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EXPLAINER

THE COST OF GAS PRICING REFORM

The recommendations of the Kirit Parikh panel on gas pricing, tipped to be approved soon, will bring relief to user industries in the short term. However, there is concern that when the price ceiling is removed and prices are linked to the 10% oil slope, gas could become unaffordable for users. **FE** decodes the impact of the new pricing regime



Impact on CGDs

ANALYSTS SAY the cost of gas for CGDs has risen fivefold since H1FY22. They believe even a price of \$6.5/mmBtu would imply the feedstock gas cost would be up a sharp 4.5-5.5 times compared with the cost in September 2021.

The recently approved marketing rules for new deep-water gas production and the priority allocation for CNG & residential gas requirements of the city gas sector will reduce their dependence on the volatile global spot LNG market.

When the APM gas price went from \$6.1 to \$6.8/mmBtu, most city gas distributors did not hike prices too much in anticipation of relief. Compared with the required price hikes of ₹12-14 per kg, IGL raised prices by ₹3/kg, MGL by ₹9.5/kg, while some like Gujarat Gas left them unchanged. CGD players are expected to pass on a part of this cut in domestic gas prices (pre-tax cut of ~₹7/kg for CNG).

The recommendations

THE PARIKH panel has suggested a floor price for domestic gas at \$4/mmBtu (million British thermal units) and a ceiling of \$6.5 mmBtu with an annual increase of \$0.5/mmBtu. It has also said prices should be deregulated within the next 4-5 years, by January 1, 2027, by removing the floor and the ceiling.

It wants the legacy domestic gas prices to be linked to a 10% slope of crude oil prices. For HPHT (high pressure, high temperature) gas, it suggests the ceiling be removed, but only from January 2026, so that most of the current HPHT contracts are not impacted. No change has been suggested in the pricing mechanism for gas produced from new and difficult fields; Reliance-BP and state-run ONGC will benefit from this, given their offshore assets in the KG basin.

\$4/mmBtu

FLOOR PRICE
RECOMMENDED BY
PARIKH PANEL

\$6.5/mmBtu

CEILING PRICE;
ANNUAL INCREASE OF
\$0.5/MMBTU

January 2027

THE DEADLINE FOR
DE-REGULATION OF
DOMESTIC GAS PRICES

Oil-price

LINK RECOMMENDED
REMAINS A CONCERN

How these will play out

THE CEILING of \$6.5/mmBtu will drive a cut of 24% in the price of domestic gas on April 1, 2023, given the prevailing price is around \$8.57/mmBtu. Had the existing global hub-based formula for APM (administered pricing mechanism) gas been continued, April 2023 would have seen prices move further up by a dollar, or 12%, to \$9.6/mmBtu. Hence, at \$6.5/mmBtu, the committee's price cap would provide a much-needed near-term relief to consumers such as city gas distributors (CGDs) for whom CNG (compressed natural gas) prices are currently around ₹80+/kg.

The floor price would help cover the cost of gas production by Oil India (OIL) and Oil and Natural Gas Corporation (ONGC). GAIL's LPG division would also benefit at a time when seasonality affects realisations.

What are the concerns? Is the recommendation on freeing up prices completely likely to be accepted?

ANALYSTS ESTIMATE that a \$2/mmBtu drop in costs can lead to a cut of about ₹10/kg from retail prices, with cooling spot LNG prices also lending support (10-15% of priority mix and down to \$13-14/mmBtu). At the same time, they are concerned about the removal of the ceiling and linking of the APM price to oil

prices from January 2027. If oil prices shoot up, this could, over the long term, make CNG and piped gas more expensive for the consumers. It could also make gas-based power costlier and increase the government's fertiliser subsidy burden. Free pricing could, however, encourage investments in

domestic gas exploration and production.

The panel has sought to strike a fine balance between "fair price to the end consumer" and the need to bring in "a market-oriented, transparent and reliable pricing regime". However, given that India's gas economy hasn't matured yet, and that domestic

supplies are limited, completely freeing up gas pricing could inflate costs across the value chain. While it is necessary to ensure attractive returns for gas producers, cost equations ought to be one of the determinants of gas pricing, till the domestic supplies and LNG import infrastructure are beefed up.

