

NATURAL GAS

Present Scenario & Future Prospects

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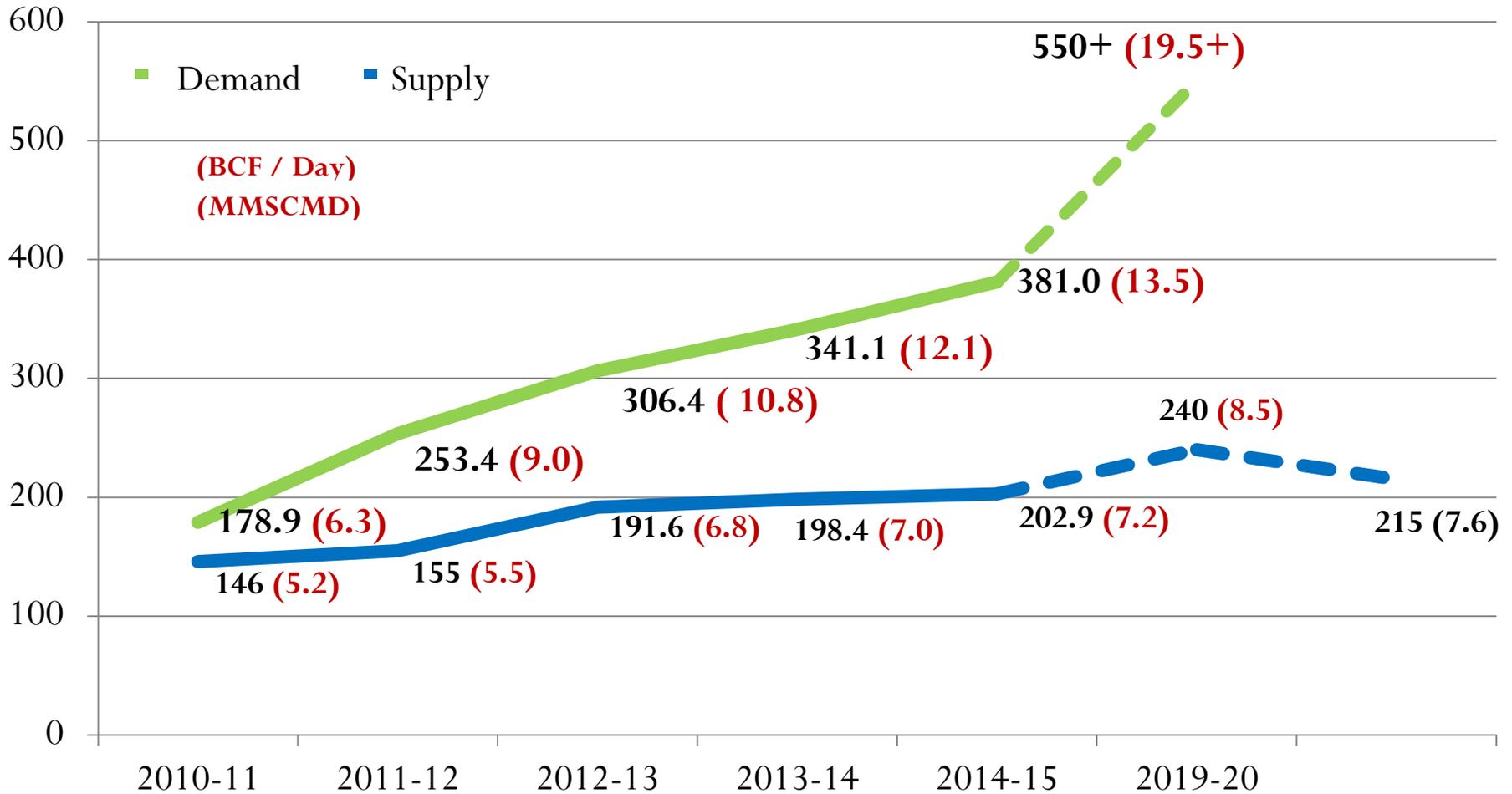
AIGMF : Convener

Raw Material & Fuel Sub-Committee

INDIA –A MAJOR GAS/LNG CONSUMER

- 13th largest gas consumer – 70 BCM (~ 190 MMSCMD)
- 6th largest LNG importer – 16 BCM (~ 44 MMSCMD)
- Economy increasing at CAGR of 7-8% p.a. with similar increase in Energy Consumption
- Share of Natural Gas in Indian Energy basket to increase from 11% to 20% by 2025
- Despite increase in domestic gas production- dependency on imported gas to increase substantially
- Pipeline network- developing into a national grid – needs to grow faster, connecting new markets

