

Interview



CMA Rakesh Kumar Jain

Director (Finance), GAIL (India) Limited.

Q1. What is your outlook on the global energy market in 2024-25?

Ans: The global energy market outlook for 2024-25 is characterized by several key trends and projections. The energy landscape is expected to undergo a sea change driven by aspects including geopolitical factors, macroeconomic variables, evolving policies & regulations and development of new technologies.

Oil demand is expected to continue to decline in the long term, however it is likely to remain a major source of energy in the short to medium. As per BP Energy outlook 2023, the global oil consumption is projected to slow down in the long term from 2025-2050. However being a cleaner alternative to coal and other fossil fuels Natural gas demand is expected to continue to grow in the near future. Further Natural Gas is being seen as a transition fuel. Renewable energy is expected to be the fastest-growing source of energy

Shri Rakesh Kumar Jain is a Cost and Management Accountant by profession, He has rich and varied experience of around 32 years of working in Oil & Gas sector and regulator.

Prior to his appointment as Director (Finance), Shri Jain held the position of Executive Director (F&A)-HoD in GAIL. Additionally, Shri Jain holds the position of Chairman in Indraprastha Gas Limited, GAIL Global (USA) Inc., GAIL Global (USA) LNG LLC. & and Director in GAIL Gas Limited, Earlier he was on the Board of Bhagyanagar Gas Ltd., Bengal Gas Company Ltd., Ratnagiri Gas and Power Pvt. Ltd (RGPPL).

As Executive Director (F&A)-HoD, he headed Corporate Finance and was actively involved in mobilisation of funds from domestic and international markets, major investment decisions in various infrastructure projects. He has also been actively involved in Investor relations and interactions with Analysts fraternity.

He has also worked in almost all business verticals of GAIL including GAIL's largest Petrochemical plant at Pata. He has major contribution in formulation of LNG / RLNG sourcing and sales policy and hedging policy to mitigate the risk as well as hedging of the underlying assets.

Shri Jain has worked in the areas of Treasury including Forex Risk Management, Capital Budgeting, Corporate Accounts, Finalization of Long-Term international LNG and Gas Agreements, Pricing, Liquefaction and Regasification Terminal Service Agreement, Mergers & Acquisitions, Taxation, Regulatory aspects etc.

Besides serving a long tenure at GAIL, he was on deputation to Petroleum and Natural Gas Regulatory Board (PNGRB), as Jt. Director (Commercial and Finance). During his stint at PNGRB, he was actively engaged in the review of tariff regulations, conceptualization of unified tariff, authorization of CGD 9th & 10th bidding rounds, finance functions etc.

in times to come. The cost of renewable energy is falling rapidly, and new technologies are being developed that could make them more competitive than fossil fuels.

The International Energy Agency (IEA) projects that developing nations, particularly in Asia, will account for over 90% of the net energy demand growth in the coming years. This emphasizes the vital role of global energy management in these economies.

The energy transition is a complex and challenging process, but it is also an opportunity to create a more sustainable and equitable energy system. The global energy market outlook for 2024-25 is characterized by a slowdown in global oil demand, the rising prominence of biofuels and electric vehicles, significant growth in renewable energy deployment, and the increasing role of developing nations in driving energy demand growth. The next few years will be critical in determining the future of the global energy market.

Q2. What are potential sectors in Indian economy which can increase Gas Share in primary energy mix of country in the decade going forward?

Ans: Govt. of India aims to increase the share of natural gas in the primary energy basket from existing 6.3% to 15%, which is from current level of consumption of ~ 165 MMSCMD to ~ 500 MMSCMD, an increase of almost 3 times increase from current levels. It will require significant efforts from all the stakeholders, and huge investment in the entire gas value chain to achieve this target. Minister of Oil & Natural Gas recently gave a green signal to the idea of setting up a strategic natural gas reserve that can store up to 4 billion cubic meters (BCM) of imported gas and is estimated to cost \$1-2 billion.

