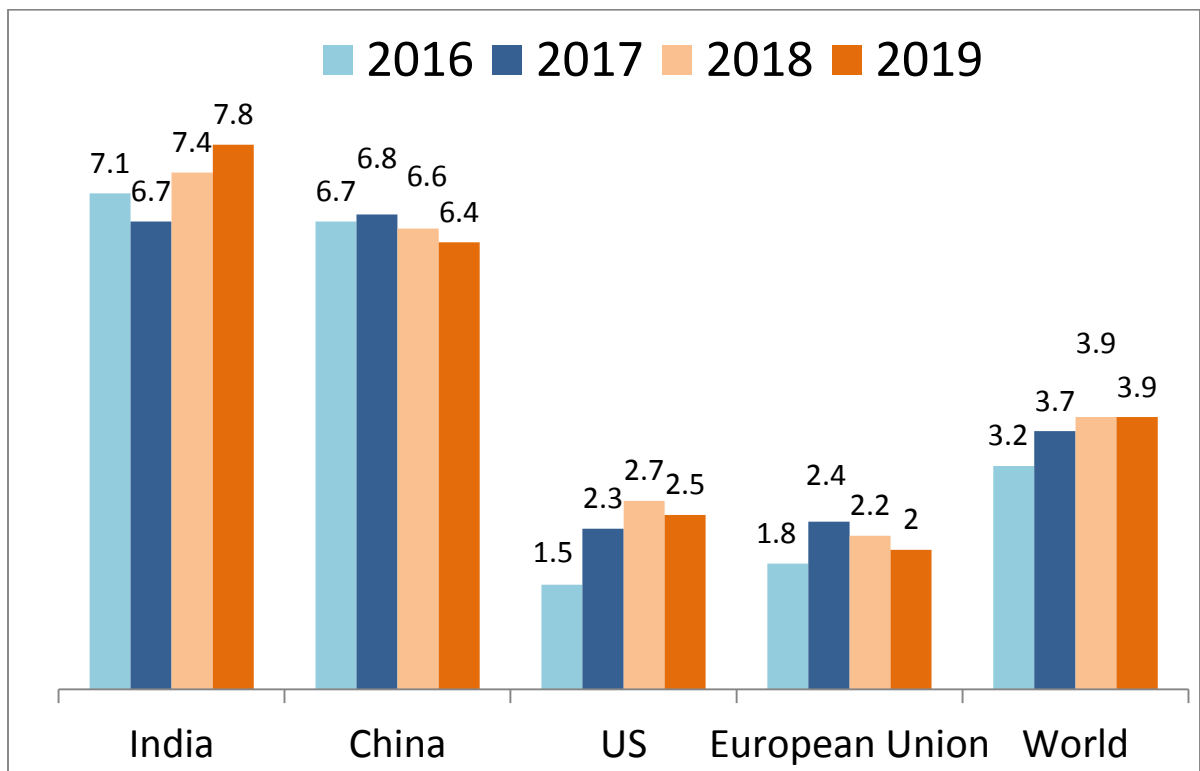
- India's economy grew at its fastest pace in a year in the October-December quarter at a likely 6.9 percent year on year, best in 2017 indicating that the shocks from demonetization and introduction of goods and services tax are fading.
- Last quarter saw stronger government spending and robust private consumption demand with a sharp increase in auto sales.
- India's GVA increased 6.6 percent from a year earlier in October-December, compared to 6.1 percent in the prior three months.
- CPI, fell to 5.07% in January from 5.21% in December while IIP, a measure of factory output, stood at 7.1% in December as compared to 8.8% in November.
- WPI inflation eases to 6-month low of 2.84% in January.
- No major risk for heightened rupee volatility so far.

Indicator	FY12	FY13	FY14	FY15	FY16	FY17	FY18f	FY19f
Current account*	-5.1	-2.6	-1.4	-1.1	-0.6	-0.7	-1.8	-1.9
Fiscal balance*	-5.5	-5.5	-4.3	-3.5	-3.7	-3.5	-3.5	-3.2
INR, % yoy	-12.4	-6.3	-9.4	-4.2	-5.7	2.2	-0.5	-3.2
Real GDP, %yoy	4.8	4.7	6.4	7.5	8.0	7.1	6.6	7.2
CPI, % yoy	9.4	9.9	6.7	4.9	5.0	4.5	3.4	4.2

Source: Bloomberg data and DBS forecasts (FY ends in March, * % of GDP)

- RBI's Monetary Policy Panel kept Repo Rate at 6%
- Increase in non-performing assets of state run banks, if not handled effectively would hurt economic growth. The worries in this direction have been magnified with the second biggest state lender, Punjab National Bank revealing a loan fraud that is probably biggest in India's banking history.
- India's debt soaring levels of debt will weigh on economic growth.
- Recovery and growth demonstrated by the following sectors:
 - Trading sector** - Aggregate net profit growth of the sector is 874.5 per cent. The top line and operating profit grew by 8.8 per cent and 38.9 per cent respectively
 - Hospitality** - The aggregate top line and bottom line grew by 6.5 per cent and 287.5 per cent respectively
 - Construction materials** - The aggregate operating profit growth and net profit growth of the sector is 17.9 per cent and 224.9 per cent respectively
 - Electricals** - The sector reported an aggregate net profit growth of 104.3 per cent.
 - Retailing** - The aggregate operating profit growth and net profit growth of the sector is 40.7 per cent and 101 per cent respectively

