



# GAIL hires Mitsui LNG ship to ferry US gas for 3 years

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**STATE-OWNED GAS FIRM** GAIL India has hired a newly-built LNG ship from Japan's Mitsui OSK Lines for ferrying gas from nations such as the US for three years beginning 2021, and plans to charter hire additional vessels.

GAIL in its latest annual report said it has contracted long-term LNG from the USA (5.8 million tonne per annum) and Russia (2.5 million tonne) and is now actively trading the gas in international market.

The company in 2017 chartered hired the vessel Meridian Spirit from Total for three years, extendable by one year, to transport the LNG sourced from the USA.

It also hired two vessels — Cadiz Knuten and Clean Horizon — in 2018 for shorter periods to meet its shipping requirements.

“Based on the intermittent spot requirements during the FY 2019-20, GAIL plans to charter hire additional LNG ship(s) on spot / short term basis,” it said. “Recently, GAIL has signed a Charter Party Agreement with Mitsui OSK Lines (MOL) for the hiring of a new build LNG vessel for a period of three years from the year 2021 onwards.”

GAIL said it is fully equipped to meet its spot / short / mid / long term shipping requirements and has been able to develop LNG shipping capabilities in a very short span of time.

It is the largest natural gas company of India with about 11,400 kilometers of the cross country existing trunk pipeline network and another 4,000-km pipeline in advance stage of completion.



The company has a contract to buy 2.5 million tonne of liquefied natural gas (LNG) from Sabine Pass Liquefaction. Supplies under this contract started in February 2018.

Also, it has booked 2.3 million tonne per annum of capacity in the Cove Point LNG liquefaction terminal in the US, with supplies commencing from April 2018.

With Gazprom of Russia, it has signed a contract to buy 2.85 million tonne per annum of LNG beginning 2018-19.

“Your company has successfully renegotiated LNG contracts with GMTS (Gazprom) in view of the changing market scenario, as spot / short-term LNG prices had declined substantially amid a supply glut,” the annual report said.

In addition, GAIL was instrumental in renegotiating LNG supply contract from Australia through Petronet LNG.

“Through these renegotiations, your company has managed to renegotiate the timeline, volume, LNG price and price indexation of these long-term LNG contracts, resulting in significant price advantage,” it added.

# *GAIL hires LNG ship from Mitsui for ferrying US gas*

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These contracts, GAIL said, were entered into with the primary objective of meeting the demand of a growing Indian economy and with power sector being considered as one of the major long-term buyers of LNG.

"However, power produced from LNG is not being scheduled by Distribution Companies (DISCOMs) due to cheaper alternatives including renewables thereby leading to the stranding of significant capac-

ity out of the approx 25,000 MW of installed gas-based power plants," it said.

To mitigate this risk, GAIL said it is exploring opportunities to market LNG volumes in the international markets either directly and/or through its subsidiary, GGSPS Singapore.

"In parallel, your company has also optimized LNG sourced from the US through destination swap transactions to optimize the cost of shipping this LNG to the Indian ports resulting in the efficient management of the portfolio. Your company has also undertaken time swap transactions to even out the LNG supply-demand fluctuations," the report said.

GAIL is looking at the fertilizer sector for market some of the LNG and is also looking at refineries and steel plants for the same.

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