



Hawa Badlo movement

Hawa Badlo is a movement against air pollution which is supported by GAIL (India) Ltd. Its objective is to create awareness about the consequences of environmental contamination caused by human activity. *Hawa Badlo* movement is a step towards building a sustainable environment for the country and creating a meaningful difference.

NATURAL GAS IMPORT

Why GAIL Should Be Seeking Bail



V Ranganathan

On March 6, the first consignment of gas from Louisiana, US, was flagged off for the Indian port of Dabhol, in the presence of Gail chairman B C Tripathi and Cheniere president Jack Fusco, who said, "India remains an important market for LNG (liquefied natural gas)." Tripathi responded by stating, "Gail is one of the foundation customers of Cheniere having signed the contract in 2011, and will also make for portfolio diversification."

But in October 2017, after the precipitous fall in gas prices, Gail tried to renegotiate with Cheniere — as it did successfully with Qatar — only to be rebuffed.

As per the sale and purchase agreement (SPA), from March 2018 onwards, Gail has to take the delivery of 182.5 trillion BTU (British thermal units) of LNG, amounting to 3.5 million tonnes a year, for 20 years from the US. This costs about \$4 a MMBTU

(metric million BTU) higher than if it bought on spot from nearby Asian markets that avoid liquefaction and long-distance transport. This translates to about ₹4,750 crore a year, or ₹40,000 crore additional payment in present value terms, with an interest rate of 10%.

Gail will, no doubt, pass this on to its client-cum-subscribers like Gail Gas and Indraprastha Gas (IGL). But, ultimately, it'll be the nation that will be paying the bill.

Gail has entered into a 'take or pay' contract with Cheniere's arm, Sabine Pass (SPL). This essentially means that whether one takes delivery or not, one will have to pay for the contracted amount. Firms typically enter into long-term contracts to hedge price fluctuations. But in this case, this is a hedge against quantity, not price.

LNG sale — which has three cost components: gas, its liquefaction, and its transportation by ship — is viable only if the price of gas is high, as liquefaction and transportation costs are more or less constant. The contract selling price (CSP) was the future price, augmented by 15% with no provision to benefit Gail if the spot price goes below the future price — plus a \$3 per MMBTU for liquefaction, and 15% of this indexed to US inflation.



What a gas!

The current future price hovers at \$2.80-3 per MMBTU for 2018. Transport and re-gasification are added to the buyer's account, which will add about \$3 per MMBTU for shipping to India, and another \$0.50 per MMBTU for re-gasification. Thus, the LNG from the US will cost \$9.50-10 per MMBTU, minus taxes. Gas in Asian markets is available at \$5.50-6 per MMBTU.

The contract states that even if the gas price is low, Gail cannot take advantage of this. While Gail can buy the compensating quantity in the open market at the lower price, this price will be reimbursed to Gail while the contract price is still payable to SPL.

Cheniere, a gas aggregator and transporter, started by buying gas from Qatar and selling it to the US when gas prices were \$15-16 per MMBTU.

With gas prices touching the floor, the company's share price dipped to single digits. Since SPAs like the Gail contract, however, Cheniere's share has gained 30% in 2017, and now prices have reached \$54 per MMBTU.

Buying LNG long-distance, without fully exploring short-distance natural gas from Myanmar, Bangladesh and Malaysia, makes little sense. China and Thailand are buying gas from Myanmar, while India gets it from the US and Australia.

Taking up long-term contracts, whether in gas or electricity, is ill-advised, because you cannot predict changes. Second, in such contracts, there should at least be exit clauses, where one can pay a small price for one's mistake and get out. This is absent. Third, the terms in the contract are one-sided, favouring the supplier.

Public sector undertakings, in general, have engineering expertise, but woefully lack contracting and project finance skills. They don't seem to want to fill these gaps. The current management gets all the benefits of signing big contracts, but future managements have to carry the can.

The writer is former professor, economics and energy, Indian Institute of Management, Bangalore



Gail India buys two LNG cargoes for April delivery

GAIL (INDIA) BOUGHT two liquefied natural gas (LNG) cargoes for delivery in April through a tender, traders said on Tuesday. The company likely paid premiums of about \$8.50 to \$8.70 per million British thermal units (mmBtu) for the two cargoes to be delivered over April 1 to 7 and April 8 to 17, they said. The cargoes are for delivery into Dahej or Dabhol ports.

CNG stations in Ggn to remain shut from Saturday till Monday



OUR CORRESPONDENT

GURUGRAM: At least 25 CNG stations will remain closed from Saturday afternoon till Monday evening in Gurugram. The stations will be closed to facilitate rerouting of gas pipeline in the district. The temporary shutdown will begin from 1 pm on Saturday, and will reopen from 6 pm on Monday.

The Haryana City Gas Distribution Limited, which is the sole supplier of CNG in the city, has said that the decision is taken by the upstream gas supplier Gas Authority of India Limited (GAIL). The CGPL gas pipeline at IFFCO Chowk and will be rerouted due

to the ongoing construction work of underpass on Delhi-Gurugram expressway. In order to avoid inconvenience, consumers are advised to have alternate arrangements during the prescribed period and refuel before the temporary shutdown begins.

However, the gas supply to PNG customers, both domestic and industrial, will remain unaffected.

The 24 hours shutdown will affect the supply of automotive fuel to all consumers. Last year also Haryana City Gas Distribution Limited closed six stations because of shifting of pipeline due to expansion of NH-8 at IFFCO Chowk, Signature Tower.

INDIAN OIL The Public Enterprise Selection Board has selected Akshay Kumar Singh, for the post of Director (Pipeline) in Indian Oil Corporation Ltd. Singh is currently an ED in GAIL & has made significant contributions in Petroleum & Natural Gas Sector in last 32 yrs. He has vast experience in executing challenging, complex & mega size cross country pipeline projects with stiff time schedule and cost. He has substantive experience in design engineering, planning, execution, operational and maintenance streams of hydrocarbon sector.





Appointment



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