

GAIL executes MoU with Chubu Electric of Japan for joint LNG procurement

Seoul, March 24, 2014: During the Gastech Conference being held in Seoul, South Korea, GAIL announced having signed a Memorandum of Understanding (MoU) with Chubu Electric Power Co., Inc., Japan (Chubu) on 21.03.2014. Under the MoU, GAIL and Chubu shall mainly explore possibilities for collaboration in the area of joint LNG procurement. Besides, the two companies will also seek to collaborate on shipping optimization.

Chubu and GAIL are large LNG importers having considerable synergy between their LNG business profiles. It is assessed that with GAIL joining hands with Chubu for jointly pursuing LNG procurement and other allied business opportunities, such a collaboration shall augment GAIL's efforts to aggressively source LNG volumes on competitive terms and would be a win-win proposition for both companies.

GAIL's latest move is also in sync with the company's recent efforts in establishing and promoting Asia LNG Forum, a sort of Asian LNG buyers' club. GAIL is also actively working towards establishing a regional gas trading hub for Asia as well as an Asian gas index.

This MoU with Chubu is yet another effort by GAIL towards bridging the gap in demand supply of natural gas in the Indian market. This is in addition to other initiatives of GAIL towards LNG sourcing, creating LNG regasification infrastructure, reserving liquefaction tolling capacity in overseas projects and augmenting transmission capacity significantly over the next few years. GAIL will continue to make efforts to tie-up affordable LNG in its portfolio to meet the rapidly growing energy demand of the Indian market.

Speaking during the inaugural Ministerial session of the Gastech on 23.03.2014. Mr. B. C. Tripathi, CMD, GAIL, highlighted the enormous potential for gas demand in Asia and said that despite being the largest importer of LNG, Asian market is paying premium for LNG. On way forward for Asia, Mr Tripathi emphasized the need for developing synergies among Asian countries by promoting cross border pipelines to bring gas from central Asia, interlink Asian countries through gas pipelines and also promoting Asian Co-operation Forum to address Asian Gas Grid and Asian LNG forum and Asia Hub/index. Mr. Tripathi also said that in times to come, Asian market will prefer suppliers who have reliable/diverse source of supply and can offer transparent and competitive pricing methodologies. He reiterated that contract with destination flexibilities and innovative pricing including S-curve have become essential as it helps to tap the new demand in Asia by bringing a win-win proposition for both suppliers and buyers.

About Chubu Electric Power Co., Inc., Japan

Chubu is one of the largest importers of LNG in Japan, and has significant presence across gas value chain including upstream assets, liquefaction capacity and regas capacity. The company procured ~10 MMTPA LNG in 2013. It operates 5 LNG terminals in Japan, and has contracted liquefaction capacity (based on equity participation) in Gorgon and Ichthys LNG projects in Australia, and has acquired 2.2 MMTPA liquefaction tolling capacity in the 1st train of Freeport LNG Liquefaction, LLC, US. Chubu has also made a foray in the LNG shipping industry, and presently has a fleet of 03 LNG carriers under construction which are likely to be delivered in 2014 / 2015.

About GAIL (India) Limited

GAIL (India) Limited is India's principal Natural Gas company with activities ranging from Gas Transmission and Marketing to Processing, transmission of Liquefied Petroleum Gas and production and marketing of Petrochemicals. The Company has extended its presence in LNG sourcing and re-gasification, City Gas Distribution, Exploration & Production and Power & Renewable Energy through equity and joint venture participations.

In order to meet the growing appetite of Indian market, GAIL has been expanding its global presence to secure long term gas supplies. GAIL earlier signed a 20 year Sales and Purchase Agreement with Sabine Pass Liquefaction LLC, a unit of Cheniere Energy Partners, USA for supply of 3.5 million tonnes per year of LNG. In addition, the company has signed long-term LNG supply contract for 2.5 million tonnes with Gazprom Marketing and Trading Ltd., Singapore for 20 years. GAIL has also signed a Terminal Service agreement for 2.3 millions tonnes per year LNG liquefaction capacity with Dominion Cove Point LNG, USA.

GAIL has executed Gas Sales Purchase Agreement with Turkmengaz for 38 MMSCMD for 30 year supply through the Turkmenistan – Afghanistan – Pakistan - India pipeline.

GAIL is also poised to make its foray into LNG shipping business in the near future with long-term charter hiring of multiple LNG vessels, mainly to transport LNG volumes from GAIL's US portfolio to India.