



# IOC, GAIL pact to buy stake LNG project expires

ENS ECONOMIC BUREAU

STATE-owned refinery Indian Oil Corporation (IOC) and gas utility GAIL India's initial agreement, to buy a 50 percent stake in Adani Group's ₹5,000 crore Dhamra LNG project in Odisha, has expired, said Dharmendra Pradhan, oil minister.

On September 21, 2016, IOC and GAIL had signed a 'non-binding MoU' with Adani Petroleum Terminal Pvt. Ltd. to take 39 per cent and 11 per cent stake respectively in the planned five million tonnes a year liquefied natural gas import terminal at Dhamra, the minister said in a written reply to the Lok Sabha.

The MoU was "subject to management approvals of IOC and GAIL and successful negotiation of the respective regasification agreements," he said. "The MoU has expired on September 20, 2018." He, however, did not give reasons for its expiry. Regasification is a process of converting liquefied natural gas (LNG) at -162 °C (-260 °F) temperature back to natural gas at atmospheric temperature.

"Further, the state-run firms have informed that no capital expenditure has been made by them on this project," Pradhan said without saying if the two firms have altogether scrapped the plan to buy a stake in the Dhamra LNG project or they continue to be in dialogue with the Adani Group.

In 2015, IOC had signed up to use 60 per cent of the terminal capacity for importing gas for its refineries at West Bengal's Haldia and Paradip in Odisha. GAIL, too, had signed up for the 1.5 million tonnes

of the terminal's regasification capacity.

The MoU for taking an equity stake in the Adani terminal followed GAIL shelving plans in March 2015 to set up a floating LNG import terminal at Paradip. IOC, too, had in 2012 signed an MoU with Dhamra LNG Port Corp. Ltd. to develop an LNG terminal at the port. After shelving their respective plans, the firms signed a pact with Dhamra LNG Terminal. "GAIL has informed that in September 2012, it engaged a consultant to undertake a feasibility study for exploring the possibility of setting up Floating

Storage and Re-gasification Unit project(s) in the upper part of the east coast of India which would facilitate development of natural gas market in eastern part of India," Pradhan said. The consultant shortlisted two locations — one near Dhamra port and the other close to Paradip.

"Before finalising the location, it was decided to have consultations with Indian Ports Association and the Odisha government. Meanwhile, Paradip Port Trust also approached GAIL and expressed its interest. Accordingly, GAIL entered into an MoU with Paradip Port Trust on October 26, 2013, for three years. However, during the meeting held in March 2015, it was discussed that as the gas demand in the eastern part of the country would take some time to mature, setting up of two competing terminals at the same time in such close proximity would not be commercially viable on a standalone basis," he said.



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Dharmendra Pradhan, oil minister