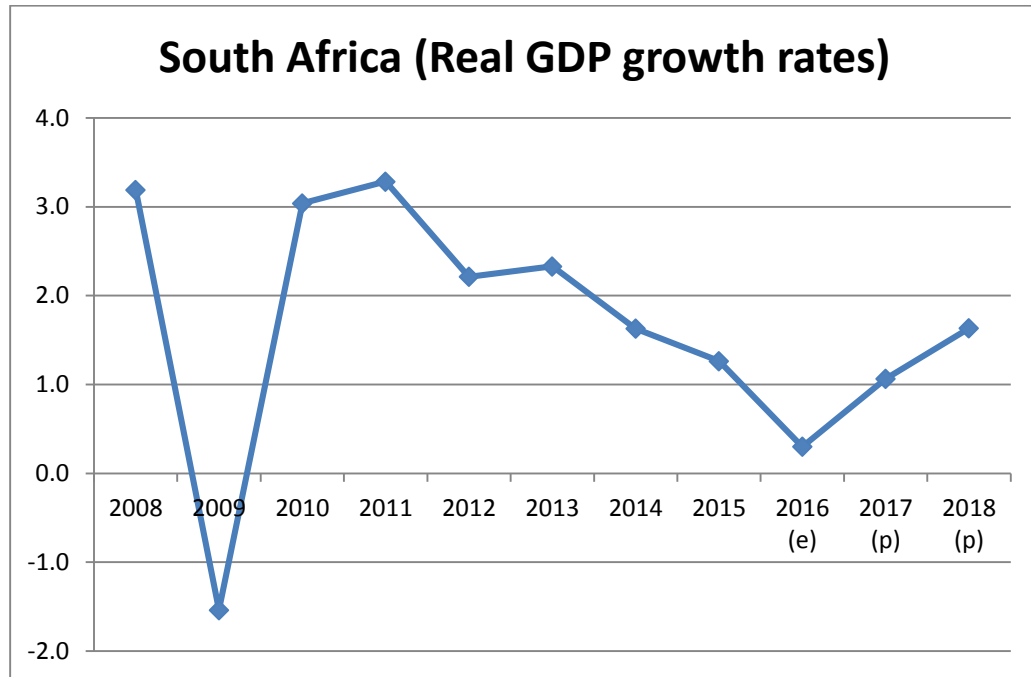
China's economy set for slowing growth this year



Source: IMF

- The Chinese economy expanded 6.8 percent year-on-year in the last quarter of 2017, the same as in the previous three months and beating market expectations of 6.7 percent.
- Rising lending rates in China likely to drag on domestic consumption in 2018
- Lending rates for first-time homebuyers in 35 leading cities had risen to an average of 5.43 per cent at the end of January, representing a rise of 11 per cent over the benchmark rate.

South Africa's Economic Troubles Continue



Source: *africaneconomicoutlook*

- Country facing low economic growth and widening fiscal deficits set against huge expectations and needs including fee-free higher education for poor students, troubled state-owned enterprises and a growing base of the unemployed.
- Debt-service cost projections have gone up from R163 155-million in 2017/18 to R213 859-million in 2020/21.
- Unemployment currently stands at 27%. A major reason for this is deficient economic growth, at just 0.3% in 2016 just ahead of a recession.

