

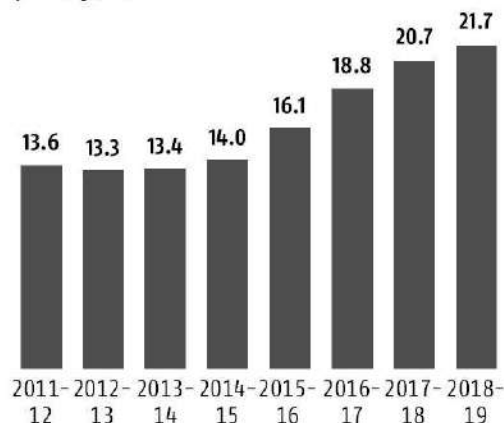


INDIA'S US GAS DEAL: IS LNG RISKY FOR INDIA?

Prime Minister Narendra Modi's recent US visit saw Petronet LNG Ltd (PLL), a joint sector company, signing a memorandum of understanding with US-based Tellurian for import of liquefied natural gas (LNG). However, there are concerns over the LNG demand growth in India because of price sensitivity of the market. COMPILED BY SHINE JACOB

LNG IMPORTS TO INDIA OVER THE YEARS

Quantity (mt)



LNG INFRASTRUCTURE (mtpa)

Terminal	Developer	Capacity
Dahej	Petronet	17.5
Hazira	Royal Dutch Shell	5.0
Dabhol	Gail, NTPC	5.0
Kochi	Petronet	5.0
Ennore	Indian Oil	5.0
Total		37.5

BULLISH ON THE US LNG

Under a non-binding memorandum of understanding signed on September 21, PLL and its affiliates have the option to buy 5 million tonne per annum (mtpa) LNG from Tellurian's Driftwood project on the banks of Calcasieu river in Louisiana. The deal comes with the option of making an equity investment.

PRICE PRESSURE

If PLL decides to go alone, it will have to invest around \$0.5-1 billion for around 1 mtpa. Based on industry estimates, this LNG could cost upwards of \$5 per million

metric British thermal unit (mmBtu). Added to it will be regasification and other charges. The notified domestic gas price for Oct-Dec 2019 is \$3.23. Price for domestic gas from deepwater fields is capped at \$8.43.

DEMAND GROWTH

According to EY estimates, India's LNG consumption is expected to increase to 227 million metric standard cubic meter a day (mmscmd) by FY25 from around 73 mmscmd in FY18. The overall gas demand is also expected to increase from 443 mmscmd this year to 654 mmscmd by 2026-27,

according to PLL estimates. The share of gas in the overall energy basket, however, is around 6 per cent now, down from around 11 per cent during the first half of this decade, mainly because of dependence on costlier imported gas. In addition, natural gas pipelines in India are running at a capacity utilisation of only around 40%.

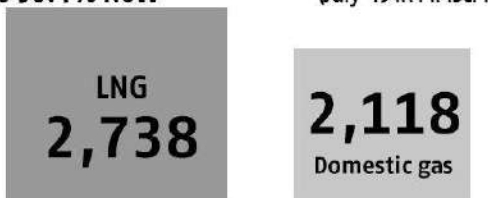
CHALLENGES FOR LONG-TERM DEALS

Majority of PLL's long-term deals are linked to crude, which faces price challenge from other fuels. Spot LNG is moving away from this linkage, which puts a question mark on crude linked contracts.

LNG IMPORTS



SHARE OF LNG INCREASED FROM 19% IN 2011 TO 56.4% NOW (July-19 in MMSCM)



PROJECTION OF LNG SHARE IN OVERALL GAS SUPPLY IN INDIA

Total demand

Million metric standard cubic meter per day



US DEAL CONCERNS

If the company goes alone with the investment, its finances will be under pressure. According to the March 2019 quarter release, PLL has ₹8,566 crore of reserves and surplus. The company's debt is around ₹750 crore.

OTHER LONG-TERM DEALS

PLL has sourced LNG from RasGas of Qatar of about 7.5 mtpa. The company also has a contract with Exxon Mobil for supply of around 1.4 mtpa of LNG from its Gorgon project. Major consumers of imported LNG are GAIL (India), Bharat Petroleum Corporation and Indian Oil Corporation.

Sources: PPAC, PNGRB, PETRONET, EY

Dharmendra Pradhan visits Rourkela Steel Plant



By Mail Today Bureau in New Delhi

The minister of petroleum and natural gas and minister of steel, Dharmendra Pradhan, recently visited Steel Authority of India Limited (SAIL), Rourkela Steel Plant (RSP). In a day-long meeting he took a tour of the steel plant, held a review meeting with the officials and interacted with the customers.

Pradhan called for fast tracking projects and greater contribution towards regional development. The union minister first went to the model room of HRD centre. There he was appraised with the functioning of the entire plant and was shown a safety film.

Thereafter, the minister visited the projects site of the hot strip mill-2 and took stock of the progress and future plans. New plate mill was the next destination in

his itinerary. He visited the unit, watched the rolling of plates and planted a sapling in the Pragati Udyan in front of the mill. He also interacted with the employees on the shop floor.

While chairing a review meeting, Pradhan said, "Rourkela is an intellectual hub of Odisha and has contributed in a big way for the development of the state as well as the nation." The minister emphasised upon fast tracking of the ongoing projects at the earliest and ramping up the production. He called for greater contribution of RSP towards development of the region. He also stressed on leveraging digitalisation in the functioning of the plant. Gautam Banerjee, executive director (works), RSP, made a detailed presentation on various aspects of functioning of RSP on the occasion.

The minister also held a meeting with customers. While interacting with the customers, he said, "The steel fraternity has an



important role to play in the development and industrialisation of the region." He also emphasised upon creating more consumption centres in and around Rourkela to increase the sales of RSP. The minister also stressed on having regular interaction with the customers to study the changing market demands.

Jual Oram, MP, Sundargarh and chairperson of the parliamentary committee on defence; Shankar Oram, MLA, Biramitrapur; Puneet Kansal, joint secretary, steel; Raghuraj

Madhav Rajendran, PS to minister of steel; Dipak Kumar Das, APS to the minister; Anil Kumar Chaudhary, chairman, SAIL; Soma Mondal, director (commercial); Atul Srivastava, director (personnel); Harinand Rai, director (technical); Dipak Chattaraj, CEO, RSP and Dr. Vijay Yeddulla, ADM, Rourkela also accompanied the minister.

Earlier in the morning, the minister also met local representatives, students of Hi-Tech Medical College; government officials, officers of NBCC, GAIL, NHA etc.

Dharmendra Pradhan, minister of steel, emphasised upon creating more consumption centres in and around Rourkela to increase the sales of Rourkela Steel Plant (RSP).