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FIPI

FEDERATION OF INDIAN PETROLEUM INDUSTRY

POLICY & ECONOMIC REPORT
OIL & GAS MARKET

Table of Contents

Executive Summary

As the COVID-19 cases across the world continue to rise, countries in the Western hemisphere and the Emerging Markets and Developing Economies have been the worst affected. Recent data from the World Bank clearly shows that the global growth has shown a gradual improvement since April 2020. After recording a sharp decline between February to June, GDP forecasts finally started approaching some stability by mid of July. This has been chiefly due to the opening of economies across the world after the COVID inflicted lockdown.

Women are among the worst hit due to COVID and are among the most vulnerable for losing their jobs. World Economic Forum (WEF), Advancing Women's Digital Financial Inclusion underlines 10 policy options to harness women's digital financial inclusion to improve their economic participation. The report advocates for greater involvement of women in the financial services industry. The report underlines that it is high time for the industry to embrace the change and ensure more women are working at every level in the industry.

India started lifting the nationwide lockdown in June and adopted a staggered approach towards opening up of the economy. Moody's investor services has predicted that the Indian economy is set to register a negative growth of 3.1 per cent during the calendar year 2020. However, the report forecasts for a strong rebound for the country's economy in 2021 at a rate of 6.9 per cent. The Indian economy will continue to face inflationary pressures in the near term as disruptions in supply chains and unavailability of low-wage workers are expected to offset the deflationary pressures from subdued demand in the economy. During these difficult times of pandemic, much has changed and is expected to stay this way in the time to come. As education moves online, India has to be especially circumspect that children hailing from under-privileged families are not left out. The silver lining for India, remained a recent report which suggested that e-commerce industry in India will grow exponentially by 2024, acquiring a size of USD 99 billion, leaving behind even those of developed countries.

Oil prices remained steady in the month of July as crude demand is on the path of recovery. With majority of countries coming out of lockdowns and entering into unlocking phase, there is an increase in road transport and industrial activity leading to rise in demand. Apart from the minor decline in mid-month due to the increase in inventory levels, prices remained steady in the month.

In terms of upstream activity, rig count further declined in the month of June as operators scaled down drilling operations to save cash flow. US saw the biggest decline in rig count, as shale operators are reducing drilling operations due to reduced economic viability. Indian rig count went down by 2 units as few offshore rigs went stacked due to seasonality in the western offshore region.

Oil demand for the rest of 2020 saw a minor revision as demand recovery looks beyond the expectation in OECD regions. Global demand for oil is expected to be 90.72 mb/d. Oil supply decreased by 2.95 mb/din in the month of June as global producers removed the surplus oil from the market. Refinery utilization increased in the month of June and reached 81.83% as configuration was changed in refineries to meet the demand for gasoline.

Asian gasoline 92 cracks spread against Dubai rose extending the upwards trend backed by stronger demand for gasoline. Prices of refined products in Singapore hub went up by 30%-40% as the demand picked up gradually in the region. In India, demand for refined products went up by 11.2% in the month of June as unlocking phase saw rise in day-to-day business and commercial activities. Demand has now reached closed to the demand levels of March 2020, showing significant recovery since last three months. Natural gas price in Henry Hub, US declined by 8% as onset of summer and warmer days led to reduction in demand for natural gas. Apart from this, reduced industrial activity also led to decline in demand. Europe saw the natural gas prices rising in the month of June for the first time in last 4-5 months. As demand for natural gas is picking up, the region is forecasted to see further rise in natural gas price. Asian LNG prices for August delivery varied between USD 2.20 – 2.30 /MMBtu even as there was deferment in purchase of LNG by South Korea, one of the largest consumer of LNG.

Policy & Economic report – Oil & Gas market

Economy in Focus

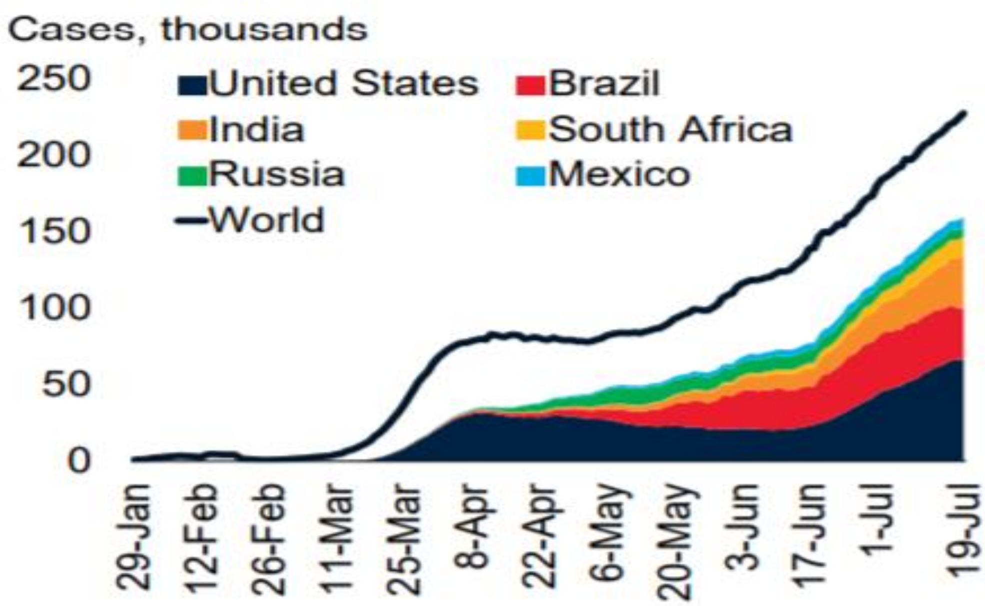
1. A snapshot of the global economy: Amid grim outlooks, July brings a ray of hope

As the COVID-19 cases across the world continue to rise, countries in the Western hemisphere and the Emerging Markets and Developing Economies have been the worst affected. Recent data from the World Bank clearly shows that the global growth has shown a gradual improvement since April 2020. While the financial conditions have improved, they still remains significantly higher risks than at the beginning of the year.

Global COVID cases continued to increase in July

By end of July, the number of COVID cases has increased to more than 14 million, claiming 600,000 lives globally. The number of global COVID cases continue to rise at a rate of 200000 per day, with particular focus on US, Brazil, India, South Africa, Russia and Mexico. The International Labour Organization (ILO) has estimated that the fall in working hours due to pandemic will lead to a loss of nearly 400 million jobs in Q2 2020.

Increase in Confirmed COVID Cases Globally

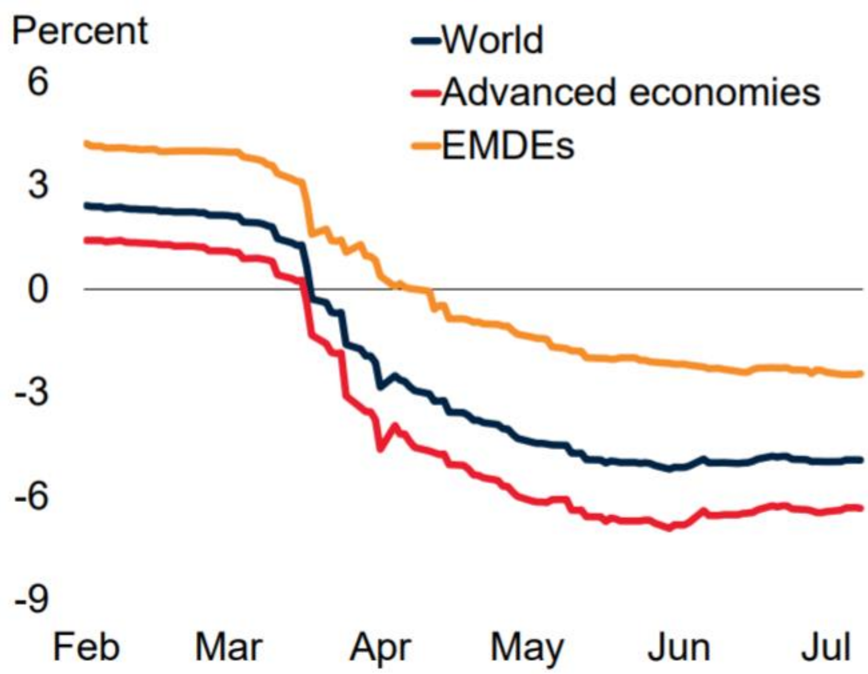


Source: World Bank

Stabilizing GDP Growth

After recording a sharp decline between February to June, GDP forecasts finally started approaching some stability by mid of July. This has been chiefly due to the opening of economies across the world after the COVID inflicted lockdown.

Consensus forecasts of GDP growth for 2020



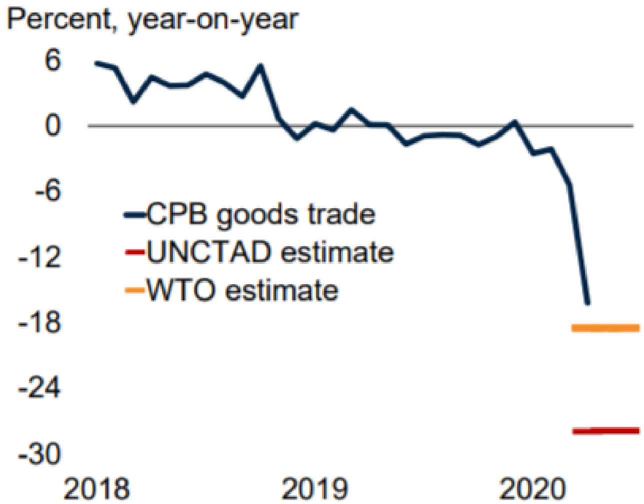
Source: Consensus Economics; World Bank.

The World Bank forecast for GDP growth in advanced economies touched -6.6 per cent in the Month of June. In July, the forecast the forecast has moderated and reached -6.3 per cent. The World Bank forecast for EMDEs have continued to decline, but at a lower pace. The bank's GDP growth forecasts for EMBDs reached -2.5 per cent in July.

Improvement in Global Trade

The global trade growth fall to its lowest in April when it reached -16.2 per cent. April was also the month when the composite new orders PMI fall to 25.8 per cent and then further reached 43.7 per cent in the month of June.

Change in Global Trade



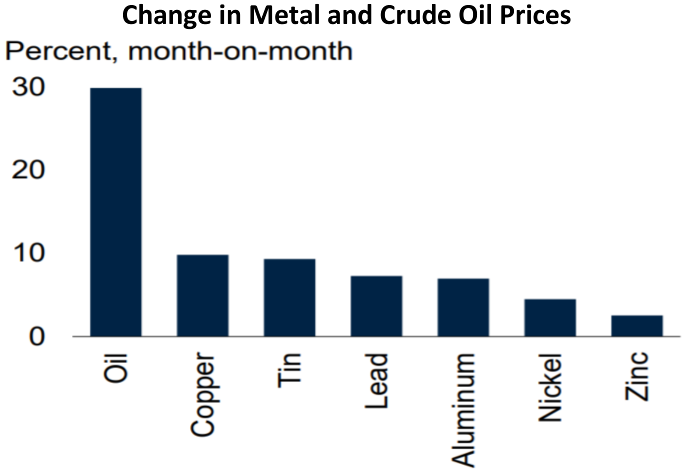
Source: World Bank

COVID has also taken a toll on the global mobility. While the number of global commercial flights doubled since April, it still remained 50 per cent below its pre-COVID levels. A recent report from WTO estimates that the global merchandise sales fell by 18.5 per cent in Q2 on a yoy basis. In the initial days of the pandemic many countries placed trade restrictions, which are now being repealed and being replaced by more trade friendly policies.

Recovery in Commodity Market

The month of June witnessed a rebound in the prices of most commodities led by crude oil which rose to almost 30 per cent since April. The prices have been further bolstered by the predictions that the hit of COVID-19 on the oil industry is not as severe as expected in the initial days. IEA has revised its estimate for oil demand growth by 0.5 Mbpd, although demand is still poised to fall by almost 8 Mbpd this year.

