



GSPC LNG LIMITED

CIN: U23203GJ2007SGC050115

B-103, 1st Floor, IT Tower - 2, Infocity,
Nr. Indroda Circle, Gandhinagar - 382009.

Tel.: +91-79-66708083/66708084

Fax: +91-79-66708086

Website : www.gspcgroup.com

GLL/2018-19/PNGRB/003

25th April, 2018

The Secretary

Petroleum and Natural Gas Regulatory Board
1st Floor World Trade Centre
Babar Road
New Delhi – 110001

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Sub.: Comments / views on draft PNGRB - Registration for Establishing & Operating Liquefied Natural Gas (LNG) Terminals Regulations, 2018

Ref.: Public Notice dtd.28th March, 2018

DDL (km)

Dear Sir,

GSPC LNG Limited (“**GLL**”) is a Joint Venture company of Government of Gujarat and Government of Gujarat undertakings including Gujarat State Petroleum Corporation Limited and Adani Enterprises Limited. The Company has been incorporated for the purpose of developing a Greenfield 5 MMTPA LNG receiving, storage and regasification terminal at Mundra in Gujarat.

We have reviewed the draft PNGRB (Registration for Establishing and Operating Liquefied Natural Gas (LNG) Terminals) Regulations, 2018 (“**Draft LNG Terminal Regulations**”) that have been presently webhosted at the PNGRB website for comments.

We are of the view that any such draft provisions or regulations should positively contribute in overall development of the gas market and aid in setting up of LNG infrastructure. In India, the LNG market is still in development mode and project developers have to carefully analyse the market before taking an investment decision. The country is highly import dependent for its hydrocarbon requirements and therefore the policies need to help the project developers in setting up viable LNG projects. The case in favour of open access for LNG terminals is based on the considerations that open access mitigates the marketing power of the LNG terminal operator and promotes competition. However, in a developing market like India, the case for open access of LNG terminals may not have immediate merit as development of economically viable LNG facilities needs to be the priority. The various provisions proposed in the draft regulations may create a lack of confidence and visibility for the investors in the LNG infrastructure sector which could deter further investments in this area.

Considering the far reaching consequences these regulations may have we would like to request the Hon'ble Board to kindly extend the date of submission of these comments by another 15 days. At the same time we are submitting our preliminary comments for your review and consideration.

Preliminary Comments on Draft Regulations:

1. **Regulation: 3(1)(a):** LNG terminals are required to set apart 20 percent of its short term (less than 5 years contract) uncommitted regasification capacity or 0.5 MMTPA whichever is higher as common carrier capacity. GLL is of the view that this concept may be workable for transmission pipeline and / or CGD business. However extending this logic to LNG terminals (which are highly capital intensive with revenues projected on certain payback assumptions) would mean a significant business risk and impact financial performance of LNG terminals. It should not happen that the capacities go unutilized leading to business loss for LNG terminals.

At this stage the concept and operability of the proposed common carrier capacity to be blocked is also not clear. The same needs to be elaborated further. In case if the uncommitted common carrier capacity is offered as per the draft regulations the detailed procedure should include slot reservation, incidental storage and proportionate offtake at uniform rate through send out pipelines so as to avoid any operational bottlenecks for the LNG terminal operator.

2. **Regulation: 3(1)(b):** The technical and safety standards referred in the draft regulation are very broad based and include reference to petroleum and petroleum products as well. This should not apply to LNG and therefore needs to be amended. The Board has already notified on 18th January, 2018 (Ref.F. No. INFRA/T4S/LNG/05) the Petroleum and Natural Gas Regulatory Board (Technical Standards and Specifications including Safety Standards for Liquefied Natural Gas Facilities) Regulations, 2018. GLL view is that these standards notified on 18th January, 2018 pertaining to LNG facilities should act as guidelines only. There are various Global LNG standards already in place and till date the LNG industry has an impeccable track record of safety and follows prudent design principles. The existing LNG terminals should endeavour to follow the Board notified technical and safety regulations (Ref.F.No.INFRA/T4S/LNG/05) to the maximum possible extent as a matter of good engineering practice.
3. **Regulation: 3(1)(c):** The purpose of this Bank Guarantee is not very clear as unlike bid out transmission pipeline projects or CGD business there are no work commitments by the LNG developer. Submission of Bank Guarantee would also be an additional financial burden on LNG terminals. There should be no requirement of Bank Guarantee.
4. **Regulation: 5 (Certificate of Registration):** The Board shall issue a certificate of registration valid for 25 years with future extension in block of 10 years at a time. GLL is of the view that the economic life of an LNG terminal is generally more than 25 years. Concession Agreements have been executed by LNG terminal operators, wherein the LNG terminal operators have received land related rights for a period of 70 years through respective land lease agreements. The discretionary power given to the Board for granting further extension for a block of 10 years on terms and conditions it deems fit at that time (after 25 years) as per the proposed draft regulations may lead to an unquantifiable project risk for the LNG terminal.

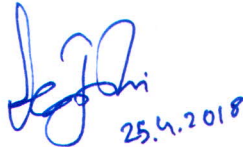


5. **Regulation: 6 (Change of Ownership):** GLL view is that this should be an obligation on the Board to register this change and not a discretionary power. The existing draft the term 'any other change' is open ended and is subject to interpretation.

6. **Regulation: 8 (Suspension or Termination of Certificate of Registration):** The events leading to default under non-compliance of technical standards and specifications including safety standards could be subject to interpretation. As already commented above in point no.2, there is no need for additional standards / specifications to be enforced and they should act as guidelines. The consequences of suspension or termination are not clear in the current draft. This shall also create business risks for the LNG terminal and impact its contractual obligations with various stakeholders.

With best regards,

Yours sincerely,



(Anil K. Joshi)
President-Projects