India's gas imports set to increase; demand reaches pre-covid level

New Delhi: India's gas imports are set to rise as GAIL (India) Ltd has reopened its western India imports facility after months of shutdown during the monsoon and as local demand has returned to pre-pandemic levels, its head of marketing said on Monday. GAIL had stopped importing LNG cargoes at its 5 million tonnes/year Ratnagiri terminal in western India in May, as the start of the monsoon season makes operations difficult without a breakwater to protect the harbour from large waves. "Now our imports will be normal as the shutdown is over," E.S. Ranganathan told *Reuters*. GAIL on an average receive 5 LNG cargoes a month at the terminal but its imports have been hit since end-March due to a nationwide lockdown to stem the spread of covid-19.

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REUTERS

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Since the shutdown, it unloaded a cargo on September 27. India meets about half of its daily 160-170 million standard cubic meters (mmscm) of gas demand through imports.

LNG imports, however, slipped over three years low to 1,947 mmscm in April, when coronavirus-linked lockdowns hit mobility and industrial activity. India's overall gas demand during the month shrunk to the lowest since March 2015 to 4,013 mmscm, according to the government data.

Gas demand has started increasing as restrictions were eased from May.

"Gas demand has come back to pre-Covid level... new customers are added that together makes up for the loss in demand from some CGD (city gas distribution) area," said Ranganathan.

India's city gas distribution companies supply gas to domestic households, transport and small industries. Ranganathan said most fertiliser and power plants, key consumers of gas, were operating at a normal rate.

India is also adding more stations to sell gas to automobiles, and building pipelines and import facilities as Prime Minister Narendra Modi is keen to boost the share of cleaner fuel in the energy mix to 15 per cent from 6.2 per cent now. AGENCIES

Unified tariff likely to make KG Basin gas cheaper

FE BUREAU
New Delhi, October 5

THE NEW UNIFIED gas pipeline tariff regulation, once implemented, is expected to significantly cut rates of gas to be procured from the Krishna Godavari Basin (KG Basin), Nomura analysts said. Based on the FY20 consumption levels, the Petroleum and Natural Gas Regulatory Board (PNGRB) has indicated that unified gas pipeline tariff would be around ₹ 56.8 per million British thermal units (mmBtu).

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Under the current additive pricing regime, the transportation cost of gas sourced from the KG Basin, touted to be the largest source of upcoming new gas in the country, is in the range of ₹100 to ₹193 per mmbtu.

For the Jagdishpur-Haldia-Bokaro-Dhamra (Urja Ganga) pipeline, rates of gas transportation from the KG Basin might fall by as much as ₹128.3 per mmBtu — or 66% lower than current tariff levels — if the new unified tariff norms are put in place, the brokerage firm noted. The unified tariff would be applicable on the integrated trunk network of 13 pipelines with combined volume of 113 million standard cubic meter per day (mmscmd) — about 75% of the country's FY20 consumption levels — mostly run by state-run Gail and Gujarat State Petronet (GSPL).

Analysts at ICICI Securities pointed that unified tariff would help boost the Urja Ganga pipeline's utilisation, as otherwise, its rates would be prohibitively high. The idea behind unified tariffs is the development of new gas markets in far flung areas by rationalising pipeline transportation rates. The current additive pricing system raises pipeline charges every 300 km, discouraging potential consumers located in areas far from the gas production facilities and import terminals.