

OIL AND GAS SECTOR



SECTOR OVERVIEW

The Oil and Gas Sector is among the eight core Industries in India and plays a major role in influencing the 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 increase, thereby making the sector quite conducive for investment. India retained its spot as the 3rd largest consumer of oil in the world as of 2021.

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. Today, it attracts both domestic and foreign investment, as attested by the presence of companies such as Reliance Industries Ltd (RIL) and Cairn Oil & Gas, Vedanta Limited.

MARKET SIZE

According to the IEA (India Energy Outlook 2021), primary energy demand is expected to nearly double to 1,123 Million tons of oil equivalent, as India's gross domestic product (GDP) is expected to increase to USD 8.6 Trillion by 2040.



FDI POLICY

- The Government has allowed up to 100% FDI under the Automatic Route, in the following:
- Exploration activities of oil and natural gas fields,
 - Infrastructure related to marketing of petroleum products and natural gas,
 - Marketing of natural gas and petroleum products, petroleum products' pipelines, natural gas pipelines,
 - Liquefied natural gas (LNG) regasification infrastructure, market study, formulation and petroleum refining in the private sector,
- The Government has allowed up to 49% FDI under the Automatic Route for petroleum refiners by the Public Service Undertakings (PSUs), without any disinvestment or dilution of domestic equity.

FDI STATISTICS

According to the data released by The Department for Promotion of Industry and Internal Trade (DPIIT), FDI equity inflows in India's Petroleum and Natural Gas Sector stood at USD 8,088.71 million from April 2000 - December 2022.

INVESTMENTS/ DEVELOPMENTS IN THE SECTOR



- ✓ As of 30.06.2022, the Gas Authority of India Ltd. (GAIL) had the largest share (57.74% or 19,524 kms) of the country's natural gas pipeline network (33,815 kms).
- ✓ In May 2022, ONGC announced plans to invest USD 4 Billion from FY 2022-25 to increase its exploration efforts in India.
- ✓ In April 2022, Indian Oil Corporation Limited, Larsen & Toubro and Goldman Sachs-backed renewable energy producer ReNew Power formed a joint venture by signing a term sheet. This JV will develop green hydrogen projects, helping India cut down its carbon emissions.
- ✓ In March 2022, the Board of IOCL approved plans to invest Rs. 7,282 Crore (USD 932.6 Million as of 23.03.2023) for the development of City Gas Distribution (CGD) network in 9 geographical areas.

GOVERNMENT INITIATIVES



- ❖ The Union Budget 2023-24 allocated Rs. 41007.72 Crores (USD 4.99 Billion as on 30.03.2023) to the Ministry of Petroleum & Natural Gas
- ❖ In May 2022, the Government approved changes in the National Policy on Biofuels 2018 to bring forward the target for 20% ethanol blending with petroleum to 2025-26 from 2030.



ROAD AHEAD

Rapid economic growth is leading to greater outputs, which in turn is increasing the demand of oil for production and transportation. Energy demand of India is anticipated to grow faster than energy demand of all major economies globally on the back of continuous robust economic growth. Moreover, the Country's share in global primary energy consumption is projected to increase to two-fold by 2035.

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