

Daily Economic News Summary: 11 April 2018

1. Oil And Gas: Discovered Small Fields – New Entrants Likely To Start Production First **Source: Financial Express ([Link](#))**

While six-seven hydrocarbon areas awarded under the discovered small fields (DSF) policy are expected to start production in 2019, the new entrants, rather than entrenched big players in the sector, are likely to lead the pack. Some small explorers are also finding the fields more productive compared with initial estimates. The Union Cabinet had in September 2015 approved 69 marginal fields to be offered under the DSF Round I. Of these, 67 DSFs were clubbed into 46 contract areas and put on offer through online international competitive bidding. In March 2017, 31 contracts were signed with 22 companies, of which 15 were new entrants. Almost one-third of the contracts were won by state-run oil companies. According to sources, new entrants are more eager to start production as their revenue is tied to it. Under the new regime, operators will have to share revenue with the government unlike the earlier model of production sharing. Among the contract winners that have reported reserves much higher than earlier estimated is Oilmax Energy, which expects 300% more gas from the Duarmara field in Assam. The company expects 0.5 trillion cubic feet of gas from the field. HOEC, a private operator, is also expecting a field it has been awarded in the prolific Bombay High region to hold five times more reserves compared with initial estimates.

2. India's Grip On Strategic Chabahar Port Loosens As Iran Turns To China **Source: Financial Express ([Link](#))**

A remote Iranian port could be the next trigger for geopolitical tensions between rivals China and India. India has pledged more than \$500 million to develop the strategically located port of Chabahar — roughly 1,800 kilometers (1,110 miles) from the capital Tehran — since it first expressed interest in 2003. Yet repeated delays have prompted Iran to turn to China in the hope of speeding up construction. On a March trip to Islamabad, Iran Foreign Minister Javad Zarif said he'd welcome Chinese and Pakistani investment in Chabahar, according to Dawn newspaper. He cited China's development of Gwadar, a port down the coast that is a showcase of President Xi Jinping's Belt-and-Road infrastructure initiative. The shift makes sense for Iran, which wants to

ensure Chabahar is an economic success. But it could be a strategic loss for India, which opposes China's expansion in the Indian Ocean and is already worried that Gwadar could one day be used as a military base — along with other China-backed ports from Myanmar to Bangladesh to Sri Lanka.

3. GST E-Way Bill Compulsory For Local Goods Shipment In 5 States From 15 April

Source: Livemint ([Link](#))

Generating e-way bills will be compulsory for transporting goods locally in five more states starting 15 April as the nation gradually extends the scope of electronic permits mandated for goods shipments across state borders from the beginning of the month. A statement from the finance ministry said that Andhra Pradesh, Gujarat, Kerala, Telangana and Uttar Pradesh will make e-way bills compulsory for movement of goods within their boundaries. Karnataka had implemented it for local movement of goods when the e-way bill requirement was implemented from 1 April nationwide for inter-state shipments. The idea of the Goods and Services Tax (GST) Council is to gradually have the same electronic permit for all shipments of goods within the country above a value of Rs50,000, including local transportation beyond 50km. By 1 June, the council expects all states to adopt e-way bills for local movement of goods as well. The statement said that till 9 April, more than six million e-way bills had been generated. Experts said the government is encouraged by the fact that the e-way bill system worked for inter-state shipments since the beginning of the month. "The strategy of introduction of e-way bill in phases and testing the load capacity of the e-way bill portal gradually has worked well for the government," said Abhishek Jain, indirect tax partner at EY.

4. Kuwait Petroleum Corporation To Soon Buy Stake In An India Refinery

Source: Business Standard ([Link](#))

Kuwait Petroleum Corporation is likely to buy a stake in an Indian refinery-cum-petrochemical project that is likely to increase the country's supply by at least 200,000 barrels per day (bpd). "There will be an announcement to this effect in one or two weeks, as we are planning to buy a stake in a refinery and petrochemical project," said Nabeel Bourisli, chief executive officer of Kuwait Petroleum International (KPI). However, he did not specify the details of the project.

