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ABSORBING SUPPLY OR PRICE SHOCKS

LNG Terminals May Need to Raise Storage 10%

Min issues draft proposal to amend registration rules; aim is to build cost-effective emergency gas reserves

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New Delhi: India plans to require all liquefied natural gas (LNG) import terminals to build 10% extra storage capacity, which the government can tap during supply or price shocks.

The oil ministry has issued a draft proposal to amend registration rules for LNG terminals under the Petroleum and Natural Gas Regulatory Board (PNGRB).

"An entity seeking registration to operate LNG terminal... shall also have a credible plan for maintaining the storage capacity for LNG," the ministry has proposed in the draft.

"This storage capacity shall be 10% higher than the requirement for day-to-day operations of the terminal pertaining to re-gas activity. Further, the capacity stored shall be made available as per the directions of the central government as and when desired."

The proposal also mandates that the company, its parent, or promoters setting up a terminal must have a net worth of ₹1,500 crore for the last three financial years, and experience of completing an infrastructure project worth over ₹1,000 crore, or a hydrocarbon project exceeding ₹600 crore, in the past five years.

Officials said the key objective is to create a cost-effective emergency gas reserve instead of new underground storage facilities. India has long explored strategic natural gas storage on the lines of its petroleum reserves but the idea didn't take off due to prohibitive costs. The new plan shifts that burden to the industry, leveraging existing infrastructure at import terminals to create a built-in buffer for emergencies.

An official said storing additional gas at terminals is cheaper and logistically simpler than developing storage in depleted gas fields or rock caverns. India imports about half its gas needs, making such a system both practical and strategic.

However, industry executives said the draft lacks clarity on whether the additional storage must remain filled or could be treated as a common-carrier facility accessible to other users. If so, it may require PNGRB to regulate how the capacity is allocated, they said.

India currently has eight operational LNG terminals with a combined nameplate capacity of 52.7 mtpa. Yet, utilisation remains poor—seven terminals operate below 40%. The government had previously got ONGC, Oil India and GAIL to study the feasibility of setting up natural gas storage in depleted gas fields.