

PRESS RELEASE

August 28, 2024

Global LNG markets heading towards supply glut; likely to benefit India's gas offtake: ICRA

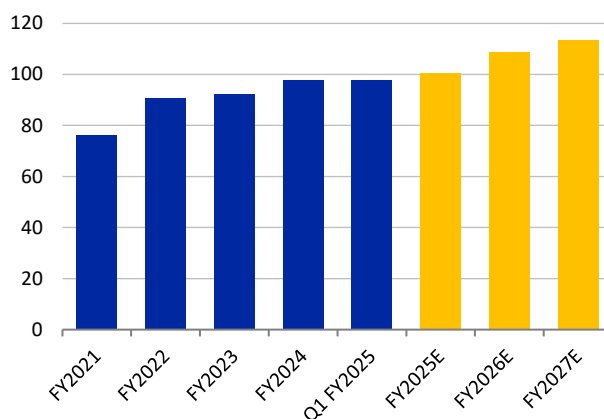
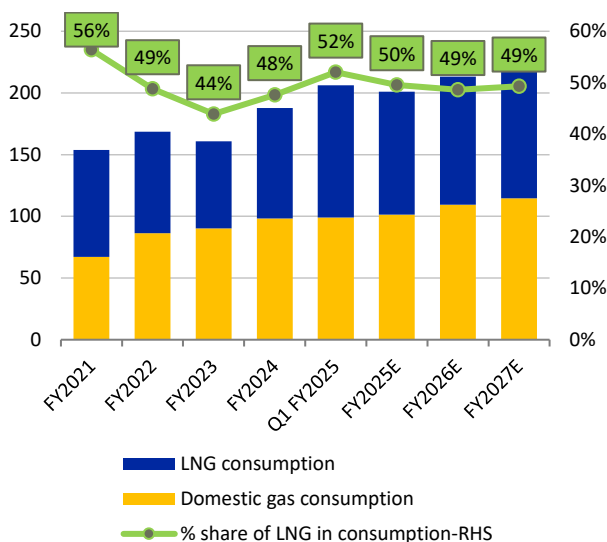
- *Nearly ~193 MMT of LNG production capacity to be added from CY2024 to CY2028 leading to LNG supply glut amid modest global demand growth expectations*
- *India's natural gas consumption to grow 6-8% YoY with offtake driven by city gas distribution and the refinery sectors amid subdued LNG prices*

ICRA highlighted that after two volatile years in terms of natural gas supplies and pricing in CY2022 and CY2023, the global liquified natural gas (LNG) markets are now heading towards significant supply glut with large capacity additions planned from CY2024 to CY2028. Globally, about ~193 MMT of the LNG production and liquefaction capacity is slated to be added over the course of the next four years. Significant capacity addition amid expectation of modest demand growth in the global natural gas consumption will keep the LNG prices under check, benefitting India.

Speaking on this, **Girishkumar Kadam, Senior Vice President and Group Head, Corporate Ratings, ICRA Ltd**, said: *"Global natural gas consumption is expected to witness modest growth, given the focus of the major natural gas consumers in regions of European Union, Japan & Korea towards other sources of energy. Amidst these demand headwinds, the LNG capacity addition over the next four year, which is equivalent to ~41% of the current global LNG production capacity, is expected to result in a downward pressure on the global LNG prices. India thus stands to benefit in terms of availability of LNG at reasonable prices over the medium term, notwithstanding the near-term volatility amid geopolitical tensions in West Asia."*

India's gas consumption, after witnessing headwinds in FY2023 owing to the elevated LNG prices, recovered sharply to 187.9 mmscmd in FY2024 (~17% increase YoY) with easing of LNG prices. Consumption in India is expected to grow by 6-8% YoY in FY2025, supported by softer LNG prices and an uptick in the domestic gas production. This growth is supported by the City Gas distribution (CGD) sector, followed by the refineries' offtake. The demand from the CGD sector is underpinned by the CNG segment, which remains robust owing to the strong economic advantage over alternate fuels, following the strong uptick in CNG vehicle sales in the last couple of years. The increasing adoption of electric vehicles in the passenger vehicle and bus segments will remain key threats for the CNG offtake. Additionally, ability of the CGD entities to ensure availability of CNG at competitive prices going forward will remain a key challenge, given the falling share of the APM gas in the overall gas mix. The fertiliser segment will remain the largest off-taker of natural gas, albeit the demand from hereon is not expected to grow, given there are no further capacity expansions in the urea segment.

Going forward, domestic gas production will witness marginal growth over the course of FY2025 and FY2026 with the ramp up of production from ONGC's KG-98/2 basin in Q4 FY2025 and on-streaming of few stranded gas production fields. Given the expectation of a growth of 6-8% YoY in natural gas consumption in the country, the reliance on LNG will, however, remain material. The share of LNG in the gas mix is projected to increase from 48% in FY2024 to 50% in FY2025. However, since domestic production is expected to start moderating from FY2028 onwards, the reliance on LNG would further rise as India looks to increase the share of natural gas in the energy mix.

EXHIBIT 1: TREND IN NATURAL GAS PRODUCTION IN INDIA, MMSCMD

EXHIBIT 2: TREND IN DOMESTIC AND LNG GAS CONSUMPTION IN INDIA, MMSCMD


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For further information, please contact:

Media Contacts:
Naznin Prodhani

Head – Group Corporate Communications & Media Relations

ICRA Ltd

Tel: + (91 124) 4545300,

Dir - 4545860

Email:

naznin.prodhani@icraindia.com

Shreya Bothra

Manager - Corporate Communications & Media Relations

ICRA Ltd

Tel: + (91 022) 61693300,

Dir - 61693367

Email:

shreya.bothra@icraindia.com

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