Change in Metal and Crude Oil Prices

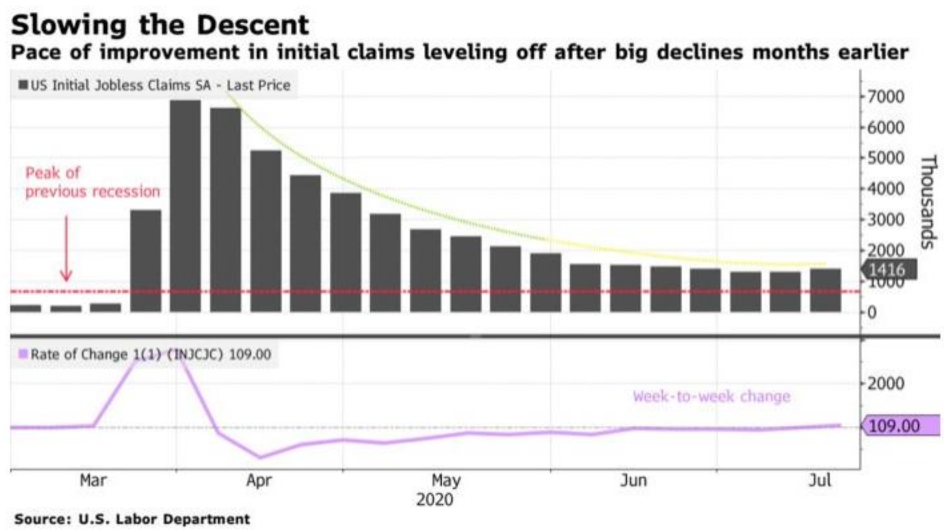


Source: Bloomberg Finance

The pace of recovery of the Chinese economy provided the much needed fillip to the base metals which rose 8 per cent in June and continued the run well into July. However, metal prices still remained 8 per cent below their pre-COVID levels. In June, Agricultural prices also recorded a rise of 2 percent that further strengthened in July.

2. US economy witnesses stagnating growth amid rising COVID cases

In spite of repeated assurances from the Trump Administration that better times are ahead for the US economy, the rising number of COVID cases in the country is strangling the nascent recovery made over the last few months. The falling number of restaurant diners to declining air travel along with the sharp increase in the number of unemployment benefits filings indicates that the country's recovery has hit a stand still, days before the ambitious federal aid is set to expire.



The US Government may agree on a new stimulus package in the future, but as of now many key details of the same still need to be finalized. Whether or not the Government finally agrees for another stimulus package, it is clear that until an effective treatment for COVID comes up, the US economy will either post a tepid and uneven growth, or at worst, endure an extended period of disorder, leading to a depression. Moody's Analytics has recently pointed out that if the US Government does not come up with another sizeable rescue package including help to state and local governments and more income support to the unemployed, the US economy could be staring at another downturn

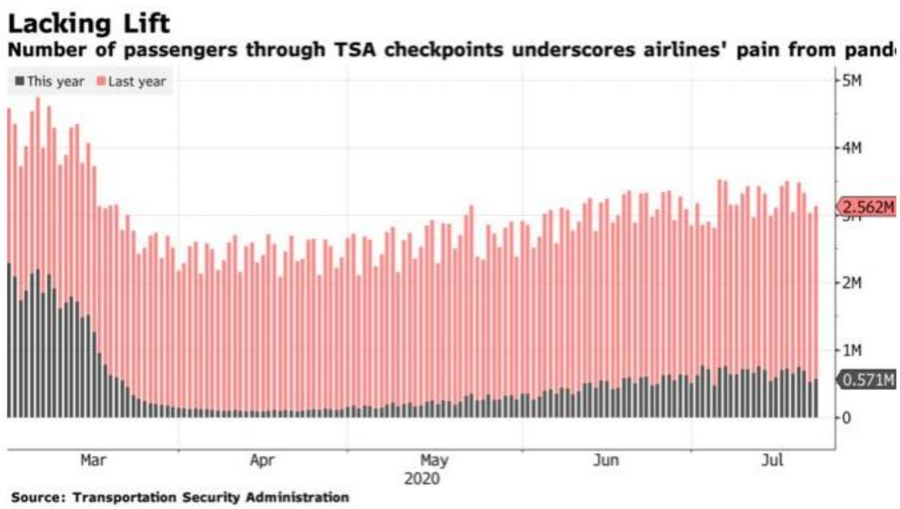
The report of sharp increase in joblessness, with those filing for unemployment benefits rising to 1.42 Million, has also left an impact on the US stock market. The stock markets which had witnessed a continuous growth for last month recorded a fall in the S&P 500 Index towards the end of the month. Consequently, the impact was visible on the share markets of China, Hong Kong and Australia

US Democrats have proposed a USD 3.5 trillion package of virus relief that has already passed the House. Senate Republicans are working on a roughly USD 1 trillion plan, but disagreements within the GOP have delayed a detailed proposal. The discussion on the proposal may continue well within the month of August.

While the report showed a decline in continuing claims, suggesting an increased hiring, with lay-offs already at a higher level is a sign that the labour market is headed in the wrong direction. This may also have a serious impact on the President Trumps bid for re-election later this year.

The unemployment figures only add to the mounting body of evidence for a slowing recovery as the COVID cases continue to increase. The key findings of reports published by the Government and private firms include:

a. Credit Card spending has remained unchanged since June at a level 12 per cent below last year
b. Even after a rebound in the number of air passengers, it still remains lower than a third of the usual levels



c. Consumer sentiments have remained negative since July. Consumer spending accounts for about 70 per cent of the economy.
d. Restaurant bookings have dropped to a third of the previous year
e. Between the first and the second week of July, employment in the US dropped by around 4.1 million

The Bank of America has noted that in the States such as California, Texas and Arizona, where the virus has made a comeback, there is a significant softening in consumer spending.

It is worth mentioning here that there are also some green shoots. Several gauges have shown expansion in regional manufacturing this month. Demand for home purchases has remained relatively strong, as measured by mortgage applications. Michael Englund of Action Economics LLC. has said that re-shutting of the economy is largely a retail phenomenon, industrial production has continued to increase over the last few months

3. Riding on strong industrial sector performance, Chinese economy expands by 3.2 per cent in Q2

China's economy has registered a strong growth in the second quarter after the country after a deep slump at the start of the year. But unexpected weakness in domestic consumption highlighted the need for more policy support to bolster the recovery after the shock of the coronavirus crisis. Asian share markets and the Chinese Yuan fell, partly reflecting the broad challenges facing the world's second-largest economy as it grapples with the double-whammy of the pandemic and heightened tensions with the United States over trade, technology and geopolitics.

According to National Bureau of Statistics, the country's GDP is set to rise at 3.2 per cent in the second quarter from a year earlier. The countries defied the expectation of a 2.5 per cent growth in the second quarter as lockdown measures ended and policy makers ramped up stimulus to combat the virus-led downturn. The bounce was still the weakest expansion on record, and followed a steep 6.8 per cent slump in the first quarter, the worst downturn since 1990s.

Requirement for a supportive policy ecosystem

Betty Wang, ANZ bank's senior China economist feels that the country will still require policy support from the Government, despite strong recovery in Q2. She pointed out that the possibility of resurgences in local COVID-19 cases, global economic uncertainty and the deteriorating China-U.S. relationship all present downside risks to China's H2 growth outlook. Those risks were partly reflected in separate retail data that showed Chinese consumers kept their wallets tightly shut. This points to a bumpy outlook and is further reinforced by the worsening economic situation in many countries, grappling with COVID-19.

Consumer are still apprehensive

The Chinese recovery has been made possible by the stimulus provided by the Government, especially focused on the industrial side. However, the consumer is still very conscious. That cautiousness is something the market is looking at in terms of countries where the consumer plays a bigger role, so that's obviously relevant for the U.S. as well. Retail sales were down 1.8 per cent on-year in June — the fifth straight month of decline and much worse than a predicted 0.3 per cent growth, after a 2.8 per cent drop in May.

Concern over debt has kept a check over China's stimulus tap. The fiscal stimulus offered by the Government has amounted to USD 571 Billion, significantly smaller than what other major economies have spent. The Institute of International Finance estimates China's total debt rose to 317 per cent of GDP in the first quarter of 2020, up from 300 per cent in late 2019 and the largest quarterly increase on record.

4. As the pandemic continues, economic risks heighten

A recent report by OECD suggests that unemployment in the 37 OECD countries is set to reach 9.7 per cent by the end of the year from 5.3 per cent a year earlier. The report further warned that the blocs' unemployment might further reach 12 per cent if a second wave of COVID hits the countries. Stefano Scarpetta, the O.E.C.D.'s director of employment, labour and social affairs has pointed out that the ongoing COVID crisis has wiped out all the gains made in the labour market since the financial crisis of 2008.

The report suggests that despite large scale outbreak of the pandemic, the economic impact is affecting parts of society differently. The COVID inflicted lockdown and the closure of the businesses has hit the vulnerable workers really hard. These are also the people who will have a really difficult time finding another job.

Higher paid employees are 50 percent more likely to work from home than people in low-income jobs, who are more often employed in essential services and at risk of being exposed to the virus while working, the study found. While many office employees will have the opportunity to work from home the same will not be available with frontline workers, placing them at a significantly higher risk of losing jobs.

The study has found that women will be more vulnerable to lose their jobs than men. Women constitute a significant amount of the workforce in heavily affected sectors, including health care and retail, and disproportionally hold less secure jobs. OECD researchers have found that women's unpaid work burden is further amplified due to shutting of schools and child care facilities.

Self-employed workers and those on temporary or part-time contracts have also been exposed to steep income losses as employers drop their contracts to compensate for lost income. As the employers delay hiring plans, there is an increasing risk of an entire generation being left behind. Since the lockdown, online job postings have fallen by more than half. A drastic cut has also been noted in the number of internships offered. Angel Gurría, the secretary general of the O.E.C.D. remarked that the ongoing crisis will permanently change the way the world works. She further said that the virus is widening the chasm that existed even before the virus struck.

The European Commission, the bloc's administrative branch, said the E.U. economy would shrink 8.3 percent this year, a downgrade from predictions released in May that saw a 7.4 percent contraction. The subgroup of 19 nations that share the euro currency will have it even worse, shrinking 8.7 percent this year. The situation is more grim for the countries situated in EU's southern rim. Italy, the E.U.'s third-largest economy, is set to shrink 11.2 per cent. Spain, the fourth largest, is facing a 10.9 per cent recession. France, second after Germany, will shrink 10.6 per cent. The commission had assumed that the findings were too pessimistic and as the lockdown measures are relaxed the economy will come back on track.

5. Protecting 30 per cent of land and water, may lead to huge economic benefits alongside long-term sustainability: Report

As global Covid-19 death toll continues rise, a group of international researchers is looking towards the future. Their innovative work underscores the huge economic benefits of expanding global protected areas to include 30 per cent of the world's land and oceans in order to accelerate recovery from the pandemic.

A report on the subject, authored by more than 100 economists and environmentalists for the advocacy group Campaign for Nature, published earlier this month presents the first ever analysis of the costs and benefits of protecting 30 per cent of the planet's land and seas. The UN Convention on Biological Diversity included this 30 per cent protected area goal as part of its ten-year conservation strategy which is expected to be ratified by 196 countries at an international summit in Kunming, China, next year.

Currently, various Governments, non-profits and other institutions are collectively spending over USD 24 Billion to protect these areas. According to the researchers, to meet the 30 per cent goal by 2030, the budget of these programmes have to be boosted by roughly USD 140 Billion. The report revealed that presently only 15 per cent of the world's land and 7 per cent of oceans have some degree of protection. This major boost in funding would be used to better maintain and manage existing protected areas, and in some cases, to support national governments in the purchase of land from private owners in order to conserve it, said Enric Sala, one of the paper's co-authors. Making a reference to the present COVID out-break Mr Sala said "This pandemic has shown the costs of our [current] relationship with nature," he underlined that a latest IMF report estimates the global cost of the pandemic at USD 9 trillion for the next two years. While it costs only USD 140 Billion to protect 30 per cent of the planet. The UN and World Health Organization and WWF International agree that maintaining our current course, the nearly wholesale destruction of nature — obliterating wild lands and increasing proximity between wildlife and humans — will almost certainly bring more pandemics in future if action isn't taken now.

The benefits of conservation extend beyond prevention of diseases. Increasing land and marine protected areas would boost ecotourism, while allowing declining fish stocks to regenerate. The researchers estimate that the economic gains of environment protection made by fisheries, tourism and other sectors would generate USD 250 billion in extra economic activity. An increase in the amount of protected land will lead to enhanced ecosystem services related to climate change mitigation, soil conservation, protection from floods and cleaner water. The report suggests that the accumulated value of these services will amount to USD 350 Billion annually. When both the economic and ecosystem service benefits of expanding protected areas are totaled, the gains resulting from meeting the 30 per cent target outweigh the costs by a ratio of at least five-to-one. The costs of expanding protected areas represent less than one-third of the amount that governments spend on subsidies to various activities that destroy nature, such as oil extraction. The total cost of protecting 30 per cent represents 0.16 per cent of global GDP, he added, requiring less investment than global consumers spend annually on video games.

According to World Bank data some of the countries have already either met or exceeded the 30 per cent target, including Bolivia, Germany, Namibia, Poland, Tanzania, Venezuela and Zambia. But other nations have work to do, or are going in the wrong direction. Brazil, for example, guardian of the world's largest remaining rainforest, has nearly achieved the target with 29.4 per cent of its lands considered protected, according to 2018 World Bank data. However, President Jair Bolsonaro has been escalating deforestation there since January 2019.

