

FIPI

**MAY
2019**



POLICY & ECONOMIC REPORT - OIL & GAS MARKET

FEDERATION OF INDIAN PETROLEUM INDUSTRY (FIPI)

**3RD FLOOR, PHD HOUSE, 4/2, SIRI INSTITUTIONAL AREA,
AUGUST KRANTI MARG, NEW DELHI - 110016**

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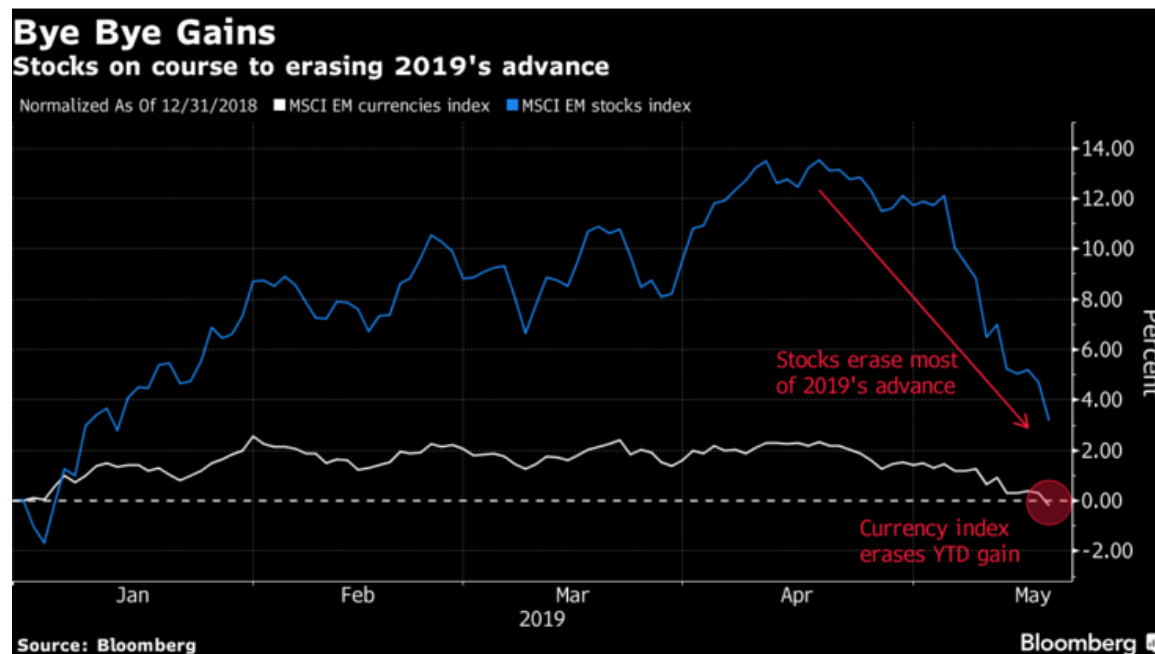
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Policy & Economic report – Oil & Gas market

Economy in Focus

1. Success of US China Trade Negotiation Holds the Key to Reviving Emerging-Market Equities

The back and forth in the trade negotiations between China and the US has forced the investors to reassess the possibilities of a deal between the two super powers. After the US Government barred companies deemed as national security threat from selling to the U.S. and threatened to blacklist Huawei Technologies Co. from buying essential components, the tone of the talks have soured. Lately, China's State run media has also signaled lack of interest in reviving the talks from China's side.



As the chances of further negotiations between the US and the China over trade issues appear unlikely in the near term, the world continues to witness the near-term risks for EM as tilted to the downside, and the risk of additional tariffs being implemented is rising.

Experts do not see any deadlines for pressure on risky assets to ease. Further the emerging currencies are starting to be quite cheap but the demand is expected to remain low due to uncertainties and the fact that even when pricing is more benign scenarios, they didn't perform.

The ongoing international trade tensions combined with an uncertain domestic scenario has worsened the situation for many developing countries. In Brazil, the nationwide protests have peaked the political

tensions amid an investigation into one of President Jair Bolsonaro’s sons. This has led to almost daily cuts on trade projections. In Indonesia, as the investors started selling shares due to a weakening currency, equities posted their longest losing streak in more than a year. In Abu Dhabi, after First Abu Dhabi Bank failed to win increased weighting in the MSCI gauges, the country’s main stock index suffered its worst week of loss since 2014. During the month, the South African Rand has also suffered due to the Government’s pledge to keep Eskom Holdings SOC Ltd. afloat.

All but one EM currency declined in the week ended May 17



Source: Bloomberg

However, the experts are still of the opinion that investors have not turned significantly bearish because most believe that the latest escalation in trade war tensions between the U.S. and China is merely a negotiating tactic to extract concessions ahead of a deal. It is expected that the EM spreads will not widen much further as the market waits for the final outcome of the trade negotiations.

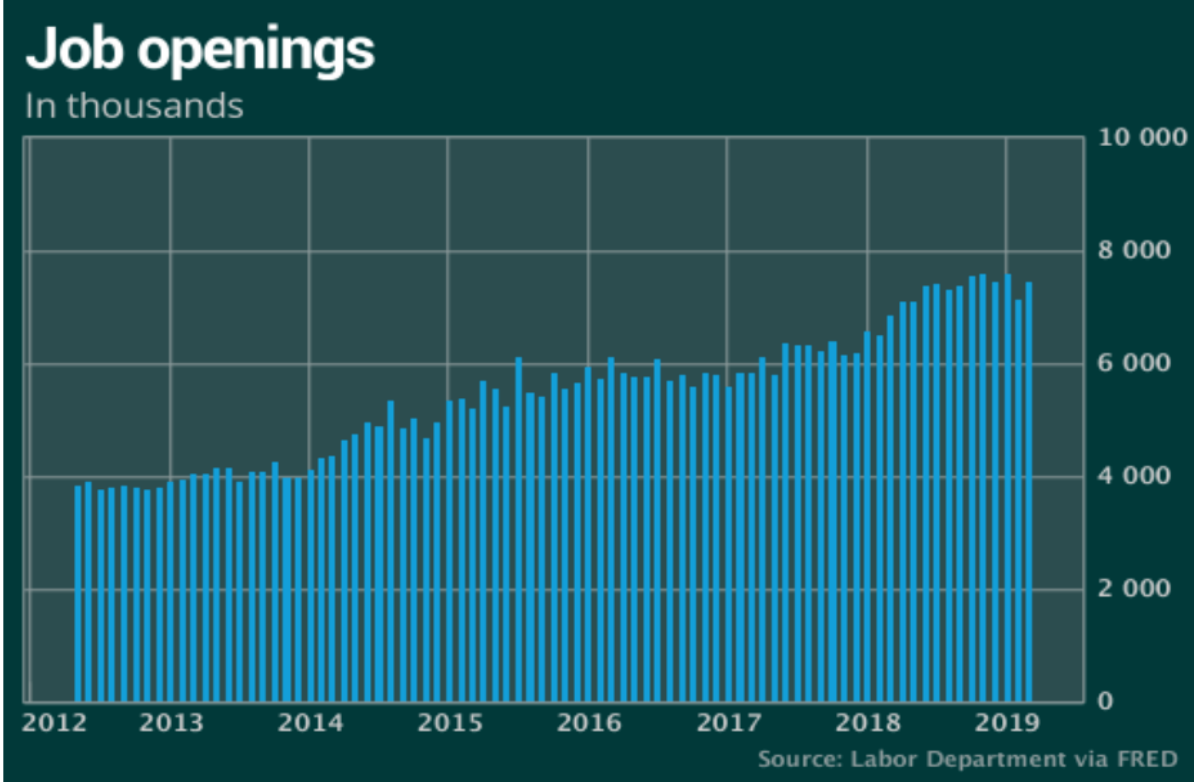
2. Growth fueled by Debt Financing May Lead to Bankruptcy Wave in the Future

At a recent study in Stockholm, it was highlighted that heavy reliance on debt financing and slow economic growth are leading to the creation of debt bubbles which risk destabilizing the entire financial system should a major shock occur. The report warned about the unsustainable build-up of debt and that liquidity would dry up in certain asset classes in stress scenarios.

Low interest rates have prompted many companies and Governments to load up on debt faster than before, selling bonds with less protection for investors. This has led to concerns that a turn in market sentiment could result in a credit crunch. An IMF estimate suggests that the leverage in the system has increased by some 50 per cent – 60 per cent since the last decade’s financial crisis, with debt now worth some 230 per cent of economic output globally. Experts are of the opinion that with debt where it is today, central banks cannot afford to let interest rates go back up as it will lead to a major bankruptcy wave.

3. Despite Slow Down in the US Economy, Job Market Sees Record Growth

In the month of March, the number of job openings in the US touched a near record 7.49 million, showing that companies are still hiring at a brisk rate even though the economy is not performing as good as it was a year back. In February this years, jobs openings had fallen to a nine months low of 7.14 million owing to poor weather and the lingering effects of a partial government shutdown.



What Happened?

In March, the transportation and warehousing companies posted 87000 new openings. The man power demand arising from construction rose by 73000 while another 57000 were contributed by real estate sector. The share of people who left jobs on their own, known as the quits rate, was flat at 2.5 per cent among private-sector employees. This rate remained unchanged at 2.3 per cent for all workers including those in the Government.

