

GAIL to focus on pipelines, anyone can do its marketing, says Pradhan

NEW DELHI: Amid talk of spinning off gas marketing business of GAIL India Ltd into a separate company, Oil Minister Dharmendra Pradhan on Tuesday said the state-run firm should focus on building natural gas pipelines as marketing can be done by "anyone".

Refusing to confirm or deny reports of government mulling splitting GAIL into two, he said creating infrastructure to take environment friendly natural gas to uncovered parts, particularly eastern India, is a priority for the government.

Incorporated in August 1984 by spinning off gas business of ONGC, GAIL (India) Ltd owns and operates about 11,000-km of natural gas pipelines in the country. It sells around 60 per cent of natural gas in the country.

Several meetings have been

held in the ministry on splitting GAIL by spinning off its marketing business into a separate company and selling it to a state-owned firm.

"Nothing has been finalised yet but discussions are on," said a source with direct knowledge of the development.

Pradhan, on the other hand, said the government has been taking steps to make India a gas-based economy. As part of this plan, it has even provided budgetary support of Rs 5,176 crore, or 40 per cent of the project cost, for laying of a gas pipeline from Jagdishpur in Uttar Pradesh to West Bengal, Jharkhand and Odisha.

"This is the first instance of government funding a project from its budget," he said.

GAIL, he said, should focus on creating infrastructure that would help take natural gas to



all parts of the country, especially eastern India which has so far been unconnected.

"Marketing can be done by anyone," he said, responding to a question on whether government proposes to split the state-run company's pipeline and marketing businesses. Sources

said the petroleum ministry has not been very happy with GAIL's performance in building pipeline network.

Besides, there is a possible conflict of interest in its role as an infrastructure provider and carrier. GAIL did not start executing the Rs 12,940 crore

Jagdishpur Haldia and Bokaro Dhamra pipeline until the government agreed to give 40 per cent of the project cost as grant from the budget. The pipeline takes the gas to Prime Minister Narendra Modi's constituency, Varanasi.

Plans to split the company had been discussed more than a decade back too but it did not materialise.

Sources said refiners Indian Oil Corp (IOC) and Bharat Petroleum Corp Ltd (BPCL) have evinced in acquiring GAIL to expand their gas marketing business. One of the two companies could be sold the marketing business while GAIL asked to concentrate on just laying pipelines.

GAIL also owns a petrochemical plant at Pata in Uttar Pradesh which too could be sold along with the market-

ing business to either IOC or BPCL. The company had in the past resisted the split on grounds that its gas marketing and transmission businesses operate at arms length, and hence do not need to be separated.

GAIL's marketing business formed 71 per cent of its 2016-17 total sales, and 25 per cent pre-tax profit.

The government has a 54.89 per cent stake in GAIL India.

Its current market cap is Rs 84,607.44 crore.

"Is it not fair to expect gas pipeline to be laid to eastern India?," Pradhan asked.

Steel plants in Odisha, Jharkhand and Bihar would produce good quality steel when they get gas, he said. "High quality steel production in India is very less currently." PTI



GAIL should focus on pipeline infrastructure, says Pradhan

SHINE JACOB

New Delhi, 9 January

Petroleum Minister Dharmendra Pradhan on Tuesday said the primary job of Gail was to lay gas infrastructure in the country, while marketing can be “done by anyone”.

The government is reportedly planning to spin off the marketing operations of Gail into a separate company. Under the Petroleum and Natural Gas Regulatory Board Act, marketing and transmission functions should not be performed by the same entity. The aim is to prevent conflict of interest as companies like GAIL are in a position to push their gas on priority.

Following the legal requirement, GAIL did not spin off its marketing business but decided to split its business and accounts into marketing and transmission verticals.

Pradhan added Gail has kicked off the Urja Ganga programme and should emphasis on providing gas infrastructure in eastern India — connecting Uttar Pradesh, Bihar, Jharkhand, Odisha and West Bengal. “We have committed a gas-based economy to the country and are moving closer to that. The eastern India project of Gail is vital for the industrial belt, especially the upcoming steel plants in that region. We are giving viability gap for the first time for a gas infrastructure project,” he added.

Earlier, Indian Oil Corporation (IOC) and Bharat Petroleum Corporation (BPCL) were also looking to take over Gail. The plan to bifurcate the company was discussed earlier, too, during the time of the Atal Bihari Vajpayee government.

The minister added that the Rajasthan government would save at least ₹400 billion from the revised viability gap funding for the Barmer refinery project by the Hindustan Petroleum Corporation (HPCL). Prime Minister Narendra Modi is set to lay the foundation stone for the project on January 16.

GAIL should focus on pipelines, not marketing: Pradhan

FE BUREAU

New Delhi, January 9

THE CENTRE IS of the view that state-run GAIL (India) should focus on creating gas pipelines in the country and not on marketing, petroleum minister Dharmendra Pradhan said on Tuesday.

Responding to a question on reports that GAIL may hive off its marketing business, Pradhan told reporters, "GAIL's primary work has been prioritised as pipelines and marketing can be done by anyone, but a state-company should concentrate on infrastructure. We expect GAIL to make gas infrastructure in the country at a fast pace."

GAIL has a pipeline network of 11,000 km in India accounting for three-fourth of the natural gas transmission. In 2016-17, the company earned 70% of its revenue through marketing whereas 40% of profits came from natural gas transmission business. GAIL is the executing agency for the Centre's Urja Ganga Project which aims to provide gas infrastructure in the eastern states. For the first time, the current government has provided viability gap funding for a gas pipeline.

"We are committed to take India towards a gas-based economy. We believe that in the country, especially the eastern part, the requirement of gas infrastructure was neglected. GAIL being a gas infrastructure company should focus on east India," Pradhan added.

He also said that when the steel clusters of eastern India—Jharkhand, Odisha, Chhattisgarh, West Bengal and Bihar—will start producing gas-based steel, the quality will improve. "It will boost the manufacturing sector having a cascading impact. GAIL has been assigned the work to build the infrastructure and we expect it to finish it quickly," he added.

Barmer refinery

Talking about the HPCL's Barmer refinery-cum-petro-



DHARMENDRA PRADHAN,
petroleum minister

chemical complex, work for which will start on January 16 in the presence of PM Narendra Modi, Pradhan said Rajasthan is expected to save nearly ₹40,000 crore from the VGF.

"The internal rate of return from the project earlier was estimated at was at 6% with a VGF of ₹3,736 crore per year from the state for 15 years. The project is now set to have an internal rate of return of 12% with just ₹1,123 crore per year of VGF," he said.

The Barmer refinery will be India's first greenfield Bharat Stage VI refinery and production is expected start by 2022-2023. The project has a total capacity of 9 MT. While 2.5 MT of crude will be sourced from the Barmer fields which account for 25% of the country's reserves, the remaining 6.5 MT — domestic as well as imported crude oil — will be supplied through a pipeline at a cost of ₹2,500 crore from the west coast in Gujarat. All the statutory clearances, tenders and land acquisition are in place for the project.

The minister was responding to criticism from the Indian National Congress that has raised questions over Modi's relaying the foundation stone of the Barmer project which was earlier done in 2013 by then-Congress president Sonia Gandhi. Pradhan claimed that neither there was any plan at that point in time and no approvals were taken, nor any applications were made.



GAIL to focus on pipelines, says Pradhan

NEW DELHI, 9 JANUARY

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