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GAIL to remain unaffected by Ukraine conflict: Experts

SHINE JACOB
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GAIL IS SELLING A LOT IN EUROPE. THERE WILL BE AN OPTION BEFORE THE COMPANY TO SELL MORE LNG IN THE EUROPEAN MARKET AFTER IMPORTING FROM THE US"

B C TRIPATHI, former chairman and managing director, GAIL

GAIL India is likely to stay untouched by possible supply disruptions and sanctions, experts and sources have indicated, despite Russia's Gazprom contributing around 10 per cent of its liquefied natural gas (LNG) requirements.

With European economies dependent on Russian supplies for around 57 per cent of their gas needs, industry experts see this as a business opportunity for the Indian company to sell its LNG from the US in the European market.

A company official did not respond to questions on this. Even if sanctions affect the gas sector, sources said it was unlikely to have any impact on GAIL India because its long-term deal is with a third-level subsidiary of Russian major Gazprom in Singapore called Gazprom Marketing and Trading Singapore (GM&TS).

"GAIL is selling a lot in Europe. There will be an option before the company to sell more LNG in the European market after importing from the US. There is unlikely to be an impact unless international trade routes are affected," said B C Tripathi, former chairman and managing director, GAIL.

GAIL handles regassified LNG of around 89 million metric standard cubic metres per day (mmscmd). During the third quarter of the financial year, the company's operating profit from marketing natural gas jumped to ₹1,750 crore against a loss of ₹74 crore in the year-ago period owing to a spike in spot market prices because of a global gas crunch.

Spot prices are expected to go up because Russia accounts for around 17 per cent of global natural gas output and about a 25 per cent share in gas exports.

Even after this, India is unlikely to be affected because it is dependent on long-term deals for 80 per cent of its LNG requirements. From April to January this year, India imported 26,785 mmscm of LNG, worth around $9.9 billion. This is much higher than the $7.9 billion during 2020-21.

"Till some years ago, we were 100 per cent dependent on West Asia for LNG. We have entered into long-term deals to diversify this basket. Now we are dependent on West Asia for only 60 per cent of our requirements," Tripathi added.

While spot LNG prices were $27-30 per mmBtu (million metric British thermal units) in January, India was insulated with a price range of $12-14 per mmBtu because of these long-term deals, said a source. According to an estimate by CRISIL Research, the prices are expected to rise to $35-40 if war in Ukraine continues. Another industry source said Ukraine's transit point was for Russian gas to Europe and has no relations with supply disruption for the Indian market.

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How to get gas flowing

India must look at transnational pipelines seriously

RICHA MISHRA

What does the Russian invasion of Ukraine mean for India's energy security? Is India in a comfortable position? Can India turn this situation to its advantage or has India, yet again, missed the bus on ensuring fuel secure supply, particularly gas.

Gas demand in India till the third quarter end of 2021-22 was approximately 180 mmscmd (million standard cubic metre a day) wherein 89 mmscmd was R-LNG (re-gasified liquefied natural gas or imported gas) and 91 mmscmd is domestic supplies. In the case of gas, demand is directly linked to supply.

According to the Ministry for Petroleum and Natural Gas data, natural gas production during January 2022 was 2,861.09 mmscm, which is 16.47 per cent lower than the monthly target. Cumulative natural gas production during April-January 2021-22 was 28,535 mmscm, which is 9.59 per cent lower than the target for the period.

Now look at the price: Spot price of LNG is around $25 per mmBtu (gas is measured in million British thermal unit), long-term contract price ranges between $12 and $14 per mmBtu, and currently domestic gas is available at $3 mmBtu plus. India imports most of its gas requirement through long-term contracts.

How could have India shielded itself from the spike in prices and supply disruptions, if sanctions are imposed, as it happened with Iran, once a key supplier to India?

Pipeline pain

Just like India has been a late mover in setting of strategic storage for crude oil it has dragged its feet on transnational gas pipeline networks. The Ministry recently informed the Lok Sabha that the government had set a target to raise the share of natural gas in the energy mix to 15 per cent by 2030. The share of natural gas in primary energy mix has increased from 6.3 per cent to 6.7 per cent from 2020 to 2021.

Critics say India by now should have had transnational pipeline network flowing gas into its territory. India did make an attempt, but those plans have not yet fructified. While the ambitious Iran-Pakistan-India gas pipeline appears lost in transit, another major project, which supposedly had the blessings of the US — the Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas project — for import of gas to India from Turkmenistan, also seems to be hanging fire.

GAIL is the Government of India's nominee to the TAPI natural project for import of gas. TAPI Pipeline Company Limited (TPCL) has been incorporated in Isle of Man to build, own, and operate the pipeline. The pipeline, when constructed, is expected to carry 90 mmscmd of natural gas, of which India will receive 38 mmscmd. The project is currently under the pre-FID (feasibility study) stage, wherein various activities are being undertaken by TPCL.

Considering the changes in the global energy market, GAIL is discussing the terms and conditions with Turkmengas for enhancing the marketability of the pipeline gas to be received from Turkmenistan.

Ukraine is the transit point for Russian Gas to Europe and is not connected with India's supply chain. But there are more than 12 pipeline networks that transport Russian gas to the European market starting from Estonia, Lativia, Lithuania, Belarus, Poland then to Bulgaria, Romania and Ukraine to name a few.

Russia supplies gas through pipeline network in European market including a subsea line in the Baltic Sea up to Germany, which caters to France and Italy too and it is supplied through Nord Stream 1 pipeline. The Nord Stream 2 pipeline, which was about to start, has now ben put on hold after the Russian action.

Russia is not the only supplier, but ferrying gas through pipeline is a more secure and cost-effective option. Shipping is more expensive with added costs including for insurance, which is huge. Therefore, it is time India changed its game plan and looked at transnational networks more seriously.