The Big Picture

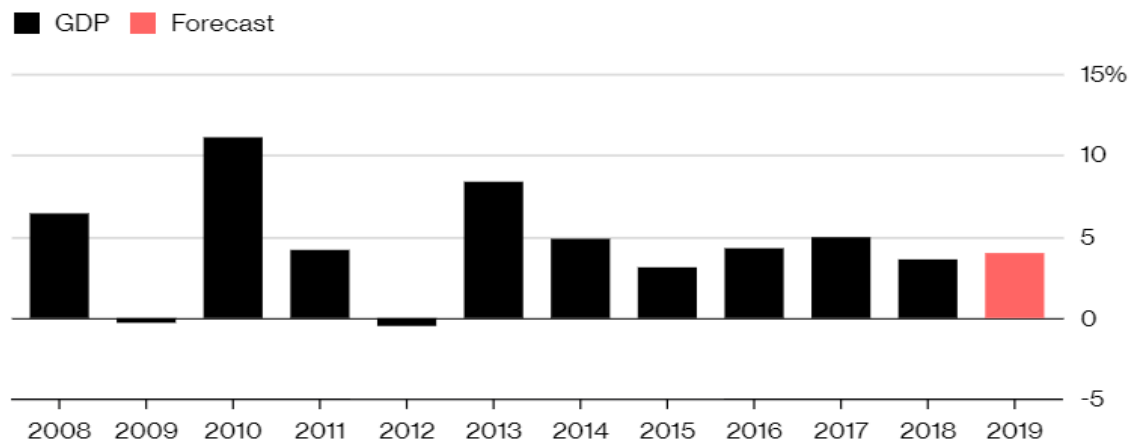
A strong labor market has kept the US economy on track to break the records of the longest expansion ever in a few months. Last year, the rate of unemployment in the country has fallen to a 50 years low of 3.6 per cent and lay-offs are also at a half a century low. Though, the rate of hiring has fallen since the last year, there are still more jobs available than there are unemployed Americans.

4. Paraguay Posts Robust Growth Even as the Neighbors Struggle with Recession

Paraguay, South America's fastest-growing economy, will continue to grow at a rate of 3.5 per cent in 2019. The country has maintained a robust growth even as its neighbors Brazil and Argentina struggle with near stagnation or downright recession. Paraguay's Finance Minister Mr. Benigno Lopez further expects the growth rate to reach 4 per cent by end of 2019.

Not So Fast

Paraguay's economic growth challenged by regional slowdown



Source: Paraguay Central Bank

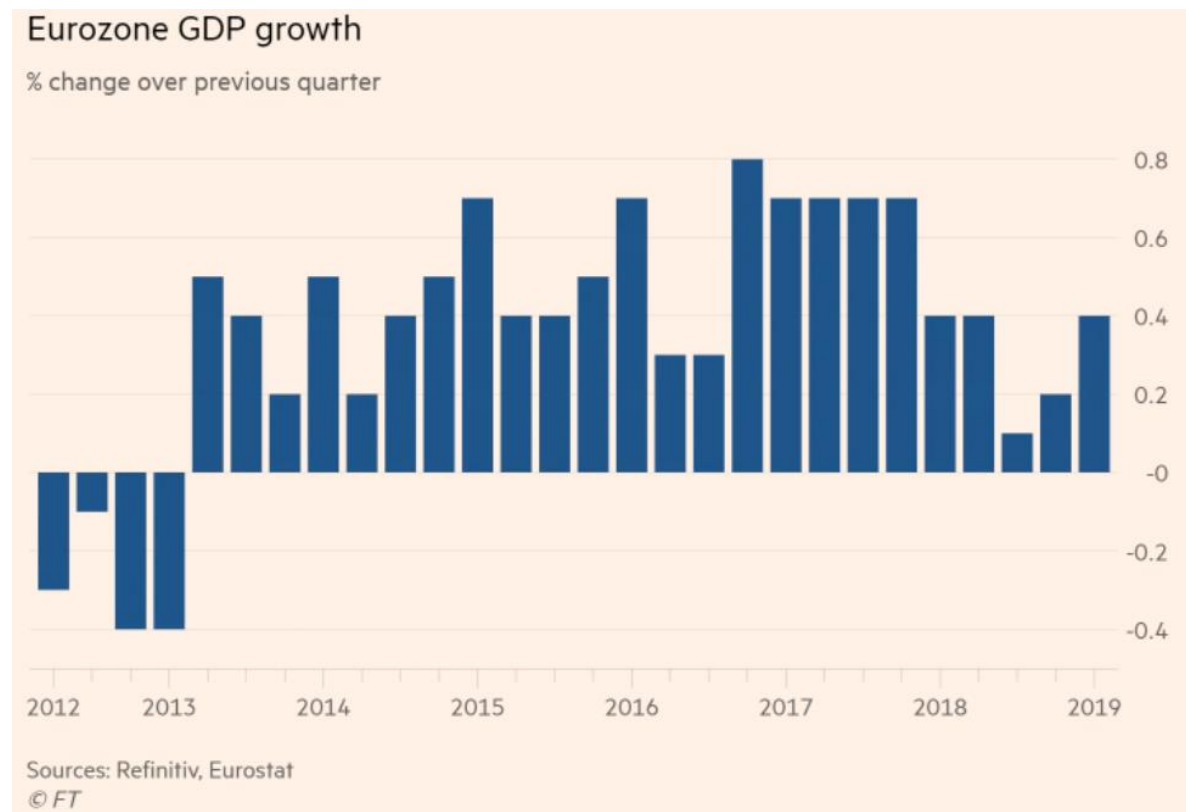
Paraguay greatly relies on its larger neighbors that are the destination for much of its agricultural exports. The country is also investing in its infrastructure and education sectors and overhauling the tax system to take the growth potential beyond 4 per cent.

The country is trying to increase its growth potential beyond 4 percent with investments in infrastructure and education, as well as an overhaul of its tax system. While two of the world's three-largest ratings firms have rated Paraguay only one step below investment grade, investors have shown faith by oversubscribing its latest global bond issue by more than six times.

5. Eurozone Records Surprise Improvement in GDP and Employment Fronts

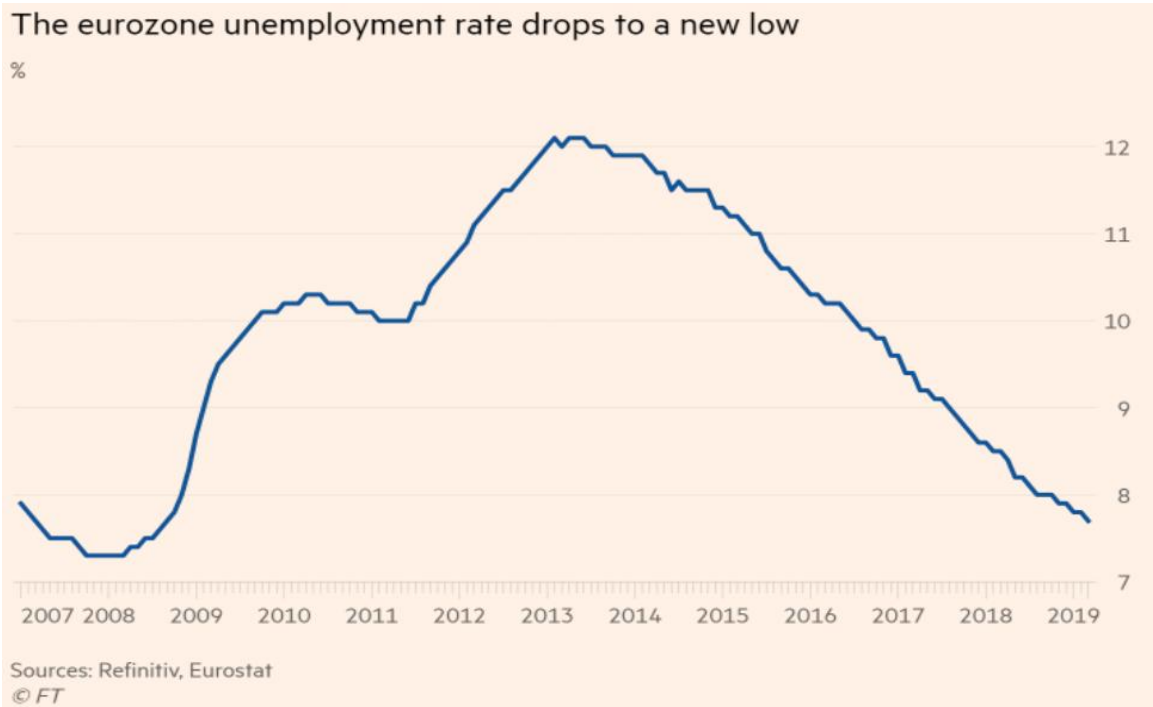
Reversing the sharp slowdown of the second half of last year, the Eurozone's economy picked up at the start of this year. According to a flash estimate from Eurostat, the European Commission's statistics bureau, the GDP growth in the region accelerated to 0.4 per cent in first quarter of 2019 against 0.2 per cent in the fourth quarter of 2018.

