

# Indian Autogas Coalition

## Interview

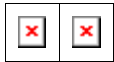


*"Challenges ahead, but India on its way to becoming one of the largest Autogas markets in the world..."*

*Interview with Suyash Gupta, Secretary General, Indian Autogas Coalition, IAC*

### Can you describe the Indian Autogas Market?

India is a unique market, because Autogas has been growing steadily despite little government support. The driving factor for LP Gas variant vehicles was the demand itself. Most of the vehicle manufacturers waited until India's largest vehicle manufacturer Maruti Suzuki launched an 8 seat passenger van "Omni LPG" in 2004. Maruti, and the other car manufacturers, watched as Omni became the best seller in its category. In less than a couple of years, Maruti followed up with the launch of LP GAS variant Wagon-R.



Both LP GAS Omni and Wagon-R remain best sellers in their categories! Tata Motors, the country's leading commercial vehicle manufacturer, very recently launched its LP Gas variant model Indica. It has been the highest selling model in Tata's passenger car segment and their launch of an LP Gas variant is set to revolutionize the market with the country's top two vehicle manufacturers launching their frontline models.

Following Maruti's success, Hyundai, Mahindra and Hindustan Motors are now expected to follow shortly with the launch of their frontline models Santro, Logan Emerald and 'Cedia Select' respectively. Meanwhile very importantly Bajaj, India's largest two wheeler manufacturer recently launched LP Gas versions of its bike 'Platina'. TVS Motors, another leading manufacturer of two & three wheelers, is expected to follow shortly with the launches of both its bike and three wheel vehicles. Piaggio is already selling an LP Gas version of its cargo three-wheeler named 'Ape'.

### What was IAC's role in this transformation?

With more or less all major players offering LP Gas variants, the Indian marketplace which had been dominated by aftermarket conversions, shall sport a very different look in the future. IAC played a very important role in terms of helping to create an environment for vehicle manufacturers by advocating for the nationwide availability of Autogas. Through a constant dialogue with most of these vehicle manufacturers, we shared upcoming gas network, recommended usage of latest conversion technologies and offered to assist them wherever possible.

### Can the Indian Autogas market be replicated in other regions?

Autogas grew 50% this year. The biggest challenge is the subsidy on domestic cylinders and the consequent diversion. Government oil companies Indian Oil Corporation (IOC), Bharat Petroleum Corporation (BPC) and Hindustan Petroleum Corporation (HPC) are exchanging with the government and it is an issue that must be solved at the highest level with all political parties coming to a consensus. Whereas the annual countrywide auto LP Gas sales through the retail outlets is around 270,000 Tonnes, Industry estimates that a figure well in excess of a million tonnes annually is already consumed at present by the auto sector using the domestic LP Gas cylinder.

Autogas is actually only 1.29% of the total auto fuel sales in the country; yet the good news is that stations numbers are growing with more than 250 cities already covered with more than 550 stations.

Despite LP Gas having been a certified auto fuel for the last 6 years, some consumers still consider it to be illegal and assume that LP Gas as an auto fuel is the domestic LP GAS cylinder in their vehicle boot! However, the launch of factory fitted LP Gas vehicles has changed perceptions significantly, with the consumer acceptability, particularly in terms of safety, at an all time high.

### Price

The key challenge for us is to maintain the price attractiveness of Autogas at around 40-50% mark of Petrol. With diversion from domestic to commercial continuing and a government not increasing the price of Petrol, sales at the Autogas stations across the country have seen a dip, ever since the Saudi CP crossed \$870/t this January, in comparison to a CP of \$480/t just 13 months earlier in December 06.

With Autogas being a non-subsidized product, retail price has grown exponentially at the station from Rs 23 (USD0.53) per litre in December to more than Rs 35 (USD 0.82) per litre in January this year. The ideal case scenario is that Autogas should be about 50% cheaper than Petrol, yet the Industry can still do reasonably well even if the differential is 30%-35%. What hurts us the most is the diversion of subsidized cylinders to Autogas. IAC is closely working with the state enforcement machinery to educate them of the safety issues resultant of the diversion of these domestic cylinders into the auto sector.

