Refining the Oil Refining Sector

What is the issue?

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- World Energy Outlook Special Report on India highlights the rising oil demand in India.
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- Given this and the stringent emission norms in place, it is essential to ensure a modern oil refining sector to be adaptive and competitive.
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What is the need?

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- **Demand** - According to International Energy Agency, India is moving to the centre stage of global energy markets.
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- India is notably the world's third largest consumer of energy.
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- With rising incomes and higher car ownership, the number of passenger cars in India is expected to multiply in the coming years.
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- The expected sharp rise in demand for mobility could more than double the demand for refined products by 2040.
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- **Trade** - However, India’s oil refining capacity is falling short of meeting the rising demand for oil products, resulting in huge exports.
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- India could become a net importer of oil products in the not-too-distant future.
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- **Emissions** - Higher dependence on oil products for mobility needs logically mean increased transport emissions.

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- This is a pressing issue for India where around 5 lack people die prematurely every year due to poor air quality.
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- **Besides**, India’s Hydrocarbon Exploration Licensing Policy (HELP) alone will not be feasible to address its demands. Click here to know more about HELP.
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What are the government's measures in fuel efficiency?

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- India has already introduced fuel-efficiency standards not only for cars but also for trucks.
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- One of the most significant developments is the nationwide adoption of the Bharat Stage IV (BS IV) emission standards.
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- This is the regulation for transportation fuels in India (equivalent to the Euro IV standards) effective from April 2017.
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- It requires the sulphur content in gasoline and diesel to be no more than 50 parts per million (ppm).
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- The Government plans to move to an even more stringent standard by 2020 by limiting sulphur content in transportation fuels to less than 10 ppm.
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- To address the issue of increasing fossil fuel usage Indian government also plans to move to alternative fuels.
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What is the concern?

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- Surging demand in domestic and export markets offers an attractive growth opportunity for Indian refineries.
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- On the other hand, tightening of emission standards for transport fuels is becoming a challenge for capitalising on this opportunity.
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- As, the successful implementation of better quality standards depends on the

capability of domestic refineries to adapt to these.
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- If domestic refineries cannot produce compliant fuels, moving to a tighter standard would result in more imports.
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What should be done?

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- Tightening emission standards for transport fuels is fast becoming an irreversible global trend.
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- In this rapidly desulphurising world, those able to produce a better quality fuel stand to benefit by gaining market share in an increasingly competitive refining market.
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- In this backdrop, India should ensure a modern refining sector with all the technical capabilities to produce high-quality fuels.
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- The Government has to devise mechanisms to provide the required infrastructure for the refining sectors.
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- The growth of India’s refining industry and the country’s sustainable future are therefore closely interlinked.
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Quick fact

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IEA

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- The International Energy Agency is an autonomous inter-governmental body based in Paris.
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- It was founded in 1974 to help countries collectively respond to oil supply disruptions.
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- IEA helps governments around the world provide energy access for all,

reduce air pollution, and tackle the climate change crisis.
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- It publishes the World Energy Outlook report.
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- India is an associate member of IEA.
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Source: Business Line

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