

GAIL, Adani join IGX

Exchange has got a market-discovered price of \$4.07/unit

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At a time when the price of domestic natural gas is as low as \$2.39 per million metric British thermal unit (mmBtu), the Indian Gas Exchange (IGX) — the country's first natural gas exchange — has got a market-discovered price of \$4.07 per unit within the first two days of operation.

Launched on Monday, the platform — set up by the Indian Energy Exchange — has so far traded 100 mmBtu gas.

Giving major boost to IGX, big liquefied natural gas (LNG) players like state-run GAIL (India) and Petronet LNG have joined the exchange as members. Private sector majors like Adani Gas, too, have joined IGX as its member partner.

“We have brought in 12 members and over 350 clients so far. GAIL and Petronet have joined as our members,” said Rajiv Srivastava, managing director and chief executive officer, IEX.

Other members of the platform include Manikaran Power, GMR Energy Trading, Zak Venture, Kreate Energy, Gita Power and Infrastructure, Abja Power, Arunachal Pradesh Power Corporation, Andhra Pradesh Gas Power Corporation, and Instinct Infra and Power.

Trade members facilitate trade on the exchange on behalf of their clients. They act as the link between the exchange and the clients registered on the exchange.

A source indicated that 100 mmBtu of overall trade was for



daily contracts only, even though there were bids for fortnightly and monthly contracts as well. The market-discovered price for first two days was ₹309 per mmBtu or \$4.07 per mmBtu. The exchange is LNG-driven, while the price of domestically produced natural gas is notified by the government. At present, the domestic natural gas price is at \$2.39 per mmBtu, which most producers, including Oil and Natural Gas Corporation, have cited as unviable.

Launching the IGX, Petroleum Minister Dharmendra Pradhan had endorsed a market-driven pricing mechanism and hinted at the introduction of a new tariff policy on gas. He said the IGX would help in finding market-driven pricing in India.

Though in the international market, the spot price of LNG is low at around \$2 per mmBtu, the price at the consumer end in India will come to around \$5-7 mmBtu, including transmission cost, marketing margins, local taxes, and levies.

The average spot-LNG price in April this year was \$2.4

per mBtu. It declined to \$2.2 per unit in May, according to the data published by Japan's trade ministry. This was compared to \$5.2 per unit and \$5.4 per unit, respectively, in April and May 2019.

“Since the situation is volatile, short-term contracts are preferred. We expect some part of the domestic gas allocation on the platform in the future. That will give it better price discoveries,” said Rajesh Kumar Mediratta, director, IGX. The exchange is expected to give India 15 per cent gas share in its energy basket, from 6.2 per cent.

The country's LNG capacity is also expected to increase from 37.5 million tonnes per annum (mtpa) to 62.5 mtpa by 2021-22.

IGX will offer spot and forward contracts at Dahej, Hazira, and Kakinada. Spot contract for the day-ahead market means gas will be delivered the following day. Additionally, there will be forward contracts for daily, weekly, monthly, and fortnightly markets.