Buoyed by net exports, Italy has emerged from recession with quarter-on-quarter growth of 0.2 per cent. Supported by strong household consumption, France's GDP expanded at a healthy 0.3 per cent. Spain recorded a better than expected growth rate of 0.7 per cent due to a strong household consumption. Germany, Eurozone's largest economy, is expected to record a 0.4 per cent growth after the economy contracted in the third quarter of 2018.



The Eurozone's surprise improvement is the third positive economic reading among large global economies this month, after both Chinese and US GDP outperformed economists' expectations, and it came despite various survey data portraying a grimmer picture. Analysts have underlined that the growth is a result of resilience of domestic demand that benefits from a strong labor market, accommodative monetary policy and some fiscal stimulus.

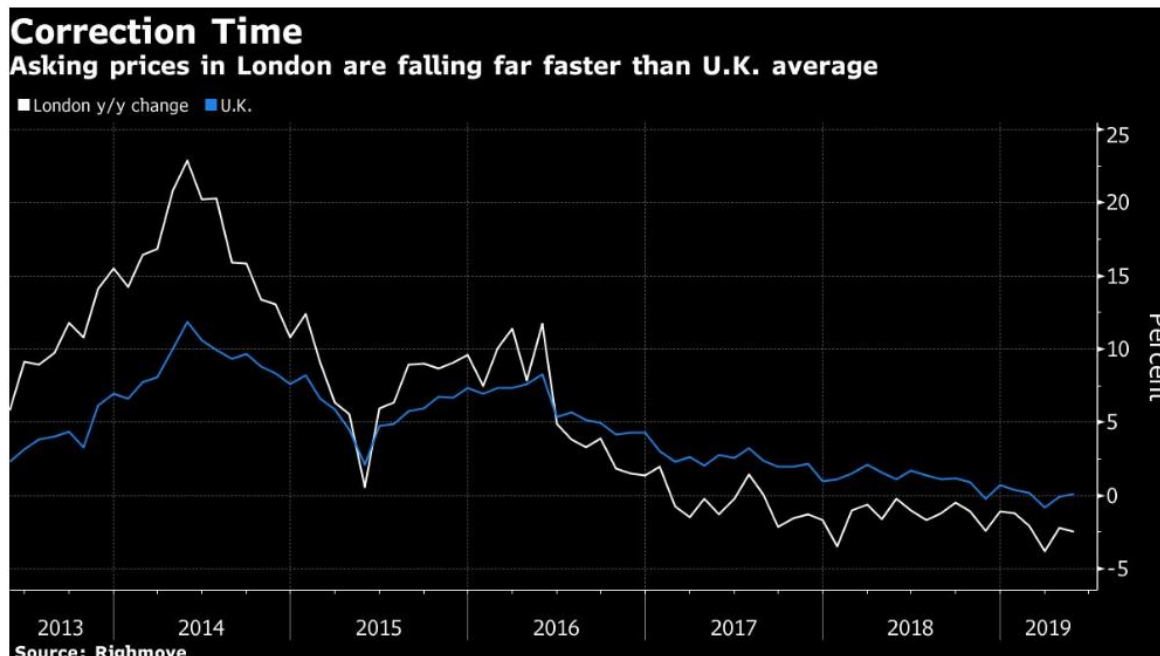
The European labor market has also performed better than expected with the number of unemployed people in Germany shrinking by 12000 in April compared to March 2019. Across the Eurozone the unemployment rate dropped to 7.7 per cent in March, the lowest level in more than a decade.



The improvement has come as a good news for the European Central Bank (ECB) after it revised the region's growth forecast downwards in March. This will prove as a big relief for the ECB as it supports its baseline forecasts and will likely relieve some pressure to dish out more monetary stimulus.

6. Housing Market in London Suffers Due to a Uncertainties Over Brexit

A recent study by a UK property research organization suggests all but two of London's 32 boroughs have seen asking prices drop in the past year as Brexit uncertainty continues to bite in the country. Most realtors in the country are of the opinion that the housing market in the city is 'Very Challenging'. In this regard, the study suggests that Sales volumes continue to be at record low levels and the complexities regarding Brexit are impacting consumer confidence.



The study shows that the prices for newly marketed homes have dropped 2.5% in the past 12 months, meaning sellers are seeking an average of 16,157 pounds (\$21,000) less for their properties. In Kensington and Chelsea, where prices averaged at 1.6 Million Pounds have dropped by over 3.9 per cent or about 65,000 pounds. The prices gained only at Barking and Dagenham and Bexley, three of the cheapest localities in London.

In rest of the UK, the picture is not as grim as prices have eked out small annual gains. In parts of the country such as Wales, the midlands and northwest prices have attained record highs, gaining 0.9% to an average of 308,290 pounds in the month of May alone.

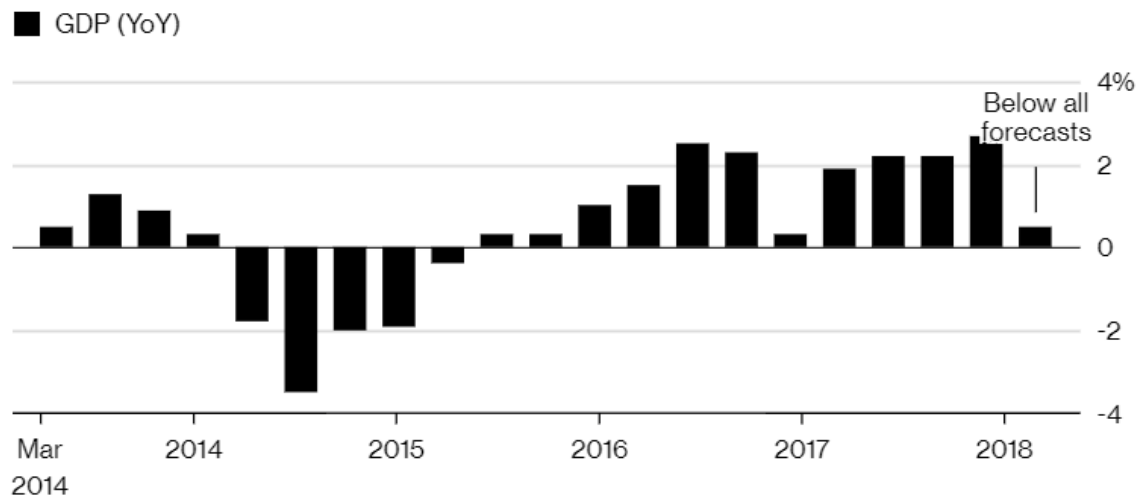
7. Increase in VAT Proves a Drag for the Russian Economy

After the last year's strong performance, the Russian economy grew at 0.5% in the first quarter of 2019.

A hike in Value Added Tax (VAT) that took effect on 1 January 2019 has been a drag on growth after helping boost the performance at the end of last year to the best since 2012. Though disappointing for the country's hopes for faster expansion, the weak result could further encourage the central bank to resume cutting interest rates at its next meeting in June. The experts are of the opinion that the fall in the growth rate is due to weakness in domestic demand as result of VAT hike coupled with a poor investment performance.

Tax-Inflicted Pain

Russia's economic growth eased over the value-added tax increase this year



Source: Federal Statistics Service

The Ministry of Economy in Russia, blamed the weak performance on the tax hike, as well as slow corporate and mortgage-lending growth. Some experts felt that the fall in growth is against the background of a strong budget surplus and the Government should further review the fiscal policy in direction of easing.

The Bank of Russia, however, sees the economy expanding 1.2 per cent - 1.7 per cent this year, citing the VAT increase as “a small restraining effect” and noting that planned government infrastructure spending could boost growth later this year.

8. Booming Population – A Challenge for Sub-Saharan Africa

At a time when most of the developing countries are witnessing a decline in their population so much so that their population is expected to shrink in the coming years, the Sub-Saharan Africa faces the opposite situation. The population in the region has more than doubled over the last three decades and is expected to triple again by the end of this century. While the growing number of young, working-age people creates economic opportunities, it is not clear how Government's will move to monetize this opportunity.

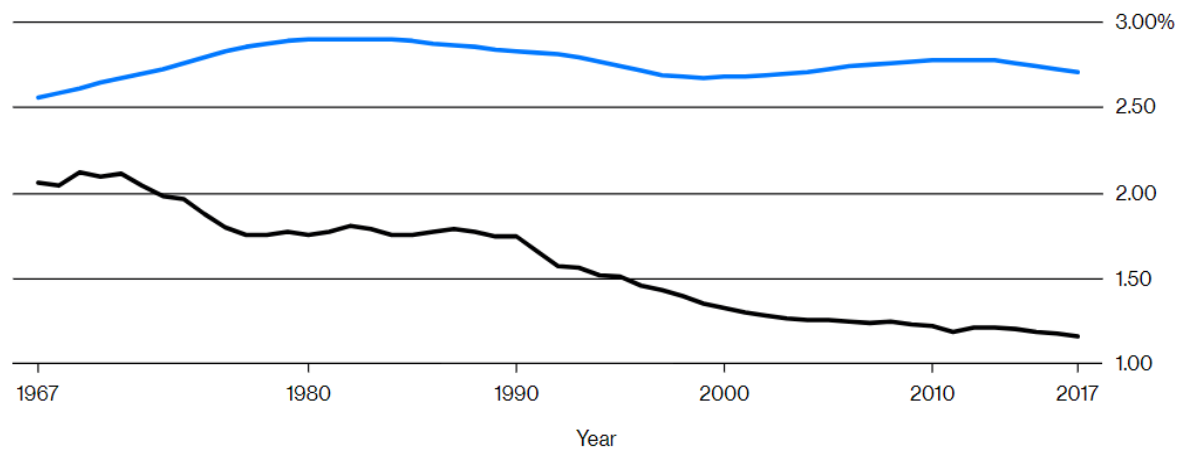
Why the Surge?

