MRPL will be key pivot in HPCL-ONGC deal

ANALYSIS

MURALI GOPALAN

Mumbai, August 27

As the Oil and Natural Gas Corporation (ONGC) prepares to take over Hindustan Petroleum Corporation (HPCL), it will mark a homecoming for another entity involved in the exercise.

Mangalore Refinery and Petrochemicals (MRPL), which was once part of HPCL and then changed hands to ONGC, will now be back in the fold of its original parent. This is part of the overall plan where HPCL is expected to buy MRPL from ONGC for a hefty ₹15,000 crore.

While the payout for ONGC to buy out the Centre’s 51 per cent stake in HPCL will cost nearly ₹30,000 crore, a sale of its own equity in MRPL as part of the integration effort will reduce this outgo by half. In the process, this will mark a journey back home for this 15-million tonne refining company which was first created as a joint venture of HPCL and the AV Birla Group in the early 1990s. When the partners decided to call it a day, HPCL had the first right of refusal in buying out its ally’s 37 per cent stake but did not seem remotely interested. This was the time an aggressive ONGC stepped into the picture and bought out the AV Birla Group’s stake in 2001 as part of the exercise to gain control.

Today, ONGC is the major shareholder in MRPL with 72 per cent while HPCL’s equity has whirled down to a paltry 17 per cent. During these years, it has continued to market MRPL’s diesel and petrol across its vast array of retail outlets even while its top management has constantly rued “losing a valuable asset” to ONGC.

HPCL had also, from time to time, hinted to the Petroleum Ministry that it was keen on increasing its stake in MRPL beyond the meagre 17 per cent but nothing came out of these pleas. ONGC was not remotely interested in selling its stake even while little had been achieved from its MRPL acquisition in terms of entering the fuel retail space.

The rationale

The Petroleum Ministry wanted ONGC to focus on its core business of exploration and production while HPCL would handle MRPL’s output of auto fuels across its own retail network. Today, the wheel has come full circle, but at a heavy price.

If everything goes according to plan, once HPCL buys out ONGC’s 72 per cent stake, its own holding in MRPL will be up to nearly 90 per cent. The added bonus will be in getting a foothold into the petrochemicals space, an area of tremendous interest for HPCL.

Yet, it will be a lot of money to fork out, considering that HPCL will still end up being the secondary sibling to ONGC after the entire exercise is completed. “HPCL’s status will be at par with what MRPL’s was with ONGC, which was the more dominant partner by virtue of its status as owner,” says an oil industry executive.

In this instance too, it is ONGC that is going to buy out the Centre’s holding in HPCL, which pretty much means that it will call the shots from now on. “It’s all very nice to think that both will be independent entities after the sale, but HPCL will have a secondary role,” adds the executive.

Once MRPL is back in its fold, along with the petrochemicals business, there would be no compelling reason for HPCL to pursue its Rajasthan refinery project. In any case, this was put on hold for over three years since the time the foundation stone was laid during the UPA 2 regime. It has since been revived; but there is no telling if it will become a reality.

In any case, decision-making at HPCL will shift as ONGC gets into the driver’s seat since there will now be two heads instead of one when it comes to vetting proposals. How this will affect other investments going forward remains to be seen.
RIL, BP to Use Floating System at Deepest Gas Discovery

Press Trust of India

New Delhi: Reliance Industries and its partner BP plc of the UK plan to use a floating production system at high-sea in the Bay of Bengal to bring to production the deepest gas discovery in the flagging KG-D6 block.

The MJ-1 gas find is located about 2,000 metres directly below the currently producing Dhirubhai-1 and 3 (D1 and D3) fields in the eastern offshore KG-D6 block and is estimated to hold a minimum of 0.48 Trillion cubic feet (Tcf) of contingent resource. An executive in the joint venture said floating production storage and offloading (FPSO) will be used to bring the gas to the surface, treat it and pump it to the pipeline system that will take it to the shore.

In May 2013, RIL, BP and Niko Resources of Canada had struck a 355-metres thick gas condensate column in the exploration well KG-D6-MJ1, which was later named as D55 or MJ-1 discovery.