चालू खाता घाटा कम होगा

शाइन जैकब
चेन्नई, 23 मार्च

भारत के मुख्य आर्थिक सलाहकार (सीईए) वी अनंत नागेश्वरन ने गुरुवार को कहा कि वैश्विक स्तर कच्चे तेल की कीमतों में गिरावट के साथ, भारत का चालू खाता घाटा (सीएडी) चालू वित्त वर्ष के दौरान और वित्त वर्ष 2023-24 में भी कम होने जा रहा है। साथ ही उन्होंने कहा कि देश के लिए बाहरी स्थिति काफी स्थिर है।

उन्होंने निजी क्षेत्र के संगठनों और अर्थशास्त्रियों का हवाला देते हुए कहा कि उद्योग को उम्मीद है कि 2022-23 में सीएडी जीडीपी के 2-2.4 फीसदी के दायरे में रहेगा और 2023-24 में और घटकर 2 फीसदी रह जाएगा। नागेश्वरन ने कहा, 'आपने देखा होगा कि वैश्विक स्तर पर कच्चे तेल की कीमतें भी कम हुई हैं। इसलिए, देश



■ भारत के मुख्य आर्थिक सलाहकार ने कहा वित्त वर्ष 2022-23 में सीएडी जीडीपी के 2-2.4 फीसदी के दायरे में रहेगा

■ वित्त वर्ष 2023-24 और घटकर 2 फीसदी रह जाएगा

■ वैश्विक स्तर पर कच्चे तेल की कीमतों में गिरावट को बताई प्रमुख वजह

के लिए बाहरी मोर्चा काफी स्थिर है।' नागेश्वरन ने शुक्रवार और शनिवार को चेन्नई में होने वाली भारत की जी20 अध्यक्षता के तहत दूसरी जी20 फ्रेमवर्क वर्किंग ग्रुप (एफडब्ल्यूजी) की बैठक के हिस्से के रूप में आयोजित संवाददाता सम्मेलन में कहा, 'अधिसंख्य निजी क्षेत्र के संगठन और अर्थशास्त्री भारत के लिए सीएडी के अपने अनुमान को संशोधित कर रहे हैं। उन्हें वित्त वर्ष की शुरुआत में चालू खाता घाटा

लगभग 3 फीसदी या उससे अधिक होने की उम्मीद थी। अब वे कह रहे हैं कि यह जीडीपी का 2-2.4 फीसदी होगा और अगले साल यह जीडीपी के 2 फीसदी के करीब होगा।' सीएडी पर नागेश्वरन का बयान वित्त मंत्रालय द्वारा फरवरी के लिए अपनी मासिक आर्थिक रिपोर्ट में संकेत दिए जाने के तीन दिन बाद आया है। इसमें संकेत दिया गया था कि भारत के सीएडी में इस वित्त वर्ष और आने वाले वित्तीय वर्ष में गिरावट आने की संभावना है।

Delays in land allocation by States hit strategic petroleum reserve projects

Rishi Ranjan Kala
New Delhi

Even as energy security has become more crucial, especially, with international oil markets witnessing extreme price volatility, India's strategic petroleum reserves (SPRs) for storing crude oil has been languishing for almost two years as States have failed to allot land.

The parliamentary standing committee on petroleum and natural gas expressed concern over the delay in the government's Phase II of the SPR programme for establishing 4-million-tonne reserves at Chandikhol in Odisha and 2.5 mt at Padur II in Karnataka.

The Union Cabinet approved the proposal on July 8, 2021.

The committee pointed out that there have been "inordinate delays" in land acquisitions in both States, and the progress seems to be "minimal".

INORDINATE DELAYS

"Taking note of the fact that the SPRs are projects of national importance to enhance energy security of the country, the committee, therefore, desires the Ministry of Petroleum and Natural Gas (MoPNG) to take up the issue of land acquisition at the highest level in co-ordination with the two State governments, keeping in view the interests of all stakeholders," the panel added.

The committee met with of-

ficials from the MoPNG in the middle of February this year. It presented the report in Parliament on Wednesday.

SPR PHASE II

Indian Strategic Petroleum Reserve (ISPRL) had applied for land allocation of 400 acres for the Chandikhol project with the State government in September 2019, and 210 acres for the Padur project with the Karnataka government in November 2020.

When the panel inquired about the current status of the two projects from the MoPNG officials, they responded that the land allocation approval is under process with the respective State governments and the demand for anticip-

ated payment for the allocation of land from the State has not been raised.

"Government of Odisha is evaluating the application for land allotment for the Chandikhol project. The approval from Odisha for allotment is presently awaited," the ministry told the committee.

"For the Padur project, ISPRL submitted a requirement for acquiring 210 acres of land to the Karnataka Industrial Areas Development Board (KIADB). Preliminary gazette notification has been done by KIADB. A resettlement and rehabilitation (R&R) committee has been formed, and compensation rates are to be decided by District Collector Udipi," it added.

