



A Study on Challenges and Opportunities of Petroleum in India and Its Suppliers

KEYWORDS

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ABSTRACT *This research deals with the recent situation of India in import of crude oil. Indeed, we can largely observe the consumption has drastically increased for the past decade and led to high import. At the same time, this situation appears to favor some exporting countries to gain the market over others, because of political or economic conditions. But overall, this high import cannot be a happy situation for India and, so we concluded by proposing suggestions for the future.*

INTRODUCTION

India, a giant and the third largest economy in the world, entered the race of development in 1992 when she liberalized her market. Since then, the country is progressing at a rapid pace and established itself as a great economy in the international market. The growth of the country is praised seeing the time taken to achieve this standard, although, everything has not risen very high. India, the second most populated country in the world after China with a population of 125 crore people, faces a large consumption especially in the energy sector.

In fact, India is the fourth biggest energy consumer after China, U.S.A. and Russia. The country depends largely on fossils fuels. But her big thorn is oil. Despite the fact the country exports a large quantity of refined oil; it imports a huge quantity of crude oil up to 77 % of the millions of barrels needed per day. This costs India an arm and a leg. It is said: "One man's loss is another's gain." It offers a great opportunity to big suppliers of oil in the world to have India as a customer and for others to emerge among them. The country is known to be responsible for 20 % of incremental global oil demand increase since 2005. For her need in oil, the country has clearly developed interesting relationships with basically Middle East countries and a handful of African countries and Latino America countries. Among them, we have countries such as Saudi Arabia, Iran, Iraq, Venezuela, Mexico, Nigeria and Angola.

India- Middle East relations

The opening of the India's market was one of the greatest things that has happened to the world particularly for Middle East. In term of oil production, they are well-known to be the best. In the Indian's race in procurement, mostly Saudi Arabia and Iran had conquered the heart of Indian market.

The liberalization of India has boosted the trade relationship between Saudi Arabia and India. Saudi Arabia supplies 732 400 barrels per day to India and has recently lost its place as the first supplier.

Look at Iran; it was the second largest exporter of oil to

India after Saudi Arabia with 320 000 barrels in 2011, 367 000 - 369 000 barrels per day 2014 and today the seventh exporter of oil to India.

From Iraq, India imports 500 000 barrels per day in 2014 and basically benefits due to a cheaper price compared to Iraq's Middle East countries. And today, Iraq occupies a better place in Indian's oil import compare to Iran.

India-African relations

In terms of importing of crude oil, countries which trade with India are Nigeria and Angola. Nigeria, the fourth largest exporter of crude oil, surpassed Saudi Arabia this year and became the major exporter of Oil in India with 745 000 barrels per day.

However, Angola is more timid in exporting to India. The country exported just 8% of its total production of oil to India.

SHIFT IN SUPPLIERS

Saudi Arabia is the world's biggest producer and exporter of oil, and has one quarter of the world's known oil reserves – more than 260 billion barrels. Most are situated in the Eastern Province, including the biggest inland field in Ghawar and the biggest seaward field at Safaniya in the Arabian Gulf. The Saudi oil industry entered another period in 1980 when the legislature accepted full responsibility for, renaming it Saudi Aramco. The organization started investing in zones that had beforehand been untouched, and found inconceivable stores of high-review unrefined petroleum. Saudi Arabia keeps on finding new fields –, for example, one found 175 miles southeast of Riyadh on April 20, 2005.

Talking about India importing oil, due to some reason the main supplier shifted to Nigeria in which Nigeria supplies 745000 barrels of oil per day. The reason is African freight has emerged cheaper. The premium for Nigerian crude over Brent has fallen in recent months, making it cheaper. A narrowing of Brent crude prices in Dubai over the past year has made Brent related crudes more attractive to Asian refiners, which also gave the benefit to Indian refin-

ers to buy more of West African oil which is usually traded at a higher price to the Brent trademark .The price difference of the crude oil is now at \$ 1.30 -2 per barrel from January to mid – June compared to earlier price at \$ 4-5 per barrels. This gave advantage to refiners like Reliance to buy superior grades of oil from Nigeria at a discounted rate. Reliance industries purchase about quarter of oil from Africa, in three years time. The refining margins are fantastic and strength in gasoline helped Indian refiners which create demand for gasoline crude from Nigeria. The Indian imports of African oil increased from 15.5 percent in April to 26 percent in May from mainly suppliers in Nigeria meanwhile the shares from Middle East oil decreased from 61 percent to 54 percent, due to Nigeria's quality oil at a lower price. Not only Nigeria exports oil to India but also to America as it wants to capture shares in international markets. Its export was almost thousand barrels per day as of 2015.

Iran was India's second biggest supplier of crude oil. The oil imports from Iran due to sanctions imposed by U.S. and European Union took a hit last year, Iraq assured that it would compensate the country's shortfall due to decline in oil supplies from Iran. As now there is a shift from Iran to Iraq in which domestic refiners such as Hindustan Petroleum Corporation limited, have cut down their imports from Iran. Earlier India imported 10.5 percent oil from Iran but now it has come up to only 7.2 percent of oil imported. Because of sanction imposed by U.S. it looses as the second biggest supplier of crude to India.

FUTURE PLANS

As India depends massively on others countries, it is imperative to think about how to reduce the import of crude oil. Of course, the government has the same aspiration. In fact, it has been planned to reduce by 10% by 2022 and by 50% by 2030.

Some ways of achieving that could be:

India should continue in the way of diversifying its suppliers which can offer good quality crude oil at better prices as it happened last year.

As the transportation sector is the largest consumer of oil, the important thing is to focus on reducing the consumption in this side. In this period when we talk about climate change, science proposes us some alternatives in transportation such as electric vehicles and now hydrogen vehicles invented in Japan. So, the government can encourage people in investing in these eco friendly alternatives. Moreover, the government can also invest more in biofuel with the purpose of having more biofuel content in fuel.

NELP-New Exploration Licensing Policy

New Exploration Licensing Policy (NELP) was conceptualized by Amit B Singh (Co founder of Standard oil) after request by the Government of India during 1997-1998 to provide an equal platform to both Public and Private sector companies in exploration and production of Hydrocarbons with Directorate General of Hydro-Carbon (DGH).

In spite of this platform having been created, it has not been as productive as expected and the imports have only grown. Some of its faults are:

- Poor Performance
- Stagnant Domestic Production
- Massive cuts in oil firms' Capex.

Here, the plan is to improve the efficiency of the functioning of NELP under the Modi Government.

Under Modi Government

According to (MOSPI) Ministry of Statistics and Program Implementation, India has imported around 189 mt as of 2013-2014. This results in India meeting 85% of its energy demands through its imports.

The Budget of 2015 documents reveals that the Public sector oil companies have plans to invest around Rs.76, 500 Cr. for 2015-2016 expansions.

Currently, India governed by Modi, has been given new plans for the future energy production level and the imports of related energy raw materials overseas. Modi had announced this last month. This is to be carried forward even though it might prove to be daunting.

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