

# Modi govt scores first diplomatic win

## Qatar's Rasgas To Slash Gas Price By About Half To Match Global Rates



» Qatar RasGas agrees to lower gas price for India's biggest gas importer Petronet

» Petronet to buy LNG at \$6-7/mmBtu vs \$12-13/mmBtu earlier

» New deal could save \$605 million a year for Petronet

» Rasgas waives off \$1.5 billion penalty against Petronet

» Deal to effective January 1, 2016

» Govt expects cheaper gas to halve costs for local firms

» Petronet has a 25-year contract with Rasgas to annually buy 7.5 million tonnes of LNG. But it has reduced purchases by about a third this year due to high prices

» India to buy additional 1 million tonne per annum of LNG from Qatar at new pricing formula

» The renegotiated deal will see the price of LNG imports under long-term contract nearly halve from \$12-13 per unit

**New Delhi:** In a diplomatic victory, India has got Qatar to agree to slashing gas price by about half to match a slump in global energy rates, helping the nation save billions of dollars, as well as get waiver from Rs 12,000 crore liability for short-lifting of gas.

India, which got \$15 billion of benefits during first 11 years of the term-contract with Qatar beginning 2003 by way of enjoying low gas prices when world energy rates were rising, will pay \$6-7 per million British thermal unit for 7.5 million tons a year of LNG it buys from RasGas of Qatar.

This is against \$12-13 per mmBtu rate India pays presently, Oil Minister Dharmendra Pradhan told reporters here. "In the changed economic scenario worldwide where oil prices have slumped to multi-year lows

and gas prices have fallen, India felt it should not suffer," he said, adding Petronet LNG Ltd - the firm that buys gas from RasGas, has signed a revised agreement to reflect a pricing change.

The revised formula will base the price on a three-month average figure of Brent crude oil, replacing a five-year average of a basket of crude imported by Japan, with a rider that PLL buys an additional 1 million tonnes of LNG annually. The trailing three-month average Brent price is about \$44 a barrel while the average of Japan Crude Cocktail for the 5-year period ended September 30 was \$94. Pradhan said Qatar will also not seek Rs 12,000 crore from PLL for 'under-lifting' LNG from RasGas by 38 per cent. The value of the under-lifted cargoes in 2015 is Rs 12,000 crore and the new formula would sug-

gest a \$2.5 billion buyer saving over three years. Pradhan said the need to renegotiate the signed contract was first raised by Prime Minister Narendra Modi when Emir of Qatar Tamim Bin Hamad Al Thani visited India in March. As many as 51 meetings followed to arrive at a renegotiated formula, he said. "Qatar has been good business friend of India. We need to move away from buyer-seller relationship to a long-term strategic partnership," he said.

This is probably the first deal after slump in energy prices that Qatar agreed to reduce prices. It marks Modi government's biggest diplomatic win in the energy sector since coming to power last year as New Delhi leveraged its position as one of world's biggest energy consumers to strike better bargains. PTI