



**COVID-19 impact on Oil Sector globally:** The energy sector has already felt the impact of COVID-19. According to a report published by [International Energy Agency \(IEA\)](#), it is estimated that the global demand for oil could drop by nine per cent on average this year due to COVID-19, which will return oil consumption to 2012 levels. As a result of lockdowns, road transport has dropped between 50-75 per cent with the average global road transport activity falling to 50 per cent as compared to last year.

**Easing of lockdown restriction in India and rise in fuel demand:** In India fuel demand recovering due to the easing of lockdown restrictions and Brent crude oil trading above \$40, state-run fuel increased the price of petrol and diesel by 60 paise a litre each. Fuel prices, reviewed on a daily basis, are dependent on crude oil rates as India imports around 80% of its fuel requirements. In the international market, benchmark Brent crude climbed to a three-month high on 2nd July above \$42 a barrel, after diving below \$20 in April.

Further as per an official statement by Petroleum ministry, it is said that "with the timely arrival of monsoon and pick-up in agricultural activities during Kharif season, there was marked acceleration in diesel consumption and gained 96 per cent on April volumes of 2.8 million tonnes".

According to a Petroleum ministry statement "Demand for LPG fuel continues to rise, with robust growth of 16.6 per cent in June over last year. Demand of industrial fuels such as sulphur, petcoke, and naphtha reached to levels of 89.3 per cent, 118 per cent and 120.2 per cent respectively, while marine fuels reached to a level of 138.5 per cent vis-a-vis corresponding period last year,". Overall the consumption of all petroleum products has significantly increased from April level of 49 per cent (of normal) to 88 per cent level in June 2020.

**Diesel is costlier in Delhi than Petrol:** The price of diesel has traditionally been lower than that of petrol and continues to be lower in other parts of the country but first time ever Delhi, diesel is costlier than petrol after 18 hikes in a row taking the cumulative rate to Rs 10.63 a litre in last week.

Latest petrol, diesel prices in metro cities		
<b>New Delhi</b>	Rs80.43	Rs81.05
<b>Mumbai</b>	Rs87.19	Rs79.27
<b>Chennai</b>	Rs83.63	Rs78.11
<b>Kolkata</b>	Rs82.10	Rs76.17
<i>Source.</i> The Economic Times, July 13, 2020		

**Transport sector** is also facing the agony of high fuel prices. Unexpected rise in diesel prices despite slower demand has put the transport sector at a big disadvantage as rising fuel cost has further shrunk its margins. Diesel was retailing at Rs 81.05 per litre in national capital New Delhi and Rs 79.27 per litre in Mumbai after the oil firms hiked the diesel prices by 11 paise on 17 July 2020.

Along with the Capital, diesel prices marginally increased in other metro cities as well, but there the price of transportation fuel is still between Rs 6-8 per litre lower than petrol.

In Delhi state government had raised local sales tax or VAT on fuel sharply in June which is less than petrol in other cities.

**High diesel price and rural-led economic recovery:**

Diesel dominates the entire "farm supply chain" - planting the product, tending the crop (watering, fertilizers, and pesticides), harvesting the product and even bringing the product to market by truck, rail or ship.

A more than Rs 11/litre jump in the price of the fuel, used for powering tractors, combines and irrigation pumps, will offset any gains to farmers from higher MSPs (minimum support price) and rising fuel prices will hit the agriculture sector hard.

*The Government has hiked the MSP (minimum support price) of the paddy crop for 2020-21 from Rs 1,815 to Rs 1,868 per quintal for common and from Rs 1,835 to Rs 1,888 for Grade 'A' varieties.*

The impact of rising diesel price on agriculture sector can be understood by looking at just paddy, the most widely-grown kharif crop requires a "minimum" of four ploughings. The diesel consumption in this case is higher, at 5 litres each per acre. The four ploughings are followed by one "planking" or smoothing and compacting of the soil surface, which consumes another 3 litres. The total diesel consumption during field preparation before transplantation of the paddy seedlings, thus, comes to 19 litres per acre.

