Secretary
Petroleum and Natural Gas Regulatory Board
1st Floor, World Trade Centre
Babar Road
New Delhi - 110 001

Kind Attn: Ms. Vandana Sharma

Dear Madam,

Sub: Comments on proposed Petroleum and Natural Gas Regulatory Board (Registration for establishing & operating Liquefied Natural Gas (LNG) terminals) Regulations, 2018.

We thank you for inviting stakeholders’ views and comments on the above-mentioned subject.

We fully support PNGRB’s endeavours to create open access to LNG/natural gas infrastructure in the country and firmly believe that fair, non-discriminatory and equitable access to infrastructure is an essential condition for development of a truly competitive gas market which will enable meeting the government’s objective to increase the gas share in the primary energy mix.

The total gas demand in India for FY17/18 was 142 mmmscmd, of which 71mmmscmd (50%) was supplied by regasified LNG\(^1\). The share of regasified LNG is expected to increase in the future with increase in gas demand and LNG regasification capacity from current ~27 MTA to > 50 MTA by 2022.

Globally, LNG markets are seeing a shift towards shorter term/spot trading, driven by sharp increase in liquefaction capacity, emergence of trading entities and development of short-term markets in new geographies via deployment of FSRUs. The volume of LNG traded without a long-term contract in 2016 was 72.3 MTA (28% of total LNG trade), which was more than double the amount traded a decade ago\(^2\), and is expected to increase further with a move towards removal of destination restrictions in legacy LNG supply contracts driven by US LNG supply terms.

Given this outlook, creating efficient third-party access rules for existing and new LNG regasification capacities is key to enable end users to benefit from the increasing flexibility in LNG supply.

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\(^1\) Petroleum Planning and Analysis Cell (PPAC)
\(^2\) IGU World LNG Report 2017 Edition
The proposed regulations which mandate fair, non-discriminatory and equitable common carrier capacity for LNG terminals (complemented by similar common carrier access in pipelines) are a welcome step, as this will promote competition by allowing new suppliers to enter the market.

Following points need to be given due consideration for finalizing the proposed regulation:

- The open access regulation must apply to all LNG terminals.
- Open access has been proposed for 20% of short term (less than 5 years contract) uncommitted re-gasification capacity or 0.5 MTPA, whichever is greater. The proposed regulation should consider all uncontracted capacity booking via transparent capacity auctions.
- In addition to the above, an appropriate mechanism for release of likely unused capacity (“use it or lose it”) must be instituted for all booked capacity for increasing utilisation. The released capacity should be made available with realistic notice periods.
- The capacity offered by the terminal operator must be accompanied with an indicative regas redelivery profile, preferably on a flat rateable basis.
- Capacity must be offered on standard terms and conditions.
- Mandated open access must apply to each of berthing, storage, regas and truck loading facilities.
- The proposed regulation must ensure publication of key commercial and operational information by the regas terminal in a transparent manner such as terms and conditions for access, capacity (contracted and available) and tariff.
- A detailed LNG terminal access code must be developed via industry consultative process

We firmly believe that the ultimate objective of government policy and regulation must be to ensure that the benefit of efficient markets should flow through to the customers in the form of lower tariffs. A well designed open access regime could be a major force behind the further development Indian gas markets, allowing existing players and new entrants utilise the gas infrastructure in an efficient manner.

We shall be happy to discuss further on the issue or make a brief presentation, if required.

Yours sincerely,

Utpal Maru
Chief Commercial Officer