Historically Fertilizer & power used to be the anchor load customers there is a shift in the consumption pattern, while fertilizer industry continues to be the major consumer of Natural Gas, CGD Sector has now surpassed the Power Sector to become the second largest consumer of Natural Gas.

With the commissioning of new fertilizer plants in the country, the demand from this sector has matured. Though the supply constraint and price volatility in the last year has impacted the growth of gas sector especially price sensitive CGD sector, with the inclusion of new Gas & pricing reforms under Kirit Parikh committee, this sector will see an increase in demand.

Next wave of gas demand will come from refineries, chemical process industries, and Iron and Steel plants, both as feedstock, fuel, and process requirements. With completion of the National Gas Grid (NGG), all the

refineries currently isolated from the gas grid can switch to gas, increasing gas consumption. Further, gas-based blast furnace and gas-based DRI (Sponge Iron) can open up demand for gas.

The power sector is considered to be one of the key drivers of any gas-based economy. If we take the example of the USA, over 38% of the electricity comes from gas, followed by 22% from coal. However, in India approx. 49.1% of the electricity comes from coal-based plants and the share of gas in electricity generation is merely 6%. Indian power sector needs reforms such as peaking power policy, Gas-RE integration for 24x7 power, and review of Merit Order Dispatch considering the health and pollution cost. These reforms can increase the share of gas in primary energy basket. However, to substantially increase consumption of natural gas, it has to be used as baseload fuel.

With growing awareness of urban pollution and the ban on polluting fuels like pet coke and furnace oil, we can see gradual adoption of gas among various industrial & commercial customers. It is envisaged that natural gas will be in the ambit of GST in the coming years and which is expected to boost demand from MSMEs/SMEs due to the benefit of an input tax credit.

With government policy support, industry initiatives, efforts from developers and suppliers, we may achieve the ambitious target set out for moving the country towards gas-based economy.

Q3. What are the major recent reforms in Natural Gas Sectors influencing demand for cleaner fuel in country?

Ans: Indian Natural gas industry has seen two major reforms i.e Pricing Reform and Tariff Reform during last year that is going to increase the consumption of natural gas in the country

- a. **Pricing reforms:** The implementation of new domestic gas pricing guidelines as recommended by Kirit Parikh Committee will provide a stable pricing regime for domestic gas consumers while at the same time providing adequate protection to producers from adverse market fluctuation. This is going to give a significant boost to the CGD sector.
- b. **Tariff reform:** Petroleum and Natural Gas Regulatory Board (PNGRB) has recently amended “Determination of Natural Gas Pipeline Tariff Regulations” to incorporate the regulations pertaining to Unified Tariff for natural gas pipelines with a mission of “One Nation, One Grid and One tariff”. This is going to make Natural Gas economical for industrial units situated in hinterland thereby deriving demand for natural gas.

Tariff reforms will further aid infrastructure expansion and development of national gas grid.

Q4. What are your views on national gas grid (NGG)?

Ans: Gas Pipeline infrastructure is an economical and safe mode of transporting the natural gas by connecting gas sources to gas consuming markets. Pan India Gas pipeline grid will facilitate development of a vibrant gas market. Therefore, an interconnected National Gas Grid (NGG) has been envisaged to ensure adequate availability and equitable distribution of natural gas in all parts of the country.

At present, there is approx. 24,600 KM long Natural Gas pipeline network which is operational in the country. In order to make available natural gas across the country, approx. 10,800 KM of pipeline network is under construction. This will take the total NGG pipeline length to approx. 35,400 KM.

GAIL has a network of Natural Gas pipeline of more than 16,000 km across the length and breadth of our country. Natural gas pipelines are core and strategic assets for India’s energy security and backbone to achieve the gas-based economy. GAIL is in constant endeavor to expand its pipeline infrastructure as a part of National Gas Grid.