Overview of the World Economic Outlook Projections

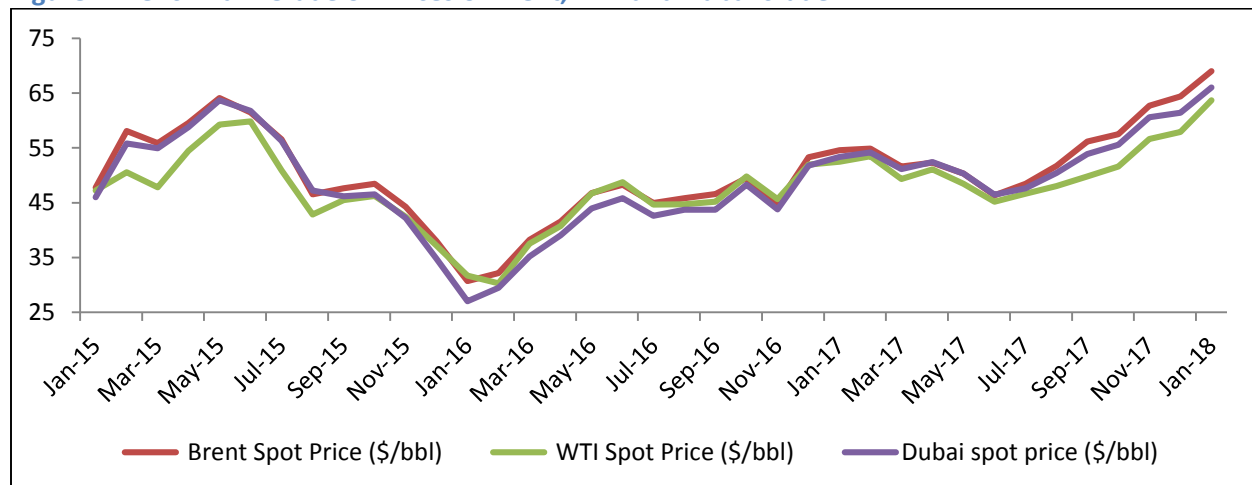
			Year over Year		Difference from		Q4	over Q4	2/
					October				
	2016	2017	2018	2019	2018	2019	2017	2018	2019
	Estimate	Projections	2017 WEO Projections 1/		Estimate	Projections			
World Output	3.2	3.7	3.9	3.9	0.2	0.2	3.9	3.9	3.8
Advanced Economies	1.7	2.3	2.3	2.2	0.3	0.4	2.4	2.3	2.0
United States	1.5	2.3	2.7	2.5	0.4	0.6	2.5	2.7	2.4
Euro Area	1.8	2.4	2.2	2.0	0.3	0.3	2.4	2.1	2.0
Germany	1.9	2.5	2.3	2.0	0.5	0.5	2.8	2.1	2.1
France	1.2	1.8	1.9	1.9	0.1	0.0	2.2	1.8	1.9
Italy	0.9	1.6	1.4	1.1	0.3	0.2	1.5	1.4	0.9
Spain	3.3	3.1	2.4	2.1	-0.1	0.1	3.0	2.2	2.0
Japan	0.9	1.8	1.2	0.9	0.5	0.1	2.0	0.9	-0.3
United Kingdom	1.9	1.7	1.5	1.5	0.0	-0.1	1.3	1.5	1.5
Canada	1.4	3.0	2.3	2.0	0.2	0.3	3.0	2.2	1.9
Other Advanced Economies	2.3	2.7	2.6	2.6	0.1	0.1	2.7	2.5	2.9
Emerging Market and Developing Economies	4.4	4.7	4.9	5.0	0.0	0.0	5.2	5.3	5.3
Commonwealth of Independent States	0.4	2.2	2.2	2.1	0.1	0.0	2.2	2.1	1.7
Russia	-0.2	1.8	1.7	1.5	0.1	0.0	2.3	1.9	1.6
Excluding Russia	1.9	3.1	3.4	3.5	0.1	0.0	...	...	...
Emerging and Developing Asia	6.4	6.5	6.5	6.6	0.0	0.1	6.8	6.5	6.5
China	6.7	6.8	6.6	6.4	0.1	0.1	6.7	6.5	6.4
India	7.1	6.7	7.4	7.8	0.0	0.0	7.9	7.4	7.8
ASEAN	4.9	5.3	5.3	5.3	0.1	0.0	5.4	5.4	5.3
Emerging and Developing Europe	3.2	5.2	4.0	3.8	0.5	0.5	4.0	4.8	3.7
Latin America and the Caribbean	-0.7	1.3	1.9	2.6	0.0	0.2	2.2	2.3	2.6
Brazil	-3.5	1.1	1.9	2.1	0.4	0.1	2.5	2.2	2.0
Mexico	2.9	2.0	2.3	3.0	0.4	0.7	1.4	2.9	2.8
Middle East, North Africa, Afghanistan, and Pakistan	4.9	2.5	3.6	3.5	0.1	0.0	...	...	...
Saudi Arabia	1.7	-0.7	1.6	2.2	0.5	0.6	-1.4	2.5	2.2
Sub-Saharan Africa	1.4	2.7	3.3	3.5	-0.1	0.1	...	...	...
Nigeria	-1.6	0.8	2.1	1.9	0.2	0.2	...	...	...
South Africa	0.3	0.9	0.9	0.9	-0.2	-0.7	1.2	0.5	1.1
<i>Memorandum</i>									
Low-Income Developing Countries	3.6	4.7	5.2	5.3	0.0	0.1	...	...	...
World Growth Based on Market Exchange Rates	2.5	3.2	3.3	3.2	0.2	0.2	3.3	3.3	3.0
World Trade Volume (goods and services)	2.5	4.7	4.6	4.4	0.6	0.5	...	...	...
Advanced Economies	2.6	4.1	4.3	4.2	0.6	0.7	...	...	...
Emerging Market and Developing Economies	2.3	5.9	5.1	4.8	0.4	0.2	...	...	...
Commodity Prices (U.S. dollars)									
Oil	-15.7	23.1	11.7	-4.3	11.9	-5.0	19.0	-0.9	-3.9
Nonfuel (average based on world commodity export weights)	-1.6	6.5	-0.5	1.0	-1.0	1.5	1.2	1.2	1.0
Consumer Prices									
Advanced Economies	0.8	1.7	1.9	2.1	0.2	0.1	1.6	2.1	2.1
Emerging Market and Developing Economies	4.3	4.1	4.5	4.3	0.1	0.2	3.7	3.9	3.6
London Interbank Offered Rate (percent)									
On U.S. Dollar Deposits (six month)	1.1	1.5	2.3	3.4	0.4	0.5	...	...	...
On Euro Deposits (three month)	-0.3	-0.3	-0.3	-0.1	0.0	-0.1	...	...	...
On Japanese Yen Deposits (six month)	0.0	0.0	0.0	0.1	-0.2	-0.1	...	...	...

Source: IMF

Crude oil price

Crude oil prices showed an increasing trend in the month of January 2018. Global benchmark crudes such as Brent, WTI and Dubai were trading at three year high in January 2018 reflecting falling inventory levels, supply issues in North Sea and Libya and geopolitical tensions.

Figure 1: Benchmark Crude oil Prices of Brent, WTI and Dubai crude



Source: EIA, World Bank, OPEC

- Brent crude price averaged \$69.0 per bbl in January 2018, and was up 7.2% and 26.4% on a month on month (MoM) and year on year (YoY) basis, respectively.
- WTI crude price averaged \$63.7 per bbl in January 2018, and was up 10.0% and 21.3% on a month on month (MoM) and year on year (YoY) basis, respectively.
- Dubai crude price averaged \$66.0 per bbl in January 2018, and was up 7.5% and 23.7% on a month on month (MoM) and year on year (YoY) basis, respectively.

