Cabinet clears Deregulation of Domestic Crude Oil Sale

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[GS Paper 2 – Govt. Policies and Interventions]

Context – The government recently allowed firms like ONGC and Vedanta to sell locally produced crude oil to any Indian refinery for turning it into fuel, such as petrol and diesel, as it deregulated one of the last few avenues that were still under its control.

Key Developments

- Union Cabinet, Information and Broadcasting Minister Anurag Thakur said from October 1, the companies will have the freedom to sell crude oil in the domestic market. However, the ban on the export of crude oil will continue.
- This decision would mean ONGC can auction its 13-14 million tonnes a year of crude oil produced from Mumbai High field to any refiner, including private sector Reliance Industries Ltd and Rosneft-backed Nayara Energy.
- The firm at present has to sell the Mumbai High crude oil to state-owned Bharat

Petroleum Corporation Ltd (BPCL) and Hindustan Petroleum Corporation Ltd (HPCL).

- It could not sell the oil to its own Mangalore refinery, which had conceived a petrochemical complex on the premise that 5 million tonnes of Mumbai High crude could be turned into value-added PTA and Benzene.
- In the present system, the government fixes the quantity each buyer will pick. This limits the scope for price negotiations and often sellers sell oil at discount. Now, the sellers can e-auction the crude to anyone paying the highest price.
- Companies, such as ONGC, will most likely seek a premium over an international benchmark for the crude.
- ONGC may even change the benchmark crude from Nigeria's Bonny Light to Brent, the world's most traded crude oil.
- Vedanta's Cairn Oil & Gas will get the freedom to sell oil from its Ravva oil field in eastern offshore. It currently sells Ravva crude only to HPCL.