

Industry

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India Oil & Gas Daily

 Equity 
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- **Power Ministry seeks data on gas availability** — The Power Ministry is believed to have asked the Oil Ministry to provide data on the availability of gas from all sources – including RIL’s KG Basin – for power projects, so it could decide on fuel allocation. The Power Ministry would soon decide on the allocation of fuel to gas-based power stations, including NTPC’s expansion projects at Anta (Rajasthan), Auraiya (UP), Faridabad (Haryana), and Dadri (UP). The ministry has also sought a list of gas-based power plants that would come up during the current financial year (2010-11) from the Central Electricity Authority (CEA). The fuel allocation would also be for Reliance Power’s three gas-based power projects: Samalkot (AP), Shahapur (Mah) and Bharuch (Guj). An EGoM headed by the Finance Minister is likely to meet on July 27 to consider allocating gas from RIL’s KG-D6 field. (Business Standard, 16th Jul)
- **Reliance buys 70,000 barrels of Cairn crude** — Cairn India, which recently reached 100 kbpd of oil prod from its Rajasthan fields, is supplying 70,000 barrels to RIL, which is buying Rajasthan crude for both its refineries at Jamnagar. Crude from Barmer is being sold at 10-15% discount to Brent. Cairn is looking at increasing production to 125kbpd in 2HCY10. At present, all its crude is supplied through the crude pipeline network. Cairn is in discussions with the Gov’t for additional allocations. (Business Line, 18th Jul)
- **RIL & ONGC get extra time to drill wells at gas fields** — RIL may be able to establish more commercially-viable oil and gas finds in the country’s largest gas field KG-D6 with the Cabinet allowing the company extra time for drilling wells. Two other operators, ONGC and Eni, have been allowed similar extension, benefiting 30 blocks in all. The extension will help RIL complete evaluation works in at least three wells in the KG-D6 block where drilling was not authorised by the DGH after the company missed the deadline. “Inputs (data) of the three appraisal wells will now be reconsidered,” a DGH official said. RIL is drilling several appraisal wells in the KG-D6 block awarded to it NELP I, hoping to find more oil and gas there. (Economic Times, 19th Jul)

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Daily Indicators

		16-Jul-10	15-Jul-10	Last week's avg
WTI	US\$/bbl	76.0	76.8	76.4
Brent	US\$/bbl	74.5	75.1	74.9
Indian Crude Basket	US\$/bbl	73.9	74.5	73.9
S'pore GRM	US\$/bbl	4.0	3.6	4.2
MS	US\$/bbl	82.6	82.7	82.9
HSD	US\$/bbl	85.2	85.2	84.8
LPG	US\$/Ton	564.0	564.0	562.2
SKO	US\$/bbl	85.5	85.7	85.4

Source: Reuters, Bloomberg

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Industry News

Diesel to cost less in Delhi from July 20

Diesel sold in Delhi may be cheaper by Rs2.70 a litre as the Delhi government is set to reduce sales tax on the auto fuel from 20% to 12.5% from July 20. The state government has taken a decision in this regard and a notification (formal order) is expected in the next couple of days," a government official said. "The move will help petrol pump dealers who had lost about 50% of their diesel sales to the neighbouring states," Mr Ajay Bnsal, president of Delhi & NCR Petrol Dealers Association, said. Sales tax on diesel in Haryana is 10%, Punjab (12.5%) and UP (17%). (Economic Times, 16th Jul)

Gov't, PNGRB headed for confrontation

The Petroleum and Natural Gas Regulatory Board (PNGRB) and the gov't are headed for another round of confrontation, even after the notification of Section 16 of the PNGRB Act. The notification, which was issued last week, empowered the downstream oil regulator to issue authorisation for city gas distribution (CGD) licenses, but the board is keen to pursue its case in the Supreme Court, challenging the authorisation granted to Indraprastha Gas Ltd (IGL) for CGD network in Ghaziabad. "The board does not agree with it. We will inform the Court that Section 16 has been notified. We will also bring to the Court's notice that the petroleum ministry has authorised IGL for Ghaziabad. We will wait for the Court's decision. But the Board stands by the second round of bidding (where bids were invited for Ghaziabad along with six cities)," said an official. (Business Standard, 19th Jul)

Adani Gas pipelines to get deemed approval

Adani Group's energy business will emerge as an unintended beneficiary of the government's decision to fully empower the downstream oil regulator — the Petroleum and Natural Gas Regulatory Board (PNGRB) — as it legitimises some pipeline networks that did not earlier get formal approval from the Centre. Adani's gas pipeline networks in Udaipur, Jaipur, Lucknow and Noida are likely to get deemed approval of the Centre. The Centre notified a section in the PNGRB Act that would empower the regulator to carry out its mandate of licensing city gas distribution pipelines. Notifying section 16 without amendments would mean that existing pipeline networks that do not have the Union government's formal clearance, would get deemed approval. Though unintended, it also exempts existing entities that do not have Centre's approval from taking PNGRB's clearance requirement. This gives deemed approval to Adani Gas pipelines in some states. (Financial Express, 17th Jul)

