

{ RUSSIA-UKRAINE CONFLICT }

UP braces for CNG shortage, price rise

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LUCKNOW : Uttar Pradesh is bracing for a shortage of CNG as the Russia-Ukraine war is having an impact on natural gas supplies to the local market, which may also lead to a hike in prices of gas and crude oil, said officials.

The Gas Authority of India Ltd (GAIL) has already cut down 20% of CNG supply to 34 CNG pumps in Lucknow, 30 pumps in Agra, four in Ayodhya and three in Unnao. Filling stations in these cities are maintained by Green Gas Limited (GGL), while supply in Kanpur is maintained by Central UP Gas Limited (CUGL). GAIL officials didn't rule out a rise in prices of CNG and crude oil. "The Russia-Ukraine conflict can hit global CNG and other gas supply chains that are already stressed due to the pandemic. Everyone knows these countries are major players in the global market," said JP Singh, MD, Green Gas Limited. "If the war continues for a



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longer time, there is a possibility of more cuts in CNG supply. As a result, there is a possibility of some pumps getting shut down," said GAIL.

Russia controls around 12% of the global crude oil production and 17% of natural gas production. If the war doesn't stop soon, the gas shortage will get worse,

impacting almost all industries/vehicles that are run on CNG and fertiliser companies fuelled by natural gas, said officials.

At present, Lucknow gets a daily CNG supply of 1.40-1.45 lakh kg per day while in Agra it is 1.10-1.15 lakh kg. But, after the 20% cut, the supply has come down to 1.25-1.30 lakh kg in Luc-

know and 85,000-95,000 kg in Agra. The demand for CNG is on the rise as employees are returning to office due to the dip in Covid cases, said Surya Prakash Gupta, chief marketing manager, GGL. When approached for a comment, chief marketing manager of GAIL Manish Saxena said, "It's an internal matter which can't be revealed in public."

However, he agreed that GAIL is facing pressure from companies for not cutting down supplies. He didn't rule out rise in prices of CNG and PNG in the days to come as prices of gas had skyrocketed after the war.

"Global supply chains have been badly hit," he admitted.

GGL officials said they suggested cutting the CNG quota of supply to fertilizer companies and industries instead of reducing supply to CNG pumps. Lucknow has around 1.25 lakh CNG-run vehicles, Agra 1.10 lakh such vehicles and the number of CNG vehicles is increasing each day due to emphasis on eco-friendly transport system.

12 CNG stations shut in Kanpur

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KANPUR : As many as 12 CNG stations have been shut in Kanpur due to shortage of gas supply to the city through pipeline from Gujarat. The rest 22 stations are just about managing supply for as long as they can in the current situation.

Officials of the Central UP Gas limited (CUGL) cited the Russia-Ukraine war as the reason for the shortage. As of now, the supply of piped natural gas (PNG) is unaffected in Kanpur, but there are apprehensions of a crisis, if the war continues.

Kanpur has 34 CNG stations supplying 1.25 lakh kg of gas every day to 73,000 CNG vehicles and factories. Officials said there is a spike

AS OF NOW, THE SUPPLY OF PNG IS UNAFFECTED IN KANPUR, BUT THERE ARE APPREHENSIONS OF A CRISIS, IF WAR CONTINUES.

in oil and gas prices due to the war. As a result, gas supply to CUGL has been cut down by 25%, which could further go up. CUGL director Hirdesh Kumar said: "There has been a cutdown in the supply because of this war. We are closely monitoring the situation. If one area has three stations, supply should continue from at least one. PNG consumers will not face any problem."

BUT ANY GOVT ORDER TO SHARE RETAIL FUEL SUBSIDY BURDEN MAY HIT OIL COS

Higher Crude Prices Likely to Bring More Upside for ONGC, OIL and GAIL

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Mumbai: Shares of ONGC, Oil India and GAIL are poised for more upsides as rising crude and gas prices are expected to boost their profitability. Brent crude prices have rallied 35% in the past one month to \$122 per barrel on Tuesday as economic sanctions on Russia have aggravated supply concerns.

“ONGC, Oil India, and GAIL are the key beneficiaries of rising crude prices,” said Dayanand Mittal, analyst, JM Financial. “ONGC and Oil India are discounting \$60-65 per barrel Brent at the current market price. Every \$1 per barrel rise in crude realiza-



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tion implies a 2-4% increase in earnings per share of these two companies.”

Higher crude price could also improve the earnings visibility of GAIL’s gas trading and downstream businesses, said Mittal.

ONGC and Oil India shares have rallied nearly 12% in the last five trading

sessions compared to a 5% decline in the Nifty. Gail shares gained almost 9% in a week.

Russia is one of the biggest exporters of crude. Oil prices have been rising because of the supply shortfalls.

Higher domestic gas prices are also positive for ONGC and Oil India.

“A surge in oil and gas prices will benefit upstream, and gas utility companies as realisation will be higher,” said Mayur Matani, analyst, ICICI Securities. “However, if LNG prices sustain at high levels, it will impact margins of city gas distributor such as Indraprastha Gas and Mahanagar Gas as the company’s sourcing costs will be higher for incremental volumes.”

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More Upside for ONGC, OIL & GAIL

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ICICI Securities has increased its FY24 EPS estimates for ONGC by 9%. For Indraprastha Gas, Mahanagar Gas, and Gujarat Gas, the brokerage has cut estimates by 19%, 17%, and 24%, respectively.

Oil marketing and refining companies such as BPCL, HPCL, and Indian Oil too could be hurt by higher crude prices, according to analysts.

The risk for ONGC and OIL India is that the government might ask them to share a portion of the retail fuel subsidy burden.

“In addition to excise duty cut and increase in retail prices, the government may summon ONGC, OIL, and GAIL to do national duty by ensuring that supernormal profits above a certain threshold will not accrue to these companies,” said Ajay Bodke, an independent market analyst. “Still, they are made for sharing these supernormal profits to lighten the load on pump prices paid by consumers and this has happened in the past and is very logical too,” Bodke added.



GAIL advances gas supply

from US GAIL India has advanced supply of gas from the US and is looking to contract more liquefied natural gas (LNG) next year. The State-owned gas explorer and transporter's decision is a part of its doubling-down efforts to secure affordable energy supplies to meet the needs of Asia's third-largest economy, according to GAIL Chairman Manoj Jain. GAIL has long-term LNG supply contracts from the US to Australia and with Russia, supplementing domestic gas supplies. GAIL has a 5.8 million tonnes per annum LNG contract with US

suppliers. The decision to purchase more gas from the US now is driven by the fact that US LNG costs one-third of the price of gas available in the spot or current market.