

# Petronet strikes deal with Qatar's RasGas, to get LNG at half-price

₹12,000-cr off-take penalty too waived for country's largest LNG importer

## OUR BUREAU

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Petronet LNG, India's largest LNG importer, will ring in the new year with good news. The company will get fuel from Qatar's State-owned gas producer RasGas at nearly half the cost originally agreed upon. It will also not have to pay the ₹12,000-crore penalty for lower off-take in 2015.

On Thursday, RasGas and Petronet signed a revised sale purchase agreement, according to which, Petronet will get LNG at \$6-7 per million British thermal unit (mBtu). Under the original contract signed between the two companies in 1999, Petronet would get LNG at \$12-13 per mBtu. Supplies began in April 2004. The new contract is effective January 1, 2016 and ends in 2023.

The earlier contract with RasGas did not allow any change in pricing, resulting in the buyers paying higher than the prevailing market price. Under the new contract, the price for the buyer will be governed by market dynamics based on a crude price linked formula.

## More gas

The new contract is for a capacity of 8.5 million tonne per annum as against 7.5 million tonne per annum in the earlier contract. This would then be sold to indi-

## NEW YEAR, NEW DEAL

RasGas will now sell LNG to Petronet at	Original price, agreed upon in 1999, was	Deal to help Indian LNG consumers save
\$6-7 per mBtu	\$12-13 per mBtu	₹4,000 crore annually

## What's different

- Original Sales and Purchase Agreement (SPA) did not permit flexible pricing
- Buyers would thus end up paying more than the prevailing market prices
- New deal to link buyer cost to crude price-linked formula

## What pushed the deal

- During 2015, LNG was available in Indian spot market for \$7-8/mBtu
- This led to lower off-take from Petronet's consumers
- Petronet had to cut down its off-take from RasGas

*"The economy of the world is changing and India did not want to lose out in the changed dynamics. We want to move towards a gas-based economy. For this, a restructuring of the long-term contract with Qatar's RasGas was required"*

— DHARMENDRA PRADHAN, Oil Minister



an Oil, BPCL, GAIL (India) and Gujarat State Petroleum Corporation.

In addition, RasGas has also agreed to waive the 'take or pay' penalty of nearly ₹12,000 crore on Petronet for a lower off-take during 2015. During the year, Petronet's off-take was only 68 per cent of the contracted 7.5 million tonne per annum capacity. Under the 'take or pay' clause, Petronet would have had to pay for the entire contracted amount as the off-take was less than 90 per cent.

However, Petronet will now buy the volumes not taken in 2015 during the remaining term of the contract, a Petronet-Ras-

Gas statement said. "The deal will help Indian LNG consumers save ₹4,000 crore annually," Petroleum Minister Dharmendra Pradhan said while announcing the deal.

## At the markets

Petronet's shares closed 3 per cent higher on the BSE at ₹254.85 on the BSE while GAIL's shares closed 2.18 per cent higher at ₹375.40 on Thursday. Indian Oil's shares also closed 0.74 per cent higher at ₹428.65 while BPCL's shares ended the day at ₹893.35, a rise of 0.44 per cent.

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namics. We want to move towards a gas-based economy. For this, a restructuring of the long-term contract with Qatar's RasGas was required," said Pradhan.

## High-level talks

According to Pradhan, the importance of the renegotiating the contract was discussed at the highest level when the Emir of Qatar Sheikh Tamim bin Hamad Al Thani met Prime Minister Narendra Modi in April 2015.

"I went to Qatar in November to put [across] our points [of view] there. Qatar has been a good business friend, but we're now moving from the relationship of a buyer and a seller to long-term partners," Pradhan added.

During 2015, LNG was available in the spot market in India at around \$7-8/mBtu, resulting in a lower off-take from Petronet's consumers. As a result, Petronet had to cut down its off-take from RasGas.

India's consumption of natural gas during April-November 2015 stood at 30,672.59 million standard cubic metre, of which 13,276.80 million standard cubic metre came from regassified LNG, according to data on the Petroleum Planning and Analysis Cell.

The company's net profit for the second quarter of fiscal 2015-16 fell 5 per cent year-on-year to ₹248.85 crore, it said on Monday. Its net revenue fell 31.2 per cent to ₹7,544.97 crore, from ₹10,979.96 crore in the same quarter last year.