6. Greater financial inclusion - an imperative for faster recovery of global economy

The COVID-19 inflicted lock down, that has significant impacted economic activity in both poor and wealthy countries, has put millions of women out of work. The IMF has already warned of drastically slower growth through 2021, setting up for a slow recovery.

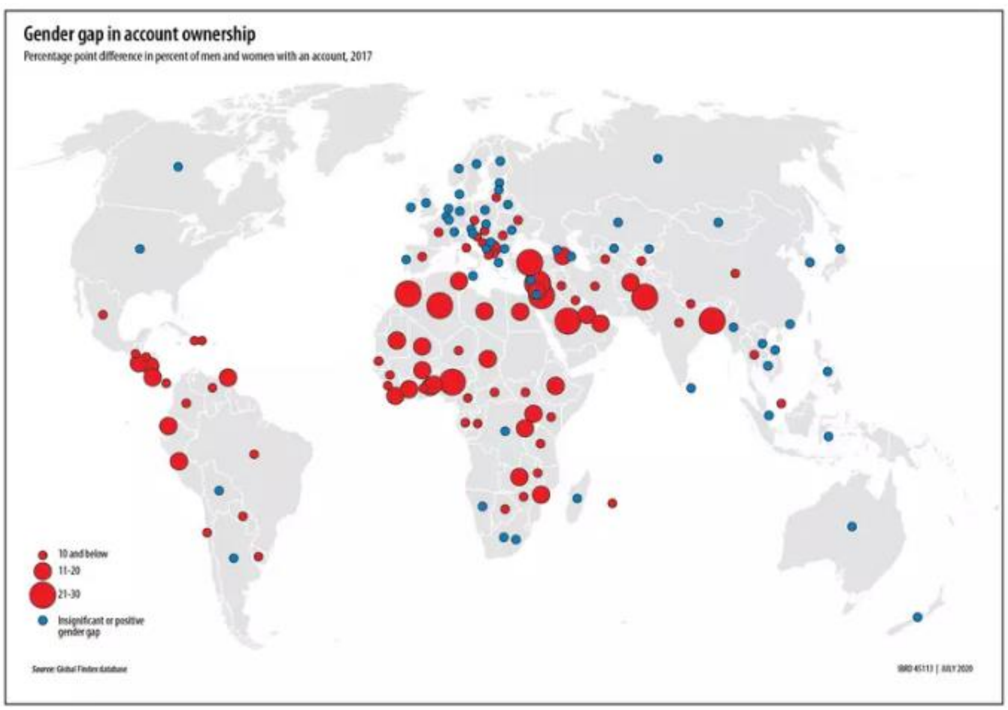
It is high time for the businesses to lay the groundwork for long-term changes that could help women bounce back from the pandemic's economic fallout. A new report published by World Economic Forum (WEF), Advancing Women's Digital Financial Inclusion underlines 10 policy options to harness women's digital financial inclusion to improve their economic participation. Two of the major policy support are discussed below:

Increased Employment for Women in Financial Industry

The World Bank's Global Findex database suggests that women are less likely compared to men to avail digital financial services such as bank accounts. In absence of these services, women struggle to get enter in the formal economy. Presently, women are under-represented in the financial services industry at all levels. A study in India found that women make up only 22 per cent of bank employees and a mere 12 per cent of microfinance institution employees. The male-oriented culture that results from this skewed mix, makes it harder for these institutions to attract female customers. The lack of female talent at the top is also a problem for wealthy countries. A report by McKinsey suggests that only 19 per cent of C-suite positions in US finance are held by women, slightly less than average for US industry overall.

Businesses can help address the financial inclusion gender gap by increasing women's visibility in client-facing roles in financial services. Evidence from India suggests that women use financial services more often and effectively when they are served by female bank employees. And some research argues that female banking agents land more transactions and have a higher transaction volume than their male counterparts. Companies with a higher share of female employees might be more innovative, which could help them design new products for underserved women.

Percentage difference in the number of men and women with bank accounts



Source: Global Index Database

More Sex Dis-Aggregated Data by Financial Institutions

To strengthen financial inclusion of Women, it will be imperative to get a clearer picture of the problems they face. Through more sex-disaggregated data, experts could better establish financial inclusion goals and monitor progress. Such data can also provide insights into which policies are having the greatest impact, or which markets are lagging behind and need additional support.

A wish-list of sex-disaggregated financial inclusion will provide reliable information on the number of women executives; percentage of mobile money agents that are women; female loan officers in each branch. Tracking and reporting of such data could create costs for financial service providers, but it could also generate commercial returns. Sex-disaggregated data also allows financial service providers to see the relative benefits of employing women. For more than 15 years, Chile has required banks to report sex-disaggregated data. The Chilean banking superintendent aggregates quarterly sex-disaggregated data and diversity statistics from a gender banking survey, providing mountains of data useful to bankers and policy-makers alike. Strict data privacy and security policies are critical to ensure that this data is only used for righteous purposes.

COVID-19 will leave deep economic scars. A combination of immediate relief and long-term reforms are needed to help women bounce back. Now is a perfect time for businesses to do their part.

7. A snapshot of Indian Economy: Green shoots of recovery visible

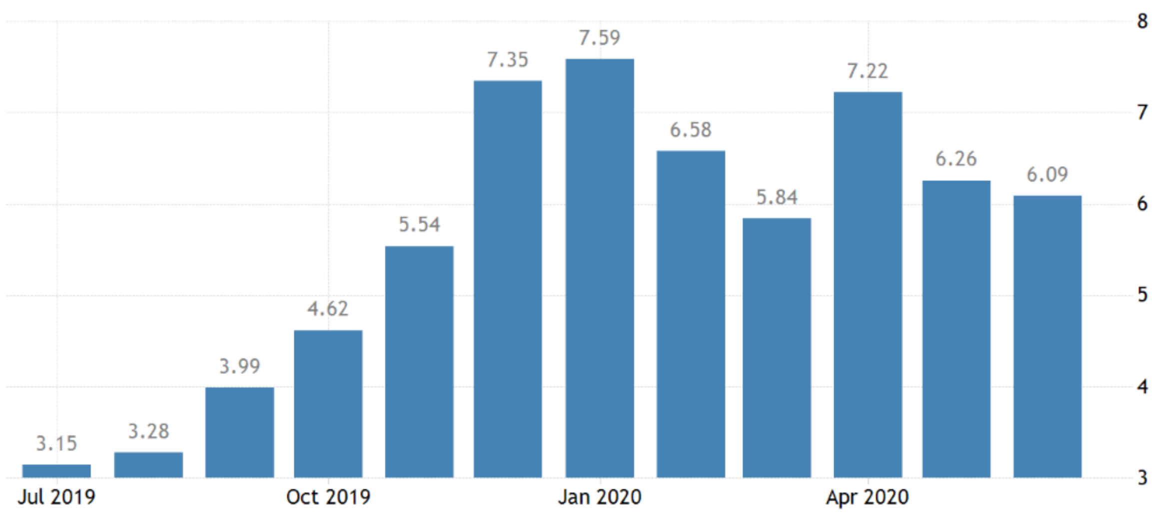
India has been grappling with the COVID-19 since the month of March. As the coronavirus cases in the country continue to rise, India has surpassed Russia in July as the third worst hit country due to the ongoing pandemic.

India – Rise in COVID-19 cases

The country lifted the nationwide lockdown in June and adopted a staggered approach towards opening up of the economy. In a recent report published by Moody's investor services, the Indian economy is set to register a negative growth of 3.1 per cent during the calendar year 2020. However, the report predicts for a strong rebound for the country's economy in 2021 at a rate of 6.9 per cent.

Moderating Inflation

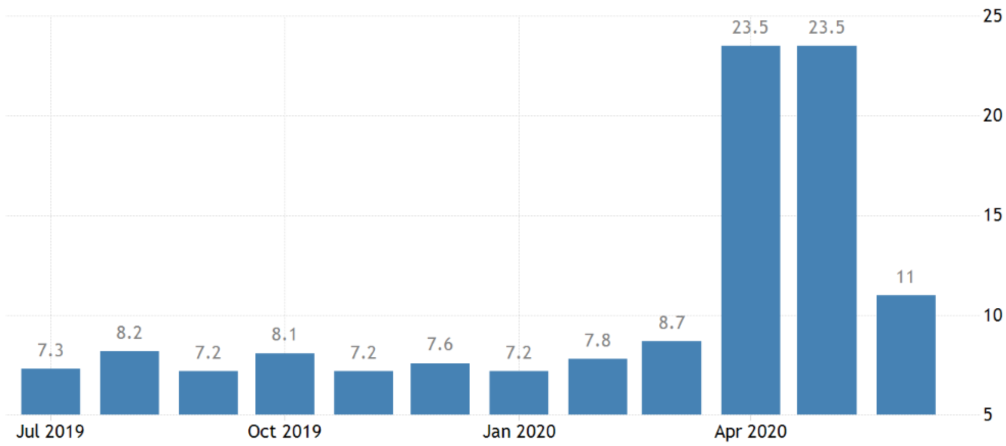
Consumer prices in India rose 6.09 per cent yoy in June of 2020, well above market forecasts of 5.3 per cent. Tobacco witnessed the biggest rise of 9.7 per cent followed by food and beverages (7.29%), housing (3.55%), clothing and footwear (3.53%) and fuel and light (2.69%). The food alone index increased 7.87%, the least in eight months. Within food, the biggest rises were seen for cost of pulses (16.68%), meat and fish (16.22%) and spices (11.74%) while prices of fruits fell 0.68% and cost of vegetables rose 1.86% only.



Source: Trading Economics

Fall in Unemployment

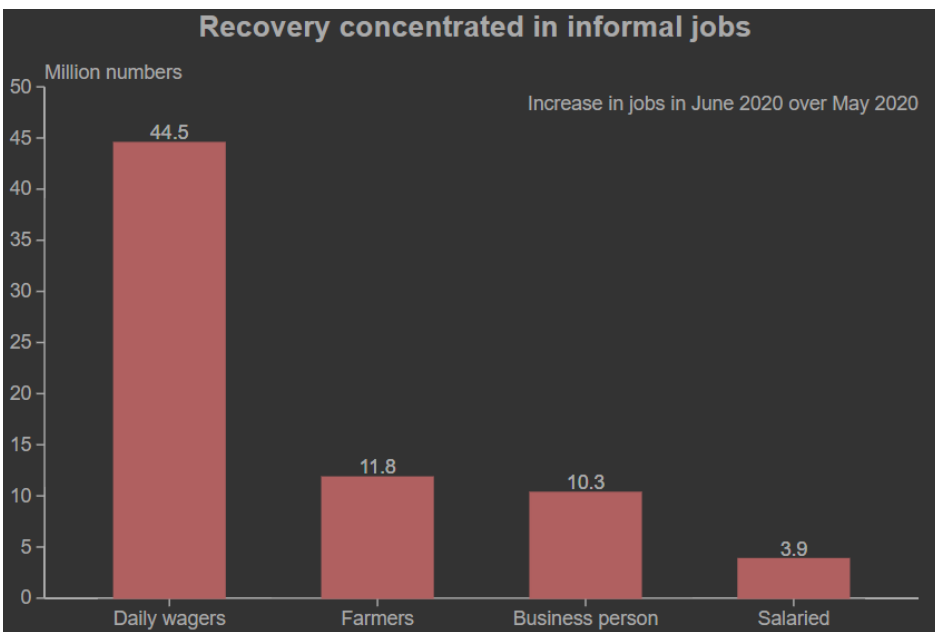
Due to the nationwide lockdown, unemployment rate in India jumped to as much as 23.5 per cent in the month of April. After staying at similar levels in the month of May, unemployment rate recorded a significant fall in June when it dropped to 11 per cent.



