

India needs LNG (and lots of it): ABARE

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LIQUEFIED natural gas exporting countries such as Australia should look to markets in India, as the country's demand for natural gas is projected to grow from slightly over 1 trillion cubic feet in 2005 to nearly 3Tcf in 2025, according to a new ABARE report.

Released yesterday, the report, *Natural gas in India: prospects for LNG imports*, predicts that India's natural gas demand could rise as high as 3.5Tcf under a high economic growth scenario, with continuing demand from the electricity, fertiliser and industrial sectors.



ABARE executive director Phillip Glyde said this could create opportunities for gas exporting countries such as Australia.

"Australia has the potential to significantly expand its liquefied natural gas exports over the period to 2025, with a number of projects under construction and planned," he said.

"To date, LNG trade between Australia and India has been limited to a few spot cargoes."

But Glyde said that realising this potential expansion would depend on several issues, including gas availability, further development of the gas pipeline network, and implementation of gas and end user market reforms.

"In particular, continued deregulation of the domestic gas market, the transition toward market based gas pricing and encouraging further private participation in the gas market will be important," he said.

The ABARE report noted that India had three options to meet the anticipated growth in natural gas demand over the period to 2025 – increase domestic gas production, increase LNG imports, and import natural gas via pipeline.

The planned production of gas from India's recently discovered fields in the Krishna Godavari basin from late 2008 is expected to slow the declining rates of gas production in India as existing gas fields mature.

"LNG is the most likely form of gas imports for India in this timeframe," Glyde said.

Assuming all India's gas import requirements are met by LNG, India's total imports could increase from 6 million tones in 2006 to reach 31 million tones by 2025, or 43 million tones under a high economic growth scenario.

"The requirement for additional gas supplies will pose a challenge for India in the coming years. Given the tight supply–demand balance expected for LNG over the medium term, India is likely to face competition from established and new buyers for LNG cargoes," Glyde said.