MJ-1 is one of the three clusters that the partners are focusing on reviving the flagging output at KG-D6. “The commerciality of the discovery was approved in December last year and we have one year time from that date to submit an investment plan called the field development plan (FDP). If need be, the deadline can be extended by six months. So we have time till mid-2018 to firm up investment,” he said.
RIL, BP to use floating system to produce deepest D6 gas find

NEW DELHI: Reliance Industries and its partner BP plc of the UK plan to use a floating production system at high sea in the Bay of Bengal to bring to production the deepest gas discovery in the flagging KG-D6 block.

The MJ-1 gas find is located about 2,000 meters directly below the currently producing Dhirubhai-1 and 3 (D1 and D3) fields in the eastern offshore KG-D6 block and is estimated to hold a minimum of 0.988 Trillion cubic feet (Tcf) of contingent resource.

An executive in the joint venture said floating production storage and offloading (FPSO) will be used to bring the gas to the surface, treat it and pump it to the pipeline system that will take it to the shore. In May 2013, RIL, BP and Niko Resources of Canada had struck a 155-metres thick gas condensate column in the exploration well KGD6-MJ1, which was later named as D55 or MJ-1 discovery.

MJ-1 is one of the three clusters that the partners are focusing on reviving the flagging output at KG-D6.

"The commerciality of the discovery was approved in December last year and we have one year from that date to submit an investment plan called the field development plan (FDP). If need be, the deadline can be extended by six months. So we have time till mid-2018 to firm up investment," he said.
NEW DELHI: Petrol price has been hiked by ₹6 per litre since the beginning of July and is now priced at its highest rate in three years with rates being revised in small dosages daily.

Diesel price has increased by ₹3.67 a litre and now costs ₹57.03 a litre in Delhi, the highest in four months, according to data from state-owned oil companies.

A litre of petrol costs ₹69.04 a litre in Delhi, the highest since second-half of August 2014 when it was priced at ₹70.33.

State-owned oil companies in June dumped the 15-year old practice of revising rates on 1st and 16th of every month and instead adopted a dynamic daily price revision to instantaneously reflect changes in cost.

Prices of petrol and diesel have been revised at 0600 hrs everyday since June 16.

Rates during the first fortnight dropped but have since July 3 been on the rise. Petrol price was at ₹65.48 a litre on June 16 in Delhi and it dropped to ₹63.06 by July 2. However, rates have since gone up every day except on four occasions when prices were cut by 2-9 paise per litre.

Similarly, a litre of diesel was priced at ₹54.49 on June 16 and it dropped to ₹53.36 on July 2, thanks to the softening international oil prices. Since then, it has been on an upward though the reduction in diesel rates have been on a larger number of occasions than petrol.

"Previously, everybody felt the pinch when rates would go up by ₹2 or 3 per litre in one go. Now they are being increased by 1 paisa to 15 paisa a litre everyday, hikes that have largely gone unnoticed," a senior oil company executive said.

The daily price revision means an instantaneous transfer of a rise or decline in international oil price to the consumer instead of the previous practice of passing it on only after a fortnight.

The previous practice of revision in the rate on 1st and 16th of every month, which began with deregulation of auto fuel on April 1, 2002, was based on average international oil price and foreign exchange rate in the preceding fortnight.

"Many a time, international rates would fall for one week and then rise in the following. So, the net effect of this in the previous price revision policy was status quo or a marginal change in rate," he said.

Petrol and diesel prices were deregulated or freed from government control from April 1, 2002, and the fortnightly revision in rates kicked in.

The deregulation derailed a bit when international oil prices started to climb after 2004. Fortnightly revision continued but the revision was not completely in sync with the required price increase.

Petrol price was finally freed in June 2010 and diesel in October 2014 after small fortnightly increases over the past several months brought rates at par with the cost.

The daily price revision was implemented after a successful pilot in five cities.

The official said daily price change will remove the big leaps in rates that need to be effected at the end of the fortnight, making the consumer more aligned to market dynamics.