*Source.* [Mint](#), July 02, 2020| [Business Standard](#), July 02, 2020| [The Financial Express](#), July 02, 2020| [The Economic Times](#), July 02, 2020| [The Indian Express](#), July 03, 2020| [The Hindu Business Line](#), July 02, 2020| [The Hindustan Times](#), July 2, 2020



## Natural gas

### India to drive global gas demand post-slowdown, output to rise

**too:** As per [IEA report on gas sector 2020](#), India is set to emerge as one of the primary drivers of growth in gas demand in Asia after a temporary slowdown in 2020. Based on the IEA forecast, India is set to see an estimated 28 billion cubic meters (bcm) per year increase in total consumption during 2019-25, owing to a combination of supportive government policies and improved liquefied natural gas (LNG) and pipeline infrastructure. The report indicates that India's natural gas production is also expected to increase 12 bcm a year in 2019-25, with

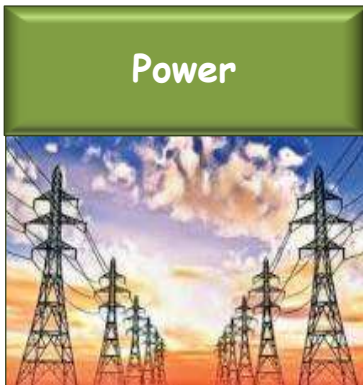
most of the net increase coming from a handful of ongoing deepwater development projects. The report highlighted that the Asia Pacific region may increase its share of total LNG imports, from 69 percent in 2019 to 77 percent by 2025. Out of this, India will lead to LNG growth accounting for about 20 percent of incremental trade, and its imports too may increase by 50 percent between 2019 and 2025 to support strong growth in demand.

**India steps up bet on gas with first gas trading exchange.** India launched its first gas trading exchange, enabling local and foreign players such as Shell, Vitol and Trafigura to sell directly to domestic customers. India, a large emitter of greenhouse gases, is expanding its gas infrastructure, including connecting households with expanding gas pipe network, as it aims to raise the share of gas in its energy mix to 15 percent by 2030 from the current 6.2 percent. The nation's current daily consumption of gas – which is less polluting than other fossil fuels such as coal and oil – is about 165 million cubic meters (mcm), of which 47 percent is met through imported liquefied natural gas (LNG).

**India would soon have a new gas tariff policy.** In a bid to raise the share of natural gas in the energy basket, India will soon have a new tariff policy that will help bring down the cost of transporting the environment friendly fuel, said by Oil Minister Dharmendra Pradhan. In existing practice of seven different pipeline operators charging separate rates and customers away from gas source paying more than those nearer to source. Also, oil regulator Petroleum and Natural Gas Regulatory Board (PNGRB) is working on a new regime for authorisation of gas pipelines that will make it more investor friendly.

As per Oil Minister, in the coming years India would expand its gas pipeline infrastructure to about 32,000 kilometers (km) from the current 17,000 km and raise annual LNG import capacity to about 50 million tonnes from 39.2 million.

Source: [Business Standard](#), June 11, 2020 | [Livemint](#), June 15, 2020 | [Oilprice.com](#), June 10, 2020 | [The Economic Times](#), June 16, 2020 | [Energyworld.com](#), June 15, 2020 |



**Declining power demand due to lockdown:** According to [India Ratings and Research \(Ind-Ra\)](#), the all- India energy demand decreased 14.9 percent year-on-year to 102.7 billion units in May while energy supply also decreased 14.9 percent resulting in the energy deficit remaining at 0.5 percent (May 2019:0.4 percent). The power demand declined amid the covid-19 led lockdown on account of decline in commercial and industrial demand from major manufacturing states. Demand from Tamil Nadu was down 28.6 per cent; Gujarat was down 26.1 per cent and Maharashtra down 17.9 per cent, according to India Ratings. With the decrease in demand, electricity generation also

decreased 25.4 per cent on a yearly basis to 81.5 billion units in April 2020 with thermal generation declining 28.5 per cent on a yearly basis.

**Power consumption during relaxations of the lockdown:** Power consumption in the first half of June remained muted despite the relaxations of the lockdown and increased household consumption due to summer heat. The 58.5 billion units (BU) of electricity supplied in the first 17 days of the month was 8.9% higher than the corresponding period in May, but 13.9% down year-on-year. The 102 BU electricity consumed in May across the country was 20% higher than the preceding month and 15% lower than the demand in the same month last year. Experts had attributed the gradual rise in demand to higher agricultural consumption in the sowing season and increased residential usage with the advent of summer. According to power ministry data, peak power demand met was recorded at 170.54 GW on July 2, which is just 2.61 per cent lower than 175.12 GW in July 2019. The peak power demand met was 166.78GW on July 1, 168.34GW on July 3 and 160.83 GW on July 4.

