



GAIL (INDIA) LTD. CONTINUES THE POIGNANT APPEAL TO MAINTAIN SOCIAL DISTANCING

GAIL employees working from home have made a humble effort of producing an Anthem song for creating awareness on Social Distancing, Staying at home & staying safe. This song is posted on GAIL Facebook and Twitter handles. Link : <https://twitter.com/gailindia/status/1250364854017409024?s=08>.

With our combined efforts of practicing #SocialDistancing & #Sanitization, we can be #EnergizingPossibilities of defeating #COVID19. Even in these times of crisis, we wouldn't let the #NaturalGas, PNG & bulk LPG supplies break. Let's #Stay-HomeStaySafe to fight this virus! Novel Coronavirus has fast become a global pandemic and it is essential for whole of our nation to come together and fight it. To contribute to the nationwide fight against COVID 19, GAIL and its employees have taken a series of steps. Ensuring the supply of natural gas, PNG and bulk LPG to our nation is paramount for us. Thus GAILians are working tirelessly in these difficult times. However, as a responsible organization, GAIL has ensured that practices like sanitization and social distancing at work place are religiously followed. From Hazira in Gujarat to Varanasi in Uttar Pradesh and Bhubaneswar in Odisha, GAIL has also tried to carried out sanitization drives in the various cities across India to ensure health and safety for all. GAIL and its employees across the country have also provided necessary items like bedsheets, food items, mineral water and sewing machines for making protection masks to the local authorities.

Shale holdings of RIL, GAIL under pressure

The falling demand of crude oil in the US market will adversely impact investments made by Indian firms in the shale business there. For RIL, its investment in US shale is providing it negative returns on equity. The average realisation for RIL's shale investment had fallen to \$2.71 for a thousand cubic feet equivalent of shale production. **2▶**

Shale holdings of RIL, GAIL under pressure

Investments in alternative fuels have become unviable after oil price fall

JYOTI MUKUL & SHINE JACOB
New Delhi, 21 April

The falling demand of crude oil in the US market will adversely impact investments made by Indian companies in the shale business there. American refiners closed some of their production, leading to futures trade benchmarked to the West Texas Intermediate (WTI) going negative on Monday.

Though WTI recovered, investment in alternative fuels like shale has become unviable. For Reliance Industries (RIL), its investment in US shale is providing it negative returns on equity. The average realisation for RIL's shale investment had fallen to \$2.71 for a 1,000 cubic feet equivalent of shale production. Besides RIL, GAIL (India), too, has invested in shale gas in the US.

When crude oil prices drop, production of alternative fuels like shale oil and gas becomes unviable. RIL's upstream joint ventures in US shale include a 45 per cent working interest (WI) partnership with Ensign Natural

Resources in the Eagle Ford shale play, and a 40 per cent WI partnership with Chevron. According to industry sources, the company is unlikely to invest more in exploration in the US in a lower price regime.

Besides RIL, GAIL holds 20 per cent stake in Eagle Ford shale of Carrizo Oil & Gas. In 2013, the company tied up to import 2.3 million tonnes (mt) of liquefied natural gas (LNG) for 20 years from Cove Point. A similar contract for 3.5 mt was signed with Cheniere Energy's Sabine Pass project in Louisiana.

In 2017, RIL sold one of its shale assets for \$126 million, a third of the price it paid seven years earlier, amid a downturn in global oil prices. Its share of shale production rose 20 per cent in the quarter ended December 2019 at 23.9 billion cubic feet equivalent

and realisation improved 12.5 per cent to \$3.05 per million cubic feet, over the quarter ending September 2019, with improved prices of natural gas liquids. The realisations would fall further because of a lack of demand, leading to lower production.



CORONAVIRUS PANDEMIC



RIL'S US SHALE BUSINESS



*billion cubic feet **dollar per thousand cubic feet equivalent SOURCE: RIL

According to Premasish Das, executive director of oil markets midstream and downstream at IHS Markit, exploration and production companies in the US will be under immense pressure

to reduce spending and live within cash flow. "It could lead to many bankruptcies (among American companies). However, given the uncertainties from the pandemic and its fallout

on oil demand and global economy, it is unlikely to see many mergers and acquisitions, which would start once the market stabilises," said Das.

India has bought shale oil and gas parcels from the US in the past, but the logistics of shipping it does not help. Companies often swap quantities in order to earn arbitrage out of the shipping cost. Importing under terms where the exporter bears the shipping cost or cost and freight arrangement could, however, be beneficial, considering the low oil cost. However, Indian demand has also shrunk because of the nationwide lockdown.

According to Das, the strategy of increasing crude oil imports from the US makes sense in terms of diversification of supply sources amid the restraint of Organization of the Petroleum Exporting Countries' members. "However, the availability of crude oils from the US could be challenging as US production will decline rapidly this year and next."