The three state-owned fuel retailers had implemented a daily revision of retail selling price (RSP) of petrol and diesel on a pilot basis in Udaipur in Rajasthan, Jamshedpur in Jharkhand, Puducherry, Chandigarh, and Visakhapatnam in Andhra Pradesh from May 1.
RIL, BP to use floating system to produce deepest D6 gas find

NEW DELHI: Reliance Industries and its partner BP plc of the UK plan to use a floating production system at high sea in the Bay of Bengal to bring to production the deepest gas discovery in the flagging KG-D6 block.

The MJ-1 gas find is located about 2,000 meters directly below the currently producing Dhirubhai-1 and 3 (D1 and D3) fields in the eastern offshore KG-D6 block and is estimated to hold a minimum of 0.988 Trillion cubic feet (TcF) of contingent resource.

An executive in the joint venture said floating production storage and offloading (FPSO) will be used to bring the gas to the surface, treat it and pump it to the pipeline system that will take it to the shore.

In May 2013, RIL, BP and Niko Resources of Canada had struck a 155-metres thick gas condensate column in the exploration well KGD6-MJ1, which was later named as D55 or MJ-1 discovery.

MJ-1 is one of the three clusters that the partners are focusing on reviving the flagging output in KG-D6.

“The commerciality of the discovery was approved in December last year and we have one year time from that date to submit an investment plan called the field development plan (FDP). If need be, the deadline can be extended by six months. So we have time till mid-2018 to firm up investment,” he said.

Besides MJ-1, four deepsea satellite gas discoveries -- D-2, 6, 19 and 22 are planned to be developed together with D29 and D30 finds on the block. The third set is the D-34 or R-Series find.

“All the three (sets of finds) will produce 30-35 million standard cubic meters per day of gas in 4-5 years,” he said.

RIL and BP had in mid-June this year announced investing $40,000 crore in the three sets of finds to reverse the flagging production in KG-D6 block.

“The Government had in 2012 approved a $1.529 billion plan to produce 10.36 mmmscfd of gas from four satellite fields of block KG-DWN-98/3 (KG-D6) by 2016-17.

The four fields have 617 billion cubic feet of reserves and can produce gas for eight years. However, the companies did not begin the investment citing uncertainty over gas pricing.

Now that the government has allowed a higher gas price of $5.56 per million British thermal unit for yet-to-be-developed gas finds in difficult areas like the deepsea, RIL and BP have decided to take up their development.

This rate compares with $2.48 per mmBtu for currently producing fields.

The executive said these four finds have now been clubbed together with D29 and D30 discoveries, which had been held up over conformity tests.

A revised integrated FDP the four satellite and the two other finds would be submitted by December.

They, however, did not give investment numbers, saying a slump in global energy prices and services market will only see a lesser amount of money being spent.

RIL-BP combine does not plan to alter the USD 3.18 billion investment plan for D-34 or R-Series gas field in the same block, which was approved in August 2013.

About 12.9 mmmscfd of gas for 13 years can be produced from D-34 discovery, which is estimated to hold recoverable reserves of 1.4 trillion cubic feet.

RIL has so far made 19 gas discoveries in the KG-D6 block. Of these, D—1 and D—3 -- the largest among the lot -- were brought into production from April 2008, but output has fallen sharply from 54 mmcmd in March 2010 to 3-4 mmcmd.

MA is the only other field that was put to production. Together, the three fields today produce 6.4 mmcmd.

Other discoveries have either been surrendered or taken away by the government for not meeting timelines for beginning production.

RIL is the operator of the block with 60 per cent interest while BP has 30 per cent stake. Niko has the remaining 10 per cent share.
RIL, BP to use floating system to produce D6 gas find

Reliance Industries and its partner BP of the UK plan to use a floating production system at high sea in the Bay of Bengal to bring to production the deepest gas discovery in the flagging KG-D6 block. The MJ-1 gas find is located about 2,000 metres directly below the currently producing Dhirubhai-1 and 3 (D1 and D3) fields in the eastern offshore KG-D6 block and is estimated to hold a minimum of 0.988 trillion cubic feet of contingent resource. An executive in the joint venture said floating production storage and offloading would be used to bring the gas to the surface, treat it and pump it to the pipeline system that will take it to the shore.
Gadkari wades in to salvage sinking LNG shipbuilding plan

PMANOOI
Mumbai, August 27

The Shipping Ministry is making a last-ditch attempt to help India enter the LNG shipbuilding space and join a select list of nations specialising in this business.

