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JV LIKELY FOR COAL BED METHANE PROJECTS

May Ink Marketing Pact with Coal India

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Kolkata: Coal India and Gail have formed a committee of senior executives to work jointly on coal bed methane projects of Coal India on its blocks. They are considering a joint venture in which Coal India would be producing the gas while Gail would be marketing it through its network.

Coal India chairman AK Jha and Gail chairman B C Tripathi met in Kolkata on Wednesday to discuss the proposed projects, company executives said.

The proposed joint venture is likely to enable Coal India inject coal bed methane into the proposed Urja Ganga gas pipeline that aims to meet energy requirements of 40 districts and 2,600 villages covering Uttar Pradesh, Bihar, Jharkhand, Odisha and West Bengal.

A Coal India executive said Gail India is interested in downstream processing, transport and selling the gas in bulk to industries. Gail is into transport of bulk gases and has its own distribution network including pipeline which could be used to sell the produce.

"Gail can also help Coal India supply the produce in eastern states via the Urja Ganga gas pipeline project since it is being undertaken by a consortium of state-run companies headed by Gail," the executive said.

In June last year, the Cabinet Committee of Economic Affairs waived the requirement for procuring separate licences from the ministry of petroleum and natural gas for taking up coal bed methane projects on its lease hold areas. Following the waiver, Coal India has already lined up investments of Rs 3000 crore for its coal bed methane projects.

Proposed JV likely to enable CIL to inject coal bed methane into the proposed Urja Ganga gas pipeline

The first project will be undertaken by Coal India subsidiary, Bharat Coking Coal, at Jharia coalfields in Jharkhand. This block is estimated to hold methane reserves of 25 billion cubic meters and is expected to start production two years after the project is initiated.

The second project, at Raniganj in West Bengal, is to be undertaken by Eastern Coalfields.

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PSU BEGINS SUPPLY IN NEW LICENCE AREAS WHERE PIPELINES ARE YET TO REACH

Gail Sets Up Satellite LNG Station in Bhubaneswar

Innovative model may get replicated by other city gas distributors

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New Delhi: Gail has set up a satellite liquefied natural gas (LNG) terminal in Bhubaneswar to supply local customers in the absence of a gas pipeline — an innovative model that may get replicated by other city gas distributors eager to quickly start supply in new licence areas where gas pipelines are yet to reach.

City gas licences have proliferated lately in the country: the downstream regulator offered 86 licences last year, and the process to award another 50 is under way. Just a year ago, licences were limited to 92 geographical areas that covered just a fifth of country's population. After the current round of licensing is complete in a month or so, 70% of the country's population will have been covered.

But taking gas to people can take much longer than distributing licences. Gail, which has a licence to supply gas to Bhubaneswar, decided last year not to wait for the gas pipeline, which is expected to connect the city next year. It started using gas cascades to supply natural gas to homes, shops and vehicles. This involved bringing in gas cascades from Andhra Pradesh to serve local demand, which is about 3,800 kg a day.

Last month, Gail switched its supply method. It started operating a satellite LNG storage and regasification terminal in Bhubaneswar, which can cater to 3,000 compressed natural gas (CNG) vehicles and 1,000 homes. This is the first such operation in the country but satellite LNG terminals are quite popular in several countries to supply gas to areas where laying gas pipelines are difficult or economically unviable.

Gail's terminal contains two verticals tanks of 20 kilo litres each, and low pressure vaporiser for supply to homes, and high pressure vaporiser for CNG vehicles. Each tank has to be replenished every 3-4 days by LNG brought by road from Gujarat port.

"This is a short-term arrangement until the Urja Ganga gas pipeline reaches Bhubaneswar. Using LNG station is better than using gas cascades as the latter involves higher transportation cost and increased delivery uncertainty," a Gail executive said.

Sourcing gas via satellite LNG station is much cheaper than using cascades. Pipeline gas, however, is much cheaper than both.

"This can be a model for other city gas distributors as well who would want to start operation and tap customers before the main gas pipeline has reached their licence areas," said the executive.

Many companies, which have obtained licences in the recent round, do plan to start serving customer this year. Indian Oil Corp, which has more than a dozen licences individually and in joint venture, plans to start CNG stations by the middle of this year in its new licence areas. It is tying up with Gail for supply and plans to use cascades to ferry gas.

Pipe-Dream

LNG Satellite Stations

Mainly used in areas where pipelines are hard to lay or unviable

Costs more than gas transported by pipeline but cheaper than cascade

GAIL's satellite LNG station in Bhubaneswar is first of its kind

Station can cater to 3,000 CNG vehicles, 1,000 homes

Other city gas distributors can replicate the model