### Key Players in India

The most important reason to have an Autogas Industry network is to avoid re-inventing the wheel, applying to all members. This particularly is very important for India as it provides it with a 'late-mover' advantage into the Autogas arena. However, despite it being an 11 million tonnes LP Gas market, Indian Autogas consumption is currently only 270,000 tonnes, which is still behind Korea, Turkey and others.

While the government sector oil companies, mentioned above, are the dominant market players, the private sector is also catching up very fast. Out of 550 plus stations on March 31, 2008, Indian Oil had 157 stations, Hindustan Petroleum 103 and Bharat Petroleum 67. In the private sector, Reliance is by far the largest player with 135 stations, more than all the other private companies' 100 stations (like TOTAL-Elf, Shell, Caltex, SHV and more. Please see list of IAC members below).

As an all stakeholder body we have both smaller and larger companies as members (see list of members below). However, we usually limit ourselves to taking up only common Industry issues and not a specific member issue - be it an issue of the marketers, an issue of the conversion Industry, or advocacy with the government with an objective of building a robust Autogas industry is our endeavor.

### Focus Area for IAC

Currently one of the areas which we are focusing on is to discipline the weak links in the chain, particularly the below-par conversion work and bogus conversion equipment. We have recommended an Industry certification procedure to the government, which if accepted would be the first of its kind in the world.

### LP Gas and CNG

While LP Gas is covering more than 250 cities, the present number of cities under an adequate CNG network is probably less than 10. My personal perception has been that while LP Gas is 'the' fuel for both private and commercial fleets, yet for cities which have a proper supply of CNG as well, LP Gas would always be the preferred choice for the private vehicle owners and CNG for the commercial sector, mainly because of the differential fuel economics.

What are the challenges for LP Gas business worldwide and where must we work together as a global industry in your opinion?

- Erosion of price advantage of LP Gas, including other subsidized fuels.
- Competition from Natural gas ultimately resulting in significant differential with LP Gas in terms of higher availability and lower distribution costs (pipelines)
- Cohesive effort across countries to strongly highlight LP Gas solutions in climate change initiatives.
- For Autogas, advocacy with vehicle manufacturers at all levels to increase LP Gas offerings.

### Top 5 Priorities at IAC

1. Fiscal Incentives including tax sops (an incentive tax) for better fuel pricing, for attractive conversion costs and sops for vehicle manufacturers.
2. Sensitize the government with auto gas benefits by promoting it as environment friendly fuel. This also includes safety awareness campaigns, training, and workshops for State level officials.
3. Facilitate faster district level and highway approvals
4. Better enforcement of self discipline in after market conversions.
5. Continued support for vehicle manufacturers.

### Indian Autogas Coalition (IAC)

IAC has more than 30 members and growing each year. Members include the Oil sector government owned companies- Indian Oil, Bharat Petroleum, Integrated Private Sector majors Reliance, Essar, LP Gas marketing companies which include Total-Elf, SHV, Caltex, Shell, Aegis, Vanaz and Clean Fuel and others. On the conversion side, we have OMVL, Vialle, Shrimankar, CLH, BRC, Lovato, Bhiwadi and Longas as members. On the equipment side Larsen and Toubro, MIDCO, Gas Projects and others. IAC has received excellent support and recognition from the Indian government, with IAC being nominated on various Government of India committees like Central Motor Vehicle Rules -Technical Standing Committee (CMVR-TSC), Standing Committee on Emissions (SCOE) and Bureau of Indian Standards (BIS). IAC also has honorary members like Automotive Research Association of India (ARAI) and Oil Industry Safety Directorate (OISD).

### History

The foundation of the association was laid in Dec 2002, wherein US Department of Energy through its Clean Cities International program assisted a trade delegation on a 9 day whirlwind trip across India, wherein we met the oil marketers, transport authorities, vehicle manufacturers, regulators and numerous other stakeholders. By the end of this trip, a working group had been formed. From 2002 to 2004 IAC organized two major all-stakeholder meetings which were very well attended by the Industry players, after which on March 15, 2005, a fully fledged executive committee and office bearers, formally put a legal entity in place. Today, IAC is the only collective voice of auto LP GAS industry stakeholders in India.

