

## **7<sup>th</sup> Asian Ministerial Energy Roundtable**

**Speech by Minister for Plenary Session II / November 2, 2017**

### **“Natural Gas : Overcoming Market and Policy Hurdles to the Golden Age of Gas”**

His Excellency Seyed Mohammad Hossein Adeli, Secretary General, Gas Exporting Countries Forum;

His Excellency Mohammad Bin Saleh Al Sada, Minister of Energy and Industry, Qatar;

His Excellency Mohammad Yasmin Umar, Minister of Energy and Industry in the Prime Minister’s Office, Brunei;

Deputy Commissioner, Taketani,

Prof. Hidetoshi Nishimura, President Research Institute for ASEAN and East Asia;

Ladies and Gentlemen,

I welcome all the participants to this deliberation on natural gas. Five years ago, in 2012 the International Energy Agency had predicted that Natural Gas is poised to enter a golden age. I believe that Natural Gas, despite being a clean and green fuel with significant potential, is yet to achieve its rightful place in global energy markets. The main obstacles are lack of adequate infrastructure, market imperfections and uncompetitive practices which prevent global population from fully benefitting from the benefits of gas.

Coming to India, our gas uptake is less 6.5% of India's primary energy basket against a global average of more than 24%. Government of India has envisioned to increase the share of natural gas in India's energy mix to 15% by 2030.

India is currently the world's fourth-largest importer of LNG, behind Japan, South Korea and China. Last year, India imported approximately 19 Million metric tons of LNG, an increase of around 15% over the previous year. India also has domestic gas production of almost the same amount. Fertilizer, Power & City Gas Distribution are the three main sectors which contribute to the natural gas demand in India. In coming years, industrial sectors such as refinery and petrochemicals, ceramics and glass, cement, steel and sponge iron, paints and dyes, chemicals and auto manufacturing are expected to give a boost to natural gas demand in the country.

Friends, we have taken several far-reaching measures in India to increase domestic production of gas and also to promote the usage of gas. We have introduced pricing and marketing freedom for gas producers in future exploration bidding rounds. India is developing a Natural Gas Trading Exchange where both imported LNG and domestically produced gas can be traded. We are looking to increase the consumption of natural gas through policy measures in each micro segment of consumption.

We are expanding the LNG re-gasification capacity on both East and West Coast of India. With additional six new re-gas terminals, we are targeting to increase our LNG regas capacity to above 50 MMTPA by 2022. We are working to develop National Gas Grid by constructing an additional 15,000 kms of Natural Gas Pipelines. India is aggressively scaling up its City Gas Distribution networks. We are also preparing a road map for using imported LNG, as a fuel for railways, Coastal shipping, inland navigation and long-haul road transportation.

In this meeting of Energy Ministers from Asia, I will like to mention that India, as a regional economic hub, is also keen to develop a South Asian gas grid connecting important neighbours such as Myanmar, Bangladesh, Nepal, Bhutan, Sri Lanka, etc. Indian companies are also trying out innovative models like small scale LNG to cater to countries like Sri Lanka and Bangladesh.

Indian companies have signed long-term contracts for around 22 MMTPA from different supply sources across world such as Qatar, Australia, Russia, USA etc. They have signed contracts linked to different indices such as Henry Hub, crude oil index etc. In order to reduce the delivered cost of LNG to Indian market, Indian importers have adopted innovative approaches like time swap of volumes, destination swaps and contract on Free on Board basis.

The global natural gas market is undergoing a major transformation driven by new supplies coming from the United States, Australia and Qatar are also ramping up their production while new suppliers such as Mozambique, Tanzania, Egypt, Israel, Canada and Cyprus are expected to enter the LNG market in the coming years. It is expected that more than 100 MMTPA of new liquefaction capacity is expected to come on-stream in the period 2017-2020, mainly from Australia and the US. With this, all industry players will need to adjust their operating models. They should expect softer prices, more short-term trades, and demands for contractual flexibility.

Let me turn to Asian markets which are most relevant for this event. Although Asia is the largest natural gas-consuming region and accounts for 70% of global LNG imports, the region lacks a transparent LNG pricing benchmark. Asian LNG consumers have historically relied on long-term contracts to guarantee the security of supply because they lack indigenous natural gas resources and have limited access to pipeline trade.

Globally, we are seeing winds of change. The traditional ways of doing business, based on destination-restricted, oil-indexed long-term contracts are gradually disappearing. These are now making room for enhanced flexibility and interconnectivity, promoting a more liquid, competitive and transparent marketplace. In our view, in today's oversupplied market with increasing number of exporting countries, it is important for producers to understand the perspective of consumers, demand centres and the changes

that have taken place in these demand centres. Many buyers have also started insisting the sellers to provide for destination flexibility so that the LNG may be delivered to different terminals.

Two weeks back, I was in Tokyo attending the LNG Producer-Consumer Conference where Japan announced that it will invest US 10 billion dollars to expand the LNG market in Asia, and provide opportunities for developing 500 skilled human resources over next five years. This is an interesting development and generally indicates how important Asian LNG demand is to the growth of natural gas industry across the world.

While this will be a small digression from the topic on Natural Gas, I would like to cite a success story of Energy Justice in India. Under a scheme called Pradhan Mantri Ujjwala Yojana, we have distributed 30 million LPG cooking gas connections to poor households with government subsidy. Multilateral organizations like the UN Women, the World Bank and others have shown great interest in our LPG schemes and delegations from several countries have approached us to know about our experience and initiatives. I personally believe this is a good replicable model in most of the Asian and African countries.

We also have to change the collective consciousness and public perception about natural gas. In this direction, we have launched an initiative called Gas4India in collaboration with industry bodies. Natural gas

is the natural choice for green economy, and will complement our huge program of 175 Gigawatts of solar, wind and other renewable energy.

In conclusion, I wish to say that it is in our mutual interest to usher in and expedite the golden age of gas. For this, both producers and consumers should join hands to promote flexible and transparent global markets for gas and promote infrastructure for Natural Gas. This will help not only our economies but also promote the quality of life of our people.

I take this opportunity to invite you to attend the IEF Ministerial Meeting scheduled to be held in Delhi on April 10-12, 2018 which India has the proud privilege to host. The Ministerial Meeting will provide an opportunity to discuss contemporary issues in energy including a prominent focus on Gas. Thank you.

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