The sudden growth in the population is result of better medical care, which has slashed infant and child mortality and raised average life expectancy from 50 to 61 since 2000. The population in the region has increased to 1.1 billion and is set to hit 4 billion by end of the century. Population in Nigeria alone will reach 400 million by the mid-century, making it the World's most populous country after China and India.

Widening Spread

As world population growth has fallen, Africa is still surging ahead

World growth rate Sub-Saharan Africa



Data: World Bank; graphic by Bloomberg QuickTake

How Could Africa Benefit?

More than 60 per cent of the Sub – Saharan Africans are younger than 25. This could be translated into an ample and energetic workforce. However, to reap the benefits greater prosperity should reduce the fertility rates. Only if the next generation has fewer children than their parents the proportion of working age people would rise relative to the number of their dependents -- mainly children and the elderly - creating a so-called “demographic dividend.” This allows more women to take up jobs and the parents and the Governments are in a position to invest more resources on each child.

What is the Biggest Challenge?

The African Development Bank estimates that more than 10 million new jobs must be created each year just to absorb the number of young people entering the workforce. Increased automation in manufacturing might squeeze off a traditional source of employment growth, so some countries are pinning their hopes instead on services. Call centers and other kinds of outsourcing operations have opened in South Africa and cities such as Lagos, Nigeria and Kinshasa, Democratic Republic of Congo. Tourism has overtaken coffee and tea exports as the top foreign currency earner in Rwanda.

What needs to change?

In the Sub-Saharan Africa only a third of the children attend schools and only an estimated 4 per cent complete university degrees. The region also struggles to feed its population and according to the UN one in every four children in the Sub-Saharan region is malnourished. Governments in the region must also tackle environmental degradation, including worsening pollution and deforestation.

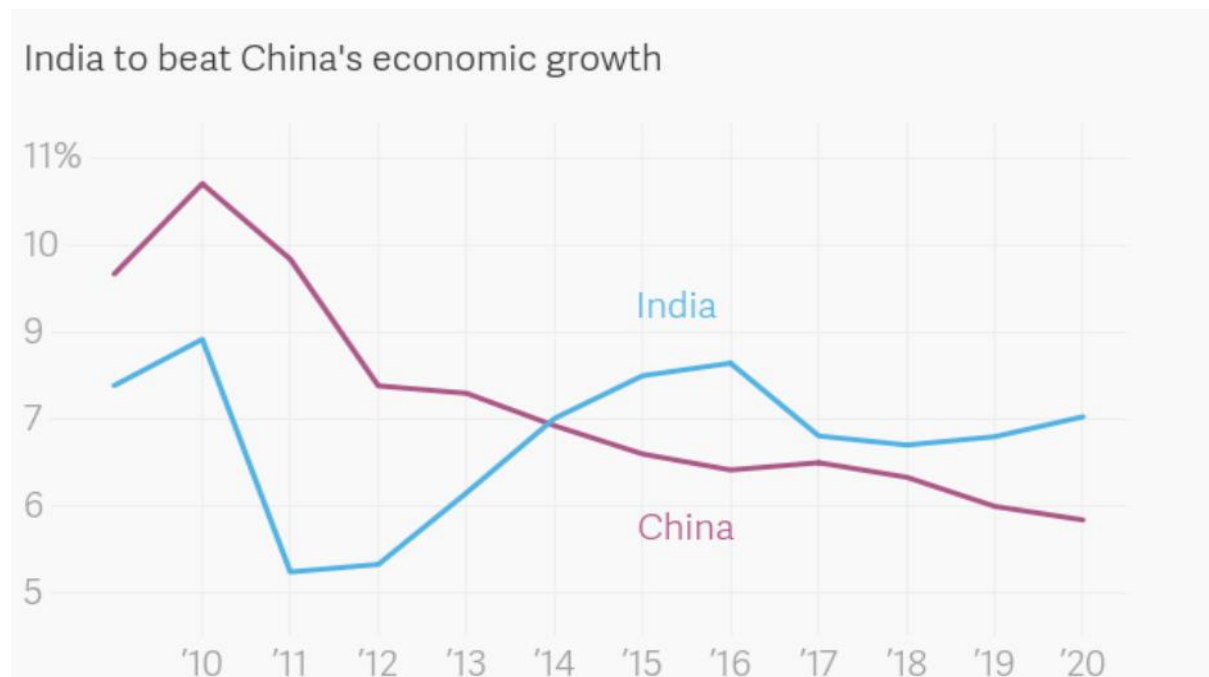
Can Africa’s Population Growth be Slowed?

Women in the region have 4.8 live births on average, down from 6.8 in the late 1970s but still nearly three times the number in Europe and North America. Rwanda successfully drove its fertility rate down by more

than half, to 3.8 over the past 20 years by encouraged family planning and making contraceptives available at clinics.

9. Riding High on Structural Reforms, India Expects Stronger Growth than China in 2020

According to a recent report by the Organization for Economic Cooperation and Development (OECD), Even as the Chinese economy cools due to global trade tensions, India's GDP will continue to grow at a robust rate of 7.5% by 2020 compared to 7.25% in 2019. The report expects Chinese economy to grow at 6 per cent in 2020 due to escalating US – India trade war.



Data: OECD | 2019-20 forecasts

Due to accommodative monetary policy and additional fiscal support will continue to boost economic growth in India, making it the fastest growing G 20 economies. Riding on higher domestic demand, fiscal and quasi-fiscal stimulus, including new income support measures for rural farmers, and recent structural reforms, India will continue to chart a strong growth in the future. This is in contrast with the Chinese economy, which faces the double whammy of a trade war with the US, and waning economic stimuli.

10. RBI cuts Repo Rate to the Lowest Since July 2010

Reserve Bank of India's (RBI) Monetary Policy Committee (MPC), headed by RBI Governor Mr. Shaktikanta Das has decided to reduce the repo rate by 25 basis points to 5.75 per cent from 6.0 per cent. The reverse repo rate under the Liquidity Adjustment Facility (LAF) has been adjusted to 5.50 per cent, and the

marginal standing facility (MSF) rate and the bank rate to 6.0 per cent. The RBI changing its stance from 'Neutral' to 'Accommodative' will only further comfort the market, presently facing a slowdown.

Repo rate is the interest rate at which the reserve bank lends money to banks. With lowering of borrowing costs, banks will be in a better position to lower their respective marginal cost of funds based lending rate (MCLR), which has a direct impact on customer loans. The RBI's decision is in direct consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/-2 per cent, while supporting growth. The recent cuts have brought the repo rates to the lowest since July 2010. RBI has further assured that it will take all necessary steps to ensure ample liquidity in the market.

11. Amid Concerns Over Manufacturing and Unemployment, India set for a strong growth till 2023

A recent report forecasts that India will overtake the UK to become the world's fifth largest economy this year. The report further suggests that India will emerge as the second largest economy in the Asia-Pacific region by 2025. It suggests that as a result of Prime Minister Mr. Narendra Modi's thumping victory in the recently concluded general elections, the economic outlook looks positive and the GDP is expected to continue to grow at around 7 per cent per year over the 2019-2023 period.

The report forecasts that the Indian GDP will exceed USD 3 trillion in 2019 and the country will become world's fifth largest economy, overtaking the United Kingdom. As India continues to ascend in the rankings of the world's largest economies, its contribution to global GDP growth momentum will also increase. In the coming years India will play increasingly important role as one of the Asia-Pacific region's major economic growth engines.

The report suggested that for the new Government, continuing reforms in the public sector banks and reducing the burden of non-performing (or bad) loans on their balance sheets will remain a priority area. While manufacturing sector's share in the GDP stagnated at 18 per cent against the targeted 25 per cent, around 7.5 million persons are projected to join the Indian workforce per year on average over the next two decades. This will create major impediment for the Government to generate new jobs in both manufacturing and services sector. Further, the massive population growth in the country will present significant challenge to deliver adequate physical infrastructure such as electricity, sanitation, affordable housing, and public transport to the people.