Table 1: Crude oil price in January, 2018

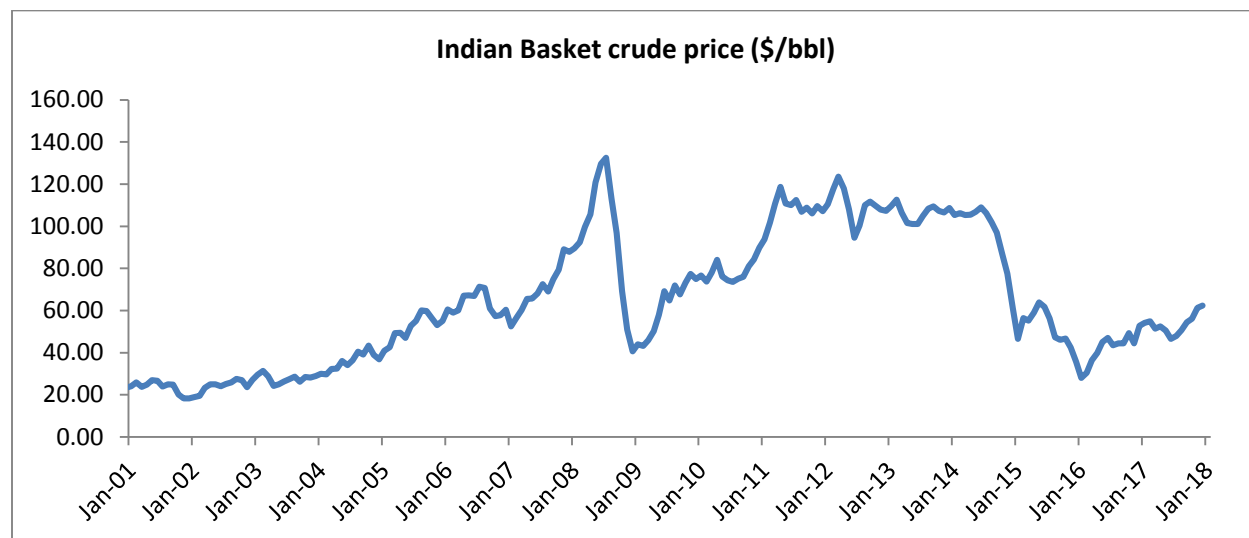
Crude oil	Price (\$/bbl) in Jan 2018	MoM (%) change	YoY (%) change
Brent	69.0	7.2%	26.4%
WTI	63.7	10.0%	21.3%
Dubai	66.0	7.5%	23.7%

Source: EIA, World Bank, OPEC

Indian Basket Crude oil price

- The Indian basket of Crude Oil represents a derived basket comprising of Sour grade (Oman & Dubai average) and Sweet grade (Brent Dated) of Crude oil processed in Indian refineries in the ratio of 72.38:27.62 during 2016-17.

Figure 2: Indian crude oil basket price in \$ per bbl



Source: Petroleum Planning & Analysis Cell

- Indian crude basket price averaged \$67.1 per bbl in January 2018, and was up 7.7% and 24.0% on a month on month (MoM) and year on year (YoY) basis, respectively.

Oil demand & supply

- According to OPEC, World oil demand grew by 1.64% in 2017 to 96.99 mbpd from 95.42 mbpd in 2016. India's demand for oil in 2017 was 4.47 mbpd.

Table 2: World Oil demand in mbpd

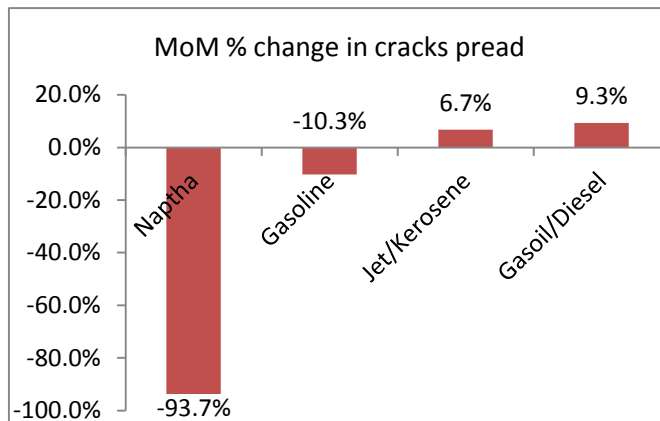
	2016	1Q17	2Q17	3Q17	4Q17	2017	Growth	%
Total OECD	46.90	47.04	46.92	47.69	47.75	47.35	0.45	0.96
Dev. Countries	31.39	31.49	31.90	32.31	32.01	31.93	0.54	1.72
~ of which India	4.39	4.43	4.42	4.20	4.81	4.47	0.08	1.8
Other regions	17.13	17.14	17.46	17.77	18.44	17.70	0.58	3.36
~ of which China	11.80	11.88	12.40	12.30	12.56	12.28	0.48	4.10
Total world	95.42	95.67	96.28	97.77	98.20	96.99	1.57	1.64

Source: OPEC monthly report, January 2018

- According to OPEC, world oil supply in December increased by 0.40 mb/d m-o-m, to average 97.49 mb/d, representing an increase of 0.83 mb/d y-o-y.
- Non-OPEC oil supply in December 2017 rose by 0.34 mb/d m-o-m, mainly in Canada, Mexico, Norway, Brazil and Kazakhstan to average 58.62 mb/d, while production declined m-o-m in the US, and the UK.
- The share of OPEC crude oil in total global production was steady at 33.3% in December, compared with the previous month.

