

Gas Availability Changing the Face of Industrial India: Murli Deora

ENERGY SECURITY IS AN IMPERATIVE, GAS TO BE MAJOR

ENERGY SOURCE: ANAND SHARMA

6th Asia Gas Partnership Summit Gets Under Way

NEW DELHI, March 22, 2010. The challenge before the Indian economy is to raise the share of manufacturing sector in GDP from 16 per cent to 22 per cent in order to attain and sustain an annual GDP growth of 9 per cent, **Mr. Anand Sharma, Union Ministry for Commerce and Industry**, said here today.

Inaugurating the *6th Asia Gas Partnership Summit*, organized by FICCI, promoted by GAIL and supported by the International Gas Union (IGU), Mr. Sharma said, “The manufacturing sector currently stagnating in terms of its contribution to GDP in percentage terms since the nineties and we need to growth the sector by 6 percentage points to push GDP growth to 9 per cent in order to fight poverty and bring about inclusive growth”

Mr. Sharma said that in order to reduce the country’s dependence on fossil fuels and high level of crude oil imports, gas will have to be the major energy source. Energy security was an imperative, he said, urging the Ministry of Petroleum and Natural Gas to adopt a consortium approach in bidding for overseas oil and gas projects.

“There is an urgent need to substantially augment the oil and gas exploratory efforts and improve the recovery rates,” the Minister said. He said that while bio-fuels constituted an important segment of the renewable energy sources being developed by India, it was imperative to tread with caution and ensure that land for food grains production was not diverted to feed the bio-fuels sector.

Mr. Murli Deora, Union Minister for Petroleum & Natural Gas, informed the delegates that LNG infrastructure in the country was being expanded. The capacity of Dahej terminal has been doubled last year. The work at Kochi LNG terminal is underway. Dabhol terminal would be commissioned soon. So the LNG regasification capacity in the country would reach a level of 20 mmtpa by the year 2011-12.

He said that today gas shortage in our urea plants, with a total capacity of more than 20 mmtpa, is completely wiped out. The increased gas supply from KG fields has helped our fertilizers plants to use indigenous natural gas rather than expensive naphtha and fuel oil. Accordingly, it was helping to reduce fertilizers subsidy. In power sector, increased gas supply has resulted in increase in power generation by around 5000 MW.

In addition to fertilizers and power sectors, the increased availability of natural gas is set to transform our city gas sector. Today, about 40 cities & towns are covered by CNG. “We intend to develop city gas in more than 200 more cities. Piped Natural Gas (PNG) in a greater number of big cities and metros would help us to divert LPG supplies to our rural areas,” the Minister said.

On the occasion, the FICCI-Mckinsey & Company Knowledge Paper on ‘Gas 2015: Unlocking opportunities through partnerships’, was released.

Mr. Abdullah Bin Hamad Al-Attiyah, Deputy Premier and Minister of Energy and Industry, Qatar, underlined the need for reform in gas production, distribution and transportation. He stressed the critical importance of improving energy statistics, especially demand forecasts in the emerging developing countries. Of equal importance, he said, was the need to balanced growth objectives with the need to protect the environment. Above all, there was the imperative of a continuous dialogue between gas producers and consumers to develop a better understanding.

Mr. S. Sundareshan, Secretary, Ministry of Petroleum & Natural Gas, spelt out the key challenges in the gas sector. One, the need to reach the gas pipeline network to every corner of the country as regional disparities loom large in gas distribution and two, the need to move to a situation where the domestic gas is available equitably at an almost uniform price irrespective of the source.

He said that 50 per cent of the Indian population was today covered by the LPG connections. Over the decade India has built up a huge capacity of petroleum gas and it has now acquired over 40 million tonnes of excess capacity that are being exported in recent times. Moreover, India is expected to cross over 110 million tonnes of excess capacity and grow by three times in coming three years.