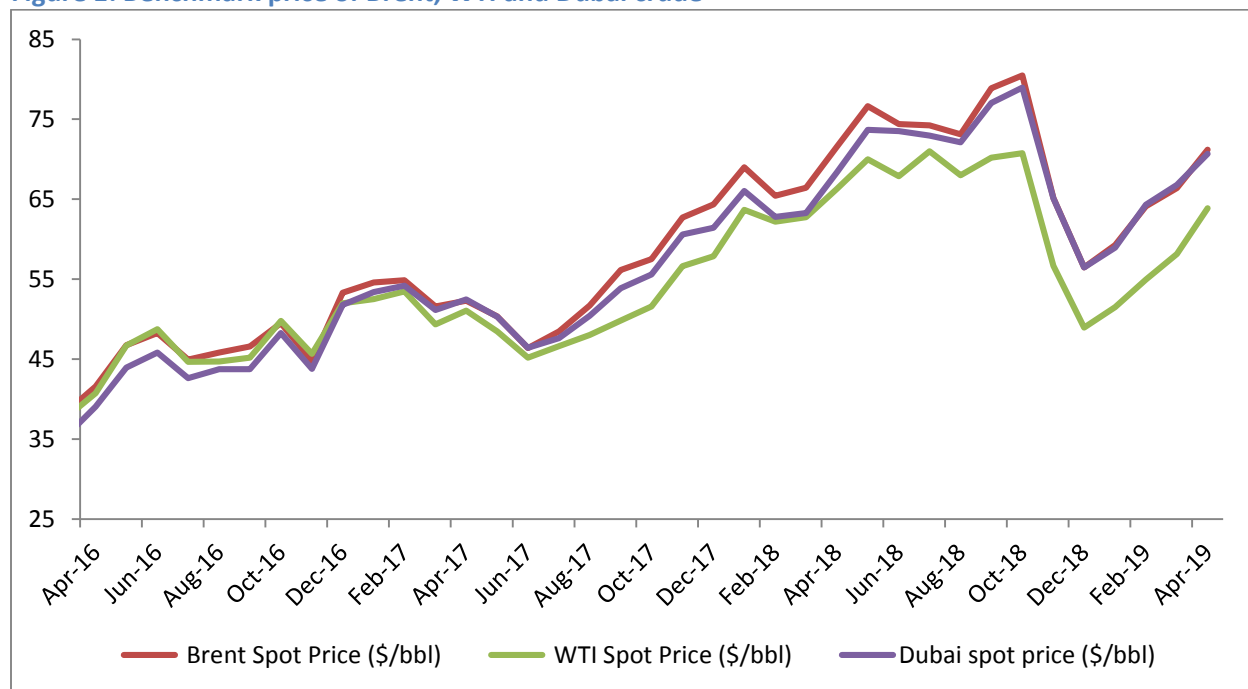
Oil & Gas Market

Crude oil price

Crude prices rallied higher in April as OPEC and allies increased their quota of production cut. Tightening supply lead to removal of extra barrels of crude in the market and strengthened the price. Last week of April saw crude prices further risings, as the US decided to remove the Iran sanction waivers for 8 countries who export crude from Iran.

With decline in imports from Iran, tightening of supply market, crude prices saw a new high in 2019 by the month of April. Average Brent, WTI and Dubai basket crude prices went up by around 6.89 %, 9.73 % and 4.10 % respectively from the prices in the month of March.

Figure 1: Benchmark price of Brent, WTI and Dubai crude



Source: WORLD BANK

- Brent crude price averaged \$71.20 per bbl in April 2019, and was up 7.2% and down 0.6% on a month on month (MoM) and year on year (YoY) basis, respectively.
- WTI crude price averaged \$63.87 per bbl in April 2019, and was up 9.8% and down 3.7% on a month on month (MoM) and year on year (YoY) basis, respectively.
- Dubai crude price averaged \$70.66 per bbl in April 2019, and was up 5.8% and 3.3% on a month on month (MoM) and year on year (YoY) basis, respectively.

Table 1: Crude oil price in April, 2019

Crude oil	Price (\$/bbl) in April 2019	MoM (%) change	YoY (%) change
Brent	71.20	7.2%	-0.6%
WTI	63.87	9.8%	-3.7%
Dubai	70.66	5.8%	3.3%

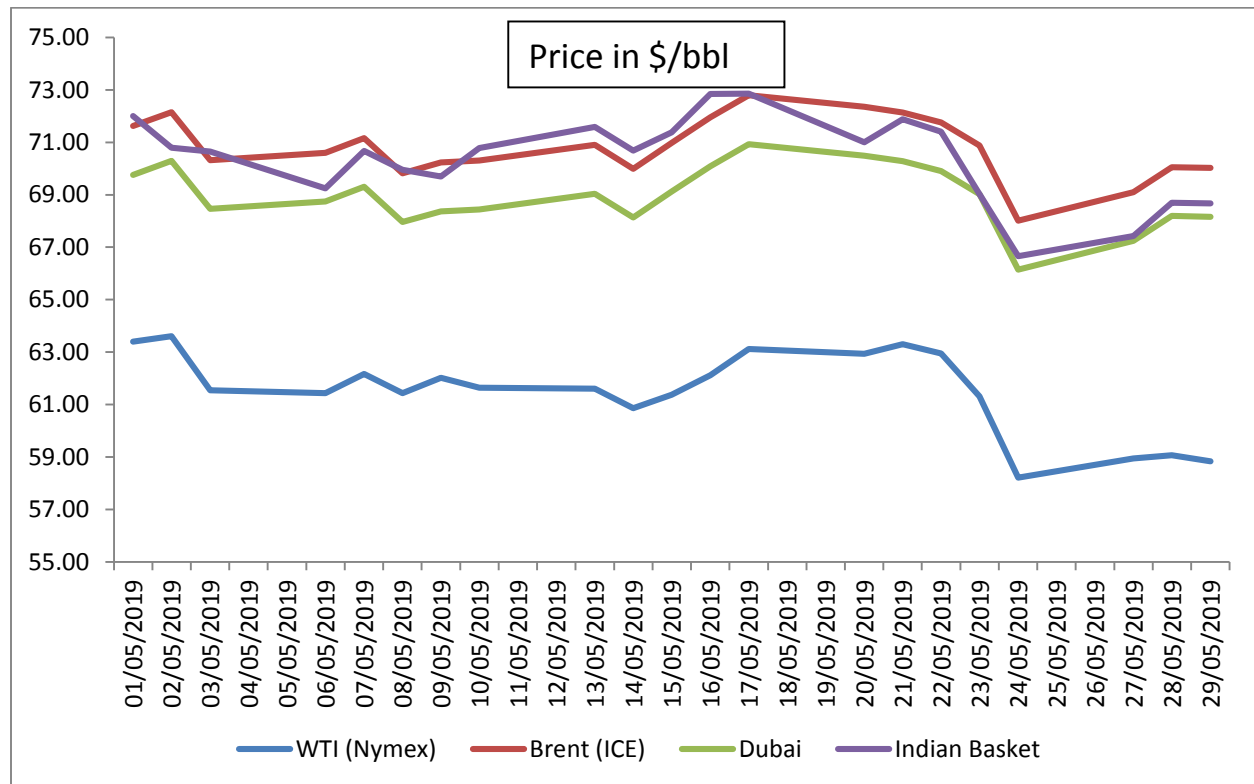
• Source: WORLD BANK

Crude oil price stays volatile in May 2019

Crude prices saw a see-saw movement in the month of May. Following the commencement of Iranian sanctions, the prices went up and remained oscillating throughout the month. Issues of higher crude inventory levels and reduction in demand forecast kept the crude price volatile in May.

Average Brent, WTI and Dubai basket crude prices went up by around 0.54 %, 3.82 % and 2.47 % respectively from the prices in the month of April.

