Demand for gas utililisation policy welcomed

The suggestion of Anil Ambani Group for a gas utilisation policy has been welcomed by the Petroleum Ministry

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The suggestion of Anil Ambani Group for a gas utilisation policy has been welcomed by the Petroleum Ministry. The Group has also suggested withdrawal of all cases pending in the courts in which it had sought half of the outputs from the offshore KG Basin. It is expected that this should the pave way for a fair allocation of the fuel to all sectors.

"If they are serious about their demand for gas utilisation policy, we welcome it. For that to happen, they should first withdraw all cases in various courts where they had by virtue of a private family agreement claimed ownership of atleast half of the 80 million standard cubic meters per day of gas to be produced from KG-D6. Unless that happens, how can anyone decide how much gas can be allocated to different sectors like power, fertilizer, steel etc," a top Petroleum Ministry official said.

The Petroleum Ministry comments came in response to Anil Ambani group company Reliance Energy Director J P Chalsani demanding a gas utilisation and pricing policy be put in place before deciding on the pricing of gas from KG-D6 fields of Reliance Industries.

"According to Anil Dhirubhai Ambani Group's own presentation to us in June, power sector worldwide consumes 31 per cent of gas. If for argument sake we were to apply the same principle here, only 24 mmscmd out of the 80 mmscmd gas from KG-D6 would be available for the entire power sector that includes state-run firms like NTPC, Dabhol project, ADAG and other private projects. The remaining gas would be split in between other users like fertilizer plants, refineries, steel units and other factories," the petroleum ministry official said. "But if ADAG is to squat on 40 mmscmd as part of a private family

agreement, to which the entire nation and its economy cannot be held hostage to, how is this utilisation policy possible.

The official said ADAG lacked basic understanding of the contracts signed under the Parliament-enacted New Exploration Licensing Policy (NELP) wherein the gas

utilisation policy has been mentioned only to bestow upon the Government a right to dictate the usage of gas in domestic market (not allow exports) and not for allocation of the same between different sectors. "If the Government was to decide which sector is to get how much gas then what is the use of giving the investor freedom to market to fuel/"

Meanwhile, Reliance Industries' challenged Chalsani's assertion that the company was targeting exorbitant return of up to 225 per cent the KG-D6 investments saying its investment of 5.2 billion dollar investment can be audited by independent consultant.

A Reliance Industries official said its capital expenditure was the lowest in a similar gas field anywhere in the world. The finding and development (F&D) cost of KG-D6 at 4.98 dollars per barrel of oil equivalent (boe) was lower than Exxon Mobil's 5.75 dollars per boe F&D cost for Kizomba field, Chevron's 7.2 dollars per boe cost for Frade field, Shell's 9 dollars per boe cost for Perdido field and 11.73 dollars per boe for BHP Billiton's Shenzi field.

He challenged Chalsani's assertion for a regulated price for gas since consuming sectors like power and fertilizer were regulated, saying in the exploration and production business model, as inputs (rig cost and services) are deterministic at market prices, and

outputs probabilistic, no regulated price regime can provide adequate risk-reward balance.

"By making such comments, the ADAG is only showing off its lack of knowledge about E&P business," he said.

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