Former Russian unit commits 4 LNG cargoes

A FORMER UNIT of Russian energy giant Gazprom will supply 4 shiploads of LNG to state-owned GAIL (India) Ltd for the first time since it halted supplies in May last year, Union minister Rameswar Teli said on Thursday..

PTI

Jio-bp EV charging points at Piramal projects

JIO-BP, A joint venture of Reliance Industries and bp for fuel retailing, will install EV charging stations across all residential projects of Piramal Realty in Mumbai, the companies said on Thursday.

PTI

Jio-bp, Piramal Realty in pact for EV charging stations

Our Bureau

Mumbai

Piramal Realty, a subsidiary of the Piramal Group, has teamed up with Jio-bp, a joint venture between RIL and bp that focuses on fuel and mobility, to offer high-quality EV charging solutions in all of Piramal's residential projects in the Mumbai metropolitan region (MMR).

MOBILE APP

The Jio-bp pulse mobile app will allow customers and visitors to charge their electric vehicles seamlessly at Jio-bp pulse EV charging stations located at Piramal's residential complexes.

The availability of EV charging infrastructure at Piramal Realty's residential projects enables convenient charging of electric vehicles and enhances the confidence of potential EV buyers.

Jio-bp has already installed the first batch of EV charging points at Piramal Vaikunth in Thane.

Jio-bp has established and launched India's largest EV fleet charging hubs and hundreds of public charge points in various cities and major highways across the country in just a few years of operation.

In addition to fixed charging, Jio-bp provides battery swapping services through its vast network of battery swapping stations.

Man Industries opens new plant in Gujarat

Mumbai: Man Industries has started production at its new plant at Anjar in Gujarat. The plant will manufacture ERW API Grade Line Pipes to tap the hydrocarbon and city gas distribution sector. The company has emerged as a prominent player in manufacture of Line Pipes and Coating Systems in 10 years of its foray into the global market. It caters to international clients in the oil and gas industry, petrochemicals, water, dredging and fertilisers. OUR BUREAU

Pakistan works on fuel pricing scheme despite IMF concerns

ARIBA SHAHID & ASIF SHAHZAD
Karachi, March 23

PAKISTAN IS DRAFTING a fuel pricing scheme aimed at helping the poor, the petroleum minister said, a programme that some economists fear could hinder a crucial International Monetary Fund payout needed to prevent economic collapse.

Prime Minister Shehbaz Sharif first announced the government's plans for the fuel pricing last week.

Petroleum Minister Musadik Malik told *Reuters* his ministry had been given six weeks to draft the relief package, which envisages charging affluent consumers more for fuel, and using that money to reduce prices for the poor who have been hit hard by inflation, which in February was at its highest in 50 years.



"It is not a subsidy. It is a pricing scheme. It is a relief programme for the poor," Malik said. A ministry spokesman said the price difference would be in the range of 100 Pakistani rupees (around 30 US cents) a litre for the rich and the poor.

With enough foreign reserves to only cover about four weeks of nec-

essary imports, Pakistan is desperate for the IMF agreement to disperse a \$1.1 billion tranche from a \$6.5 billion bailout agreed in 2019.

The government has implemented several fiscal measures, including devaluing the rupee, lifting subsidies and raising energy prices as preconditions for the agreement, which the finance minister said this month was "very close".

The resident IMF representative, Esther Perez Ruiz, said this week that the government did not consult the fund about the fuel pricing scheme. She said the fund would ask the government for more details about the proposal. Asked about the IMF's concerns, Malik said the scheme was not a subsidy. "We haven't heard any concerns from the IMF," he said. — **REUTERS**

CORPORATE KALEIDOSCOPE



CII –ER Annual Regional Meeting: From left to right : Shiv Siddhant Kaul- In-coming Chairman, CII- ER, Sanjay Budhia- Chairman, National Committee on EXIM, Sanjiv Puri- National Vice President, R Dinesh – National President Designate, Sanjiv Paul - Chairman, Chandrajit Banerjee- D-G and Saikat Roychowdhury- R-D, at the CII –ER Annual Regional Meeting



In order to raise awareness about environment and biodiversity, the Consulate General of India here screened the film 'Interactions', produced under the auspices of the United Nations with integration of GAIL (India) Limited. The screening was done on Thursday in the presence of Indra Mani Pandey, Ambassador & Permanent Representative of India to the United Nations and Sunil A Achaya, Consul General of India at Geneva as part of the 'Azadi ka Amrit Mahotsav' celebrations.