

PM seeks Re payment system for oil imports

Sanjay.Dutta@timesgroup.com

New Delhi: PM Narendra Modi on Monday sounded the alarm bell over high oil prices stalling global growth and ultimately hurting producing countries, even as he pitched for a rupee payment mechanism to partly cushion India's oil import bill from the impact of the falling local currency.

Addressing his annual roundtable with captains of domestic and global oil industry, Modi used the analogy of the goose and the golden egg to drive home his point and seek a balance wherein prices reflect the concerns of both buyers and sellers.

Sources said Modi's messa-

ge to the gathering, which included Khalid A Al-Falih, Saudi Arabia's energy minister and head of Saudi Aramco, was simple: Don't kill the goose that lays the golden egg.

► **'Severe headwinds', P 20**

Facing severe headwinds from rising oil: Pradhan

►Continued from P 1

Already, Organisation for Economic Co-operation and Development and the International Monetary Fund have cut outlook for global economic growth. This is clearly reflective of lowered oil demand growth prospects put out recently by OPEC itself and International Energy Agency, which represents consumer nations.

Later speaking at the India Energy Forum, oil minister **Dharmendra Pradhan** said India is “facing severe headwinds from rising oil prices” which have risen by 50% in dollar terms and 70% in rupee terms in the last one year.

The high oil prices forced the Modi government to cut excise duty on petrol and diesel last month – the second reduction in a year – to arrest runaway pump prices just when it needs to maintain spending on social welfare schemes ahead of 2019 general elections.

The record prices have also dented fuel demand, with monthly diesel consumption

falling for the first time in 10 months year-on-year in September and petrol sales growing at their slowest pace in four months. This is ominous for producers as India is the third-largest oil consumer in the world and is seen driving



incremental demand over the next decade.

Since India imports 83% of its oil, rupee depreciation adds to the government's worries. The currency has fallen 14.5% this year, which makes crude imports — paid in dollar — costlier and pushes up oil import and subsidy bills. This upsets government math and squeezes room for social spending. If suppliers agree to a rupee payment mechanism, even in part, it will allow the government some breather.

The discussion on price issue prompted an interesting exchange between the Saudi minister and Vedanta group chairman Anil Agarwal. Sources said at one point during

discussion on production cost of oil, the Saudi minister said producers “lose money” at \$40-50 per barrel price. To this, Agarwal interjected to say the cost of production from his group company Cairn India's field in Rajasthan's Barmer field was \$6-7 per barrel but still he was investing in the field to double production.

Modi also asked CEOs why no new investments in exploration and production are coming to India despite the government implementing all the suggestions they made at the previous meetings.

But are producers listening? Speaking at the India Energy Forum, the Saudi oil minister said Modi had raised the issue of “consumer pain” from high crude oil prices. “We heard it today loud and clear from the Prime Minister.” He, however, said the “pain” would have been “much louder” but action by Saudi Arabia, the world's largest exporter of oil, to invest in creating spare capacity has cushioned price shocks.