M. S. Srinivasan, Petroleum Secretary explains important aspects of gas pricing

Recently in capital M. S. Srinivasan, Petroleum Secretary, tried to explain the facts and the important aspects related to gas pricing during an interview with one of the leading news agency

Delhi, New Delhi, IND, 2007-09-21 16:00:00 (IndiaPRwire.com)

Recently in capital M. S. Srinivasan, Petroleum Secretary, tried to explain the facts and the important aspects related to gas pricing during an interview with one of the leading news agency.

On minimum price for gas he said that that will be the price of gas now and every five years it is going to be reviewed, depending on the sale it may go up or down five years down the line. Therefore, it cannot be taken as floor price now but the accepted price. According to him, after five years of any proposed price revision the producer has to come back to the Government as this is in line with the international practice. All NELP contracts will undergo this condition.

When he was asked about the impact on fertilizer and power sectors as the concern being expressed saying that the price of gas at USD 4.20 and the proposed price of USD 4.33 would make it expensive, he explained and referred report at the Economic Advisory Counsellor of Prime Minister where they say that the proposed price of USD 4.33 both fertilizer and power sectors will not loose. In fact fertilizer ministry had written to them saying that they could pay upto USD 5 that's an average range. And that the price of say USD 5.5-6 gives a power tariff of between 2.50 - 2.60 which one can live with.

In fact on the other hand at this price the subsidiary out go with the government towards fertilizer production will come down. Government expects over the next two years the reduction should be in the range of Rs. 3,500 - 4,000 crores annually.

When he was asked about allocation he said that the key factor there is the price. Once they determined or decide that the gas should be uniform across the sector, the producer becomes indifferent. He becomes neutral to him he supplies, as long as he gets a uniform price it does not matter to whom he supplies. As far as sectoral allocation is concerned, the government is well within a rise to set international priorities. Depending on his own concerns like if food security to be given the highest priority then producer more fertilizers. But what matter is the price, as long as he does not lose by supplying to priority sector it does not matter to him really.

The reasons for not calling for rebids, according to him is that was considered in depth by EGoM. EGoM was of the view that sectoral priorities had been observed by the contractor. Some reasonable assumptions had been made with regard to readiness of units, size and so on. All this weighed on the EGoM's mind that a transperant process had been followed. He also said that MoPNG had noticed cartelisation in the gas bids. In the first round cartelisation was evident.

On RNRL - RIL, RIL - NTPC cases he said that the volumes earmarked for these cases have not been taken up for allocation. Here the primary feature is what is set out in the PSC. As long as the sale is transparent, open, arms length transaction, as long as the sale is between two unrelated entities, government is within its rights to accept price or modify it.

On allowing secondary sale of gas he stated that the conditions are very clearly laid out in PSC. Gas has to be sold by the producer to the user. Its not for trading purposes. Definitely not.

- END -

For more information, Please contact:

Manu Dagar
PR Consultant - ImageCraftz
9899587792