Source: Trading Economics

Salaried Jobs Worst Hit

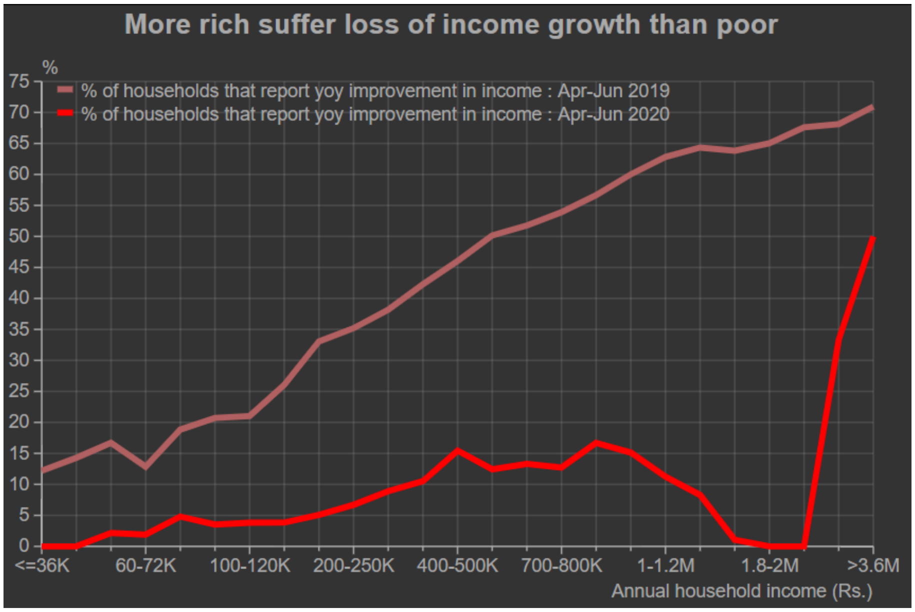
After large scale job losses in April and May, in June over 122 million jobs came back. However, it still remained 7.4 per cent lower than 2019-20 levels. Of the 70 million jobs that came back in June, 44.5 million were those of small traders and wage laborers. This implies that over 63 per cent of the jobs that came back were of these essentially informal forms of employment. The salaried jobs remained among the slowest to recover and witnessed only 3.9 per cent recovery in June.



Source: Centre for Monitoring Indian Economy (CMIE)

Household income in the country has taken a hard hit during the months of lockdown. April through June this year, the proportion of households reporting an improvement in incomes compared to a year ago declined quite sharply. The proportion that said that their incomes were higher than a year ago was 9.6

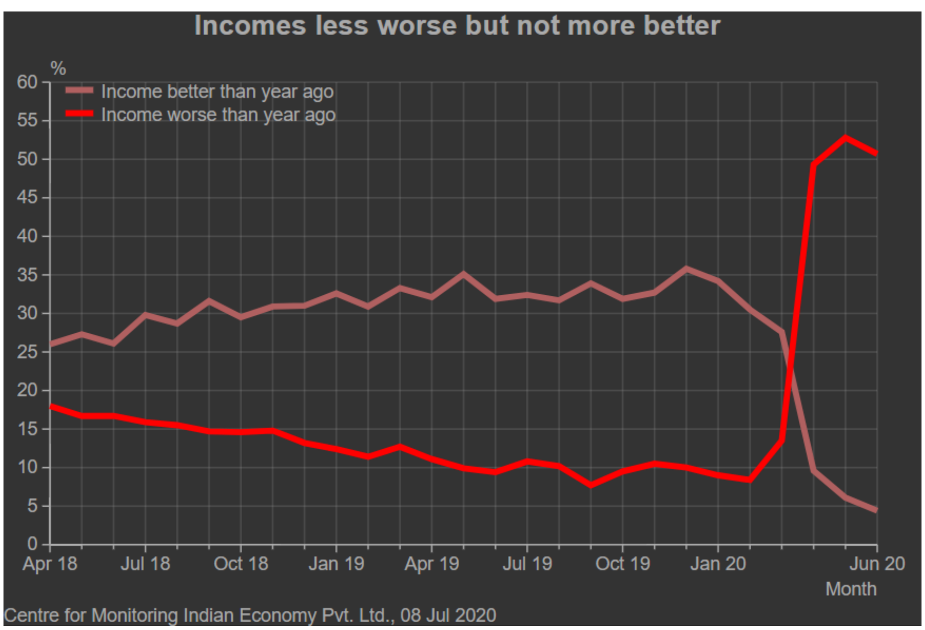
per cent in April. This fell to 6.1 per cent in May and then to 4.4 per cent in June. The recent recovery in jobs has not reflected yet on household incomes.



Source: Centre for Monitoring Indian Economy (CMIE)

Improvement in Consumer Sentiments

The consumer sentiments index improved in June to 42.2 compared to its level of 39.9 in May. The index has a base of 100 in the period September-December 2015. Sentiments, which measure household perceptions regarding their current and future economic well-being, are therefore about 40 per cent today of what they were nearly five years ago.



Source: Centre for Monitoring Indian Economy (CMIE)

Consumer sentiments fell by a massive 53 per cent in April which bore the full brunt of a strict lockdown throughout the month. The fall continued into May which saw the index shrink further by 12.8 per cent to its lowest level of 39.9. In June, the sentiments improved because less households reported a worsening of conditions and not because more people reported an improvement of conditions. In fact, the proportion of household reporting an improvement of conditions declined - to rock bottom levels.

8. Pandemic will continue to strengthen inflationary forces in India: Report

A recent report by Dun & Bradstreet suggests that the Indian will continue to face inflationary pressures in the near term as disruptions in supply chains and unavailability of low-wage workers are expected to offset the deflationary pressures from subdued demand in the economy. The report further suggests that inflationary pressures are building up both from the demand and supply side.

The report expects the Consumer Price Inflation (CPI) to have increased from 5.7 per cent to 5.9 per cent during July 2020. Government data suggests that retail inflation in the country has reached 6.09 per cent in June chiefly due to the higher prices of food items in the month of June.

Arun Singh, Dun & Bradstreet Global Chief Economist pointed out that unexpected localized lockdowns across the country are likely to increase uncertainty amongst the manufacturers and various other stakeholders in the supply chain who had planned to resume their operations. This will have a severe impact which will not only be restricted to growth, but also for the underlying inflation dynamics in the economy.

The report claims that inflationary pressures caused due to supply disruptions, less availability of low wage labour, high tariffs on some imported commodities, and larger than adequate liquidity in the banking system might disrupt the deflationary pressures from subdued demand in the economy. It will be difficult for the Reserve Bank of India (RBI), as well as the government, to manage inflationary pressures while trying to generate growth impulses in the economy. The report has thus advocated for more stimulus measures as the financial health of firms remains weak

The report points out that 71 per cent of Indian businesses fall under the “slightly greater than average risk" category. This is mainly due to companies recording inconsistent growth trends, reporting losses, facing liquidity issues and challenges for working capital. The report concludes that the situation is set to worsen if the pandemic continues to spread at the present pace.

9. Indian E-Commerce industry to grow exponentially and reach USD 99 Billion by 2024

India's e-commerce industry is set to touch USD 99 billion in size, while the online share of retail is poised to grow more than double to around 11 per cent by 2024 from 4.7 per cent in 2019. A recent report titled 'Global Internet: e-commerce's steepening curve', claims that the e-commerce industry's growth rate in India, will leave behind some of the developed countries such as the US, the UK, Europe, Brazil, and China.

The report authored by Goldman Sach highlighted that online grocery will be the biggest growth driver for e-commerce in India. The segment is expected to grow gradually to 20 times over five years to reach USD 29 billion in size. The report predicts that Reliance Industries Ltd (RIL), among the e-commerce companies will hold a significant share in the online grocery sales market through Facebook. It noted that RIL's foray into e-commerce and its tie-up with Facebook-owned WhatsApp to connect local grocery stores with customers will be the "biggest near-term theme in India internet".

Facebook is one of the companies investing in the Jio platforms and holds 9.99 per cent stake in it. Jio is the RIL subsidiary that houses the country's youngest but biggest telecom company as well as an array of apps. The report highlights that the companies such as Big Basket and Grofers accounted for more than 80 per cent of the market in 2019 in online grocery. Online grocery has been growing at over 50 per cent year-on-year over the last few years. However, the outbreak of COVID-19 has resulted in a massive shift to online groceries. After the recent entry of RIL, the growth will accelerate to 81 per cent CAGR during 2019-24.

Growth in India's e-commerce is likely to come from better penetration into categories such as grocery/FMCG, improving payment ecosystem and ease of shopping through WhatsApp, etc. Goldman Sachs expects non-grocery e-commerce penetration to see a sharp increase of 500 basis points over the next two years to reach 16.1 per cent by 2021. While online penetration in categories such as consumer electronics is fairly high at about 40 per cent as of 2019, there exists significant growth in categories like apparel, appliances, health, and personal care, where online penetration in India remains materially lower when compared with peers such as China.

The report further underlined that as far as incremental growth in e-commerce is concerned, we expect grocery to be the biggest driver with 40 per cent contribution to incremental e-commerce GMV (gross merchandise volume) between 2019 and 2024. In India, Groceries is a USD 380 Billion category and contributes for 60 per cent of the total retail sale.

10. As education moves online, India needs to ensure that the poor do not miss out

COVID-19 has forced schools across the world to take their curriculums online as the threat of a second wave of COVID-19 starts emerging. In India, where the gaps in access to education and the Internet were already vast, poor families are struggling to adapt to the new mode of education.

Among the poor families in the country, data is precious as money is always tight. More so during the COVID pandemic as most of these households have lost sources of income. Further, in poor families with multiple siblings, there are usually very few smart phones and since their schedules do not blend neatly there is a constant tussle among over the phone.

Many students feel that the classroom education is superior to the online mode as they can ask questions to the teacher repeatedly and ask teachers to pause and repeat. However, in a video call if two or three students do this then time will run out.

A report by the Save The Children Fund points out that "we are going through the biggest global education emergency of our lifetime". The preventive measures taken by various countries across the world have put 91 per cent of learners out of school. This has placed the children coming from the poorest and marginalized families at the risk of never returning to the classrooms.

In India, a country where the Government invests 3 percent of the GDP in education and less than half of its population has access to high speed internet, Save The Children Fund claims that over 320 million children have already been affected.

Special Feature

11. Germany's Fiscal Stimulus Package focuses on kick starting the ailing economy

On June 3, German Chancellor Angela Merkel's coalition government presented a EUR 130 billion (USD 145 billion) fiscal stimulus package worth 4 percent of German gross domestic product over two years. The stimulus package aims not only to cushion the imminent impact of the Covid-19 crisis and limiting the economic fallout but also to kick start the ailing economy. Some of the major features of the German stimulus package are:

- VAT will be temporarily cut from 19 to 16 per cent, from 1 July until 31 December
- The lower VAT rate for hospitality will be reduced from 7 to 5 per cent over the same period
- An additional one-off child allowance of EUR 300 per child
- A EUR 50 billion fund to address climate change, innovation and digitization within the German economy. From this EUR 50 Billion, a doubling of the financial incentive to buy electric cars from EUR 3,000 to EUR 6,000 will be financed
- Social security contributions will be capped at 40 per cent, at least until 2021, to stabilize net income. Additional costs for social security will be covered by the government
- Tax loss carrybacks and faster depreciation rules for investments are intended to provide more liquidity and investment incentives for companies
- Another liquidity and loan support programme of EUR 25 Billion for small and medium-sized companies for June to August. Eligible companies will be those which saw sales drop by 60 per cent or more year-on-year in April and May
- At least EUR 10 Billion will be used to help municipalities struggling with lower tax receipts, with public spending on infrastructure and housing

Germany had long been a supporter of austerity and balanced budgets. It was even written into its constitution that it should not widen its debt burdens. In addition, Germany was often against major plans for European integration. However, COVID-19 has changed its political approach, and this has significant repercussions for financial markets.

With falling exports and rising unemployment, the fallout of lockdowns to contain the coronavirus pandemic, the government is under pressure to act. The German government has announced more than EUR 450 billion euros so far in immediate fiscal stimulus to shield its economy from the ongoing crisis. This represents 13.3 per cent of its 2019 gross domestic product (GDP).

Unlike most of its European counterparts, Germany has been wise in using its public finances. Most European governments have opted for deferrals of tax payments and other measures that do not necessarily strain their finances further and increase their deficits. Based on the many years of budget surpluses that Germany was experiencing a low appetite for debt financing. After COVID, Germany essentially tailored the biggest rescue package worldwide…there was a pretty drastic shift in German public finances.

Further, German Chancellor Angela Merkel has announced that she would support a large-scale debt borrowing program at the EU level — something that had been a taboo in German politics for many years. Many experts who had been worried about the stability of the euro zone in the longer term, praised the announcement from Merkel. The German stock index rose 48 per cent since hitting its lowest point so far in 2020 on March 18. The wider European benchmark, the Stoxx 600, has rallied about 31 per cent over the same period.

Brewing Optimism

The shift in approach indicates that the country is well placed to tackle the challenges arising due to the pandemic. Claus Vistesen, a euro zone economist at Pantheon Macroeconomics noted that Germany is set to come through the initial shock from the pandemic much quicker and better than the rest of the euro zone. The prospect of a relatively resilient Germany is further supported by the fact that it is now seriously flexing its fiscal muscles.

The Bundesbank has estimated that the German economy is set to shrink by almost 7 per cent this year. However, the country is expected to register a strong comeback in 2021 and 2022 with growth rates of 3 and 4 per cent respectively. In comparison, France, Spain and Italy, where the health crisis was more severe, are expected to contract by more than 10% in 2020, according to the International Monetary Fund.

