

INDIA CEO SERIES: India's crude strategy a cushion for both global, domestic prices, says Puri

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India's crude import diversification, including purchases from Russia and other new suppliers, has helped to ease the pressure on other mainstream oil producers and keep world prices in check, while also helping to keep fuels affordable in the domestic market, petroleum minister Hardeep Singh Puri told S&P Global Commodity Insights in an exclusive interview.

Puri, who took charge of the petroleum ministry in 2021 when the pandemic was in full swing, said India had successfully managed to navigate global market gyrations and all strategic decisions on crude purchases were taken with the prime aim of making fuels affordable to a population of more than 1.4 billion in a country that imports 85% of its oil needs.

"Today, we are in the situation where India can take reasonable satisfaction of having dealt with the trilemma -- which is availability, affordability and sustainability," Puri said.

"There's been no shortage of fuels and our retail prices are amongst the lowest in the world. Other

than a few large oil producers, our prices are very competitive. We have been able to navigate the challenges reasonably well," he added.

Puri said India's decision to buy more oil from Russia and other new suppliers was aimed purely at making fuel affordable to its consumers. He added that global oil prices would be much higher currently if India was competing to buy from Middle Eastern and other suppliers the volume it is now buying from Russia.

"It's a message which is anchored in ground reality. Even as the global transition takes place to green energy, the fact of the matter is global oil consumption is about 100 million b/d," Puri said.

"If two well-known producers are sanctioned -- Venezuela and Iran -- and if energy coming out of the third producer, Russia, is also taken off, consumption cannot come down overnight. That's because you're not going to stop travelling or heating your home," he added.

New supply landscape

According to S&P Global data, India's imports of crude oil from Russia reached a new high of 1.8 million b/d in April -- double its purchases from Iraq, India's traditional top oil supplier.

Furthermore, the country's imports of Russian oil exceeded its combined flow from Saudi Arabia and Iraq for the first time. Combined imports from India's traditional suppliers in the Middle East have fallen to 47% over January-April from around 75% of total imports in the same period last year.

Puri said the preference of some countries to keep buying Russian oil had helped the global supply-demand balance adjust better to changing market dynamics.

"If that was not the case and everybody was looking to buy non-Russian oil, prices would have gone up even further," Puri added.

He said India had not only diversified to buy oil from Russia but had also been increasing its energy purchases from major suppliers such as the US, as well as some new suppliers.

"Today, we buy \$20 billion worth of energy products from them. We used to buy oil from about 27

countries a few years ago and we have got to 39, with new sources like Guyana coming up," Puri said.

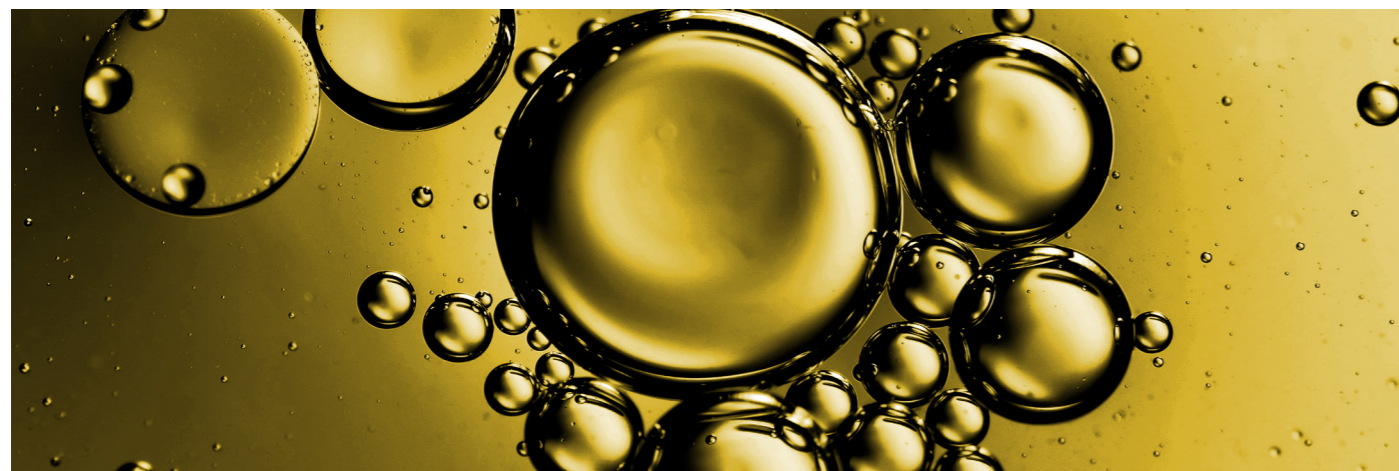
He added that except for one or two OPEC producers, the ability of other oil producers to quickly raise output to fill the vacuum was limited. "What I am saying is that our buying from Russia or other new sources actually helps the global situation," Puri said.