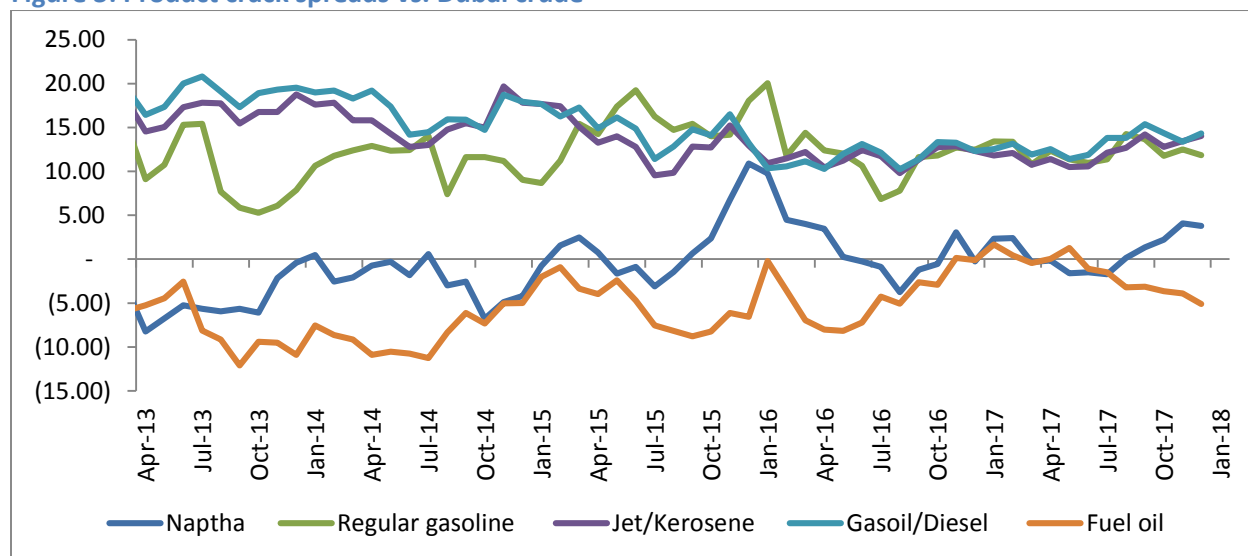
Global petroleum product prices

Asian product markets lost some momentum as margins dipped, pressured by seasonally slower demand amid severe weakening in the naphtha complex. Additional pressure came from the negative performance at the bottom of the barrel, as global fuel oil market balances persistently remain long. Gasoline markets weakened on account of lower export opportunities as gasoline cracks strengthened in Europe and US. Jet/Kerosene crack spread in Asia showed a slight improvement over the



previous month due to healthy regional demand and cold weather. Gasoil crack spread rose in January supported by strong export opportunities and robust regional demand.

Figure 3: Product crack spreads vs. Dubai crude



Source: OPEC, World Bank, FIPI

Table 3: Singapore FOB, refined product prices (\$/bbl)

Products	Price (\$/b) in Jan 2018	MoM (%) change	YoY (%) change
Naphtha	66.26	1.6%	18.9%
Premium gasoline (unleaded 95)	78.61	4.4%	13.2%
Regular gasoline (unleaded 92)	76.65	4.6%	14.8%
Jet/Kerosene	81.00	7.4%	24.3%
Gasoil/Diesel (50 ppm)	81.70	7.9%	24.0%
Fuel oil (180 cst 2.0% S)	58.89	4.6%	7.0%
Fuel oil (380 cst 3.5% S)	58.85	4.7%	16.6%

Source: OPEC

Petroleum products consumption in India

- With the push by government on promotion of LPG, its Consumption has steadily increased in India. In January, LPG consumption grew at 1.2% MoM and 4.6% YoY.
- Consumption of gasoline increased significantly (14.5% YoY) driven by higher demand from transport segment.
- Demand for diesel also witnessed robust growth of 14.5% YoY in the month of January.

Table 4: Petroleum products consumption in India, January 2018

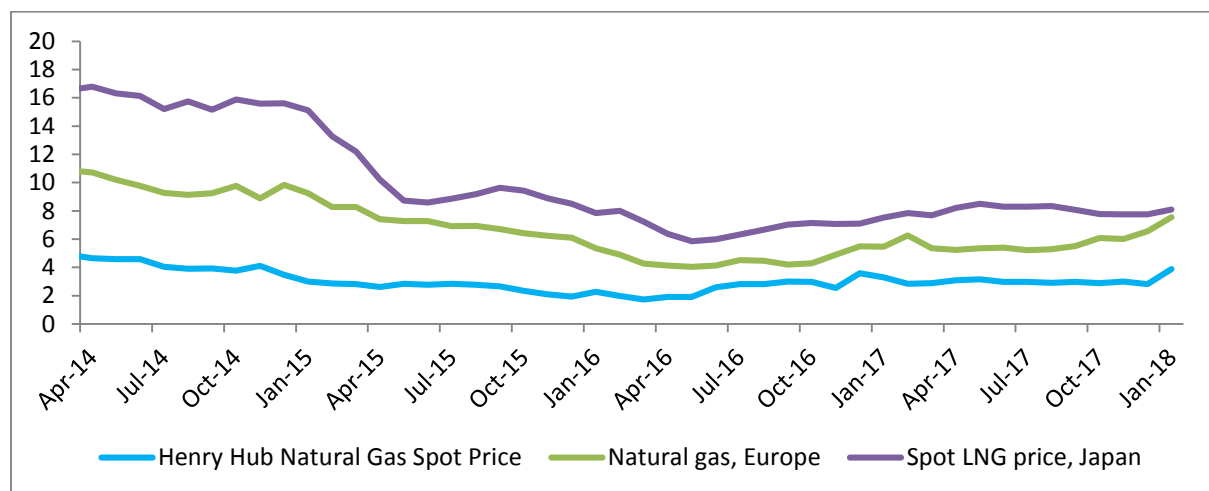
Petroleum products	Consumption in '000 MT Jan 2018	MoM (%) change	YoY (%) change
LPG	2,081	1.2%	4.6%
Naphtha	1,007	-1.5%	2.0%
MS	2,086	-3.8%	15.6%
ATF	696	3.2%	10.1%
HSD	6,645	-6.6%	14.5%
LDO	55	-10.8%	57.4%
Lubricants & Greases	294	-4.8%	6.4%
FO & LSHS	568	3.5%	4.7%
Bitumen	559	-5.9%	9.7%
Petroleum coke	1,982	5.3%	9.2%
Others	630	-1.2%	9.8%
TOTAL	16,919	-2.7%	10.3%

