

# GAIL's cheaper offer may impact gas pricing formula

TIMES NEWS NETWORK

**New Delhi:** Gas utility GAIL hopes to shake up the domestic market by offering some 2.5 million tonnes of liquid gas from the US at a dollar less than imports from Qatar.

GAIL has tied up 3.5 million tonnes of liquid gas a year from US firm Cheniere's Sabine Pass facility in Louisiana. The company intends to trade a million tonnes of this gas through its Singapore arm and offer the remaining quantity to domestic buyers.

GAIL's gas deal is linked to Henry Hub, the US benchmark, where prices have fallen to \$4.7 a unit due to the shale gas boom. After adding shipping and other charges, GAIL expects to offer a price of \$12-13 per unit.

Sabine Pass is one of the three US liquid gas projects with permission to export to non-FTA (free trade agreement) countries. Since India does not have an FTA with the US, it has been lobbying for a special waiver.

Till that waiver comes through, GAIL's offering may be too little to kick off a shake-out in the Indian market.

But it could impact the

## LNG IMPORTS

Year	Quantity (million tonnes)	Price (\$/mmbtu)
2004-2005	2.4	2.8
2005-2006	4.8	2.9
2006-2007	7.0	4.1
2007-2008	8.1	5.5
2008-2009	8.3	6.5
2009-2010	9.1	4.9
2010-2011	9.8	6.3
2011-2012	13.5	9.8
2012-2013	13.1	12.1
2013-2014 (Apr - Dec)	9.9	12.3

government's thinking on a domestic gas pricing formula.

Many had objected to the inclusion of costly JCC (Japan Customs Cleared) crude basket as one of the benchmarks along with Henry Hub.

Imports meet 40% of India's gas demand and are set to rise as demand outpaces domestic production. Most of the imports come from Qatar under long-term contracts and spot purchases at costs benchmarked to crude oil price.

Gas import price now ranges between \$13 a unit for long-term contracts and up to \$16 for spot buys.