Figure 2: Crude oil price in May 2019

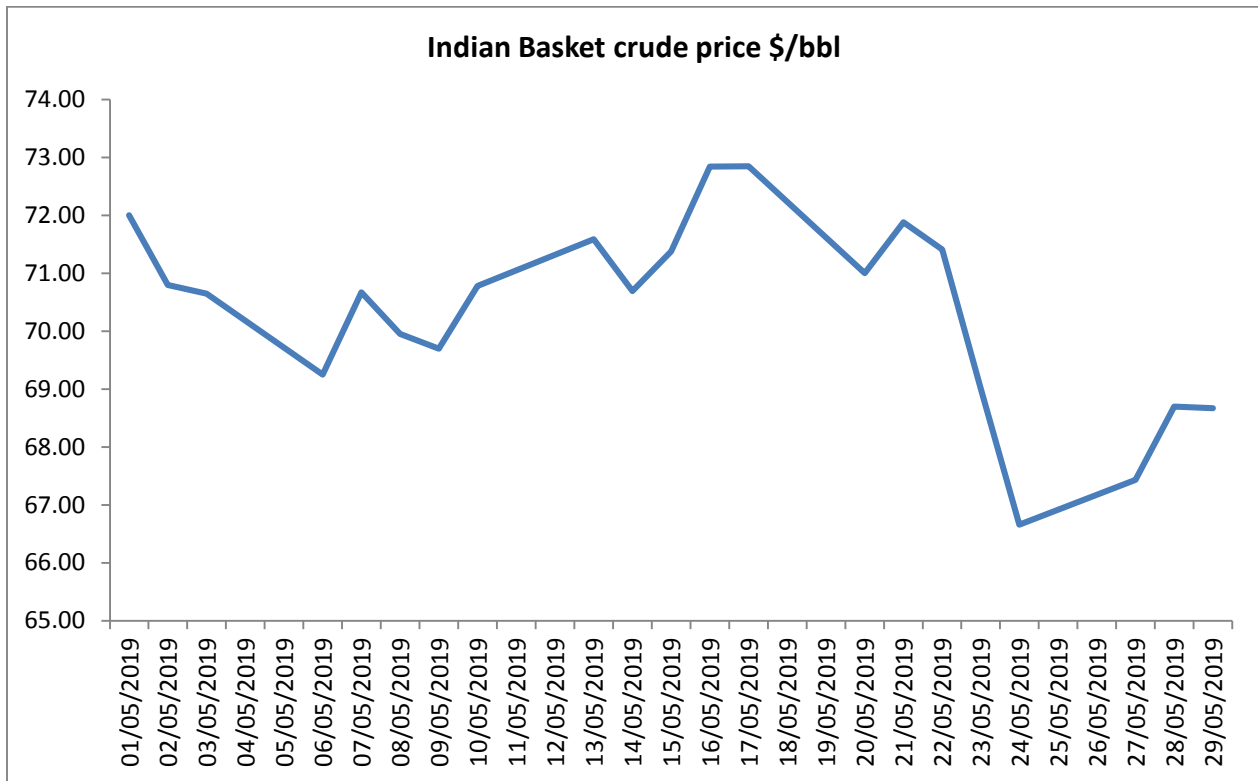


Source: EIA, PPAC

Indian Basket Crude oil price

- The Indian basket of Crude Oil represents a derived basket comprising of Sour grade (Oman & Dubai average) and Sweet grade (Brent Dated) of Crude oil processed in Indian refineries in the ratio of 74.77:25.23 during 2017-18.

Figure 3: Indian crude oil basket price in \$ per bbl



Source: Petroleum Planning & Analysis Cell

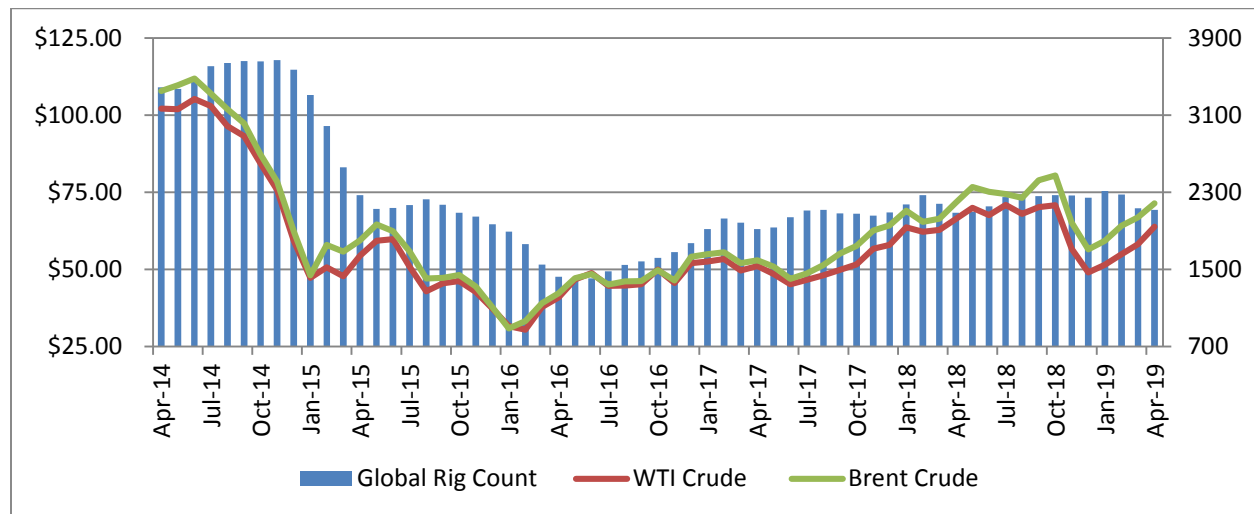
- Indian crude basket price averaged \$ 70.38 per barrel in May, down 0.87% Month on Month (MoM) basis and 6.5% on a year on year (YoY) basis, respectively.

Upstream activity & Rig count

Global rig count

Rig count represents the total number of active drilling rigs in the world. Demand for drilling rig is highly dependent on crude oil price. When the oil price increases, demand for exploration activity increases, resulting in the increase in rig count. A lower oil price could trim the exploration budget of the oil companies, thereby reducing the demand for drilling rig.

Figure 4 Global Rig Count vs. Crude Prices



Source: Baker Hughes

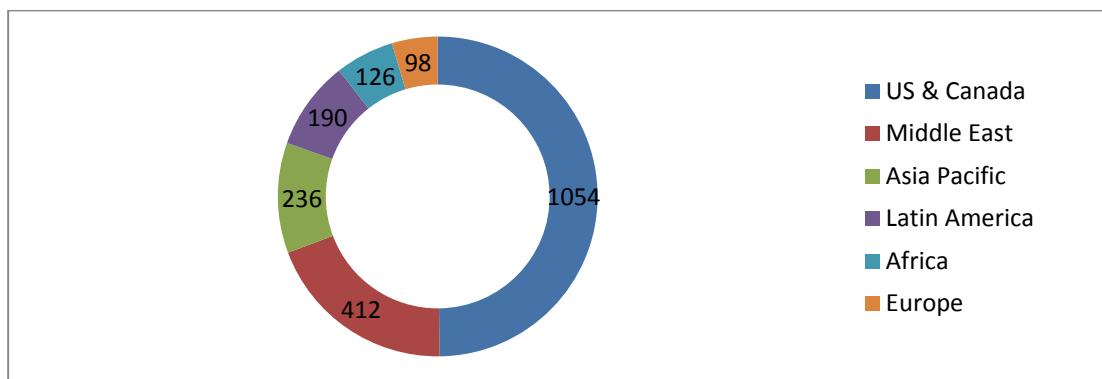
In April 2019, global drilling rig count stood at 2116, 17 less than March. Onshore rigs went down by 20 and offshore rig count went up by 3. Europe, Middle East, Latin America and Asia Pacific saw an increase in rig count, while rig count went up down in Africa and North America and Africa. Onshore rig count in North America decreased despite the strengthening oil & gas price. United States is the most active market for drilling industry with a rig count of 991. 970 were onshore rigs and 21 were offshore rigs. US & Canada and the Middle East count for about 2/3rd of the global rig count.

Table 2 : Global Drilling Rig Count

Rig Type	Count in April 2018	MoM (%) change	YoY (%) change
Land	1842	-1.07%	-1.39 %
Offshore	274	1.11%	26.85%
Total	2116	-0.80%	1.54 %

Source: Baker Hughes

Figure 5 Geography-wise Rig count - April 2018



Source: Baker Hughes

Indian Drilling Rig Count

Indian rig count declined by 2 to reach 121 in April 2019. On Y-O-Y basis, Indian rig count was up by 8.03 % in 2019 as compared to 2018. 100 drilling rigs were deployed in oil fields and the rest 21 drillings rigs were deployed in gas fields.

Figure 6 Indian Rig Count vs. Indian Basket Crude Price

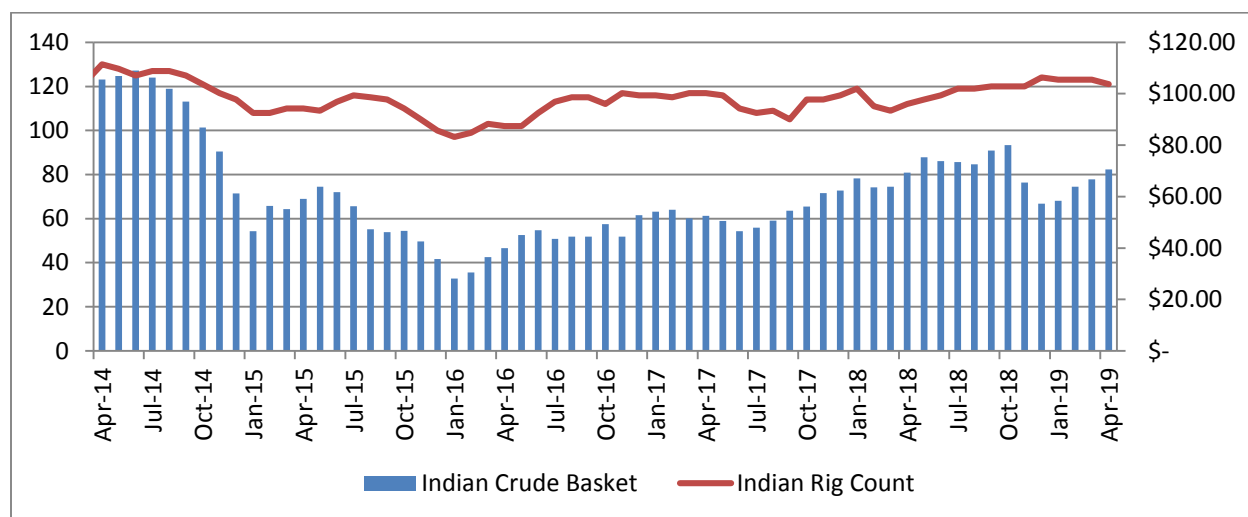


Table 3 : Indian Rig Count

Rig Type	Count in April 2019	MoM (%) change	YoY (%) change
Land	85	0 %	1.19 %
Offshore	36	-5.26 %	28.57 %
Total	121	-1.6 %	8.03 %

Source: Baker Hughes

Oil demand & supply

Preliminary data indicates that global oil supply declined by 0.07 mb/d to average 98.82 mb/d in April 2019, compared with the previous month. A decrease in non-OPEC supply (including OPEC NGLs) of 0.07 mb/d compared with the previous month was mainly driven by Kazakhstan, Canada, China and Russia. Overall there has been a total increase in global oil output of 1.05 mb/d y-o-y. The share of OPEC crude oil in total global production remained unchanged in April 2019 compared with the previous month. Estimates are based on preliminary data from direct communication for non-OPEC supply, OPEC NGLs and non-conventional oil, while estimates for OPEC crude production are based on secondary sources.

