Addressing Increasing Natural Gas Demand

What is the issue?

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- Most of the developed countries has a surge in Liquefied Natural Gas demand due to various reasons.
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- Even in India there is increasing energy consumption, India need to create infrastructures for serving this purpose.
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What is the status of LNG demand globally?

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- Natural gas plays a major role in developed economies as a clean energy source.
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- An Arctic blast recently lowered temperatures across the European Union (EU) and the UK, which flared up gas prices to a 12-year high in the UK markets.
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- Significantly, citing supply outage for price surge, a key storage facility was shut down, which accounted for more than 70% of the UK’s total gas storage capacity, in its coverage.
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- In USA for past two decades there is a fluctuating demand for natural gas amidst relatively constant production levels.
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- In these developed economies there is a need for an ability of the market mechanism to ensure utilities and consumers with the supply of natural gas at market clearing prices.
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What measures were taken to tackle demands?

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- US Natural Gas Market’s developed a competitive deregulated market supported by necessary market infrastructure to neutralise fluctuations in gas prices.
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- LNG storages units played a significant role in curtailing volatility in the natural gas markets arising out of weather fluctuations.
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- Enhanced transportation capacities also played a key role in ensuring round-the-clock availability of natural gas to domestic and industrial consumers.
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- Open access mandate also led to the development of markets for gas storage with the ability of the players to reap arbitrage opportunities.
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What is the demand of natural gas in India?

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- With the government’s active pursuit of developing India as a gas-based economy, India’s gas imports (in the form of liquefied natural gas, or LNG) have been increasing supported by lower prices.
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- Gas imports during FY17 have nearly doubled from imports seen in FY11.
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- Estimates that LNG imports are expected to continue grow by 10% annually over the next five years, overtaking domestic production in 2019.
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What measures needs to be taken by India to exploit LNG?

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- India has already started its efforts towards boosting domestic gas production and exploring transnational gas pipelines under projects like Urja Ganga.
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- The development of a distribution network will increase accessibility to the cleaner source of energy.
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- Development of storage facilities is equally critical to smoothen out the differences between unstable demand and supply situations.
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- Consequently, availability of adequate storage facilities will help even out market volatility, besides maintenance of operational integrity of the pipelines, by ensuring that pipeline pressures are kept within the design parameters.
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- About 90% of the industry respondents in India support the ‘carrier first, commodity later’ principle as the approach for gas sector development.
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- In India enabling regulations must play an active role in promotion and development of infrastructure facilities such as pipelines and storage facilities to meet the forecasted growth of the sector.
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- Thus for the successful transformation of the proposed natural gas markets there is a dire need for supporting infrastructure with optimum transparency and neutral outlook.
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Source: Financial Express

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