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Petronet LNG Force Majeure — Zero Qatari LNG for Three Months as CNG Prices Spiral

17 May 2026 · ECONOMY IR

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17 May 2026 · 5 min read · 2 tags ▾

WHY IN NEWS:

CNG (Compressed Natural Gas) prices in Delhi-NCR were raised **twice in 48 hours** — by Rs 2 on May 15 and Rs 1 on May 17 — pushing the Delhi rate to **Rs 80.09 per kg**. The hikes are a direct consequence of **Petronet LNG** receiving zero LNG (Liquefied Natural Gas) cargo from Qatar for a **third consecutive month** (March–May 2026), following QatarEnergy's declaration of force majeure after the Strait of Hormuz became effectively closed. The supply disruption has cascading effects on city gas distribution, urea fertilizer production, and industrial gas users across India.

CNG PRICE TRAJECTORY

DATE	DELHI CNG PRICE	CHANGE
May 1, 2026	Rs 75.09/kg	Baseline
May 15, 2026	Rs 77.09/kg	+Rs 2.00 hike
May 17, 2026	Rs 80.09/kg	+Rs 1.00 hike (second in 48 hrs)
Noida/Ghaziabad	Rs 88.70/kg	Higher due to distribution cost

THE LNG SUPPLY CHAIN COLLAPSE

What Happened

DATE	EVENT
March 2, 2026	Iranian strikes on Mesaieed and Ras Laffan LNG facilities; Strait of Hormuz effectively closed
March 4, 2026	QatarEnergy halts LNG output from Ras Laffan; declares force majeure on all long-term LNG contracts
March 2026	Petronet LNG invokes force majeure downstream — passes to GAIL, IOCL, BPCL
April–May 2026	Zero Qatari LNG cargo received at Dahej and Kochi terminals
May 2026	India seeking spot LNG cargo from US, Australia, West Africa at 3–4x usual price

Qatar's Dominance in India's LNG

SUPPLIER	INDIA'S LNG IMPORT SHARE
Qatar (Ras Laffan)	**~44%**
USA (LNG terminals)	~15%
Australia (Gorgon, Wheatstone)	~10%
UAE, Russia (Sakhalin)	~8% each
Others	~15%

Losing **44% of LNG supply** in one stroke is an unprecedented energy security shock.

PETRONET LNG — KEY FACTS

FEATURE	DETAILS
Full name	Petronet LNG Limited
Incorporated	1998
Ministry	Ministry of Petroleum and Natural Gas
Promoters	GAIL (12.5%), IOC (12.5%), BPCL (12.5%), ONGC (12.5%) — collectively 50% government stake
Shareholders	ADB (5.2%), total public shareholding ~44%
Terminals	**Dahej, Gujarat** (original capacity 17.5 MMTPA; being expanded to 22.5 MMTPA) + **Kochi, Kerala** (5 MMTPA)
Qatar contract	25-year LTC with QatarEnergy (RasGas) — 7.5 MMTPA from Dahej
Status	India's largest LNG importer; handles ~40–45% of India's LNG imports

DOWNSTREAM IMPACT — BEYOND CNG

1. Urea Fertilizer Production

Natural gas is the primary feedstock for **Haber-Bosch process** (nitrogen fixation for urea):

- India's domestic urea plants rely on natural gas for ~80% of their feedstock
- Plants affected: IFFCO (Kandla, Aonla, Phulpur), Chambal Fertilisers, Kribhco (Hazira), GNFC
- Production cuts of **15–30%** reported across major plants
- India has approached **China to allow urea exports** to cover domestic shortfall (extraordinary diplomatic step)
- Kharif 2026 sowing (June–July) at risk if urea supply doesn't normalise

2. Power Generation

Gas-based power plants (combined cycle gas turbines) are running at reduced capacity or switching to more expensive RLNG (regasified LNG) from spot market:

- India has ~26,000 MW of gas-based power generation capacity
- Much of this capacity is in Gujarat (Dhuvaran, Hazira) and Andhra Pradesh

3. Industrial Users

- Steel, ceramics, glass industries using piped natural gas (PNG) — facing price hikes
- Sponge iron producers using gas as reductant

INDIA'S STRUCTURAL GAS VULNERABILITY

FACTOR	INDIA'S POSITION
Domestic gas production	~90 MMSCMD (ONGC, Oil India, RIL-BP KG-D6) — covers only ~55% of demand
Gas import dependency	~45% of consumption = LNG imports
LNG infrastructure	Only 2 operational regasification terminals (Dahej + Kochi)
Pipeline connectivity	Domestic gas grid limited; GAIL's HVJ pipeline + spur lines
Gas in energy mix	~6.2% of India's primary energy (target: 15% by 2030)

UPSC RELEVANCE

GS Paper 3 — Economy / Environment / Energy

- **City Gas Distribution (CGD)**: regulatory body PNGRB; Petroleum and Natural Gas Regulatory Board; CNG and PNG supply chain
- **LNG supply chain**: regasification terminals, long-term contracts vs. spot cargoes, force majeure in energy contracts
- **India's energy security**: LNG dependency, Petronet as strategic bottleneck, need for supply diversification
- **Urea sector**: gas as feedstock; Haber-Bosch process; India's fertilizer import dependence and food security linkage
- **Strait of Hormuz**: ~20% of global petroleum + significant share of global LNG transits this route

GS Paper 2 — International Relations

- **India-Qatar energy relationship**: long-term LNG contracts; QatarEnergy as India's single largest LNG supplier
- **West Asia conflict and India**: Iran strikes on Qatari infrastructure; India's vulnerability to Gulf energy disruptions

- **India-China cooperation**: India approaching China for urea exports amid crisis — signals pragmatic diplomacy

Keywords: Petronet LNG, force majeure, QatarEnergy Ras Laffan, CNG price hike May 2026, Strait of Hormuz, GAIL, Dahej terminal, urea fertilizer crisis, IFFCO, Kharif 2026, PNGRB, city gas distribution, LNG regasification.

> *India's largest LNG importer; terminals at Dahej (original capacity 17.5 MMTPA, expanding to 22.5 MMTPA; largest LNG terminal in South Asia) and Kochi (5 MMTPA); 25-year contract with QatarEnergy for 7.5 MMTPA; promoters include GAIL, IOCL, BPCL, ONGC.*
>
> *Legal clause in contracts exempting parties from liability for extraordinary events beyond their control (natural disasters, war, pandemic, infrastructure destruction); both QatarEnergy and Petronet invoked this clause; no penalty on either party but supply stops.*
>
> *India's urea plants use natural gas as primary feedstock (Haber-Bosch process: $N_2 + 3H_2 \rightarrow 2NH_3$; H_2 produced by steam methane reforming of natural gas); ~1 tonne of urea requires ~800 cubic metres of natural gas.*
>
> *Compressed Natural Gas compressed at 200 bar; primary fuel for Delhi-NCR public transport (DTC buses, auto-rickshaws, taxis); regulated by PNGRB; prices set by CGD (city gas distribution) companies — IGL (Indraprastha Gas) in Delhi.*
>
> *Statutory body under PNGRB Act, 2006; regulates midstream and downstream natural gas activities; authorises CGD entities for geographic areas; headquartered in New Delhi.*

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