Source: PPAC

Natural Gas Price

Natural gas prices globally have seen recovery and have been up by more than 30% over the previous year in January 2018, in US. Even globally, prices saw an upswing due to colder winters and increased demand.

Figure 4: Global natural gas price trends



Source: EIA, World Bank

Table 5: Gas price

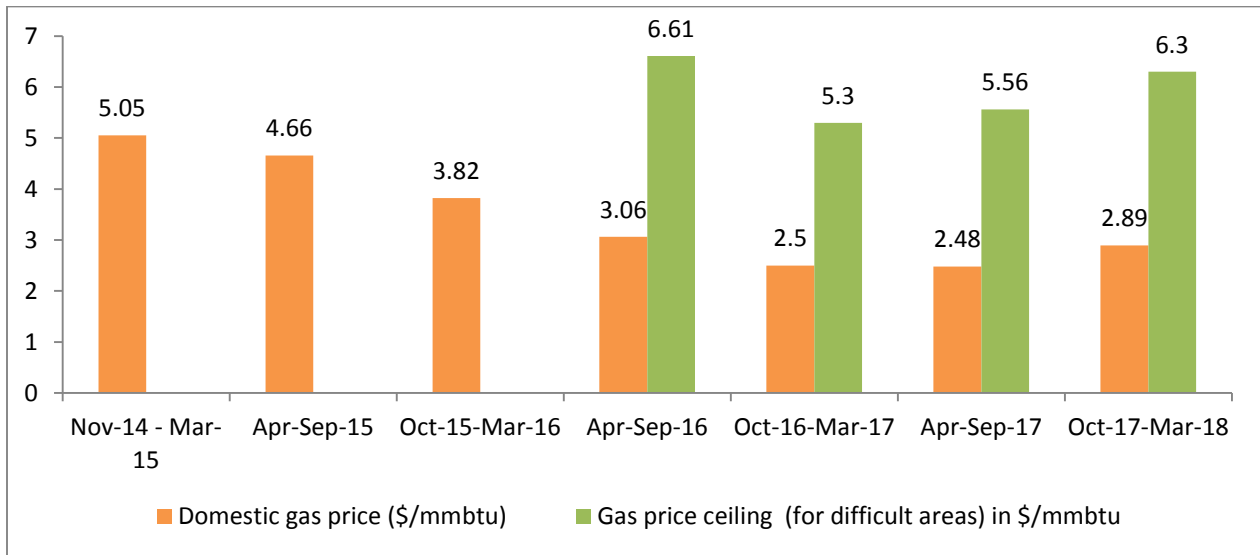
Natural Gas	Price (\$/MMBTU) in Jan 2018	MoM (%) change	YoY (%) change
India, Domestic gas price	2.89	0.0%	15.6%
India, Gas price ceiling – difficult areas	6.30	0.0%	13.3%
Henry Hub	3.88	31.3%	11.8%
Natural Gas, Europe	7.56	15.2%	38.5%
Liquefied Natural Gas, Japan	8.10	4.5%	7.7%

Source: EIA, World Bank, PPAC

Domestic natural gas price which takes into account international benchmarks including Henry Hub, Alberta hub, Russia and UK National Balancing Point, has increased around 16% as compared to a year before, thus capturing the international gas price trends.

A notification was issued by MoP&NG on 21st March 2016, for marketing including pricing freedom for gas to be produced from discoveries in deep water, ultra-deep water, and high pressure high temperature areas. For the Oct -17 to Mar-18 period, the price of gas from such areas was notified at \$6.30 per MMBTU.

