

Cheap oil-linked LNG supply to India trumps US gas amid trade talks

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A surge in US natural gas benchmark prices Henry Hub (HH) and volatile freight rates are making Indian fuel importers review their plans to purchase US LNG on a long-term basis, a key demand of the (US President) Donald Trump administration, senior industry sources told *Business Standard*. This comes even as India accelerates talks with the US to conclude a much-delayed bilateral trade deal.

Senior officials from two state-run refiners said that the ardour for US LNG had cooled in the last few months compared to what was seen last year, after a volatile HH soared to multi-year highs in the last few months.

GAIL is yet to make progress in an April tender seeking to source 1 million

tonnes/year of LNG for 15-25 years from a US liquefaction project.

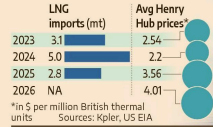
Indian state oil companies and gas consumers concluded around six-term LNG deals priced off HH in the late 2024-early 2025 period, totalling around 10 million tonnes per year of LNG, according to UK market intelligence provider Energy Intelligence. But three recent deals were linked to crude oil, industry data shows.

Besides offering access to agricultural products, central to a US trade deal with any nation is purchase of energy.

Pledges to buy more US LNG have underpinned deals with the European Union (EU), Japan and South Korea, according to US government data.

The EU, Japan and South Korea clinched a reduced tariff of 15 per cent on their exports to the US in exchange for commitments to buy more US LNG.

Supply watch India's LNG imports from US



The EU has committed to buy 39 mt of the fuel a year under term contracts; Japan has agreed up to 9.5 million tonnes and South Korea has pledged to buy 1.2 million tonnes, according to data from Energy Intelligence.

In value terms, the EU agreed to buy \$750 billion worth of US energy; Japan committed \$550 billion; and South Korea agreed to buy \$400 billion worth of US

energy products.

Indian firms are more circumspect — besides \$8 million tonnes a year in term contracts for US LNG agreed to by GAIL several years back, there is little progress on talks to secure new US supplies, senior refining sources said.

Committing to US LNG under decade-long contracts exposes utilities, city gas companies, refineries and industries to a

volatile HH benchmark, the sources added.

US LNG makes up around 14 per cent of India's LNG imports currently, up from 7 per cent in 2020-21, driven by spot and contractual volumes, according to data from ratings agency CRISIL, an S&P affiliate.

HH surged to a three-year high earlier this month, streaking past \$5 per million British thermal units, an unusual occurrence despite the cold weather in the US. It has since settled at close to \$4 per million Btu.

At current HH levels, oil-linked LNG, imported mainly from West Asian countries, is at least \$2-\$3 per million Btu, or 25-30 per cent cheaper compared to US LNG, industry officials and analysts said.

This is a trend that is expected to continue in the medium term.

US gas typically spikes in winter

because of domestic demand for heating, said Magood Shaikh, chief executive officer (CEO) of Ultra Gas & Energy, India's leading LNG retailer for trucks.

Shaikh said Indian consumers need to plan gas sourcing in advance with suppliers to avoid volatility. Adding to the pressure are high transport costs, with the cost to charter LNG vessels rising as much as four times in the last few months, shipping data shows.

"Shipping market squeeze has continued, with Atlantic basin spot charter rates remaining above \$120,000 per day," said Felix Booth, head, LNG, at market intelligence agency Vortexa in a note.

"With oil prices softening, Brent-linked Middle East cargoes may become relatively more competitive, which is likely to affect spot procurements," said Sehul Bhatt, director, Crisil Intelligence.

गेल गैस लिमिटेड को मिला ऊर्जा ब्रांड पुरस्कार

नई दिल्ली, वि.: गेल गैस लिमिटेड को ग्लोबल सस्टेनेबिलिटी अलायंस (जीएसए) कार्यक्रम में प्रतिष्ठित 'ऊर्जा परिवर्तन में अग्रणी-ऊर्जा ब्रांड' पुरस्कार से सम्मानित किया गया है। कार्यक्रम में कंपनी के सीईओ गौतम चक्रवर्ती को भी 'पायनियर आफ एनर्जी ट्रांसफार्मेशन-एनर्जी लीडर' पुरस्कार से सम्मानित किया गया।