This comes at a time when India is in talks with countries like Saudi Arabia and Abu Dhabi for giving a stake in its showpiece 60-million-tonne mega-refinery along the country's West Coast. India's three oil marketing companies, Indian Oil Corporation (IOC), Bharat Petroleum Corporation (BPCL) and Hindustan Petroleum Corporation (HPCL) signed a memorandum of understanding to set up the mega refinery way back in December 2016.

5. Indian Railways Wagon Procurement To Run On Reverse Auction Track

Source: Business Standard ([Link](#))

Breaking away from its tradition of floating annual tenders to procure wagons, the Indian Railways is set to come out with a bulk tender for 38,000 wagons through reverse auction method. This is the largest ever wagon procurement of wagons by the Railways and is expected to take care of the additional railway requirement for the next two years. Officials in the ministry of railways expect the reverse auction to save at least 10-20 per cent of the cost for the railways, on what otherwise is estimated to be Rs 80 billion tenders. In a reverse auction, prices will typically decrease as the sellers underbid each other to obtain business from the buyer. The Railways had decided to go for reverse auction process from April 1 this year for high-value items including wagons, locomotives and coach parts, signalling and track equipment. The national transporter expects to save at least Rs 100 billion a year through a reverse bidding process. The reverse auction proposal comes at a time when the Railways are planning to rope in more private players like coal and cement companies to own their wagons. A policy for these bulk consumers are being worked out as the national transporter wants to come out with a general purpose wagon policy before the commissioning of dedicated freight corridors in 2020.

6. First India-Nordic Summit To Boost Ties With 5 Nations

Source: The Economic Times ([Link](#))

Prime Minister Narendra Modi will meet leaders of Sweden, Norway, Finland, Denmark & Iceland for the first India-Nordic Summit in Stockholm on April 17. Modi will be the first Indian PM to visit Stockholm since 1988. The only other instance of a similar Nordic summit was during President Barack Obama's tenure when heads of state or governments participated. The six leaders will exchange views on regional and global issues such as environment and climate,

trade and investment and discuss areas of future cooperation,”. Löfven’s office in a statement said “the government is working to strengthen Sweden’s role as a key partner for India in the country’s rapid development, especially in innovation.” At the same time... the Norwegian Sovereign Wealth Fund is probably one of the biggest single investors in India, having invested over \$11.7 billion in India at the end of 2017 in 275 different Indian companies and in Indian bonds. The size of the investment is a testimony to the economic potential Norway sees in India.”

7. Pro-Poor Move Makes India 2nd Largest LPG Importer

Source: The Economic Times ([Link](#))

India is the world’s second largest importer of LPG (liquefied petroleum gas) after China and remains ahead of Japan as the Modi government’s drive to provide clean cooking fuel to millions of poor families boosted household demand by nearly 8% in 2017-18. The PM may flag the success of the Ujjwala scheme one of his government’s flagship programmes aimed at delivering “energy justice” to the poor to emphasise the potential of India’s energy market and need for an equitable global pricing regime when he addresses policymakers and oil industry captains at the 16th International Energy Forum ministerial on 11 April. The IEF is a 72-nation group accounting for 90% of global supply and demand for oil and gas. India beat Japan in 2016 to become the world’s third-largest crude oil consumer after the US and China. Both International Energy Agency and Opec see India as the main driver of growth in global oil demand for the next decade. Only recently, international media reports quoting shipping data pegged India’s LPG imports at 2.4 million tonnes in December, exceeding China’s 2.3 million tonnes for the first time. But India still trails China’s average monthly import of 2.7 million tonnes with 1.7 million tonnes.

