

## OIL AND GAS SECTOR



### SECTOR OVERVIEW

Oil and Gas Sector is among the eight core Industries in India and plays a major role in influencing decision making for all the other important sections of the economy.

India's economic growth is closely related to its energy demand; therefore, the need for Oil and Gas is projected to grow more, thereby making the Sector quite conducive for investment.

India has been the fourth-largest Liquefied Natural Gas (LNG) importer since 2011 after Japan, South Korea, and China.



### MARKET SIZE

- ✓ India is expected to be one of the largest contributors to non-OECD petroleum consumption growth globally. Crude Oil import rose sharply to USD 101.4 Billion in 2019-20 from USD 70.72 Billion in 2016-17. India retained its spot as the third largest consumer of oil in the world in 2019 with consumption of 5.16 Million barrels per day (mbpd) of oil in 2019 compared to 4.56 mbpd in 2016.

- ✓ As of October 01, 2020, India's oil refining capacity stood at 249.9 Million metric tonnes (MMT), making it the second-largest refiner in Asia. Private companies own about 35.29% of the total refining capacity in FY20.
- ✓ In FY20, crude oil production in India stood at 30.5 MMT. In FY20, crude oil import increased to 4.54 mbpd from 4.53 mbpd in FY19. Natural Gas consumption is forecast to reach 143.08 Million tonnes (MT) by 2040. India's LNG import stood at 33.68 bcm during FY20.
- ✓ India's consumption of petroleum products grew 4.5% to 213.69 MMT during FY20 from 213.22 MMT in FY19. The total value of petroleum products exported from the Country increased to USD 35.8 Billion in FY20 from USD 34.9 Billion in FY19. Export of petroleum products from India increased from 60.54 MMT in FY16 to 65.7 MMT in FY20.
- ✓ Gas pipeline infrastructure in the Country stood at 17,016 kms as of June 30, 2020.

## **FOREIGN DIRECT INVESTMENT (FDI) POLICY**

The Government has adopted several policies to fulfil the increasing demand. It has allowed 100% Foreign Direct Investment (FDI) in many segments of the Sector, including natural gas, petroleum products and refineries among others.



## **INVESTMENTS**

According to the data released by Department for Promotion of Industry and Internal Trade Policy (**DPIIT**), the petroleum and natural gas Sector attracted FDI worth USD 7.86 Billion between April 2000 and September 2020.

Following are some of the major investments and developments in the Oil and Gas Sector:

- ❖ The Indian oil and natural gas Sector is likely to witness an investment of USD 206 Billion in the next eight to ten years.

- ❖ In December 2020, The Indian Oil Corporation (IOCL) announced plans to invest Rs. 1,689 Crore (USD 228.81 Million) in new Projects in Andhra Pradesh. This includes Rs. 1,522 Crore (USD 206.19 Million) on petro products infrastructure and Rs.167 Crore (USD 22.62 Million) on LPG storage facilities.
- ❖ In December 2020, Indian Oil launched a world-class premium grade Petrol (Octane 100) in India. Branded as XP100, the premium-grade petrol was launched across 10 cities.
- ❖ In November 2020, home-grown commercial vehicle and auto parts manufacturer JBM signed an MoU with the Ministry of Petroleum and Natural Gas (MoPNG), Govt. of India, for the development of Compressed Biogas (CBG) Projects. As part of the MoU, the renewable subsidiary of the company, JBM Renewables will endeavour to establish and operate 500 CBG production Projects pan India.
- ❖ In October 2020, Torrent Gas Ltd. announced plan to spend Rs. 8,000 Crore (USD 1.1 Billion) over the next five years to expand its urban gas operations with the aim of setting up 500 CNG dispensing pumps by March 2023.
- ❖ On September 15, 2020, PM Mr. Narendra Modi inaugurated three petroleum Sector Projects in Bihar worth more than Rs. 900 Crore (USD 122 Million).
- ❖ In March 2020, Indian Oil Corp (IOC) began supply of the world's cleanest petrol and diesel across the Country with all its 28,000 petrol pumps dispensing ultra-low sulphur fuel a good two weeks before the April 1 deadline.
- ❖ Indian Oil Corporation (IOC) plans to invest Rs. 500 Crore (USD 71.54 Million) at Chitradurga in Karnataka.
- ❖ ExxonMobil and ONGC signed a memorandum of understanding (MoU) for offshore blocks.
- ❖ Foreign investors will have opportunities to invest in Projects worth USD 300 Billion in India as the Country looks to cut reliance on oil import by 10% by 2022 according to Mr. Dharmendra Pradhan, Minister of Petroleum and Natural Gas, Government of India.