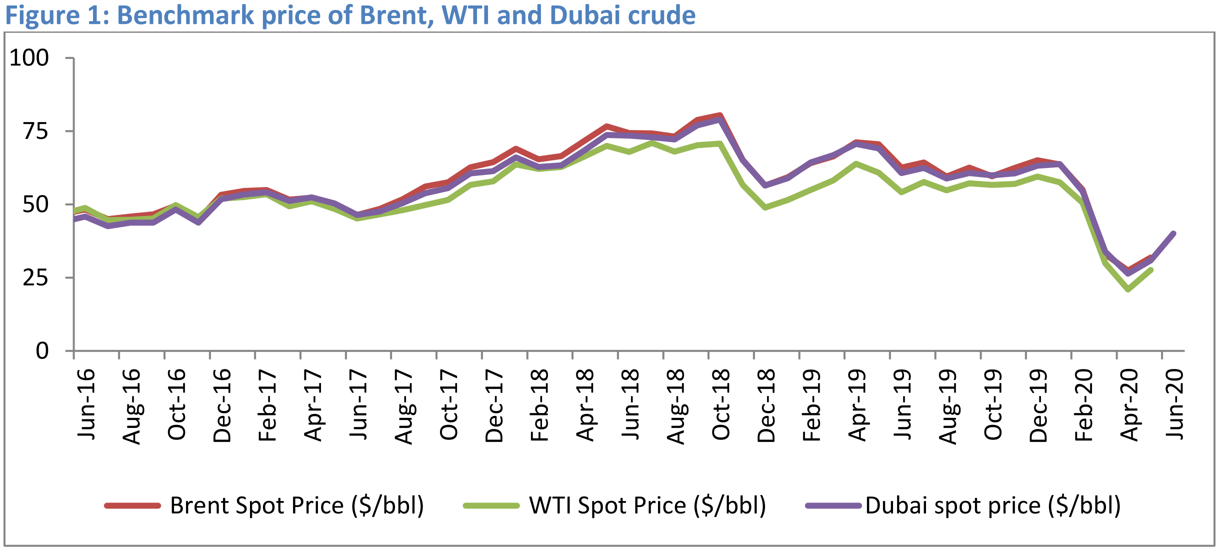
However, the success of the stimulus package will also depend on how the fiscal stimulus is applied. Overall, the threat of a decline in globalization and multilateralism is not good news for Germany, but it has the ability to strengthen itself and Europe to meet those challenges, and that objective hasn't changed with the virus.

Oil & Gas Market

Crude oil price

Crude prices moved upwards in the month of June towards recovery as all major benchmarks touched USD 40 mark for the first time since March. A combined production cut of crude oil by 10 mb/d in June by OPEC and other major producers, led to price recovering in the month of June. Production cuts removed a part of surplus barrels of crude oil from the market and thereby leading to reduction in supply and demand gap. With production cuts planned for long time, the market is likely to move towards better balance. Global demand for crude oil recovered as relaxations came in place across various countries in an attempt to boost the economy. Increase in road transportation in China, Japan, South Korea, India, Europe and in the North America has given a positive outlook for crude oil demand. OPEC and allies met on June 6th and agreed to extend production cut to balance the market. Larger output cuts outside of OPEC will come from US and Russia. Average Brent, WTI and Dubai basket crude prices went up by 27.32 %, 37.05 % and 28.48 % respectively from their May prices

Figure 1: Benchmark price of Brent, WTI and Dubai crude



Source: WORLD BANK

- Brent crude price averaged $ 39.90 per bbl in June 2020, up by 25.3% on a month on month (MoM) but down by 36.3 % and year on year (YoY) basis, respectively.
- WTI crude price averaged $ 38.30 per bbl in June 2020, up by 38.6% on a month on month (MoM) but down by 29.3 % and year on year (YoY) basis, respectively.
- Dubai crude price averaged $ 40.10 per bbl in June 2020, up by 29.8% on a month on month (MoM) but down by 34.00 % and year on year (YoY) basis, respectively.

Table 1: Crude oil price in June, 2020

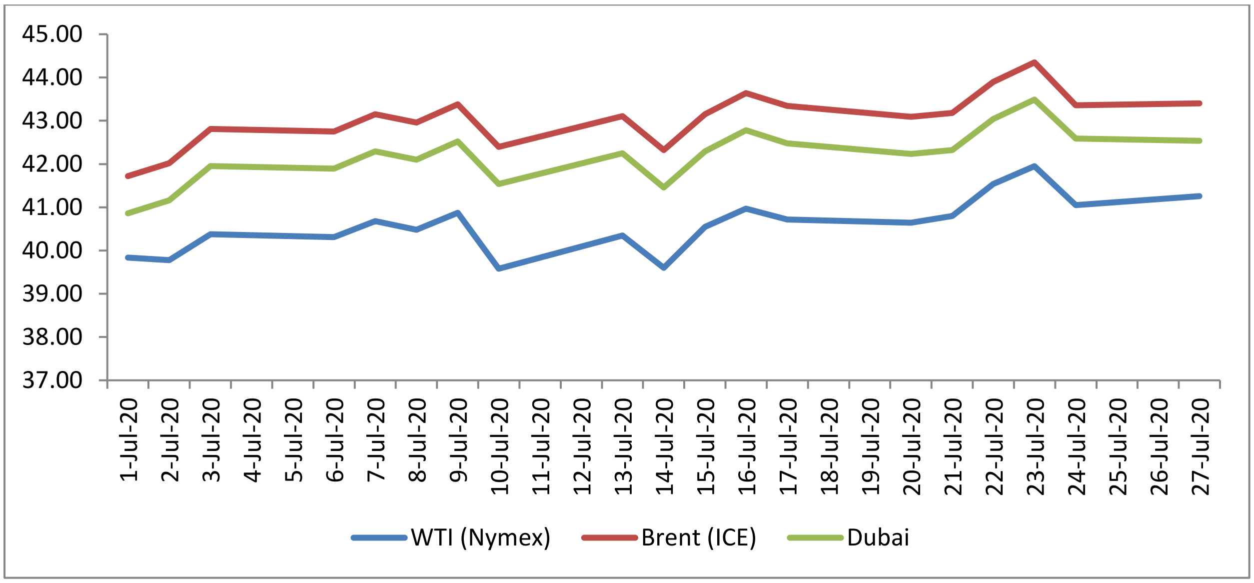
Crude oil	Price ($/bbl) in June 2020	MoM (%) change	YoY (%) change
Brent	39.90	25.3%	-36.3%
WTI	38.30	38.6%	-29.3%
Dubai	40.10	29.8%	-34.0%

- *Source: WORLD BANK*

Oil Market steadies in July albeit the minor changes

Crude prices steadied in the month of July in the range of USD 40s per barrel as the demand slowly recovered globally. There was some minor decline in the weeks between due to higher inventory of crude and due to the second wave of Covid spread.

Figure 2: Crude oil price in July 2020



- *Source: EIA, Oilprice.com, PPAC*

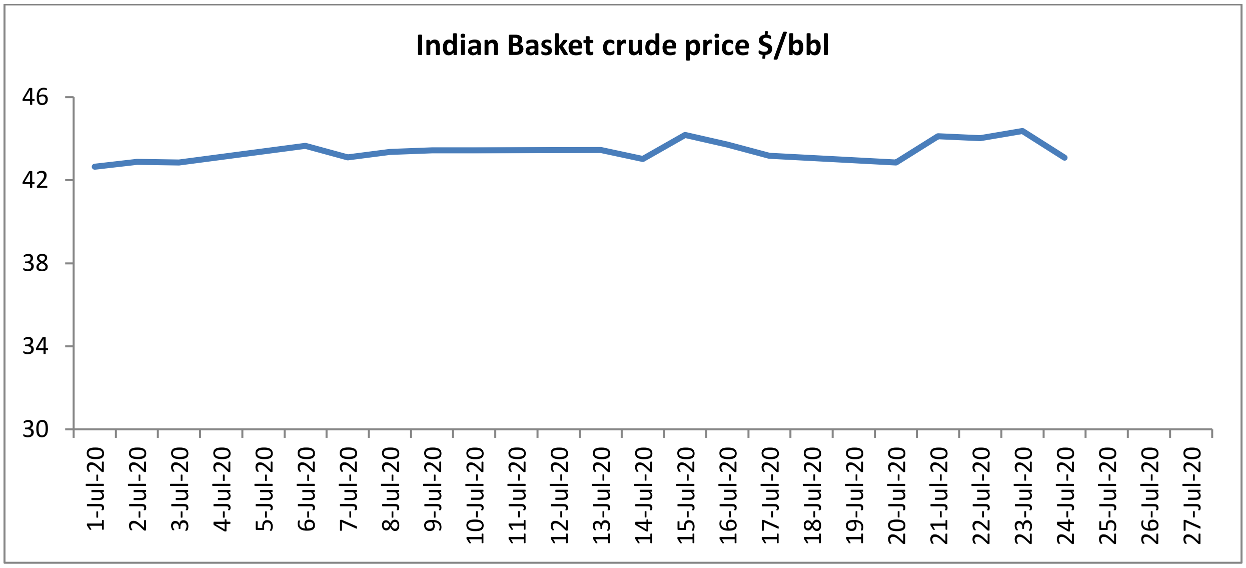
With lockdown moving to unlocking phase in several nations, the demand for crude oil stood steady throughout the month of July. In the US, higher withdrawal of crude from the inventory helped the WTI benchmark to sustain in USD 40 range.

Average Brent, WTI and Dubai basket crude prices went up by 7.89 %, 5.98 % and 5.21 % respectively from their June prices.

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 74.77:25.23 during 2017-18.

Figure 3: Indian crude oil basket price in $ per bbl



Source: Petroleum Planning & Analysis Cell

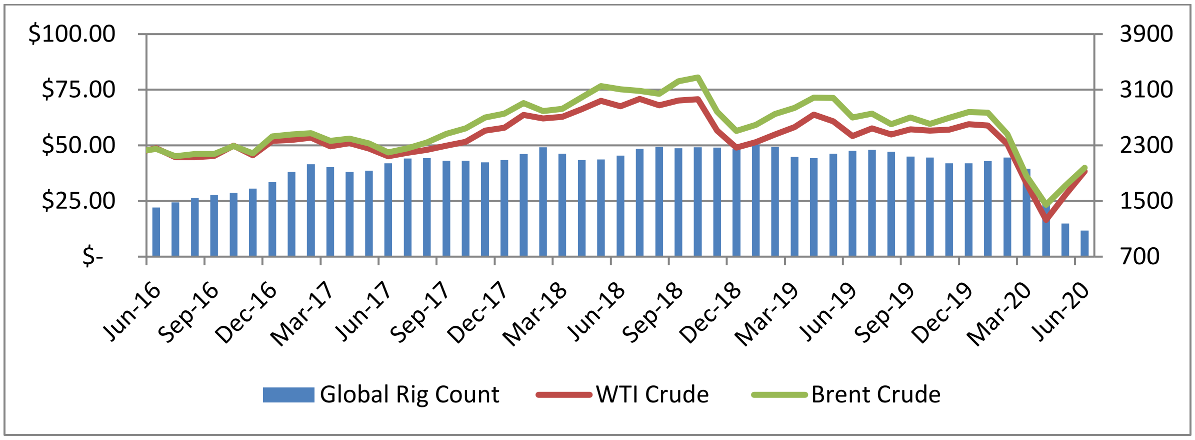
- Indian crude oil benchmark prices saw an increase as the global benchmarks used as its reference went up.
- Indian crude basket price averaged $43.41 per barrel in July, up by 7.21 % on Month on Month (M-o-M) but down by 31.66 % on a year on year (Y-o-Y) basis, respectively.

Upstream activity & Rig count

Global rig count

Rig count represents the total number of active drilling rigs in the world. Demand for drilling rig is highly dependent on crude oil price. When the oil price increases, demand for exploration activity increases, resulting in the increase in rig count. A lower oil price could trim the exploration budget of the oil companies, thereby reducing the demand for drilling rig.

