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## Power cuts could see diesel demand spin out of control

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BL reported that the power and water shortage across the country is not the best of news to oil refiners who are worried that this could lead to excessive diesel consumption at a time when they are already making losses on sale of the fuel.

The trio of IndianOil, Hindustan Petroleum Corporation and Bharat Petroleum Corporation had little to complain about at the beginning of this calendar when they were making profits on diesel.

An oil industry executive said “From our projections, losses on diesel are already close to INR 4 per liter and will only grow with more demand especially in the non transport sector.” Ideally, diesel is meant for vehicles at retail outlets but this is seldom the case in a country where blackouts are the order of the day.

Even today, diesel is the best bet for generator sets in farms, factories, construction equipment and even large residential complexes. It is preferred to furnace oil since access is a lot easier thanks to a plethora of retail outlets. In addition, diesel can be bought in small quantities too which gives it an advantage.

The only silver lining in the cloud is that, quite unlike 2008-09, there are no issues relating to shortage of diesel. Thanks to private sector refiners such as Reliance Industries and Essar Oil availability is no longer an issue.

The bigger concern relates to the not so welcome prospects of the refiners incurring greater losses on diesel. Last fiscal saw IOC, HPCL and BPCL lose nearly INR 25 per liter on diesel in a brief period when the oil price crisis had gone out of control.

(Sourced from Business Line)

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