

After pricing, govt sets priority for RIL gas

Government to ask Reliance to prioritise gas sales

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With the issue of approving a pricing formula for natural gas from the Andhra offshore field out of the way, a top oil ministry official on Friday said fertiliser plants running below capacity or using costlier naphtha as feedstock, city gas distribution networks and existing power plants would get priority in getting fuel from Reliance Industries' project.

Petroleum secretary M S Srinivasan said the guiding principle for allocation would be the integrated energy policy drawn by the Planning Commission and the government would not allow trading in gas. 'The policy states that the gas should be sold to end-users and so there is no scope for traders. Food security is of highest priority for the government and so fertiliser plants running below capacity in absence of sufficient feedstock, shut units and those running on expensive alternate fuels should be given the first right,' Srinivasan said.

On fears that the new gas price would make fertilisers and electricity costlier, Srinivasan said it would save Rs 3,000-4,000 crore annually in fertiliser subsidy as it would replace costlier naphtha (\$15.31/mBtu), fuel oil (\$9.36) and LNG (\$7.91) being used by fertiliser units. Even fertiliser minister Ram Vilas Paswan, in a letter to the panel, had said at least Rs 3,000 crore would be saved in fertiliser subsidy at \$4.33 mBtu price originally proposed by Reliance.

Srinivasan said at a delivered price of \$5 per mBtu, electricity generation cost comes to Rs 1.63 per unit and at \$6 per mBtu, it comes to Rs 1.95 a unit. Besides, city gas projects involving supply of CNG to automobiles and piped gas to households and commercial establishment should also be given priority as it would cut pollution levels and reduce government's subsidy payout on cooking gas.

The ministerial panel had on September 12 approved a formula, based on which the price of gas from the Andhra field will cost \$4.20 per million British thermal unit at the point where it flows into the overland pipeline at the shore.

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