Figure 4 Global Rig Count vs. Crude Prices



Source: Baker Hughes

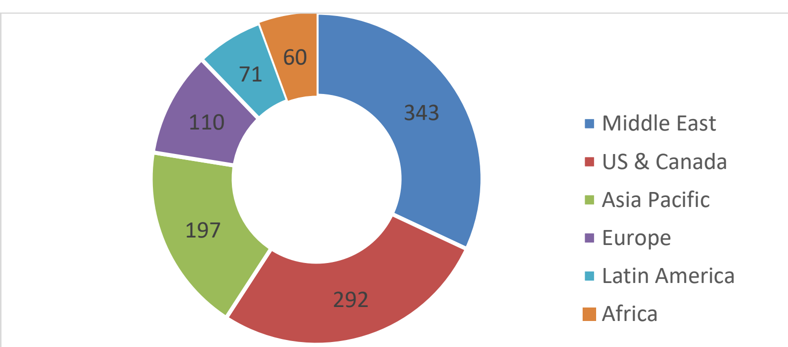
In June 2020, global drilling rig count declined by 103 from May 2020 and stood at 1,073. Onshore rig count decreased by 101 and offshore rig count went down by 2. Rig count saw significant decline in the US as the shale operators continued to wind up their drilling operations due to non-viable economic factors and to manage cash flow. Asia Pacific and Latin America saw a marginal rise in rig count while all other regions namely Europe, Africa, Middle East and North America saw decline in rig count as companies continued to slash exploration and drilling due to the prevailing oil price. Though oil prices have recovered, the impact caused earlier on financials of the oil companies has led to significant budget cuts leading to reduced drilling activity.

Table 2 : Global Drilling Rig Count

Rig Type	Count in June 2020	MoM (%) change	YoY (%) change
Land	865	-10.46%	-55.60 %
Offshore	208	-0.95%	-23.81%
Total	1,073	-8.76%	-51.69%

Source: Baker Hughes

Figure 5 Geography-wise Rig count -June 2020



Source: Baker Hughes

Indian Drilling Rig Count

Indian drilling activity saw rig count declining by two. Two new onshore rigs were added while,4 offshore rigs went down due to seasonality and monsoon rain in the western offshore. On M-O-M basis, Indian rig count declined by 1.89% and on Y-O-Y basis, Indian rig count declined by 13.44 %. 68 were onshore rigs and the rest 36 were offshore rigs.

Figure 6 Indian Rig Count vs. Indian Basket Crude Price

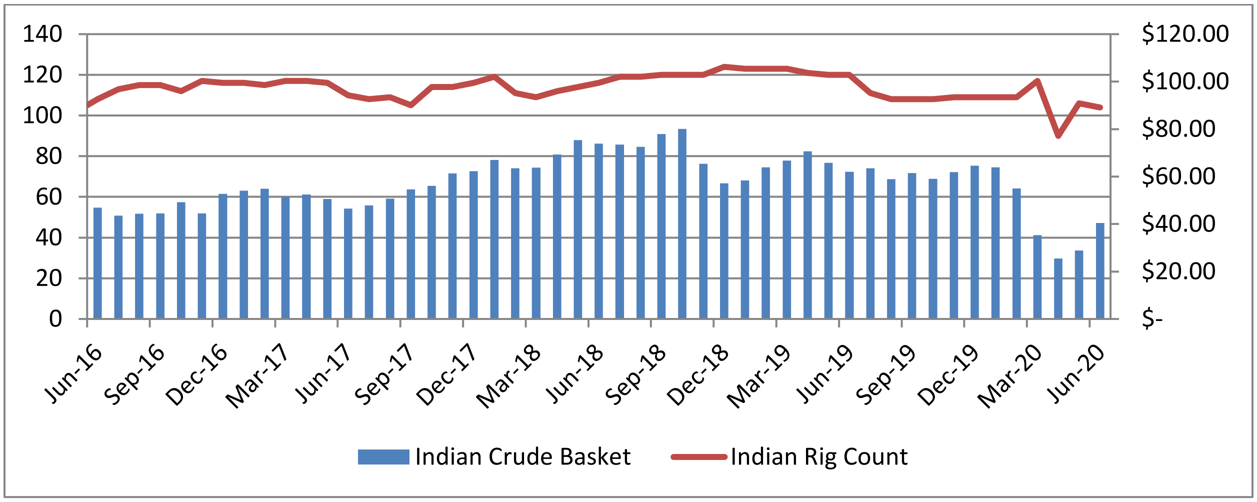


Table 3 : Indian Rig Count

Rig Type	Count in June 2020	MoM (%) change	YoY (%) change
Land	68	3.03%	-20.00%
Offshore	36	-10.00%	2.86%
Total	104	-1.89%	-13.33%

Source: Baker Hughes

Oil demand & supply

Preliminary data indicates that global oil supply decreased by 2.95 mb/d in June month on m-o-m to average 86.29 mb/d. Non-OPEC supply (including OPEC NGLs) went down by 1.06 mb/d m-o-m to average 64.02 mb/d in June 2020. On Y-o-Y basis, it was lower by 5.67 mb/d. Largest decline in non-OPEC oil supply comes from OECD nations which went out by 0.88 mb/d while in non-OECD oil production declined by 0.18 mb/d. The share of OPEC crude oil in total global production decreased by 1.3 % to reach 25.8% in June.

Estimates are based on preliminary data from direct communication for non-OPEC supply, OPEC NGLs and non-conventional oil, while estimates for OPEC crude production are based on secondary sources.

World oil demand in 2020 is projected to decline significantly by 8.9 mb/d in 2020, an upwards change by 0.1 mb/d. Global oil demand for the year is expected to average around 90.72mb/d. The upwards revision comes due to better-than-expected oil demand from the OECD region in Q2 2020. Oil demand in the OECD region was revised higher by around 1.0mb/d as demand for Diesel and petrochemical feedstock in the region was better than the expected numbers. In non-OECD region, demand was revised lower by 0.2 mb/d and 0.4 mb/d in Q1 and Q2 2020 respectively. Average revision was 0.1 mb/d for 2020 and the weakness in manufacturing activities and transport sector impacted the demand.

In the Americas, gasoline demand plummeted by 3.5 mb/d as the distance travelled by road plunged by more than 41% on y-o-y. In Europe, oil demand is projected to decline by 1.7 mb/d in 2020. Crude oil demand in Latin America for 2020 is estimated to drop by 0.5 mb/d and in Middle East, the demand is estimated to decline by 0.6 mb/d.

Total global oil demand is estimated to be 90.7 mb/d in 2020 with higher demand. Oil demand forecast for Q2 2020 was revised to 81.95 mb/d, with an upward revision of 0.65 mb/d. Similarly forecast for Q3 2020 and Q4 2020 is estimated to be 92.22 mb/d and 96.22 mb/d respectively, with a downward revision of 0.06 mb/d and 0.08 mb/d respectively.

Table 4: World Oil demand in mbpd	2019	1Q2020	2Q2020	3Q2020	4Q2020	2020	Growth	%
Total OECD	**47.88**	**45.47**	**35.89**	**44.29**	**46.13**	**42.96**	**-4.92**	**-10.28**
Dev. Countries	**33.11**	**31.46**	**28.88**	**30.65**	**31.64**	**30.66**	**-2.45**	**-7.40**
~ of which India	*4.84*	*4.74*	*3.70*	*3.94*	*4.83*	*4.31*	*-0.54*	*-11.10*
Other regions	**18.68**	**15.48**	**17.17**	**17.29**	**18.46**	**17.10**	**-1.58**	**-8.45**
~ of which China	13.07	10.27	12.55	12.37	13.28	12.12	-0.95	-7.29
Total world	**99.67**	**92.41**	**81.95**	**92.22**	**96.22**	**90.72**	**-8.95**	**-8.98**

Source: OPEC monthly report, July 2020

*Note: *2019 = Estimate and 2020 Forecast*

Global petroleum product prices

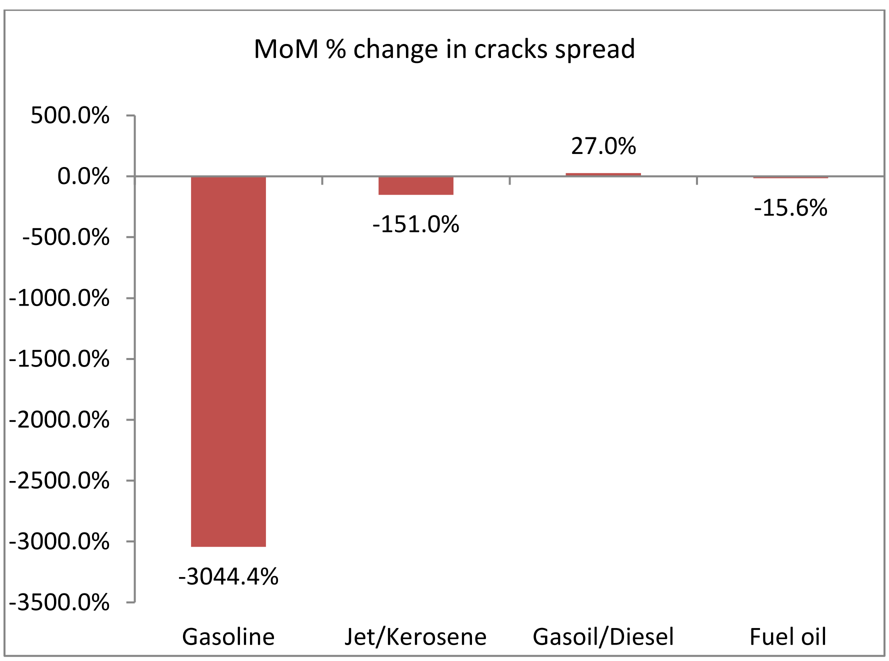
Refinery margins in Asia recovered in June with high gains due to complex refinery configurations. Increase in fuel consumption led to gasoline cracks soared in line with positive gasoline consumption in South Korea and India. Although there are signs of recovery in fuel consumption, it looks fragile. In Japan, refineries have started imported gasoline instead of refining locally due to strong gasoil stock builds. Refinery margins for Oman in Asia gained $2.98 on m-o-m to average minus 74 ȼ/b in June and were lower by $4.94 on y-o-y basis. Refinery utilization rates in May averaged 81.83 % in selected Asian markets comprising of Japan, China, India and Singapore.

Asian gasoline 92 cracks spreads against Dubai rose further extending the upward trend that begun in the previous months backed by stronger demand for gasoline in India and South Korea. In June, gasoline price in Singapore rose by nearly $10/b representing the largest positive gain. Apart from this other reason like expectation of strong seasonal driving activity contributed to positive outcome, although signs of returning lockdowns towards the end of month places an upper limit on it. Singapore Gasoline cracks averaged $2.04/b against Oman, up by $ 1.58 m-o-m but down by $ 2.25 y-o-y in June 2020.

Jet/kerosene cracks spread against the Oman trended upwards for the first time in this year as domestic air travel activities were getting restored gradually. The Singapore jet/kerosene crack spread against Oman averaged 45 ¢ /b, up by $1.86 m-o-m but down by $12.63 y-o-y.

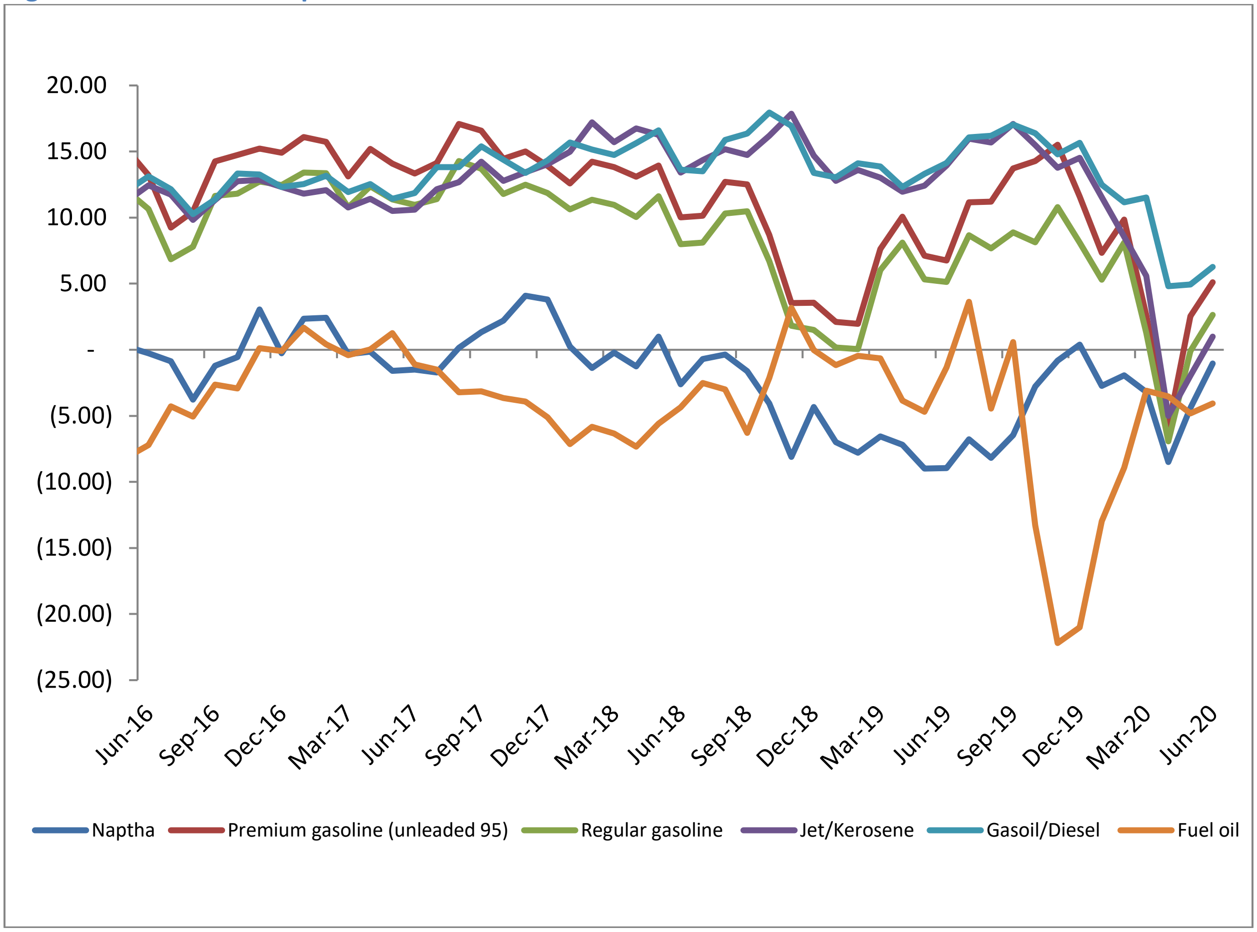
The Singapore gasoil crack spreads trended upwards with the support rendered by lower Chinese deliveries into Singapore leading to inventory drawdowns. Singapore gasoil crack spread against Oman averaged $5.34/b, up by $1.65 m-o-m but lower by $7.94 y-o-y.