8. Digital Transformation To Add \$154 Billion To India’s GDP By 2021, Says Microsoft

Source: Financial Express ([Link](#))

Digital transformation in the country is expected to contribute about USD 154 billion to India’s GDP by 2021, tech giant Microsoft said on April 11. The study by Microsoft and IDC, titled “Unlocking the economic impact of digital transformation in Asia Pacific”, said there has been a dramatic acceleration in the pace of digital transformation across India and Asia-Pacific economies. “In 2017, about 4 per cent of India’s GDP was derived from digital products and

services created directly through the use of digital technologies like mobility, cloud, internet of things (IoT), and artificial intelligence (AI)," Microsoft India President Anant Maheshwari told reporters in Delhi. He added that within the next four years, it is estimated that nearly 60 per cent of India's GDP will have a strong connection to the digital transformation trends. "India is clearly on the digital transformation fast track. Organisations are increasingly deploying emerging technologies such as AI, and that will accelerate digital transformation-led growth even further," he said. The study conducted with 1,560 respondents from mid and large-sized organisations across 15 economies.

9. Petronet LNG May Partner With OVL For Its Maiden Overseas Project In Qatar

Source: Business Standard ([Link](#))

India's Petronet LNG Ltd wants to partner with ONGC Videsh Ltd (OVL), the overseas arm of India's biggest explorer Oil and Natural Gas Corp Ltd, to pick up a stake in an upcoming exploration and liquefied natural gas (LNG) project in Qatar, a company official said. The project would be Petronet's maiden venture into the natural gas exploration and production business and overseas LNG terminals. "We will be signing a non-confidentiality agreement with QatarGas in the next one week or so, and then evaluate the project," Prabhat Singh, managing director and chief executive officer of Petronet told Reuters at the International Energy Forum on April 11. A non-confidentiality agreement would allow QatarGas to speak with other interested parties about the project in addition to Petronet. Singh said Qatar Gas would give Petronet LNG access to its data rooms for evaluation of the project within a month's time. Petronet currently runs a 15 million tonne per annum LNG regasification site at Dahej in the western state of Gujarat and a 5 million tonne refinery at Kochi in southern India.

10. Puducherry, Three Southern States Oppose Finance Commission Tor

Source: Financial Express ([Link](#))

Protesting a "conspicuous bias" which they believe has been built into the terms of reference (ToR) of the 15th Finance Commission (FFC), four southern states on April 10 demanded that the ToR be reframed in keeping with the constitutional principle of federalism. The FFC's award will be valid for the 2020-25 period. The latest Finance Commission has been asked to pay heed to the

“continuing imperative of the national development programme including New India -2022” and the impact of the previous commission’s (liberal) award to states on the Centre’s finances (The 14th Commission had hiked the tax devolution to states to 42% of the divisible pool, up from 32% previously). While this is being interpreted by these states as a signal to the FFC to trim the devolution, what frets them the most is the fact that the commission will use the population data of 2011, instead of 1971, to compute the inter se shares of states from the central tax kitty. Representing Karnataka, agriculture minister Krishna Byre Gowda said his state fully supported views of the other southern states. Karnataka was of the opinion that all progressive states, including perhaps all the southern states, have been ‘disincentivised’ by means of the ToR, he said.

11. Efforts To Jack Up Oil Prices Artificially Are Detrimental: Modi

Source: The Hindu, Business Line ([Link](#))

Prime Minister Narendra Modi did some plain speaking at the 16th International Energy Forum on 11 April by asking oil producers to not jack up the prices artificially. Measures taken by producers to artificially jack up the prices of crude oil and gas are detrimental for both producers and consumers, Modi said. In his inaugural address, Modi said, “It is in the interest of producers that other economies are growing. Efforts at artificially fixing prices are detrimental, especially for those at the bottom of the pyramid.” “We are entering into an era of energy abundance,” he added. Also speaking at the event, Saudi Energy Minister, Khalid Al-Falih said, “OPEC and its partners are sustaining production cut agreement. Saudi Arabia and Russia are considering extending coordination for monitoring oil market. This is good news for producers.” “The future supply situation from many resources is not very assuring. Particularly for crude oil,” Falih added.