Mr. Vipul Tuli, Director, Mckinsey & Company, India, in his theme presentation on ‘Gas 2015: Unlocking opportunities through partnerships’, said that India's natural gas demand was expected to nearly double to 320 million standard cubic meters per day by 2015. He said that the current demand of 166 mmscmd—made up of nearly 132 mmscmd supplies from domestic fields and the rest from imported LNG—was likely to rise to at least a minimum of 230 mmscmd and a maximum of 320 mmscmd by 2015. There was an upside of 280 mmscmd if gas was made available at a delivered price of USD 10 to 11 per million btu. At these levels, the use of natural gas becomes economical, despite switching costs and additional investment required. This demand would be driven by the refining and petrochemical industry (35 mmscmd), the power sector (5 mmscmd) and city gas distribution (about 10-12 mmscmd). There was a total potential of 310-320 mmscmd if gas is used to ease peaking power deficits in India.

He added that to manage this order of growth, India's natural gas industry would require investments of around USD 40 billion to USD 50 billion across the value chain. With these investments and demand growth, the industry revenue pool could double to USD 50 billion by 2015 from USD 25 billion today. The industry's gross profit pool would be around USD 30 billion, almost double of today's level.

Mr. Nobuo Tanaka, Executive Director, International Energy Agency, France, noted that the major driving force of the rising demand growth has come from the non-OECD countries, especially Asian countries followed by Middle East. To fulfill this rising demand there is a need for a concerted energy revolution. Natural gas, he said, will play the key role in policy landscape, gas resources were huge but exploiting them will be challenging in the near future, the rapid development of unconventional gas resources has transformed the gas market outlook both in North America and other parts of the world, the unexpected boom in North American unconventional gas production together with the current recessionary impact on demand was expected to contribute to an acute glut of gas supply

in the next few years and the 10 countries of ASEAN were set to play an increasing and important role in global energy market in the decade ahead.

Mr. B C Tripathi, CMD, GAIL (India) Ltd., proposed that countries could work together to promote an Energy Price Index which could help reduce volatility in energy prices and setting up of an institutionalized partnership forum located in India or Qatar for regular dialogue on developments in the energy sector.

He said that there was a huge opportunity in the LNG sector with the requirement of about USD 50 billion worth of investments over the next five years. India was among the largest importers of LNG and the capacity of pipelines will be doubled soon. India's strategic and locational advantages can help it build great synergies with other Asian and Middle East countries and this integration has immense potential.

Mr. Harsh Pati Singhanian, Past President, FICCI, said that the Asia Gas Partnership Summit was a very important platform for undertaking meaningful discussions to meet the gas challenges. The rapid growth and progress in regulatory environment has attracted a lot of interest in Asia's gas market. Further, the Indian companies have created a niche for themselves in the international market and are achieving new milestones. The Indian oil and gas companies are undertaking huge investments in hydrocarbons abroad. He added that there is a need to relook at the following – gas pricing structure, gas utilization policy and liquefied gas sources more favorably to leverage maximum benefit.

Mr. R S Sharma, CMD, ONGC, said that LNG was a clean fuel and the gas business is bound to see an exponential growth. There is a tremendous scope for investments in the gas sector –both downstream and upstream in India as the sector is still coming up and it's potential was not fully tapped in India. The anomaly of pricing, needed to be addressed on priority and policies and regulations need more clarity, he said.

Datuk Dr. Abdul Rahim Hashim, President, International Gas Union, said that natural gas offered the most practical solution to mitigate the severe impacts of climate change as it would provide the basis for enhancing the economic growth with least environmental consequences. The renewable energy resources like fossil fuels, oil and natural gas continued to be the dominant form of energy sources in the near term. Amongst this, natural gas can be considered to be the most competitive, affordable and reliable sources of energy as it extended immediate solutions for climate change, health and environment. India has the major advantage in natural gas as it is located much closer to the centre of gas supply. However, India requires huge capital investments in gas supply infrastructure in constructing long distances pipelines. Keeping in view of the potential of natural gas as relatively clean, efficient energy source there is a need to ensure the softening of the gas prices.

Mr. Andre Mernier, Secretary General, Energy Charter Secretariat, Belgium, pointed out that the surge in demand of natural gas in the diversified energy basket attracted much attention in recent times. The economic rise of Asia has a profound impact on the continuing energy demand for natural gas. This necessarily calls for a transparent role of multilateralism on the basis of effective energy cooperation. The energy policies must address the issues of access to natural gas, investment protection and exploration and development of new sources. All these preconditions require a massive investment in

energy infrastructure. Finally, he said, emphasis had been placed in hastening the process of new energy charter treaty to have comprehensive settlements of the international disputes on natural gas.

MEDIA DIVISION