The Singapore fuel oil crack spread moved moderately to lower level in line with the simple and complex margin spreads. Higher crude price and freight rates led to the decline and slipped into negative territory. Singapore fuel oil cracks against Oman averaged minus $4.67, down by 41 ¢ m-o-m but by $2.50 y-o-y.



Source: OPEC monthly report

Figure 7: Product crack spreads vs. Dubai crude



Source: OPEC, FIPI

Table 5: Singapore FOB, refined product prices ($/bbl)

Products	Price ($/b) in June 2020	MoM (%) change	YoY (%) change
Naptha	**39.06**	47.5%	-24.6%
Premium gasoline (unleaded 95)	**45.21**	35.2%	-33.0%
Regular gasoline (unleaded 92)	**42.75**	38.8%	-35.1%
Jet/Kerosene	**41.10**	42.0%	-45.0%
Gasoil/Diesel (50 ppm)	**46.36**	29.4%	-38.1%
Fuel oil (180 cst 2.0% S)	**36.04**	38.1%	-39.3%
Fuel oil (380 cst 3.5% S)	**34.66**	40.8%	-40.5%

Source: OPEC

Petroleum products consumption in India

- In June 2020, petroleum products consumption saw a recovery in demand as the consumption went close to March 2020.
- Unlocking phase of the lockdown saw reopening of business establishments, industries leading to rise in demand for the refined products.
- Overall consumption was up by 11.2% in the month of June as compared to May 2020.
- LPG consumption saw a decline by 10.4% M-o-M basis in June 2020.
- Increase in road transport had led to increase in consumption of petrol and diesel by 29.0% and 14.7% respectively in the month of June.
- ATF saw an increase by 99.6% as number of domestic flights went up in a scaled manner in the month of June.
- On yearly basis, petroleum product consumption was down by 7.5%.

Table 6: Petroleum products consumption in India, June 2020

Petroleum products	Consumption in '000 MT June 2020	MoM (%) change	YoY (%) change
LPG	2,076	-10.4%	15.8%
Naphtha	1,167	7.7%	26.2%
MS	2,281	29.0%	-13.6%
ATF	222	99.6%	-65.7%
HSD	6,302	14.7%	-15.4%
LDO	61	-12.3%	13.8%
Lubricants & Greases	325	27.4%	8.4%
FO & LSHS	506	5.5%	6.2%
Bitumen	699	22.4%	27.6%
Petroleum coke	1,596	4.8%	7.9%
Others	890	12.4%	-14.0%
TOTAL	16,287	11.2%	-7.5%

Source: PPAC

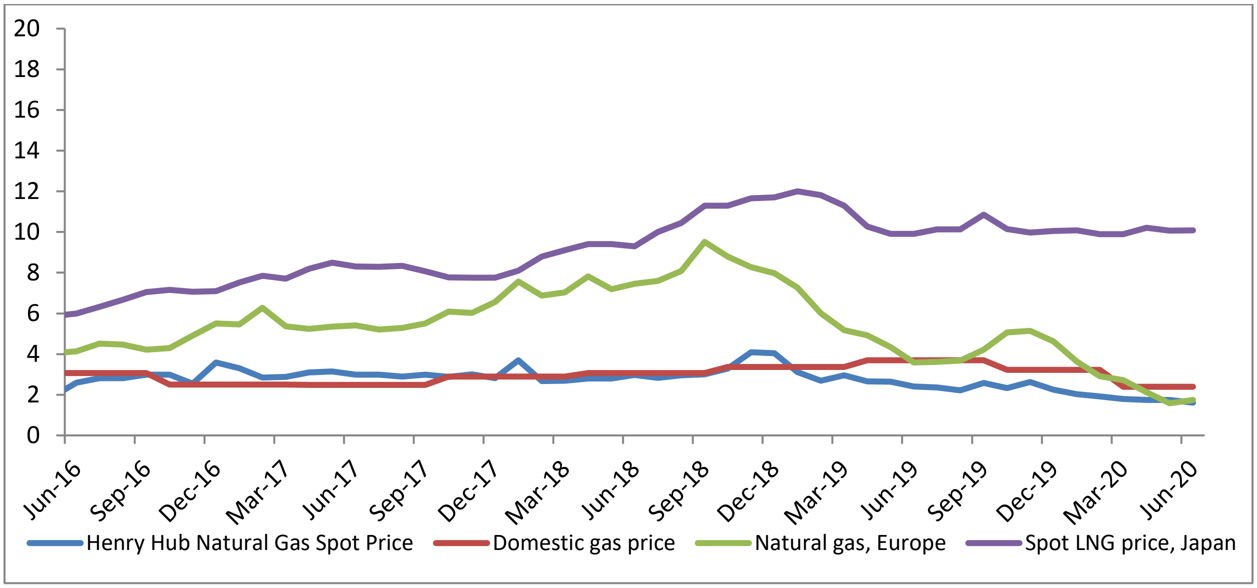
Natural Gas Price

Global gas prices saw a mixed reaction in different gas hubs across the globe. In the US, natural gas price went down by 8% and reached $1.61/MMBtu. Onset of summer and decline in demand for gas due to lower demand in manufacturing activities widened the demand and supply gap leading to decline in the price of natural gas in Henry hub.

Natural gas prices in Europe saw a relief in the month of June as gas prices recovered from the declining trends since last few months. Natural gas price increased by 10.8% in June 2020 to reach USD 1.75/MMBtu. Though gas supply from Russia stayed consistent in the month, recovery of demand has reduced supply surplus leading to rebounding of natural gas price. Shift from coal to cleaner gas-based power generation had led to recovery of gas consumption on the levels of June 2019.

Asian LNG price remained steady in the month of June; however, it was still hovering near the record low prices due to supply surplus and high inventory of LNG in the region. Price for July delivery was around USD 2.10 /MMBtu while, price for August delivery cargoes varied between USD 2.20- 2.30/MMBtu. In Asia, demand has started to decline in China as the storages are filling up while South Korea has deferred LNG cargoes due to higher inventory of LNG.

Figure 8: Global natural gas price trends



Source: EIA, WORLD BANK

Table 7: Gas price

Natural Gas	Price ($/MMBTU) in June 2020	MoM (%) change	YoY (%) change
India, Domestic gas price (Apr 20)	2.39	00.00 %	-35.23%
India, Gas price ceiling – difficult areas (Apr 20)	5.61	00.00 %	-39.8%
Henry Hub	1.61	-8.0%	-32.9%
Natural Gas, Europe	1.75	10.8%	-51.1%
Liquefied Natural Gas, Japan	10.08	0.2%	1.7%

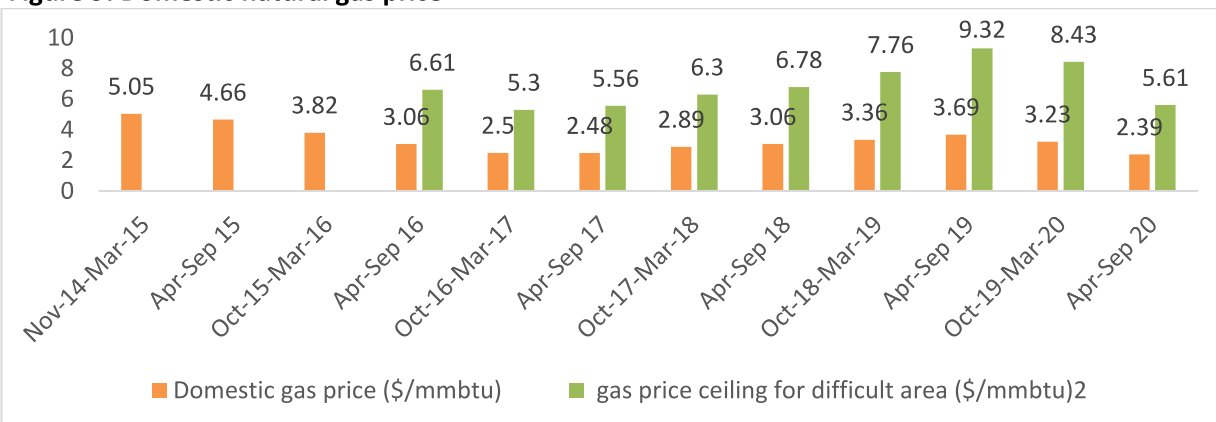
Source: EIA, PPAC, World Bank

Indian Gas market-

Domestic natural gas price which takes into account international benchmarks including Henry Hub, Alberta hub, Russia and UK National Balancing Point. With global gas price declining, India's latest gas price revision saw significant decline, thus capturing the international gas price trends. Domestic gas price for April 2020 to September 2020 is $2.39 per MMBTU has decreased around 35.23 % as compared to 2019. Gas price for difficult area has declined by 33.45 % on M-o-M basis and by 39.8% on Y-o-Y basis.

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 April 2020 to September 2020 period, the price of gas from such areas has been notified at $5.61 per MMBTU, 33.45% down as compared to the last year.

Figure 9: Domestic natural gas price



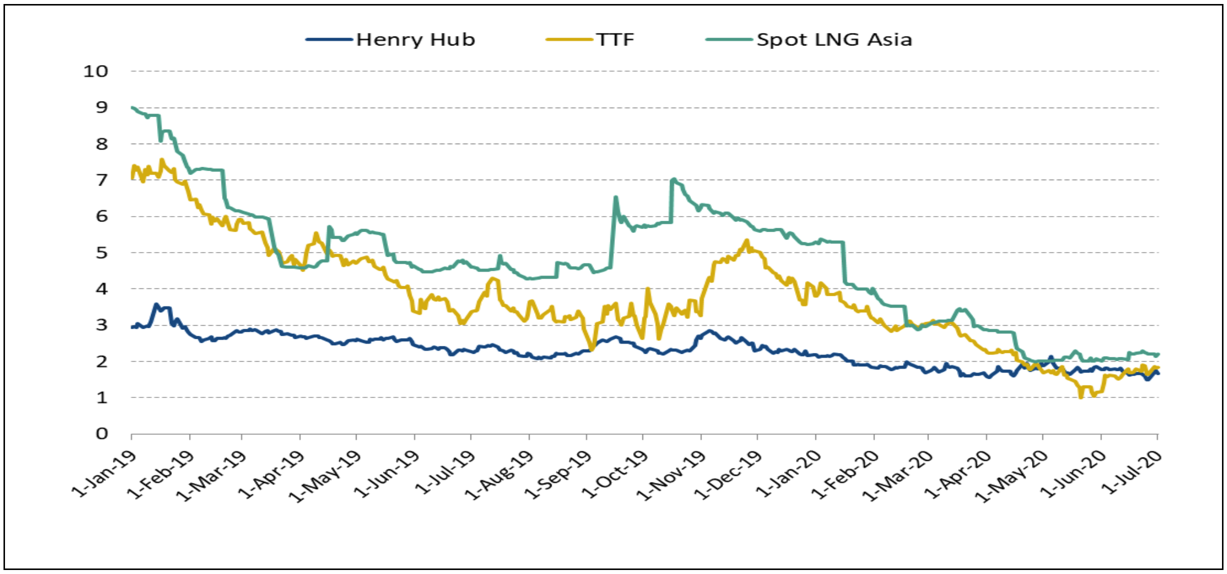
Source: PPAC

Gas pricing trend

European spot prices pursued their decline to reach new record lows in the second quarter and the TTF price plunged 25% to break an historical low of just below 1$/MMBtu. This trend reflected the lockdown-induced demand shock in Europe and the ongoing LNG oversupply which motivated higher-than-average net storage injections. At the end of June, European storages were 80% full, an historic high rate at this time of year.

