



Great Eastern Energy Corporation Ltd. has been an interesting story in India's oil and gas sector. Since becoming the first company to be listed on the London Stock Exchange's Alternative Investment Market (AIM), GEECL has traveled a long journey--making a name in monetising natural gas from coal seams. In an interaction with **Dibyendu RoyChowdhury, Prashant Modi**, President and Chief Operating Officer, GEECL, shares the importance of unconventional energy sources like coal bed methane and what the government must do to help the industry grow at an exponential pace.

Interface

Gas industry should be given infrastructure status

How would you describe Great Eastern Energy Corp's journey in India's oil and gas sector?

GEECL is a fully integrated, leading Indian coal bed methane (CBM) company focused on the monetisation of natural gas from coal seams. GEECL is present in the entire value chain of CBM production. It is connected to customers in the Raniganj (South) block by its fully owned, operated and dedicated pipeline network.

GEECL story has been an interesting one in India's oil and gas sector. So far, as upstream activities are concerned, India has historically been inclined towards using conventional sources of energy. It is only during the last decade that India started to focus on unconventional sources of energy like coal bed methane. GEECL was the first company in India to commercially produce CBM in 2007. Since inception, the company has solely focused on CBM. GEECL's operational asset is located in Raniganj (South) block (210 sq. km) in the Damodar Valley, 200 km away from Kolkata.





In 2010 GEECL was awarded its second block in Mannargudi, Tamil Nadu, situated at the southern part of India under CBM IV. The block spreads over an area of 667 sq. km, having an estimated 0.98 TCF, as per the Directorate General of Hydrocarbons (DGH).

In December 2005, GEECL became the first Indian company to be listed on the London Stock Exchange's Alternative Investment Market (AIM). In May 2010, the company's GDRs were admitted to the main market of the London Stock Exchange.

GEECL is a dominant name in supply and distribution of CBM gas in Asansol-Raniganj-Durgapur belt. Where do you see India's future in CBM, and what are your strategies to straighten your foothold?

There are other players in CBM and also several alternative fuels available in the Asansol-Raniganj-Durgapur belt.

The 21st century belongs to gas. In the last few years, however, the global oil and gas scenario has seen a paradigm shift. A few years ago, no one imagined that oil would be trading at these levels. One of the main factors in driving this paradigm shift is the fact that the United States moved from being an energy-deficient country to become an energy-surplus country. It is their current focus on unconventional energy like shale and CBM gas that has transformed the entire scenario, coupled with free market pricing.

India has the fourth largest coal reserve in the world. There is immense potential for CBM production in India. As CBM extraction makes coal mining safer, we think it is even more imperative that CBM is pursued more seriously. With the new Indian Government, there has been a renewed impetus in the oil and gas sector: conventional and unconventional. The new CBM policy is expected to address several important issues to enable smoother implementation of projects.

GEECL's strategy has been very straight forward so far as CBM in India is concerned. We have focused only on CBM, and our technological advancement and expertise make us well poised for the future.

India suffers from a comparatively low density of pipelines—only 3 km per 1,000 square miles. How can India increase in both pipeline length and capacity to the global level of 50 km per 1,000 square miles?

It is imperative that India has a robust network of pipelines to make gas production commercially viable. Non-availability of a pipeline network means the gas will have to be flared; hence, it won't be produced. This is why investment in pipeline infrastructure is a fundamental requirement to provide growth in this sector. The new government is serious about the infrastructural push in India, and we are hopeful about the future.

Pipeline infrastructure is a different activity from E&P. Pipelines should be in place before commercial production of gas begins. If the E&P sector is encouraged, pipelines will be laid. Without the potential of the resource being extracted and available for transport, any pipeline is unviable.

The new government has been trying its best to reform the industry with policies like 100 per cent FDI in many segments, including natural gas, petroleum products and refineries. What kind of policies would be the best for this industry?

The gas industry should be given infrastructure status. This will enable the industry to raise cheap finance to meet in part the huge investment and risk capital required for E&P.

Further, all contracts already in place with various operators should be adhered to. Free market pricing is a must to attract investment. A live example is the United States. Gas prices have dropped in the US due to market forces and not due to government trying to control prices. Production and supply increased exponentially due to right policies (i.e. free market pricing) being in place to encourage investments in E&P and not by controlling prices. Hence, prices have dropped from over \$13/mmbtu in 2008 to under \$3/mmbtu currently, due to increased domestic availability of gas. It is imperative to follow the same route in India if we want to reduce our import dependence and increase domestic E&P activity.

Sluggish domestic demand and increased production from the newly commissioned PSU refineries have affected the overall oil and gas sector. What are other challenges affecting the energy sector?

Uncertainty and risk are two important elements that make the overall E&P venture very challenging. The scenario becomes rather challenging so far as CBM is concerned. There is no cost recovery in CBM, which means the company concerned will share royalty/PLP from day one of gas sales. This is in addition to the lack of pipeline infrastructure in the country. GEECL had to build its own dedicated pipeline network for supplying gas to our customers.

In India about 80 per cent of energy requirements are met through imports. With a growing economy, India's demand for energy is expected to grow further. However, what is imperative is that the government creates a conducive environment so that there is investment in the domestic E&P sector.

India needs to reduce its import dependence by 10 per cent by the year 2022 as per the target set by the government. Keeping in mind the increase in demand per year, a rough back of the envelope calculation suggests that domestic gas production would need to increase from the current level of 90-100 mmscmd to 480 mmscmd, and domestic oil production would need to increase from the current level of 0.8-1 mmb/d to 2.5 mmb/d.

In order to achieve this, India must have a policy framework where all clearances are given simultaneously when the contract is awarded, contracts are honoured, and free market pricing is maintained. This will immensely help the industry to grow at an exponential pace. ▲