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# FEASIBILITY OF INCLUDING NATURAL GAS IN SRI LANKA'S ENERGY SUPPLY, INCLUDING THE DESIGN OF MARKET PARAMETERS

By

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The Dissertation was submitted to the Department of Civil Engineering of the University of Moratuwa in partial fulfilment of the requirement for the Degree of Master of Business Administration.

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## Abstract

Sri Lanka's commercial energy supply is overly dependant on oil and oil related energy. Therefore, the economy is vulnerable to price fluctuations in the international oil market. This thesis seeks to explore the viability of adding Natural Gas to the Sri Lankan energy mix to reduce oil dependence. It has been argued by some that Natural Gas is not an option for Sri Lanka because the size of its energy market cannot support an economically viable Natural Gas industry. In response, three possible future market scenarios are developed in this thesis. Based on international best practices this thesis also proposes an ideal market structure for the Natural Gas Industry, including demarcation of roles for ex ante and ex post regulation. As a greenfield industry, Natural Gas provides unique opportunities for market design. The final conclusion is that there is potential for Natural Gas in Sri Lanka in high economic growth scenarios of 8 -10 per cent of economic growth per annum. The last chapter discusses the importance of regional cooperation in South Asia for fulfilling the energy needs of the country.



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## List of Acronyms

BOI	Board of Investment of Sri Lanka
Btu	British Thermal Units
BOE	Barrel of Oil Equivalent
bcm	Billion Cubic Meters
CPC	Ceylon Petroleum Corporation
CNG	Compressed Natural Gas
GDP	Gross Domestic Product
GOSL	Government of Sri Lanka
kTOE	Thousand Tones of Oil Equivalent
LPG	Liquid Petroleum Gas
LNG	Liquid Natural Gas
LBO	Lanka Business Online
MMBtu	Million Btus
Tcf	Trillion Cubic Feet
TOE	Ton of Oil Equivalent
USA	United State of America
SAARC	South Asian Association for Regional Cooperation

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