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LPG Market Outlook

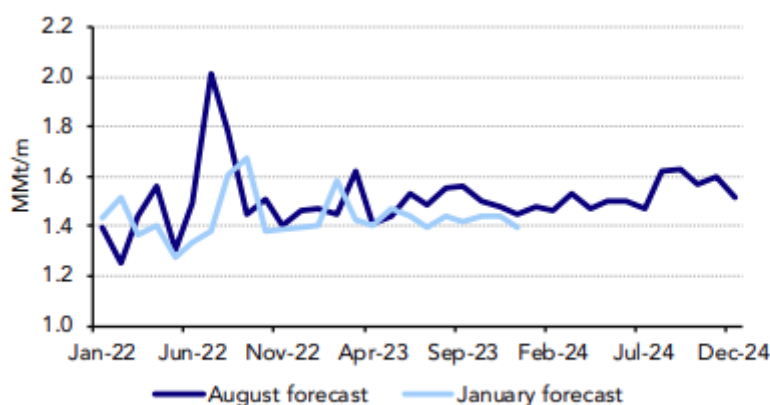
Imports for India in 2022 higher than previously anticipated

India's LPG imports surged in July to roughly 2 MMt with most of the cargoes coming from the Middle East. Lower prices from the Middle East suppliers incentivized higher imports. There are healthy import figures thus far in August as well. As a result, the annual import forecast for India has been adjusted higher by roughly 700,000 t to 18 MMt/y for 2022.

Natural gas prices remain elevated while the price of LPG has fallen in recent months. Consumers from the industrial and petrochemical sectors are switching to other fuels like fuel oil, naphtha, LPG, and coal as a result.

It may be the case that LPG imports are higher than expected if there is an increase in demand for LPG from the industrial and petrochemical sectors as an alternative to expensive natural gas. Imports for 2023 are forecast to stay flat at around 18 MMt/y before rising to 18.3 MMt/y in 2024.

India LPG import forecast comparison

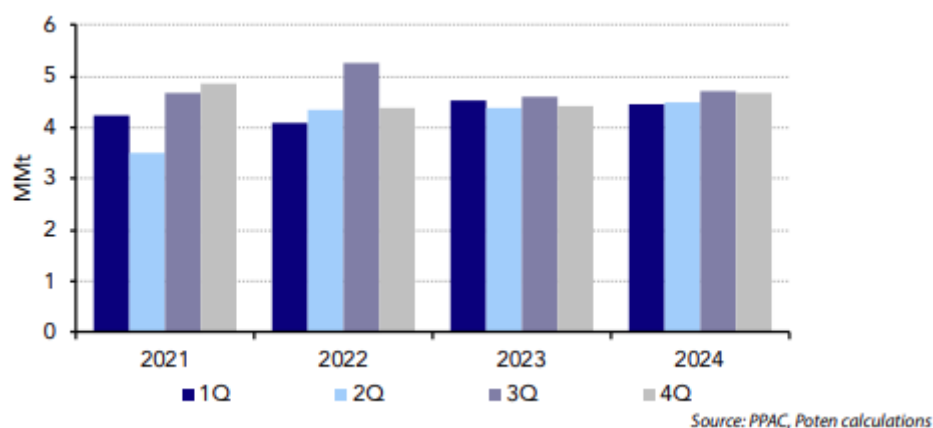


Source: PPAC, Poten calculations

Typically, there is little seasonality associated with imports for India and imports are unaffected by weather changes from quarter to quarter. In 2021, imports were higher in 2H rather than 1H due to higher demand during religious festivals. The surge in imports in 3Q 2022 means 3Q will be the highest quarter for imports this year according to the forecast.

In 2023 and 2024, it is expected that imports between quarters will show less difference than previously seen due to consistent demand from the residential sector. There are few alternatives for LPG in the residential sector for India. Electrification of cooking and heating or piped natural gas are being considered but are cost prohibitive in the short term.

India LPG import forecast by quarter



Domestic supplies of LPG are forecast to grow between 3% and 5% from 2022 to 2024 on higher domestic natural gas production and expanding refinery capacity. A recent shortage of coal along with persistent high LNG prices has some Indian policy makers leaning towards opening more offshore and onshore oil and gas blocks to foreign investment to increase domestic output.

Meanwhile, India is leading Asia in terms of planned refinery expansion projects between 2022 and 2026. There are two new refineries coming online and 84 expansions of existing projects.

India LPG domestic supply forecast and growth rate