The floundering plan — first reported by Business Line — is being salvaged in the backdrop of two key developments since the beginning of the month.

One is the grand success of the IPO of Cochin Shipyard Ltd, the only local yard that has secured the technological capability to build such sophisticated tankers. The other is the exit of Arvind Panagariya from NITI Aayog, which found the plan not feasible.

Shipping Minister Nitin Gadkari is now scouting for ideas to make the plan work. The Ministry had been largely ignored by the Panagariya-led panel while writing a report on the feasibility of the plan at the behest of the PMO.

“The Shipping Minister is very upbeat about the plan, especially after the smashing success of the IPO of Cochin Shipyard, by defying all odds facing the industry,” a Ministry official said. “We will make a last push and go all out to make it happen.”

Cochin Shipyard was listed on the BSE on August 11, making it the first state-owned shipbuilder to be listed. It will utilise part of the share sale proceeds to construct a new dry dock, its second, to help build larger ships including LNG carriers.

High cost

To conclude that the plan was not feasible, NITI Aayog cited the high cost — at least $900 million more — of building an initial set of LNG tankers in India, and the prospect of having to extend government counter-guarantees to the project.

“He (Panagariya) is no longer there,” the Ministry official said. The government has since named economist Rajiv Kumar, a senior fellow at the Centre for Policy Research, to helm NITI Aayog.

The Shipping Ministry concedes that the high initial cost of constructing LNG tankers in India is a “matter of concern”. “But that is the price we have to pay for getting started on a new business segment. We are willing to work around that by giving a helping hand,” the official said.

Unlike earlier prime ministers, Narendra Modi has taken a keen interest in shipbuilding and had even visited the main yard of Hyundai Heavy Industries, the world’s largest shipbuilder, at Ulsan during a visit to South Korea in May 2015.

Cochin Shipyard has signed a technology collaboration pact with South Korea’s Samsung Heavy Industries Co Ltd to build LNG ships. This came after External Affairs Minister Sushma Swaraj lobbed with Seoul. The firm also secured a licence from GTT, France, to use its patented Mark III LNG containment systems.
RIL, BP to use floating production system at deepest D6 gas find

PRESS TRUST OF INDIA
New Delhi, August 27

RELIANCE INDUSTRIES and its partner BP of the UK plan to use a floating production system at high-sea in the Bay of Bengal to bring to production the deepest gas discovery in the flagging KG-D6 block.

The MJ-1 gas find is located about 2,000 metres directly below the currently producing Dhirubhai-1 and 3 (D1 and D3) fields in the eastern offshore KG-D6 block and is estimated to hold a minimum of 0.988 trillion cubic feet (Tcf) of contingent resource.

An executive in the joint venture said floating production storage and offloading (FPSO) will be used to bring the gas to the surface, treat it and pump it to the pipeline system that will take it to the shore. In May 2013, RIL, BP and Niko Resources of Canada had struck a 155-metres thick gas condensate column in the exploration well KG6-M1, which was later named as D55 or MJ-1 discovery. "The commerciality of the discovery was approved in December last year and we have one-year time from that date to submit an investment plan called the field development plan. If need be, the deadline can be extended by six months," he said.
RIL eyes floating tech for KG basin

New Delhi: Reliance Industries and its partner BP plc plan to use a floating production system at high-sea in the Bay of Bengal to bring to production the deepest gas discovery in the flagging KG-D6 block. The MJ-1 gas find is located about 2,000 meters directly below the currently producing Dhirubhai-1 and 3 (D1 and D3) fields in the eastern offshore KG-D6 block and is estimated to hold a minimum of 0.988 Trillion cubic feet (Tcf) of contingent resource. An executive in the joint venture said floating production storage and offloading (FPSO) will be used to bring the gas to the surface, treat it and pump it to the pipeline system that will take it to the shore.