**Power discoms record rise of up to 90 percent in digital payments of electricity bills during lockdown:** The power discoms (distribution companies) have registered a significant rise of up to 90 percent in digital payments of electricity bills in Delhi during the coronavirus-induced lockdown. The companies like Tata Power Delhi Distribution Ltd (TPDDL), The BSES discoms — BRPL and BYPL — are also receiving 90 percent of payments of electricity bills through digital modes.

**Central government caps tariff at public charging stations for electric vehicles:** The Union ministry of power has reverted to its earlier rules, set in 2018, on public charging stations for electric vehicles (EVs). The latest revision has capped the ‘per unit cost’ of electricity to be used for charging an EV at a public station — for domestic charging, the existing rate of that particular state would be applicable. The power ministry in its new amendment has specified that the tariff for public charging station should not be more than 15 percent of the state’s average cost of supply (ACS).

*For 2019-20, the Delhi Electricity Regulatory Commission (DERC) had fixed the unit and tariff for EVs at ₹4.5/kWh (kilowatt hour) and ₹4, respectively.*

Source: [The Financial Express](#), July 05, 2020 | [The Hindu Business Line](#), June, 04 2020 | [The Economic Times](#), July 06, 2020 | [Business Standard](#), July 05, 2020 | [The Economic Times](#), June 15, 2020, [Business Standard](#), June 13, 2020 |



**COVID-19 Impact on Coal Sector:** According to [mjunction services](#) (a joint venture between Tata Steel and SAIL), demand for coal import is expected to remain subdued in the short-term given the high coal stock levels in pithead and power plants. The country's coal import dropped by 20 per cent to 18.93 million tonnes (MT) in May 2020. The coal import in May last year stood at 23.57 million tonnes.

The government is planning to bring the country's 'avoidable coal imports' to zero by 2023-24. Coal India Ltd (CIL), which accounts for over 80 per cent of the domestic fuel output, has been mandated by the government to replace at least 100 MT of imports with domestically-produced coal in the ongoing fiscal .

**17 independent power producers to forgo imported coal for domestic supply:** Responding to the Centre's new scheme to reduce import of coal, 17 independent power producers have applied to forgo their imported coal quantity, replacing it with supply from Coal India (CIL). Adani Power, GMR Energy, Avantha Power, Lalitpur Power, and Vedanta are some of the private companies that have applied for the 'import substitution' scheme of the Centre.

These units totaling 22,450 Mw have cumulatively requested for 17.9 million tonne (mt) of coal from CIL to substitute their imported capacity.

**Government launches coal blocks' auction in bid to reduce import burden:** India is the second largest coal importer, despite having the world's fourth largest coal reserves and being the second largest producer. Centre has allowed commercial mining and launched the auction of 41 coal blocks for commercial mining, under its Aatmanirbhar Bharat package, with the aim of making India among the biggest exporters of the dry fuel which is currently being imported.

**Plans afoot for India's first Coal Exchange :** India has decided to set up a coal trading platform, taking a giant leap towards completely throwing open the sector to market forces as the country gears up for commercial coal mining auctions, which will increase the number of sellers of coal. Under this platform entire coal produced in the country will be traded on a 'Coal Exchange,' an online platform where pricing is determined transparently through demand and supply.

Source: [Deccan Chronicle](#), June 18, 2020 | [Business Standard](#), June 07, 2020 | [The Economic Times](#), June 8, 2020 | [The Hindustan Times](#), June 07, 2020 |



**India’s renewable energy path:** The shift to clean, renewable energy in India has been a priority for the last several years and the reduction in the price of green energy along with growing environmental awareness have

helped further this trend. As per the [Report of the Task Force on National Infrastructure Pipeline for 2019-2025](#); India has committed Rs24 trillion to the energy sector under the National Energy Pipeline of which the lion’s share will be towards renewable energy investments. While the demand for energy should revert to previously higher levels post-pandemic, there could be a lag in the recovery of demand for renewal energy.

According to [Bridge To India's India Renewable Energy CEO survey report 2020](#), India is expected to add only 60GW of renewable energy capacity in the next 5 years. This is very low, at 12GW per annum as the government wants to achieve 175GW by 2022 and 450GW by 2030.

India's utility scale solar capacity was 32.2GW and wind capacity was 37.6GW as on 31 March 2020. It said 58% of the respond .