PNGRB to make licensing norms investor-friendly

The Petroleum & Natural Gas Regulatory Board (PNGRB), the downstream regulator in the energy sector, has proposed to finetune its licensing norms as it cautiously prepares to enter a new regime of authorising trunk and city gas pipeline networks. The idea is to make the licensing norms more investor-friendly and at the same time, equitable considering the fact that pipeline networks naturally give an edge to the first entrant in any geography. The Board has decided that if an entity builds a dedicated pipeline for fetching gas for its own consumption in any particular area, the regulator should not invite bids from other investors to set up transportation capacity in the same route. However, the entity laying a dedicated pipeline, despite the regulator's advice, cannot seek to convert it into a non-dedicated pipeline for five years, even under the new norms. (Financial Express, 19th Jul)

GM India launches CNG variant of Chevrolet Aveo

GM India on Friday launched CNG (compressed natural gas) variant of its middle-size sedan Chevrolet Aveo in Mumbai. GM India's President and Managing Director Karl Slym said, "the key element as far as CNG is concerned is the running cost, which goes down substantially compared to a petrol engine". GM India was targeting individuals and fleet operators to push its new offerings, he said. "The CNG market is restricted to three areas -- Delhi, Mumbai and Ahmedabad, purely because of the availability of infrastructure. (Hindustan Times, 16th Jul)

Delay escalates Assam Gas cracker project cost

The Assam Gas Cracker Project, also known as Brahmaputra Cracker and Polymer Limited (BCPL), is running almost 6 months behind its schedule, thus triggering fears of "15-20%" cost escalation. "Acute" shortage of skilled manpower, coupled with heavy rains this monsoon, is putting brakes on timely commissioning of the project, which was originally scheduled to be completed by April 2012. "We are running about 6 months behind schedule and efforts are being put in to catch up for the delays to maintain project completion schedule of April 2012 as originally planned," said BC Tripathi, chairman of BCPL. Though the company has not yet looked into cost escalation factor, Tripathi said that due to multiple reasons, like delays, change in foreign exchange rates, rise in price of natural gas etc., the Rs54.6bn project will eventually see cost escalation to the extent of 15-20%. (Business Standard, 19th Jul)

Petroleum sales in June: petrol grows 12.7%, diesel 6.9%

In the month of June, 2010, MS (petrol) and HSD (diesel) sales registered yoy growth rates of 12.7% and 6.9% respectively. A total of 1.24 MMT of MS was sold during June, 2010, as against the 1.10 MMT sold in June, 2009. The total amount of HSD sold during the past month was 5.19 MMT as against 4.86 MMT sold in Jun'09. The growth rates in this quarter over the corresponding quarter of the previous fiscal stand at 11.9% for MS and 10.6% for HSD. In June, 2010, sales of LPG, ATF and petroleum coke also rose by 8.7%, 10.6% and 0.1% yoy. On the other side, sales of naphtha and NGL, SKO, LDO, lubes and bitumen fell by 6%, 8.6%, 17.5%, 21.7% and 16.6% respectively during the month. Total sales were up 2.8% in June with a cumulative growth of 4.6% in April-June, 2010. (Indianpetro, 18th Jul)

Company News

Reliance Industries circling Quicksilver Resources

RIL is said to be in talks with Quicksilver Resources, a Fort Worth, Texas-based exploration and production company that's into development of shale gas, coal-bed methane and tight-sands gas in North America. There are three options being discussed: a buyout of the company, buying a stake in the mothership or partnering Quicksilver, which has an estimated enterprise value of US\$4.6bn, for one of its major projects called the Horn River Basin assets in British Columbia, Canada. Quicksilver, which will have estimated sales of US\$900m this year, currently has two world-class shale basins with proven reserves of around 2.4 tcf of gas. That's apart from unevaluated assets in the Horn River Basin, which is said to hold around 10 tcf of gas in an area as small as 130,000 net acres. The Texas-based firm lacks sufficient capital cushions so it should consider an RIL bid should one be made, but it has very closed management so it may not be easy for RIL. (DNA, 19th Jul)

OVL turns down Mittal offer to buy stake in Kazakh oil company

ONGC Videsh Ltd has turned down an offer to buy steel tycoon Lakshmi N Mittal's stake in a Kazakhstan oil company after its request for data on the project did not elicit any response. Mittal's holding company, Mittal Investments Sarl, had in April, 2007, bought half of Russian LUKoil's 50% stake in Caspian Investment Resources for US\$980m. Two years later, it started looking for an opportunity to sell the shareholding and offered the stake to OVL. "OVL sought certain information on the fields like deposits it had, future production profile and prospects, but did not get a response from MIS," an official said. OVL stopped pursuing the opportunity after that. (Economic Times, 18th Jul)

Barmer can fill 6.1m LPG cylinders a month: Cairn official

The Barmer fields of Cairn India-ONGC can service as many as 6.1m LPG cylinders per month, a company official has said. The Barmer fields saw an upward revision of its reserves recently. It is now estimated that the Barmer crude can yield enough LPG to fill 6.1 m domestic cylinders of 14.2 kg capacity each per month, a Cairn India official said. The potential reserves of the Barmer fields is now pegged at 6.5 bn boe in place, and the prospective resource base is now estimated at 2.5 bn boe. Following this the discovered resource base of this field has been increased from 3.7 bn boe to 4 bn boe, he said. As production will be ramped up to 175,000 bopd by FY11, Barmer will account for over 20% of the domestic crude output. (Economic Times, 18th Jul)

Appendix A-1

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