

INDIAN UPSTREAM OIL & GAS INDUSTRY

Oil prices continue to remain
elevated

June 2024



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Oil prices increased to around \$82/bbl in May, driven by expectations of improved fuel demand during summer and the extension of supply cuts by OPEC+, despite the strengthening of the US dollar and expectations of higher interest rates for an extended period. International gas prices are expected to remain range-bound amid healthy inventories globally.

The profitability of upstream companies is likely to remain healthy with capex plans remaining intact.



- **Oil prices** remain elevated at more than \$80/bbl driven by optimism surrounding increased fuel demand anticipated during the summer months coupled with extension of production cuts by the OPEC+, despite the strengthening of the US dollar and expectations of higher interest rates.



- **Domestic crude oil production has been steadily declining** with maturing oilfields and the trend continued in FY2024 as well. This resulted in elevated import dependence to the extent of 87.8% during FY2024. Gas production, on the other hand, may witness growth, going forward.



- **The GoI imposed a Special Additional Excise Duty (SAED)** of ~\$40 per barrel on crude oil production, with effect from July 1, 2022. Since then, there have been multiple revisions with changes in international crude oil prices. The same stood at around \$5/bbl as per the latest revision w.e.f. June 15, 2024.



- **The domestic gas price** from nominated fields is expected to remain at ceiling levels in the near term amid firm crude oil prices, as it is pegged at 10% slope to the monthly average of the India Crude Basket, with a floor and ceiling of \$4.0/mmbtu and \$6.5/mmbtu, respectively.



- **The crude oil prices, despite the SAED impact, are likely to remain remunerative** for the upstream companies to incentivise capex. Moreover, the domestic gas prices also remain remunerative as production costs for the nomination fields are low.



- **The debt levels of the industry are likely to remain stable in FY2025**, and accordingly, the leverage and debt coverage metrics are also expected to be stable and healthy.



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