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Shale gas import

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Why in news?

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India will receive its first cargo of shale oil from the US, to be processed at an Indian Oil Corporation (IOC) refinery.

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What are the recent developments?

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- IOC had earlier received the first shipment to India, since the US stopped oil exports in 1975. Click here to know more.
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- The first cargo was conventional crude oil which is being processed at the Paradeep refinery in Odisha.
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- The second cargo has shale oil and will be landing at Vadinar port in Gujarat.
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- The shale oil will be refined at one of IOC's refineries in Gujarat, Panipat, or Agra.
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- Indian companies have contracted close to 8 million barrels of crude oil from the US.
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- Besides oil, Gas Authority of India (GAIL) will be bringing in the first cargo of liquefied natural gas from the US to India early next year.
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What is the significance?

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- Petroleum product consumption in India has been growing consistently in the last few years.
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- India has begun to contract crude oil from the US as part of its strategy to diversify oil sourcing.
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- India finds US crude oil to be relatively competitive in terms of price.
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- The Trump administration also believes that oil and gas trade has the potential to increase bilateral trade between the two countries.
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How does the trade work?

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- Crude oil import by state-owned refiners follow the usual FOB (free on board) import pattern.
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- However, the US crude cargoes are being shipped on a cost-and-freight (C&F) arrangement.
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- Under this, the contractor i.e. the Indian companies are responsible for the transportation.
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- And for this, they have to take special permission from the Ministry of Shipping.
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- The overall cost of US crude oil is found to be cost-effective under this arrangement.
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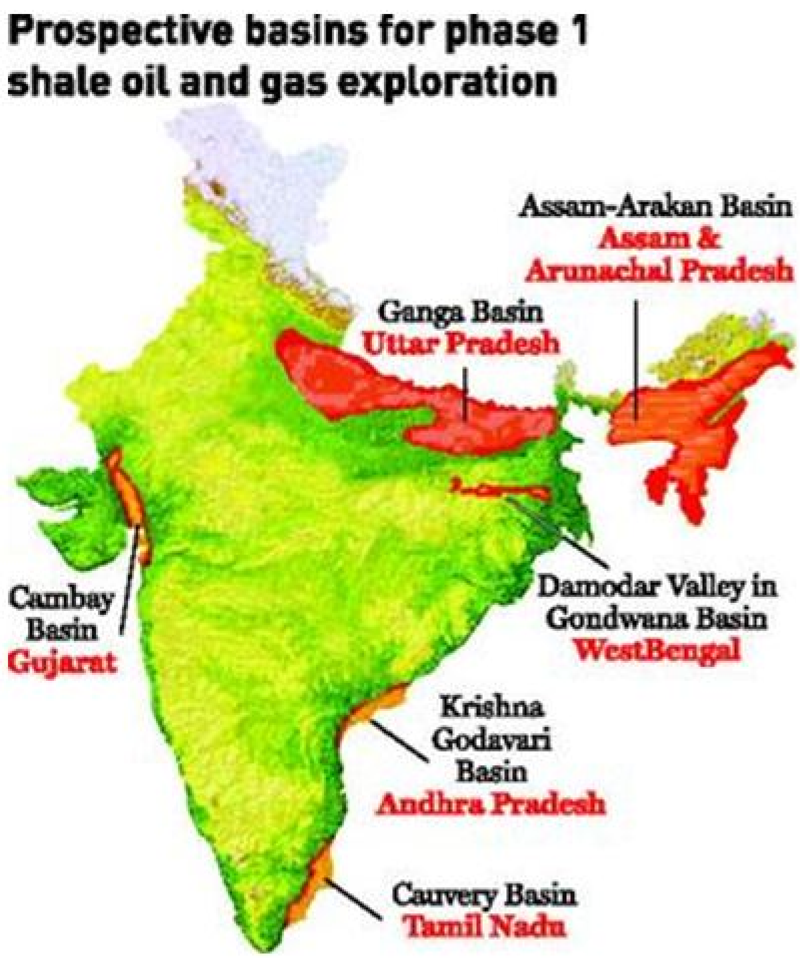

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Quick Facts

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Cost, Insurance and Freight (CIF) and Free on Board (FOB)

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- These are international shipping agreements used in the transportation of goods between a buyer and a seller and differ in who assumes liability for the goods during transit.
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- In CIF agreements, insurance and other costs are assumed by the seller; goods are not considered to be delivered until they are in the buyer's possession.
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- FOB contracts relieve the seller of responsibility once the goods are shipped; the buyer then assumes all liability.
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Source: Business Standard

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