Q5. As a Director (Finance) of GAIL, what are the challenges faced that you hope to accomplish to retain leadership in natural gas Marketing & Transmission?

Ans: GAIL (India) Limited is leading natural gas company with diversified interests across the natural gas value chain of trading, transmission, LPG production & transmission, LNG re-gasification, petrochemicals, city gas, E&P, etc. It owns and operates a network of around 16,000 KM of natural gas pipelines spread across the length and breadth of country. It is also working concurrently on execution of multiple pipeline projects to further enhance the spread. GAIL commands ~70% market share in gas transmission and has a Gas trading share of over ~ 50% in India. GAIL and its Subsidiaries / JVs also have a good market share in City Gas Distribution. GAIL has significantly large portfolio in the Liquefied Natural Gas (LNG) market as well.

India’s natural gas market is on path of maturity and there are challenges as elaborated below, which needs risk mitigation:

- ⦿ Gas consumption in India is price sensitive and elastic with regards to other competitive fuels. Pricing and affordability are the key issues in India as both the existing consumption sectors, including power and fertilizer, and emerging sectors such as city gas are considered very price-sensitive.
- ⦿ Natural gas is taxed differently and has a high tax component compared to coal, despite the latter’s higher environmental footprint. Natural gas is not

under GST while competitive fuels (Coal, FO, Petcoke, LPG) are under GST. VAT rate also varies significantly across states ranging from 0% to 25%

- ⦿ Natural gas pipeline developers in India are suffering lack of return in new pipelines due to low pipeline utilization rate. Developing gas pipeline infrastructure requires huge investment, but Limited anchor load customer availability puts volume and return risk on the pipeline developer particularly in the new or under developed markets where pipeline infrastructure is being created. Underutilization of gas pipelines affect not only the risk-return profile for the existing owners, public or private, but may also dampen future investment prospects.
- ⦿ Challenges with RoUs and environmental clearance for speedy implementation of National Gas Grid (NGG).

With respect to above challenges, GAIL is working tirelessly to complete the remaining sections of NGG to provide accessibility, availability and affordability of Natural Gas to the nation.

Q6. How real is the threat from EV to GAIL’s CNG business?

Ans: The world is fast moving towards electrification of automobiles and India is trying to catch up to the speed of countries like China and many EU nations who have fast adopted the electric vehicles. In India there is focus on electrification of vehicles, CNG fueled vehicle is here to stay. Of course, there will be competition from newly-launched EVs which may seem greener but the entire ecosystem is so big that every player is going to stay in the short to medium run.

The economics of CNG vehicles in terms of upfront costs, availability of finance, resale value, choice of models and infrastructure in terms of refueling, repair and maintenance is considered superior to EVs in the medium term. While electric vehicles are low on cost of running, they have a high initial cost of acquisition. CNG vehicles, on the other hand, have a low running cost and this makes CNG vehicles a replacement vehicle in the immediate run.

As per the market forecast, passenger vehicle (PV) segment is likely to grow at 10% CAGR. This will result in to PV segment market sale reaching to ~ 6.2 million per year market from ~ 3.8 million per year today in next 5 years. Even at an optimistic 30% EV penetration by 2030, there will still be market for more than 4.3 million Internal Combustion Engine (ICE) vehicles. CNG will, therefore, play a major role in the future of ICE-technology vehicles.

Q7. What is GAIL’s stance on “Net Zero” along with Government’s vision?

Ans: GAIL has developed Net Zero GHG Emissions

target to achieve a 100% reduction in Scope 1 and Scope 2 emissions and a 35% reduction in Scope 3 emissions by 2040. GAIL has made its Net Zero strategy based on 4 strategic pillars: Operational Decarbonization, Energy transition, Carbon Capture and Utilization (CCUS), and Offsetting.

The company has further opened up its energy basket with forays into Wind, Solar, Ethanol Blending, CBG, and Green Hydrogen towards shaping a Net Zero future.