Commenting on the global supply challenges, Puri said the Russia-Ukraine war was only a part of the problem. He said that in late 2021, he was told that leading Middle Eastern producers would gradually increase production, which would eventually help prices to cool by February 2022. But then the Russia-Ukraine conflict started.

"The real problem arose because producers are wanting to produce less in order to maximize profits. And the high-priced environment was not compatible with the global economic situation, which is already inflationary. Even now, therefore, whatever cutbacks in the production have taken place, the market will have to adjust to it," Puri added.



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Big upstream push

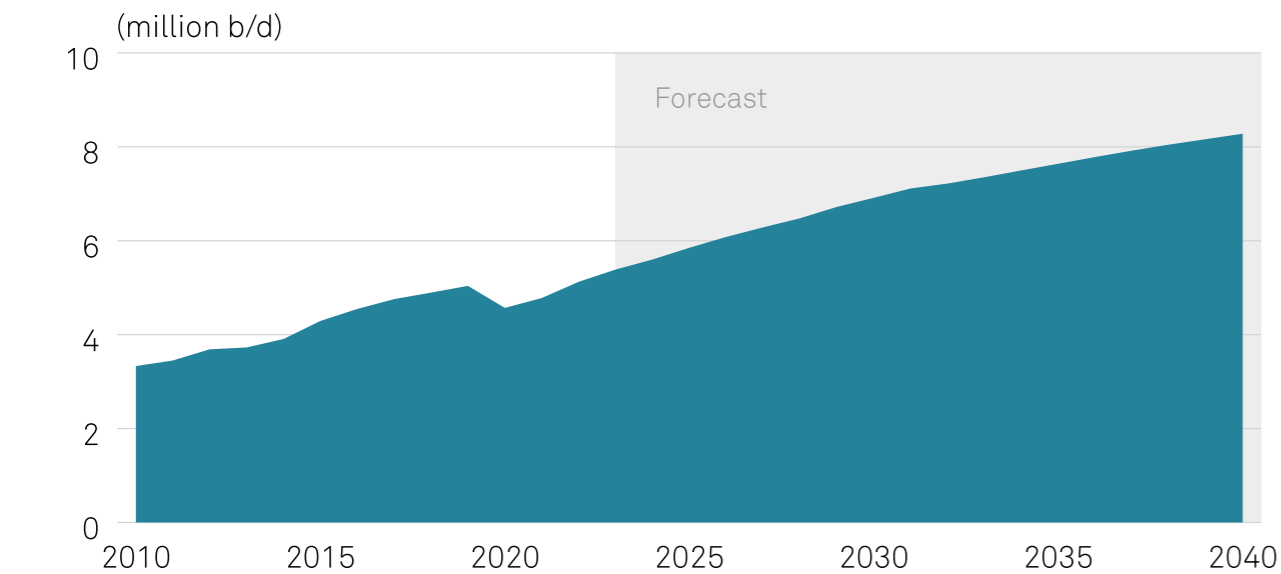
Puri said India was pushing ahead with its exploration and domestic production ambitions as well as accelerating the move toward green energy. Under Puri's leadership, India has undertaken a series of upstream reforms, such as handing out marketing freedom to upstream producers.

"Our reforms are all anchored in a sense of pragmatism, far-sightedness and an understanding that we require more domestic production. Some of the initiatives include policies to incentivize production in the northeastern region, as well as the decision to open up more sedimentary areas to exploration and production," Puri said.

Following the announcement of a series of investor-friendly upstream policies, India's upstream sector is now increasingly attracting interest from global oil majors, as well as many private players, he added.

"There are four or five major oil and gas majors in the world and all of them are engaging to participate in E&P in India. We are also in the market to acquire more assets and take more equity outside. Because as I see it, even if we make a very major transition to green energy, we will still need oil and gas at least for another 20 to 30 years," Puri said.

India's long-term oil demand likely to trend higher



Source: S&P Global Commodity Insights

He added that India's plans to raise its refining capacity from the current 250 million mt/year to 400 million mt/year was on track, even though refiners might increase their capacity to produce more downstream products, such as petrochemicals.

Puri said that while India was making steady progress toward its ambition of raising the share of gas in its energy mix from around 6% to 15% by 2030, it was actively embracing new energy initiatives, such as green hydrogen and biofuels.

"Gas is a bridge fuel. Our domestic production is going up at a healthy pace. We are expecting more private and international players to come on board and participate in the gas sector," he said.

"We are also slowly but surely moving into a direction where India will be a major producer and consumer of green hydrogen. Our biofuels, ethanol push and biogas plants will be big stories," Puri added.

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