



Govt to ask RIL to prioritise gas sales

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Within days of approving a price formula for gas to be produced by Reliance Industries, the government today said it will ask the Mukesh Ambani company to prioritize fuel sales

PR9.NET September 18, 2007 - New Delhi - Within days of approving a price formula for gas to be produced by Reliance Industries, the government today said it will ask the Mukesh Ambani company to prioritize fuel sales to fertilizer plants, city gas and existing power plants. "Government is well within its right to fix sectoral priorities keeping in mind the overall national interest. The Empowered Group of Minister (EGOM) will in future meetings decide on which sectors should be given priority in allocation," Petroleum Secretary M S Srinivasan told PTI here. The EGOM had on September 12 approved a price of Rs 172.20 per million British thermal unit for RIL's KG-D6 gas. This was 8.32 per cent lower than Rs 187.84 (4.33 dollars) per mBtu price proposed by RIL.

Srinivasan said the price approved by the EGoM will apply uniformly to all the sectors. "It should not matter to the producer (RIL) as to who uses the gas, as a uniform price will be charged from all." "The guiding principle for gas allocation would be the Integrated Energy Policy drawn by the Planning Commission," he said, adding that fertilizer plants running below capacity and on expensive alternative fuels should be given the first right.

Projects to sell CNG to automobiles and existing power plants will be prioritized in that order. He, however, said that the government will not allow trading in gas.

"The policy clearly states that the gas should be sold to end users and so there is no scope for traders." Government will examine all contracts to see they meet the policy parameter of "transparent, open, arms-length transaction between unrelated entities," he said. Srinivasan said the 4.20 dollars per mBtu price will save Rs 3,000-4000 crore annually in fertilizer subsidy as it will replace costlier naphtha (15.31 dollars per mBtu), fuel oil (9.36 dollars per mBtu) and LNG (7.91 dollars per mBtu) used in fertilizer plants currently.

Even Fertilizer Minister Ram Vilas Paswan in a letter to EGOM chairman and External Affairs Minister Pranab Mukherjee had admitted that atleast Rs 3000 crore would be saved in fertilizer subsidy at RIL's proposed gas price of 4.33 dollars per mBtu. "Food security is of highest priority for the Government and so fertilizer 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. He said the RIL gas price was affordable for both fertilizer and power plants.

At a delivered price of 5 dollars per mBtu, electricity generation cost comes to Rs 1.63 per unit and at 6 dollars per mBtu it comes to Rs 1.95 a unit. 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 domestic cooking gas (LPG). Srinivasan said the price formula for RIL's KG-D6, which will start producing 40 million standard cubic meters per day of gas from July 2008, will be valid for five years till June 2013, after which it will be reviewed and fixed again.

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