European spot prices slightly recovered in June when traders reported less cargo availability in the Atlantic Basin as the impact of US cargo cancellations started to show up. From the 22 April to 12 June, TTF traded at a discount to the US Henry Hub. Because of negative US LNG netbacks which have been anticipated to remain in negative territory for the rest of the summer, US LNG feed gas flows fell by 23% from April to May, and by 43% from May to June, despite the start-up of commercial operations at Freeport Train 3 in May. In the second quarter, it is estimated that around 130 US LNG cargoes were cancelled.

Global natural gas price trends ($/MMBtu)



Source: Reuters, Cedigaz

In May, US LNG exports were 25% (-1.3 Mt) below the January figure, a much steeper decline than for Qatar (-0.7 Mt/-9%) and Australia (-0.7 Mt/-10%). These recent developments show that the US is well-positioned to stand as the marginal or "swing" LNG supplier because the US liquefaction model makes it much easier to shut in US cargoes than traditional Take or Pay LNG contracts.

Northeast Asian spot prices have continued to fall in the second quarter sliding to historic low of just under 2$/MMBtu at end-month, before staying in a 2-2.3 $/MMBtu range afterwards. They have inched up recently, supported by incremental summer and optimization demand (opportunistic buying). In this context, China has been the main buyer supporting prices.

Henry Hub prices remained depressed, facing pressure of growing supply and weak demand amid mild weather conditions. The Henry Hub price remained weak in the second quarter and declined further to 1.6$/MMBtu on average in the second half of June. The price collapsed to a 21-years low of 1.4$/MMBtu on the 25th June. This recent trend may have been driven by the changing global LNG market conditions, as US feed gas to LNG plants was dramatically reduced in response to the fall of international spot prices.

Oil- Indexed contract prices

In the second quarter, the oil-indexed LNG contract price did not experience a noticeable fall as they had been not yet impacted by the collapse of the oil price during March and April. However, this latter should be felt significantly in the third quarter, as low oil prices filter through the price-setting reference period, at least 3 months ahead. But lower oil-linked prices further down the curve continued to provide an incentive to seek cheaper spot LNG cargoes.

Oil-indexed contract price remain predominant in Asian LNG portfolio (Japan, Korea, China), whereas the European gas market is much less affected by the oil price dynamics.

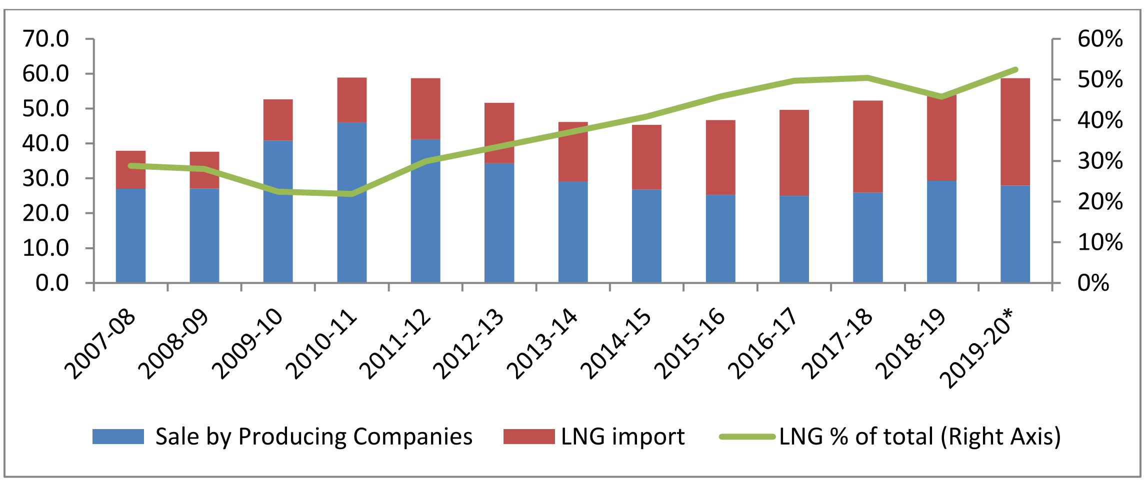
Anticipated spot prices for the second half of 2020

Forward curves suggest that Asian and European spot prices may remain suppressed. Despite the cancellation of US LNG cargoes due to negative margins for US LNG, any potential upside may be capped by ample supply and demand uncertainty in both Europe and Asia through the summer. In Europe, storages are expected to reach full capacity in early August and the amount of gas stored may be significantly higher than in 2019 for the rest of 2020. For the second half of 2020, European and Asian spot prices are anticipated to remain below the second-half of 2019 level.

Natural gas production, consumption and import in India

- Natural gas constitutes for 5.8% of total energy primary mix of India
- Natural gas consumption in India has increased consistently over last five years.
- LNG imports have gone by up by 34.37 % over last five years.

Figure 10: Domestic natural gas consumption, domestic production and LNG import in BCM



Source: PPAC

1. Sale by producing companies includes internal consumption 2. 2019-20 data up to Feb 2020

Key developments in Oil & Gas sector during July 2020

- **Monthly Production Report for June, 2020**

Crude oil production[1] during June,2020 was2526.97 TMT which is4.19% lower than target and5.99% lower when compared with June2019.Cumulative crude oil production during April-June, 2020 was 7675.19 TMT which is 3.04% and 6.48% lower than target for the period and production during corresponding period of last year respectively.

Natural gas production during June,2020 was 2323.82 MMSCM which is 11.15% lower than the monthly target and 11.85% lower when compared with June, 2019. Cumulative natural gas production during April-June, 2020 was 6785.14MMSCM which is 11.12% and 15.51% lower than target for the period and production during corresponding period of last year respectively.

Crude Oil Processed during June, 2020 was 17537.09TMT which is 15.90% lower than the target for the month and13.62% lower when compared with June, 2019. Cumulative crude throughput during April-June, 2020 was48629.40 TMT which is 20.22% and 22.30% lower than target for the period and crude throughput during corresponding period of last year respectively.

- **Joint Statement on U.S.-India Strategy Energy Partnership**

In the midst of a global pandemic with an enormous human toll that is also affecting energy demand, global energy markets, and sustainable energy growth, the U.S.-India Comprehensive Global Strategic Partnership has never been more vital. Today, U.S. Secretary of Energy Dan Brouillette and Indian Minister of Petroleum and Natural Gas and Minister of Steel Dharmendra Pradhan co-chaired a virtual ministerial meeting of the U.S.-India Strategic Energy Partnership (SEP) to review progress, highlight major accomplishments, and prioritize new areas for cooperation.

Established in April 2018 at the direction of President Donald J. Trump and Prime Minister Narendra Modi, recognizing the strategic importance of energy to the U.S.-India bilateral relationship, the SEP builds upon our longstanding energy partnership and sets the stage for meaningful engagements through robust government-to-government cooperation and industry engagement.

The United States and India share an all-of-the-above approach to energy security and energy access. The SEP organizes inter-agency engagement on both sides across four primary pillars of cooperation: (1) Power and Energy Efficiency; (2) Oil and Gas; (3) Renewable Energy; and (4) Sustainable Growth. Through these pillars, the United States and India are working to strengthen and modernize the power grid and distribution utilities for clean, affordable, and reliable energy access; improve efficiency, flexibility, and environmental performance in the power sector; promote inclusive and sustainable economic growth through long-term energy development; enhance energy security through oil and gas trade, and infrastructure investment; advance the development, deployment, and integration of renewable energy and expand access to finance for renewable energy projects; and reduce market barriers to energy trade and investment. The SEP also supports USG efforts under the AsiaEDGE initiative, which establishes India as a strong energy partner in the Indo-Pacific region.

The following agreements and partnerships were announced under the U.S.-India Strategic Energy Partnership (SEP) dialogue to advance the strategic and economic interests of both countries:

- MOU between the U.S. Department of Energy and the Indian Ministry of Petroleum and Natural Gas concerning cooperation on Strategic Petroleum Reserves.
- MOU between the U.S. Agency for International Development (USAID) with Indian Society of Heating Refrigeration and Air Conditioners (ISHRAE) for professional skill development for practitioners on energy-efficient design of air conditioning systems.
- MOU between EESL, NTPC, and USAID for retrofit of buildings to improve indoor air quality, safety, and efficiency.
- USAID announced partnership with Power System Operation Corporation (POSOCO) to develop India's National Open Access Registry (NOAR).
- Statement of Intent between the U.S. Department of State and India's Ministry of Power under the Flexible Resources Initiative of the U.S.-India Clean Energy Finance Task Force to enhance the flexibility and robustness of India's grid to support the country's energy transition and mobilize the private investment to deliver reliable, low-cost power for the people of India.
- The Federal Energy Regulatory Commission (USA) and the Central Electricity Regulatory Commission in India are working to conclude an agreement to share best practices for regulating electricity and developing electricity markets.
- The U.S. Department of Commerce launched an Energy Industry Working Group for India under the Asia EDGE initiative to facilitate private sector connections and ideas for U.S.-India energy cooperation, including on innovative and disruptive technologies.
- USTDA is supporting energy access and efficiency in India through recently funded projects to implement virtual pipeline infrastructure with Arush Gas Technology Services (AGTS) and carbon capture and utilization technologies in refineries with Indian Oil Corporation Limited (IOCL).
- Release of a "Strategic Roadmap of Smart Grid Knowledge Centre to become a "Global Centre of Excellence in Smart Grids" at an industry round table held on the sidelines of the Power and Energy Efficiency pillar meeting, sponsored by the Ministry of Power of India and USAID.

- **Cabinet approves extension of time limit for availing the benefits of "Pradhan Mantri Garib Kalyan Yojana" for Ujjwala beneficiaries by three months w.e.f. 01.07.2020**

The Union Cabinet chaired by the Prime Minister, Shri Narendra Modi has approved the proposal of Ministry of Petroleum & Natural Gas for extension of time limit by three months w.e.f. 01.07.2020 for availing the benefits of "Pradhan Mantri Garib Kalyan Yojana" for Ujjwala beneficiaries.

The Government had announced a relief package "Pradhan Mantri Garib Kalyan Yojana" aimed at providing a safety net to the poor and vulnerable who had been hit the hardest by the pandemic. The package also included relief for poor families who had availed of an LPG connection under PMUY. Under the PMGKY-Ujjwala, it was decided to provide free of cost refills for PMUY consumers for a period of 3 months w.e.f. 01.04.2020. Under the Scheme, Rs. 9709.86 Cr was transferred directly into the bank accounts of Ujjwala beneficiaries during April- June 2020 and 11.97 Crore cylinders were delivered to the PMUY beneficiaries. The scheme went a long way to ameliorate the suffering and disruption caused due to the Coronavirus pandemic.

On review of the scheme, it has been observed that a section of PMUY beneficiaries are yet to utilize the advance credited into their account to purchase the cylinder refill within the scheme period. Hence, the Cabinet has approved the proposal of the Ministry of Petroleum & Natural Gas to extend the time-limit for availing the advance by three months. This will benefit those PMUY beneficiaries who have been credited with the advance for buying the cylinder, but have not been able to purchase the refill. Thus, the beneficiaries who already have the advance transferred to their account can now take the free refill delivery till 30th September.

- **Road Transport & Highways Ministry invites public suggestions on inclusion of H-CNG as automotive fuel**

Ministry of Road Transport and Highways has notified draft notification seeking comments and suggestions from the public and all stakeholders for amendment to Central Motor Vehicles Rules 1979 through GSR 461(E) dated 22nd July 2020 for inclusion of Hydrogen enriched CNG as an automotive fuel. This is another step by the Government for promotion of Green fuels for automobiles in the Country.

Hydrogen and CNG are great alternatives to the pure fossil fuels. Many researches confirm the advantages of using hydrogen and natural gas blended together for the internal combustion engine in both areas of improving performances and reducing emission levels. In a short to medium range terms, the air pollution throughout the globe could be significantly reduced by using HCNG in the internal combustion engine and in many other applications with the substitution of using HCNG as a main source of fuel or as a secondary source of fuel such as the dual fuel operation system in the diesel vehicle.

H-CNG is a blend of hydrogen and CNG, the ideal hydrogen concentration being 18%. Compared to conventional CNG, use of H-CNG can reduce emission of carbon monoxide up to 70%, besides enabling up to 5% savings in fuel, tests by the Automotive Research Association of India and Indian Oil Corporation Ltd (IOCL) have found.

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