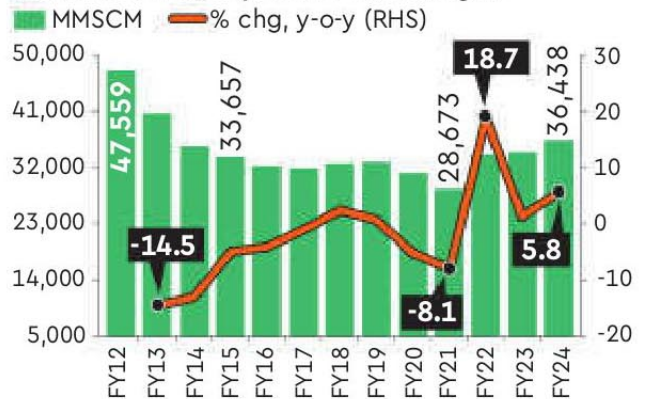


Prices of LNG seen moderating, domestic gas output looking up

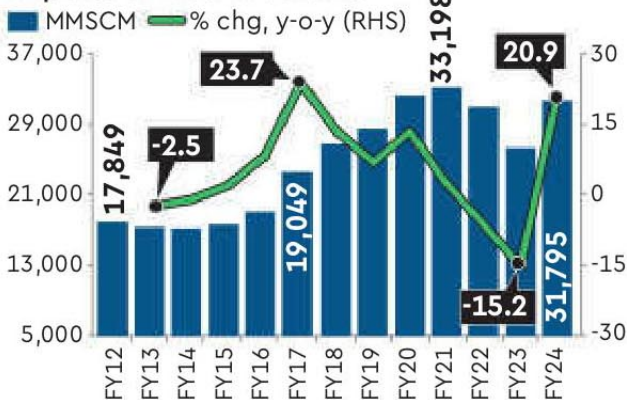
WITH DOMESTIC PRODUCTION of natural gas stagnating over the past decade (see chart), India has become increasingly vulnerable to sharp volatility in the global LNG market, reports **Saikat Neogi**. Apart from technological constraints and business strategies of producers, excessive government controls on gas prices too hit local gas supplies. Last year, LNG import volumes grew by more than a quarter year-on-year, but lower prices helped keep the import bill in check. While gas-based power generation is no longer a policy priority due to its high costs and lack of investor interest, natural gas remains competitive for transportation and cooking. Therefore, increasing domestic production is crucial. Since gas from the "difficult fields" is now being allowed to be sold at higher prices, it may encourage domestic production. The Reliance-bp partnership's MJ field in the KG-D6 block holds promise, and state-run ONGC is also expected to ramp up production from its KG block. After two consecutive years of high volatility, the global supply of natural gas is expected to stabilise, thanks to large capacity additions planned over the next four years. This should help keep LNG prices in check, according to Icra.



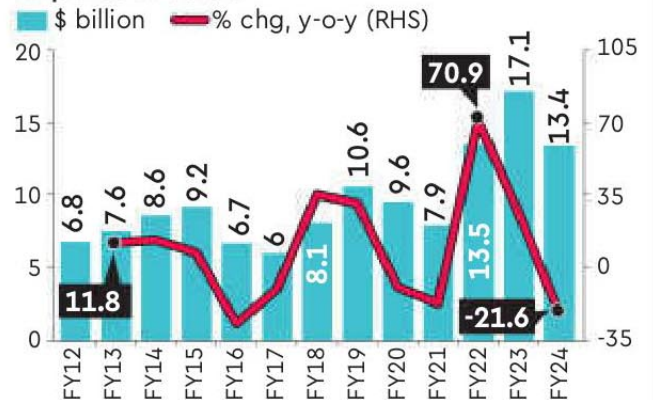
Production of liquefied natural gas



Imports of LNG in volume



Imports in value



MMSCM: Million metric standard cubic meter

Source: PPAC