GAIL is currently undertaking various initiatives while exploring possibilities of investing in projects for utilizing and storing carbon. GAIL is once again included in FTSE4 Good Index Series in 2022, affirming the company's strong commitment towards Environmental, Social, and Governance (ESG) practices in the Oil & Gas Sector.

Q8. Can you briefly explain the prospective effect of GAIL's flagship CSR program, 'GAIL Utkarsh' towards female education in India?

Ans: The GAIL Utkarsh project has become a beacon of hope and transformation since its inception in 2009-10. It has become a model for replication by other CPSEs across the country. Under the project, all-expenses paid specialized residential coaching is provided to underprivileged meritorious children from marginalized communities in UP, MP and Uttarakhand for top entrance examinations through 03 centers in Uttar Pradesh (02 nos.) and Uttarakhand (01 nos.)

The Varanasi Centre of GAIL Utkarsh is the first 'all girls' center to provide coaching for Engineering and Medical Entrance examinations to 60 girls from Madhya Pradesh and Uttar Pradesh. The center is breaking barriers and paving the way for GAIL's commitment towards encouraging women to choose careers in STEM fields and contribute significantly to societal progress and empowerment.

The success stories emerging from this center are nothing short of inspiring. In the year 2022-23, 23 out of 30 girls secured admissions in prestigious engineering colleges of the country and 29 out of the 30 girls qualified NEET exam.

Our efforts align with the vision of the Government, which is deeply invested in the empowerment of women through initiatives such as 'BetiPadhao, BetiBachao.'

Q9. What are major milestones, under your leadership, that GAIL has achieved?

Ans: Digitization, Process improvement and Cost Optimization are major thrust area for GAIL, in this direction company took major steps towards complete digitization, centralization and automation of its payment processes with its first state-of-the-art center for Vendor

Invoice Management (VIM) has been created within a shortest time. It is a step forward for GAIL's ongoing efforts to bring efficiencies in accounts payable processes. The VIM center aims to provide prompt payments, better experiences, enhanced efficiencies & transparency to stakeholders.

GAIL was conferred with the coveted SAP ACE Award – 2023 under the category "The Disruptor – Best Finance Transformation" to recognise the leveraging of technology for finance transformation in GAIL for VIM.

Few of the other major initiatives towards digitization and processes improvements taken in the recent past are:

- ⦿ GAIL was the first Indian corporate to implement end-to-end process of digitization of Bank Guarantee (BG) and Stand-by Letter of Credit (SBLC), in collaboration with SWIFT. This has now become seamless process without any manual intervention.
- ⦿ Centralization of Gas Invoicing and Employee claims reimbursement, such as Travel, Medical, Imprest etc. for smoother and faster processing.
- ⦿ Robotic Process Automation licenses are procured to enable routine finance activities through robotic process automation.
- ⦿ Centralized Misc. Receipts, payment gateway of CC Avenue was created and hosted in GAIL web site. This facility is availed by both employees and superannuated employees for making payments and refund of advance seamlessly and auto accounting entries are posted automatically.

The above initiatives have tremendous tangible benefits in addition to intangible benefits such as, reduced manpower requirement, lower processing time, better transparency & efficiency, uniformity in processing and enhanced stakeholders delight.

Q10. What are the various ways your organization can integrate with our Institute for the diverse avenues in professional development matters?

Ans: GAIL is adopting the best industry practices to promote the professional spirit, as our Organization is a professional driven company. GAIL is associated with the Institute through various platforms, by participating in campus recruitment, Imparting Industrial Training to Students at various locations of company, participating in conferences /Key events of the Institute. Apart from this the Study Circle has also been formed where the latest developments/issues are discussed to keep the employees up-to-date on industry ensure that their skills to stay competitive within a changing market.

Also, company is taking up in various issues from time to time for the betterment of the profession. MA