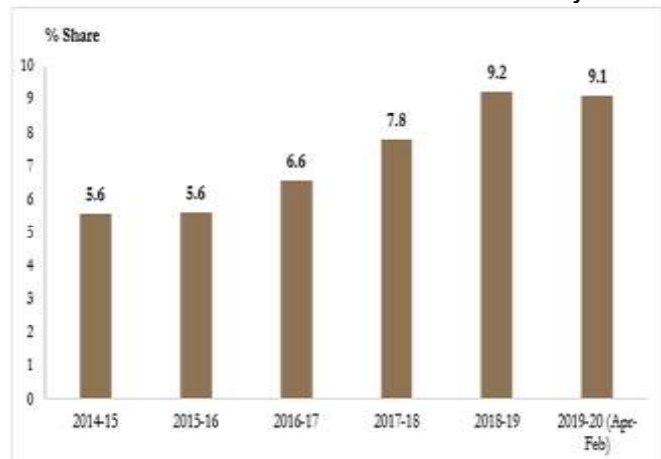
All Installed grid interactive renewable power capacity (excluding large hydropower) as of 31 March 2020		
Source	Total Installed Capacity(MW)	2022 Target (MW)
Wind	37,693.75	60,000
Solar	34,627.82	100,000
Biomass	9,875.31	
Waste to Power	147.64	*10,000
Small Hydropower	4683.16	5,000
<b>Total</b>	<b>87,027.68</b>	<b>175,000</b>

Source: [Central Electricity Authority\(CEA\)](#)

**COVID-19 Impact on Renewable energy sector:** COVID-19 is having an especially negative impact on the renewables sector. One of the main problems relates to the delivery of equipment to power plants. China, which is among the countries most heavily affected by the coronavirus, is the main global producer of many clean energy technologies, such as solar panels, wind turbines and batteries. Since coronavirus has delayed deliveries from China, renewable energy companies are not able to comply with deadlines for equipment installation. For instance, in India alone 3,000 MW of solar and wind energy projects face delays, due to the coronavirus lockdown has led to a reduction in delivery volumes of rechargeable batteries for the European market forecasting and scheduling, apart from funding issues, reimbursement delays, tariff caps, higher cost of participating in tenders, and evacuation infrastructure availability.

Investments in solar sector are also falling. Investments in the Indian solar industry were \$970 million in the Q1 2020, 66 per cent lower than the \$2.8 billion recorded in Q1 2019.

Trends in Share of Renewables Generation in Total Electricity Generation



\* Generation from Thermal, Hydro and Nuclear stations of 25 MW and above only.

Source: [Observer Research Foundation](#)

**India Stimulus Strategy: Recommendations Towards a Clean Energy Economy.** A new report “Towards a Clean Energy Economy: Post-COVID-19 Opportunities for India's Energy and Mobility Sectors” by NITI Aayog and Rocky Mountain Institute (RMI) identifies how COVID-19 is beginning to influence the clean energy transition in India, specifically for the transport and power sectors. It advocates for stimulus and recovery efforts including electric vehicle, energy storage, and renewable energy programs.

The report lays out four principles as a framework to support India's clean energy future: 1) invest in least-cost-energy solutions, 2) support resilient and secure energy systems, 3) prioritize efficiency and competitiveness, and 4) promote social and environmental equity.

The report states that India's transport sector can save 1.7 gigatonnes of cumulative carbon dioxide emissions and avoid about 600 million tonnes of oil equivalent in fuel demand by 2030 through shared, electric, and connected passenger mobility and cost-effective, clean, and optimized freight transport. Significant savings are also achievable in the power sector.

**Government plans to impose 15-25% duty on solar gear imports:** The government is planning to impose a basic customs duty in the range of 20-25% on imported solar modules from August 1, which would eventually be raised to 40% a year, power and renewable energy minister R K Singh said.

For solar cells, the customs duty will start with a 15% levy this August, and will be raised to 30%. As per the power and renewable energy minister R K Singh the power sector would be made financially viable with new rules and amendments to the law, making it consumer friendly and limiting cross-subsidies, Singh emphasized the need to promote local industry in conventional and renewable energy sectors. Changes in customs duty in solar equipment will be a big blow for China, which supplies 80-90% of equipment used in the rapidly expanding solar energy sector in the country.

*For the past three financial years FY17, FY18, and FY19 the total value of the country's solar imports was \$3,196.5 million, \$3,837.6 million, and \$2,159.7 million, respectively.*

Source: PV Magazine, April 24, 2020 | The Economics Times, June 22, 2020 | The Business Today | Solar Association | The Economic Times, 26 June 2020 | The Economic Times, July 2, 2020 | Observation Research Foundation, June 26, 2020 | PRNewswire, June 30, 2020 | The Economic Times, June 30, 2020 |