Figure 5: Domestic natural gas price

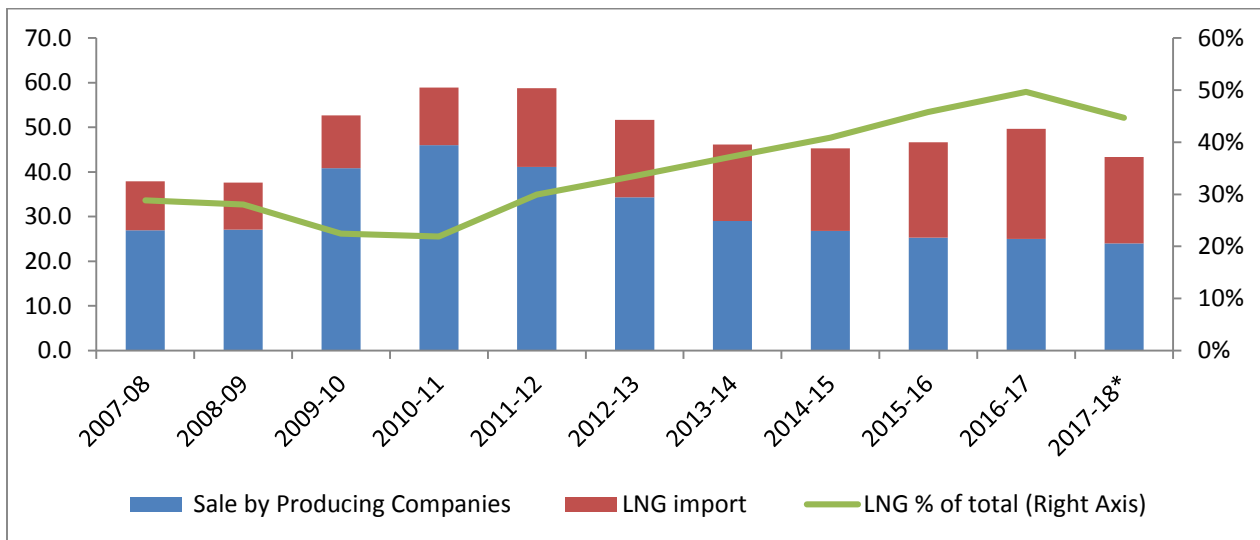


Source: PPAC

Natural gas production, consumption and import in India

- Natural gas constitutes for 6.5% of total energy primary mix of India
- Natural gas consumption in India has grown at a very slow pace in the past 3 – 4 years, with share of LNG imports increasing in the overall consumption mix

Figure 6: Domestic natural gas consumption, domestic production and LNG import in BCM



Source: PPAC

*Figures for 2017-18 are for the period of April to December only. Sale by producing companies includes internal consumption

Key policy announcements in oil & gas sector during the month

- **Cabinet approved Discovered Small Fields (DSF) Policy Bid Round-II for 60 un-monetized discoveries of ONGC and OIL under Nomination and Relinquished Discoveries under PSC Regime**

The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has given its approval for extending the Discovered Small Field Policy notified on 14.10.2015 to identified 60 discovered small fields / un-monetized discoveries for offer under the Discovered Small Field Policy Bid Round-II. Out of these, 22 fields/ discoveries belong to of Oil and Natural Gas Corporation (ONGC) Limited, 5 belong to Oil India Limited (OIL) and 12 are relinquished fields / discoveries from the New Exploration and Licensing Policy (NELP) Blocks. In addition, 21 fields / discoveries are remaining from DSF Bid Round-I which were put on offer but could not be awarded due to insufficient response from the investor.

- These discoveries are estimated to have 194.65 Million Metric Ton (MMT) Oil and oil equivalent gas in place.
- These fields will be developed and monetized faster thereby augmenting production of oil and gas leading to enhance energy security of the country.
- It is estimated that investments into these fields will lead to generation of over 88,000 jobs as direct, indirect and induced employment.
- This policy has also been extended for future round of bidding. Empowered Committee of Secretaries (ECS) comprising of Secretary (Petroleum & Natural Gas), Secretary (Expenditure) and Law Secretary will finalize and approve Model Revenue Sharing Contract, Notice Inviting Offer (NIO) and other documents for Discovered Small Fields Bid Round-II.
- The award of contract will be approved by the Minister of Petroleum and Natural Gas and Minister of Finance based on the recommendations of ECS.

- **Cabinet approves decision to increase Ujjwala Yojana beneficiaries to 8 crore**

The Union Cabinet has decided to increase the number of beneficiaries under the Ujjwala Yojana for receiving deposit-free new cooking gas connection to eight crores through an additional allocation of Rs 4,800 crore. The decision to revise the target of the Pradhan Mantri Ujjwala Yojana (PMUY) launched in 2016, under which cash assistance is given to the beneficiaries to get a deposit-free new LPG connection, comes in the wake of the huge response to PMUY from women, particularly in rural areas. The revised target of Pradhan Mantri Ujjwala Yojana (PMUY) will be achieved by 2020. Under the PMUY, the original target was to release three crore connections by the end of 2017-18, but as a “result of efficient scheme implementation and monitoring, more than 3.35 crore connections have been released till date across all states/UTs, largely benefiting SC/ST communities.

- **Government dropped the idea of an Electric Vehicle policy**

The government has decided against formulating an electric vehicle (EV) policy in an apparent U-turn from its position so far, providing a breather to many carmakers that are unprepared for an abrupt shift to the clean-fuel technology. The government would not bring any separate electric vehicle policy and would just frame rules for the category, was stated by road transport and highways minister, Shri Nitin Gadkari.

The minister was speaking at the launch of electric vehicle charging points in Yojana Bhawan, the headquarters of government think-tank Niti Aayog that's also responsible for framing rules for electric vehicles.

"There is no need for any policy now. The electric vehicle standards finalized by Niti Aayog will be used as final benchmark," the minister said. Gadkari did not elaborate on the government's roadmap to promote electric mobility. The auto industry has been demanding a separate policy for EVs. The government wants to gradually move electric mobility to curb rising level of pollution.

- **India – UAE bilateral investments**

Prime Minister Modi made a State Visit to UAE on Feb 10-11 at the invitation of the President of UAE, Sheikh Khalifa bin Zayed Al Nahyan. Two highlights of PM's visit were the signing of the Concession Agreement between an Indian Consortium and ADNOC for award of 10% stake in Lower Zakum Offshore oil field, and an Agreement between Indian Strategic Petroleum Reserves Ltd (ISPRL) and ADNOC to operationalize the filling up of a strategic petroleum reserve cavern in Mangalore.