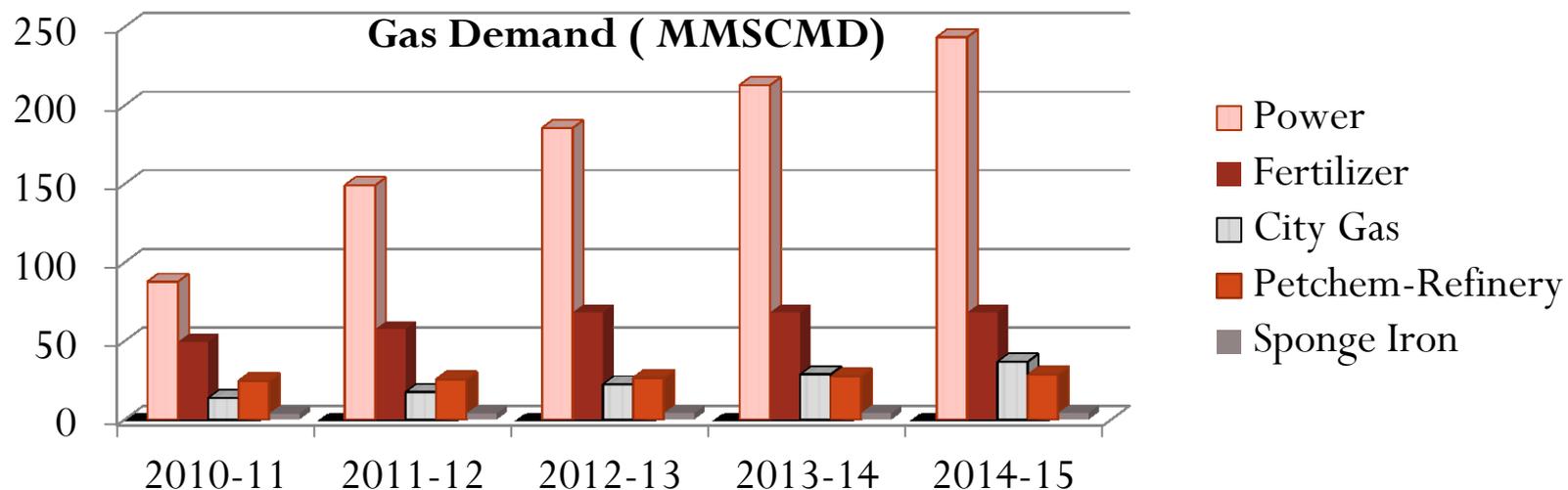
CURRENT GAS DEMAND & DOMESTIC SUPPLY SCENARIO



Demand – Mercados Analysis

Supply – Directorate General of Hydrocarbons (DGH)

SECTOR WISE PROJECTED GAS DEMAND



	2010-11	2011-12	2012-13	2013-14	2014-15	%ge
Power	87.71	149.11	185.52	212.73	243.34	63
Fertilizer	49.39	57.48	68.08	68.08	68.08	18
City Gas	13.70	17.53	22.44	28.72	36.76	10
Petchem-Refinery	24.44	25.42	26.43	27.49	28.59	8
Sponge Iron	3.71	3.82	3.93	4.05	4.17	1
Total	178.94	253.36	306.41	341.08	380.95	100

Source: Mercados Analysis, 2010

DEMAND SUPPLY GAP

- Demand – Supply gap has widen due to lower than expected supply from Reliance D – 6 blocks. Current production is around 40MMSCMD (as against expected 70MMSCMD).
- Demand – Supply gap partly being covered by LNG Imports – balance left uncovered with the result - many power plants working under capacity or not at all working. Fertilizer plants using costly Naptha.
- LNG imports will increase substantially to cover Demand Supply Gap

CURRENT GAS PRICE

- Priority sector i.e. power & fertilizer get Natural Gas at US\$ 4.20 per MMBTU [Rs. 8.00 per SCM]. This is mostly ONGC, Oil India & Reliance Gas being controlled by Government.
- LNG Gas available around Rs. 26 to Rs. 30 per SCM. LNG price high in Asia pacific region because of heavy demand from Japan, Korea & Taiwan. Japanese Nuclear power plants under stress test. Japan importing LNG for its gas based plants.
- LNG price may come down marginally in 2012 – 13 but by and large expected to remain firm for next 4 – 5 years (12th five year plan period).

FUTURE PROSPECTS

- In next 4 to 5 years domestic gas production expected to increase.
- Reliance with BP & ONGC will increase production of Natural Gas.
- Production of domestic Shale Gas and Coal BED Methane (CBM) also expected to commence and add to Domestic Supplies.
- USA rapidly increasing its production of Shale Gas & may become net exporter of gas next year. In next 4-5 years USA expected to export 50% of its gas production.
- GAIL already signed agreement with US firm to supply 3.5million tonnes of Liquefied Natural Gas per year for next 20 years supplies to start in the year 2016.
- In next 4 to 5 years Australia will become world's largest supplier of LNG.

GAS POOLING

- GAIL has conducted a study which favours Gas Pooling (price of imported & domestic gas should be averaged out, so that all users get the Gas at the same price like petrol and Diesel). This would mean Govt. subsidy will not go down substantially on Fertilizers and Power. For this reason the study has not found favour with Planning Commission.

*THANKING
you*