

BP, BG, Hardy slam govt on gas pricing under NELP areas

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Slamming the move to regulate gas prices, global giants British Petroleum, Hardy Exploration and British Gas have warned the government of investor backlash if it reneges on its commitment of giving freedom to sell gas at market price from areas auctioned under NELP.

India has attracted 7.2 billion dollar investment in oil and gas hunt through New Exploration Licensing Policy that promised the right to sell the discovered oil and gas at market prices. However, international investors took a serious note when the government formed a committee to look into pricing of gas from Reliance Industries' NELP-I block.

"Were the Government to consider the reintroduction of some form of administered pricing for natural gas, we would be concerned since, as a long term investor in India, of primary importance to us is fiscal stability for the life of our contract," Ashok K Jhavar, country head, BP, which had won to areas for extraction of gas from coal seams (CBM), wrote to Petroleum Minister Murli Deora.

BG India managing director William Adamson on July 10 wrote to Cabinet Secretary K M Chandrasekhar that such a development "would dampen the pace of exploration and erode the confidence of the international companies in the forthcoming bidding rounds".

India is planning the seventh round of auction in August. Chevron India president John R Digby wrote to Deora on July 2 that "market forces should drive the destination, customer selection and pricing of gas in India".

Hardy Exploration vice president Ashu Sagar wrote "any action to renege on commitments will weaken investor confidence not only in NELP but also in Indian contracts." MORE PTI ANZ UPD 07221340 DEL BP said subsidies in energy pricing should come at the consumer end, not at exploration end. Otherwise, "countries which set an unrealistic wellhead price for gas suffer from lack of exploration and development since exploration investment tend to flow to higher-priced locations".

Niko Resources, one of the first foreign firms to invest in country's oil and gas hunt, said "we are concerned with the recent developments, wherein there is sustained pressure and coercion being exerted (on Reliance) from various sectors (notably power) to reconsider market-determined price".

"We consider such influence being made on gas pricing to be non-compliant with the rights provided to the contractor for marketing of gas at 'arms-length prices to the benefit of parties to the contract (Reliance and Government)' under the Production Sharing Contract," Niko chairman Edward S Sampson wrote to Petroleum Secretary M S Srinivasan on July 3.

Hardy said the Production Sharing Contract for areas auctioned in six NELP rounds guarantee a market determined price. "By artificially imposing (price) restriction, the Government shall impose a

country and political risk."

BG said Indian exploration and production scenario had undergone profound changes post NELP and some dramatic results have been obtained in terms of discovery of large oil and gas reserves as well as the emergence of the East coast offshore as a major hydrocarbon province.

Niko said contractors like Reliance invested in fields "keeping in mind the favourable fiscal terms offered under PSC and the anticipated decent return on investment based on competitive hydrocarbon pricing that the PSC provides for.

"The establishment and realisation of a market determined price is what will allow for ensuring the fiscal terms remain internationally competitive, which in turn will induce more such investment from companies like ours," it said.

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