The Concession Agreement awards 10% participating interest in Abu Dhabi's offshore Lower Zakum oil field to a consortium of Indian Public Sector companies which comprises ONGC Videsh, IOCL and BPRL. This will be the first Indian upstream investment in a producing asset in the Gulf region and in the Middle East. From a current production of 400,000 barrels per day, the production will peak at 450,000 barrels per day by 2025. Indian share of oil will be 10%, i.e. about 2.24 MMTPA at peak production. Average share for India will be 1.75 MMTPA for next 40 years. Total cumulative share of the Indian consortium will be 70 MMT over the next 40 years.

With the Lower Zakhum acquisition, Indian oil and gas PSUs have investments in 27 countries. You will recall that Indian PSUs made a major acquisition in Russia in 2016. Indian PSUs - ONGC Videsh, IOCL, BPRL and Oil India Ltd jointly acquired 49.9% stake in Vankor oil field and 29.9% in Tassurakh at an investment of US\$ 5.5 billion. This gave India equity oil of 15 MMTOE, which is about 40% of our annual domestic production.

The second significant Agreement was between the Indian Strategic Petroleum Reserves Ltd (ISPRL) and ADNOC to invest in the strategic crude oil storage facility in Mangalore. ADNOC will invest about \$ 400 million by way of storing crude in one ISPRL underground rock cavern in Mangalore of capacity 5.86 million barrels (0.81 MMT) Period of storage will be 3 years with automatic extension

of 2+2 years. The oil storage facility will help boost India's energy security, as well as enable ADNOC to efficiently and competitively meet market demand in India and across the fast developing south east Asian economies. The initial Oil Storage And Management Agreement was signed in January 2017, during the State Visit by H.H Sheikh Mohamed bin Zayed to India as Chief Guest at India's Republic Day celebrations.

- **Saudi Aramco Considers Investing In Indian Refineries, Capacity Expansion**

Saudi state-run oil giant Aramco is looking to buy stake in existing Indian refineries and in their capacity expansion, as well as in the proposed petrochemicals refinery on India's west coast, Saudi Arabian Energy Minister Khalid bin Abdulaziz al-Falih said on Saturday.

Aramco has already signed an agreement to initiate talks for acquiring stake in the proposed Rs. 1.8 lakh crore refinery in Maharashtra.

Union Budget 2018, key insights – Oil & Gas

Key policy updates

- As a base to launch future exploration and production activities, appraisal of all un-appraised areas have been approved and would be instrumental in increasing the investments in domestic production of oil and gas.
- Development of an additional 15,000 km long pipeline network to have an ecosystem of National Gas Grid in the country.
- Increase of refining capacity from 230.06 MMTPA in 2016-17 to 237.06 MMTPA at present with addition of 1 MMTPA capacity in HPCL, Mumbai refinery and capacity expansion of BPCL, Kochi from 9.5 MMTPA to 15.5 MMTPA.
- Government has set a disinvestment target of 80,000 crore.
- Given the success under Pradhan Mantri Ujjwala Yojana (already 3.34 crore connections provided), target to provide 5 crore LPG connections has been increased to 8 crore LPG connections to Below Poverty Line families.

- **Exemption extended to foreign company on sale of leftover stock of crude oil on termination of agreement**

Currently, any income of a foreign company on account of sale of leftover stock of crude oil after the expiry of the notified agreement / arrangement is exempt from tax subject to certain conditions. However, the said exemption is not available in case of premature termination of the said agreement / arrangement

- Propose to exempt the aforesaid income on account of sale of the leftover stock of crude of foreign company if the agreement / arrangement is terminated in accordance with the terms mentioned therein and subject to such conditions as may be notified by the Central Government

- **Clarification on non-applicability of MAT to specific non-residents**

Retrospective clarification provided with respect to non-applicability of MAT to foreign companies (engaged in shipping / aircraft business, business of exploration of mineral oils or civil construction) offering income on presumptive basis

Indirect tax budget proposal

- Retrospective exemption of service tax on consideration paid to Government in the form of government's share of profit petroleum for the period commencing from 1st April 2016 and ending with 30th June, 2017. This retrospective amendment brings into closure a number of disputes around applicability of service tax on profit petroleum and is a beneficial move for Exploration and Production companies.
- **Excise duty implications on motor spirit and high speed diesel**
 - Road and infrastructure cess is being imposed on motor spirit and high speed diesel at Rs. 8 per litre.
 - Simultaneously, the additional duties of excise (road cess) on motor spirits and high speed diesel under excise is being abolished.
 - Further, the basic excise duty on motor spirits and high speed diesel oil (branded and unbranded) is being reduced by Rs. 2 per litre.
 - Road and infrastructure cess on ethanol blended petrol and bio-diesel is proposed to be exempted subject to the condition that appropriate excise duties have been paid on petrol or diesel and appropriate GST has been paid on ethanol or bio-diesel used for making such blends.
 - Road and infrastructure cess on petrol and diesel manufactured and cleared from #4 specified refineries in the North-East to be levied at Rs. 4 per litre.
- **Custom Implications on motor spirit and high speed diesel**
 - Road and infrastructure cess is being imposed on imported motor spirit and high speed diesel at Rs. 8 per litre.
 - Simultaneously, the additional duties of customs (road cess) of Rs. 6 on imported motor spirits and high speed diesel under customs is being abolished.
 - Additional duty of customs under section 3(1) of custom tariff Act on motor spirits and high speed diesel oil (branded and unbranded) is being reduced by Rs. 2 per litre.
 - Education cess and higher education cess on imported goods is being abolished and social welfare surcharge on motor spirit and high speed diesel oil is being levied at the rate of 3% of aggregate of duties of customs.