For 2019, non-OPEC oil supply growth was revised down by 0.03 mb/d from April's forecast to stand at 2.14 mb/d due to lower than expected 1Q19 in the US, Brazil and the UK , which is partially offset by upward revisions in China. Total non-OPEC supply is now projected to reach an average of 64.52 mb/d. The US, Brazil, Russia, the UK, Ghan and Australia are expected to be main drivers. Countries projected to see the largest declines are Mexico, Kazakhstan, Indonesia, Norway and Indonesia. In 2019, world oil demand growth is anticipated to grow by 1.21 mb/d y-o-y, with total world consumption to reach 99.94 mb/d, slightly higher than previous month's assessment.

Table 4: World Oil demand in mbpd

	2018	1Q19	2Q19	3Q19	4Q19	2019	Growth	%
Total OECD	47.81	47.94	47.41	48.40	48.35	48.03	0.21	0.45
Dev. Countries	32.64	32.98	33.16	33.43	33.13	33.18	0.53	1.63
~ of which India	4.73	5.03	4.93	4.58	5.15	4.92	0.19	4.05
Other regions	18.27	18.13	18.64	18.78	19.38	18.74	0.46	2.53
~ of which China	12.71	12.63	13.19	13.00	13.43	13.06	0.35	2.77
Total world	98.73	99.05	99.20	100.61	100.86	99.94	1.21	1.22

Source: OPEC monthly report, May 2019

Note: *2018 = Estimate and 2019 Forecast

Global petroleum product prices

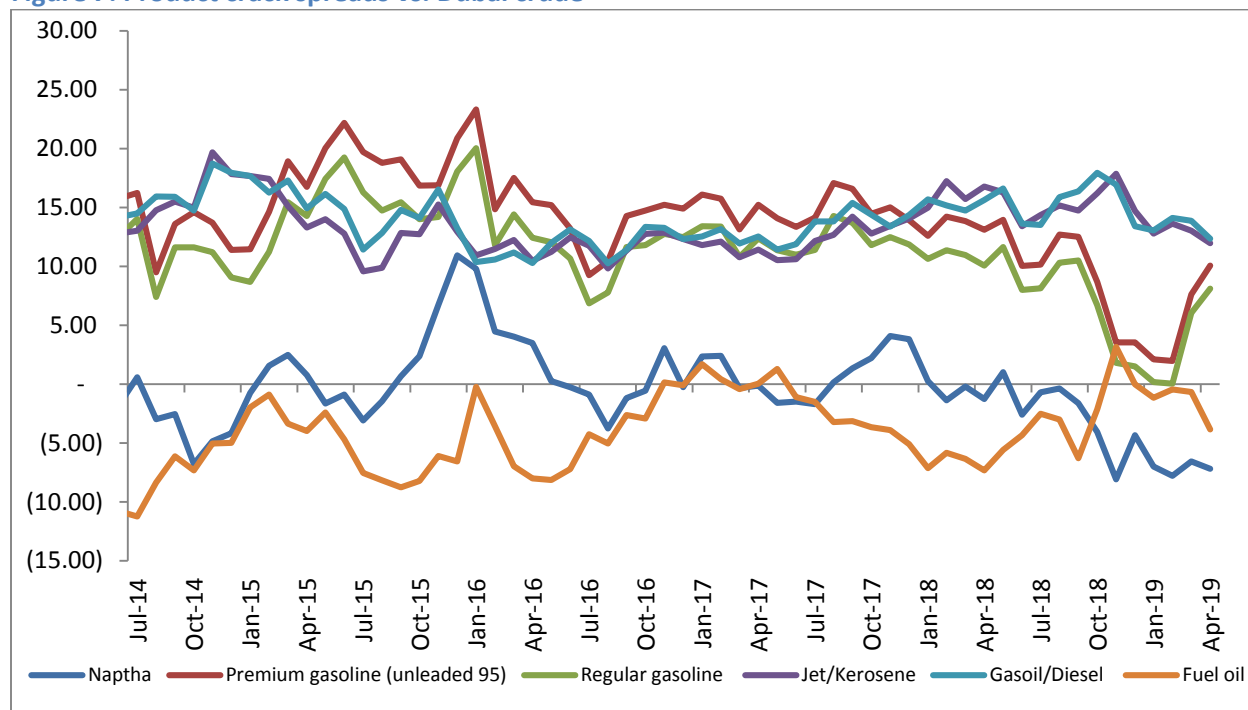
Prices in the Asian Gasoline-92 market saw an increase of 34.5% over the previous month. Refinery margins improved despite being lower than other hubs. Gasoline cracks in Singapore increased by 1.92 /b and averaged \$7.83/b against Oman. Refinery utilization declined in March averaging 77.80 % in selected Asian markets comprising of Japan, China, India and Singapore due to maintenance and upgrade related shutdowns.

Jet/Kerosene prices decreased by 8.2 % in April, pressured by bearish market as the demand for Kerosene declined due to the end of winter. The Singapore jet/kerosene crack spread against Oman averaged \$11.68/b, down by \$1.23 m-o-m and by \$5.19 y-o-y.

The Singapore gasoil crack spread weakened during the month, pressured by lower arbitrage opportunities. In April, gasoil crack spread decreased by 11 %. Singapore gasoil crack spread against Oman averaged \$12.06/b, down by \$1.69 m-o-m and by \$3.69 y-o-y.

The Singapore fuel oil crack spread showed the steepest decline across the barrel in the Asian product market. Fuel oil arrivals in Singapore and stock levels rose relative to the levels registered in recent months. Singapore fuel oil cracks against Oman averaged minus \$ 4.12/b, down by \$3.35 m-o-m, but were up by \$3.10 y-o-y.

Figure 7: Product crack spreads vs. Dubai crude



Source: OPEC, FIPI

Table 5: Singapore FOB, refined product prices (\$/bbl)

Products	Price (\$/b) in April 2019	MoM (%) change	YoY (%) change
Naptha	63.47	5.4%	-5.5%
Premium gasoline (unleaded 95)	80.72	8.5%	-1.0%
Regular gasoline (unleaded 92)	78.77	8.2%	0.4%
Jet/Kerosene	82.61	3.5%	-3.0%
Gasoil/Diesel (50 ppm)	82.99	2.9%	-1.2%
Fuel oil (180 cst 2.0% S)	66.81	1.0%	9.4%
Fuel oil (380 cst 3.5% S)	65.80	0.4%	10.3%

Source: OPEC

Petroleum products consumption in India

- In February, LPG consumption decreased 16.0% on MoM basis.
- Consumption of gasoline increased (7.6% YoY) driven by higher demand from transport segment.
- Demand for diesel increased by 2.2% on YoY basis in the month of April.

