



DLTPL/2024-25/Commercial/004

01 July 2024

Ms. Vandana Sharma

Secretary

Petroleum and Natural Gas Regulatory Board

1st Floor, World Trade Centre

Babar Road, Barakhamba Lane, New Delhi-110 001

Sub: Comments on the draft PNGRB (Registration for Establishing & Operating Liquefied Natural Gas (LNG) Terminals) Regulations, 2024

Dear Madam,

This has reference to the Public Notice dated 05 June, 2024 seeking comments/views from stakeholders on the draft PNGRB (Registration for Establishing & Operating Liquefied Natural Gas (LNG) Terminals) Regulations, 2024 (referred to herein as Draft Regulations). Please find below our views and broad level comments on the proposed Draft Regulations.

1. DLTPL welcomes PNGRB's oversight on technical and safety standards as required under relevant regulations. This will help preserve the excellent safety standards and exceptional track record that the LNG industry is enjoying globally and in India in particular.
2. DLTPL supports registration of LNG Terminals in line with the provisions mentioned in PNGRB Act 2006. However, it is essential that these regulations remain within the original spirit of the PNGRB Act. The intent as we understand in this founding document was to distinguish between the authorization regime applicable to natural monopolies (pipeline transportation and distribution) from the registration regime for other activities (marketing, LNG terminals). The regulation applicable to LNG terminals should maintain this principle of distinction.
3. With over 20 years of successful operating history in India, this regulatory framework enabled the development of a vibrant re-gas market characterized by a healthy competition based on a mix of public and private investment in the 7 operating LNG terminals totaling nearly 50 mtpa of regasification capacity nationwide. Given the increasing demand for gas, it is important to create sufficient supporting infrastructure in the form of LNG terminals for which an enabling environment that promotes foreign investment and de-risks the LNG sector from arbitrary decisions and policy changes which retrospectively impacts LNG terminals developed under the existing regime, is crucial.
4. Without prejudice to the above, with regard to concerns regarding infructuous investment, this aspect should be limited only to projects using a majority of public funds by the relevant authorities. While we understand the rationale to avoid duplication of investment in pipeline infrastructure on account of terminals being built in nearby locations to existing terminals, an authorization regime for LNG terminals may indeed negatively impact healthy competition and create monopolistic behaviour by the existing terminals.
5. Unlike CGD entities, LNG terminals are not given exclusivities for specific geographical areas

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- (GAs) that would otherwise require authorization subject to (i) tariff and/or capacity allocation rules and (ii) adherence to a minimum work program.
6. It is worth noting that existing terminals have based their investment decisions on regulatory provisions existing at that time. Any change to the fundamentals of this regulation could create negative economic consequences and distrust which will be detrimental for future investments.
 7. There are sufficient provisions in the PNGRB Act that obligates the LNG terminal operator to comply with the regulations and consequences arising from any non-performance and the Act did not envisage any form of guarantee to be provided by the Terminal Owner(s). In our view, the requirement introduced in regulation 4(6) of the Draft Regulations with respect to furnishing a bank guarantee for an amount equal to 1% of the estimated project cost or INR 25 crores, whichever is lower, should be reconsidered by the Board especially for private LNG terminals which are already operational. While in the context of authorisations granted by the Board for city gas distribution networks and/or natural gas pipelines, the Board requires authorised entities to submit a performance bond, a distinction needs to be made between the Board's powers of registration (applicable to LNG terminals) and powers to grant authorisations (applicable to natural gas pipelines and city gas distribution networks). With respect to registration of LNG terminals, the PNGRB Act only provides for recovery of a registration fee, and no separate performance bond. Therefore, the requirement to provide a bank guarantee (especially for commissioned LNG terminals set up for private use) should be removed.
 8. A requirement to share commercially sensitive information that are part of bilateral agreements such as Project cost, regasification tariff, capacity allocation, is not consistent with the registration requirements under the PNGRB act.
 9. Finally, the Board should ensure that any technical/safety changes via regulation are not automatically imposed on operating terminals. Sufficient timeframes should be provided to these terminals for compliance, especially considering that some of these changes may require capital expenditures involving significant lead times and have implications on existing bilateral agreements.

We hope that the views expressed herein are useful to the Board in its continued deliberation on the subject.

Thanking You

Yours Sincerely

For **Dhamra LNG Terminal Pvt. Ltd,**

SP Singh

Chief Executive Officer

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