## GOVERNMENT INITIATIVES

Some of the major initiatives taken by the Government of India to promote oil and gas Sector are:

- In November 2020, oil regulator Petroleum and Natural Gas Regulatory Board (PNGRB) simplified the Country's gas pipeline tariff structure to make fuel more affordable for distant users and attract investment for building gas infrastructure.
- In November 2020, the Indian Government urged OPEC to remove pricing anomalies for different regions with a view to aid the Corona-battered global oil Industry get back to normalcy.
- As per Union Budget 2019-20, Indian Scheme 'Kayakave Kailasa', the Ministry of Petroleum & Natural Gas has enabled SC/ST entrepreneurs in providing bulk LPG transportation. State run energy firms, Bharat Petroleum, Hindustan Petroleum and Indian Oil Corporation, plan to spend USD 20 Billion on refinery expansions to add units by 2022.
- The Government is planning to set up around 5,000 compressed biogas (CBG) plants by 2023.
- The Government is planning to invest USD 2.86 Billion in the upstream oil and gas production to double natural gas production to 60 bcm and drill more than 120 exploration wells by 2022.
- Government of India is planning to invest Rs. 70,000 Crore (USD 9.97 Billion) to expand the gas pipeline network across the Country.
- In September 2018, Government of India approved fiscal incentives to attract investment and technology to improve recovery from oil fields, which is expected to

lead to hydrocarbon production worth Rs. 50 lakh Crore (USD 745.82 Billion) in the next 20 years.

- State-run oil firms are planning investment worth Rs. 723 Crore (USD 111.30 Million) in Uttar Pradesh to improve the LPG infrastructure in a bid to promote clean energy and generate employment according to Mr. Dharmendra Pradhan, Minister of Petroleum and Natural Gas, Government of India.
- A gas exchange is planned in order to bring market-driven pricing in the energy market of India and the proposal for the same is ready to be taken to the Union Cabinet according to Mr. Dharmendra Pradhan, Minister of Petroleum and Natural Gas, Government of India.
- The Oil Ministry plans to set up bio-CNG (compressed natural gas) plants and allied infrastructure at a cost of Rs. 7,000 Crore (USD 1.10 Billion) to promote the use of clean fuel.



## ACHIEVEMENTS

Following are the achievements of the Government during 2019-20:

- ✓ LPG penetration rate of households reached ~97% at the beginning of 2020 compared with 56% in 2016.
- ✓ The energy trade between India and US is likely to touch USD 10 Billion in FY20.
- ✓ As on March 01, 2020, Gas Authority of India Ltd. (GAIL) had the largest share (71.61% or 11,411 kms) of the Country's natural gas pipeline network (16,324 kms).
- ✓ With 8,748 kms of refined products pipeline in India, IOC was leading the segment with 51.25% of the total length of product pipeline network as on March 01, 2020.

- ✓ As on April 01, 2020(P), there were 24,670 LPG distributors (of PSUs) in India.
- ✓ The total number of OMC (oil marketing company) retail outlets increased to 66,817 at the beginning of April 2020(P) from 59,595 at end of FY17.
- ✓ Under City Gas Distribution (CGD) network, 86 Geographical Areas constituting 174 districts in 22 States/ Union Territories are covered.
- ✓ OMCs delivered 6.8 Crore LPG cylinders to Pradhan Mantri Garib Kalyan Package (PMGKP) beneficiaries by May 20, 2020.



### **ROAD AHEAD**

Energy demand of India far exceeds the supply. This Sector is anticipated to grow faster as the economy is growing and the demand for energy will have to be met. India's energy demand is expected to double to 1,516 Million Tonnes of Oil Equivalent (**MTOE**) by 2035 from 753.7 MTOE in 2017. Moreover, the Country's share in global primary energy consumption is projected to increase by two-fold by 2035.

Crude oil consumption is expected to grow at a CAGR of 3.60% to 500 Million tonnes by 2040 from 221.56 Million tonnes in 2017.

Natural Gas consumption is forecast to increase at a CAGR of 4.18% to 143.08 Million tonnes by 2040 from 58.10 Million tonnes in 2018.

Diesel demand in India is expected to double to 163 Million tonnes (MT) by 2029-30.



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