Table 6: Petroleum products consumption in India, April 2019

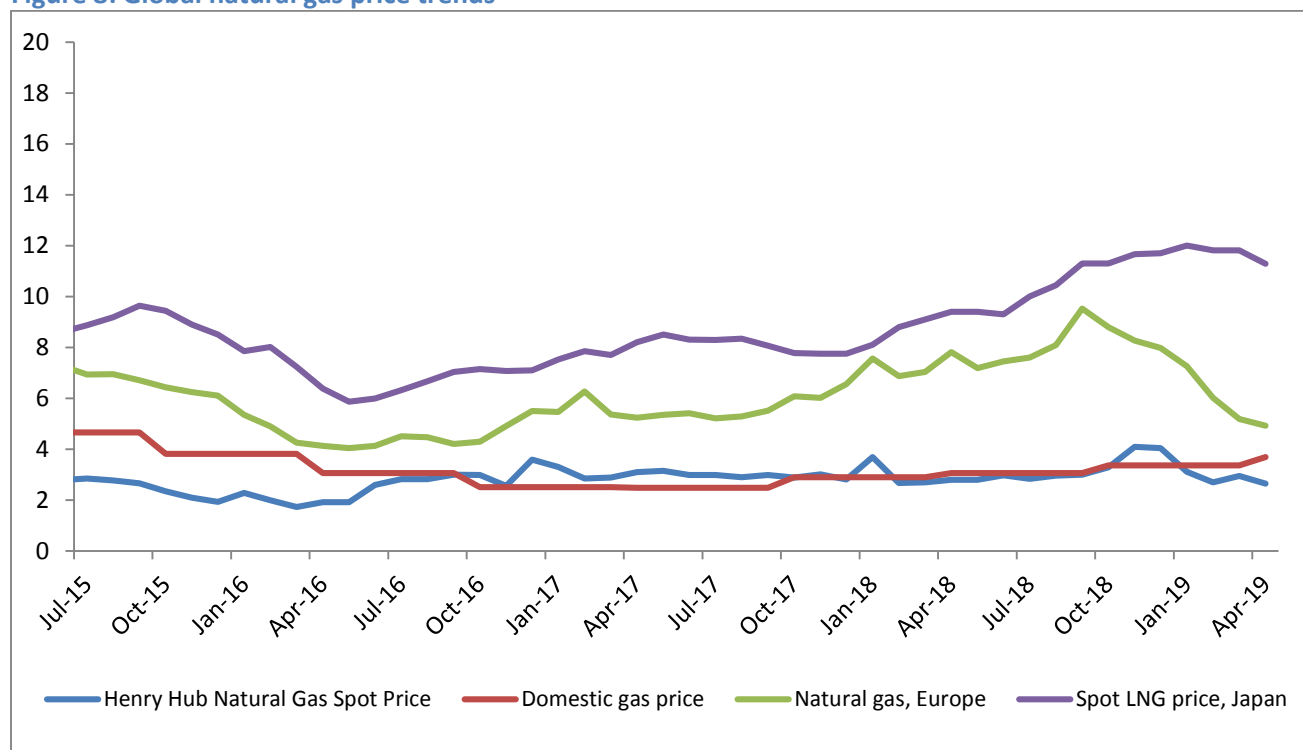
Petroleum products	Consumption in '000 MT April 2019	MoM (%) change	YoY (%) change
LPG	1,906	-16.0%	1.8%
Naphtha	1,117	-14.1%	5.2%
MS	2,458	-4.6%	7.6%
ATF	668	-9.0%	-3.5%
HSD	7,314	-1.8%	2.2%
LDO	45	-2.9%	-19.8%
Lubricants & Greases	300	-21.8%	5.6%
FO & LSHS	509	-4.9%	-7.8%
Bitumen	648	-20.9%	-2.8%
Petroleum coke	1,573	3.2%	-27.8%
Others	1,040	10.7%	86.1%
TOTAL	17,832	-5.5%	0.9%

Source: PPAC

Natural Gas Price

In April, the Henry Hub natural gas index increased on average by 10.17%, to \$2.65/MMBtu. Decline in demand for natural gas as a result of warmer-than-normal temperatures and higher inventory added during the same period across the United States.

Figure 8: Global natural gas price trends



Source: EIA, WORLD BANK

Table 7: Gas price

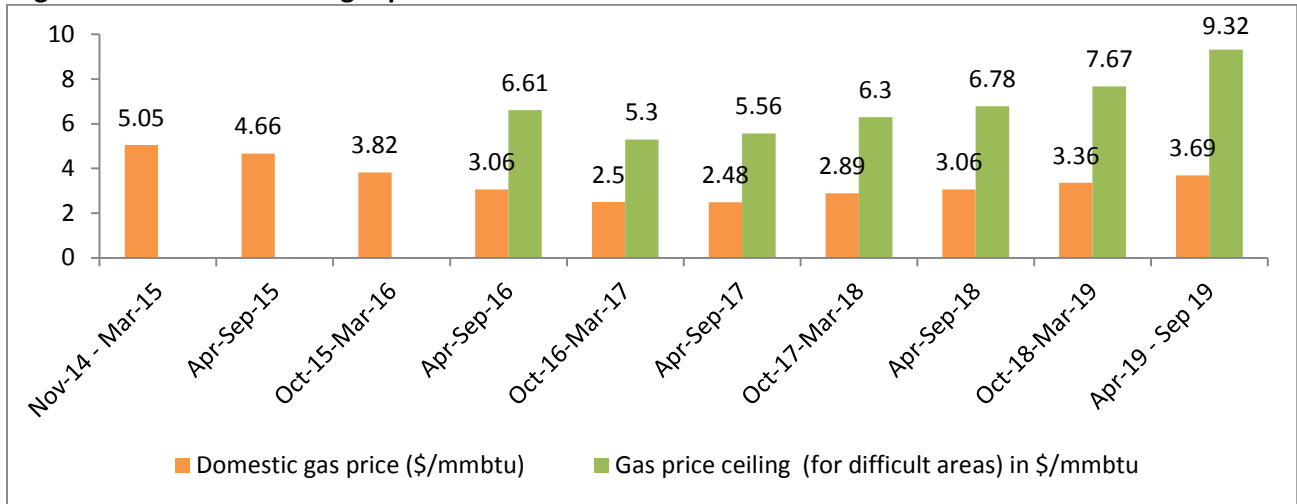
Natural Gas	Price (\$/MMBTU) in April 2019	MoM (%) change	YoY (%) change
India, Domestic gas price	3.69	9.8%	20.6%
India, Gas price ceiling – difficult areas	9.32	21.5%	37.5%
Henry Hub	2.65	-10.2%	-5.4%
Natural Gas, Europe	4.92	-5.0%	-37.0%
Liquefied Natural Gas, Japan	11.29	-4.4%	20.1%

Source: EIA, PPAC,

Domestic natural gas price which takes into account international benchmarks including Henry Hub, Alberta hub, Russia and UK National Balancing Point, has increased around 23% as compared to a year before, thus capturing the international gas price trends. Gas price for April to September 2019 is \$3.69 per MMBTU

A notification was issued by MoP&NG on 21st March 2016, for marketing including pricing freedom for gas to be produced from discoveries in deep water, ultra-deep water, and high-pressure high temperature areas. For the April to September 2019 period, the price of gas from such areas has been notified at \$9.32 per MMBTU.

Figure 9: Domestic natural gas price

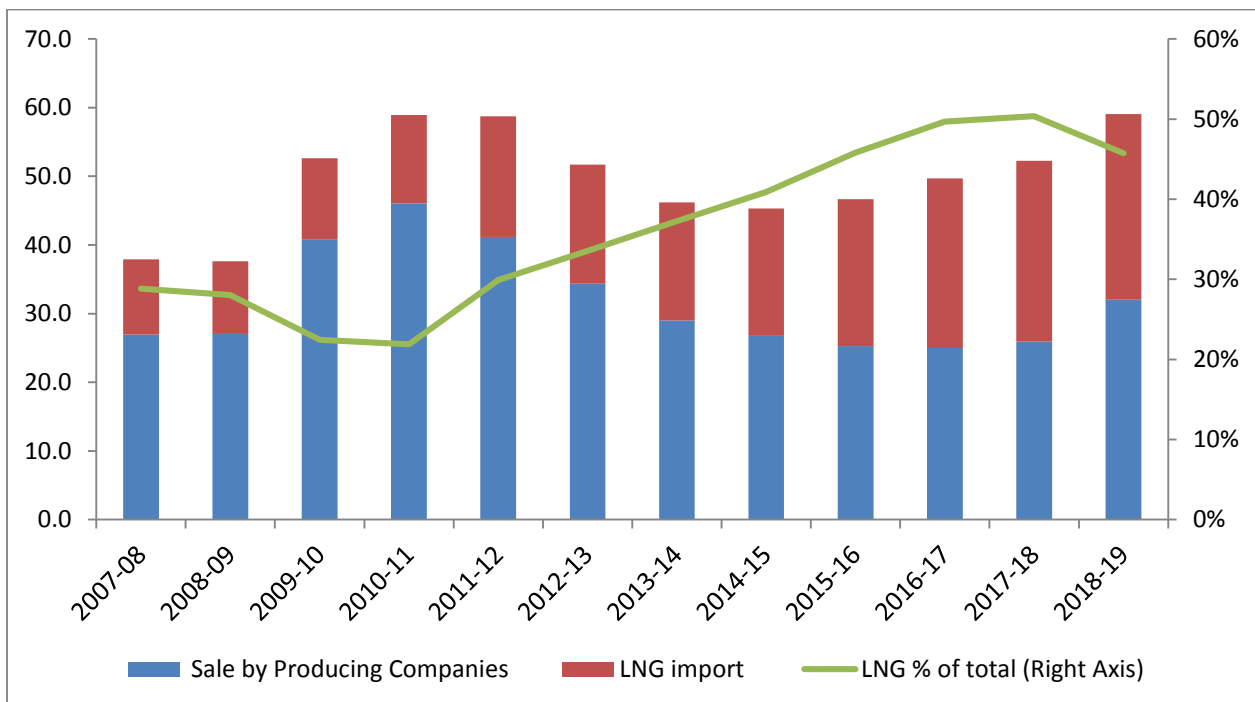


Source: PPAC

Natural gas production, consumption and import in India

- Natural gas constitutes for 6.2% of total energy primary mix of India
- Natural gas consumption in India has grown at a very slow pace in the past 3 – 4 years, with share of LNG imports increasing in the overall consumption mix

Figure 10: Domestic natural gas consumption, domestic production and LNG import in BCM



Source: PPAC

Sale by producing companies includes internal consumption

Research, analysis & compilation by:

Praveen Rai, Deputy Director (Economic Policy & Planning)

Email: prai@fipi.org.in

Kaushiki Sinha Ray, Senior Assistant Director (Economic Policy & Planning)

Email: Kaushiki@fipi.org.in

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