

GAIL may bid for domestic gas for raising supplies to city gas units

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GAIL INDIA IS planning to bid for natural gas from deep water and difficult fields of RIL and Cairn India, that can be sold to city gas distributors (CGD) as an alternative to costly LNG.

According to sources, the decision is aimed to tackle the shortage of administered gas provided to CGD companies under priority sector allocation and will help to bring down the prices of auto (CNG) and cooking fuels (PNG).

On April 1, the price of domestic high-pressure-high temperature gas from difficult fields was hiked to \$9.92/mmBtu for six months from \$6.1/mmBtu. However, this gas is still cheaper compared to the imported R-LNG that costs a prohibitive \$37/mmBtu at present and can help CGD companies to save on their input costs.

Sources said, the quantity sourced by CGD players for their production purpose is marginal



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compared to cargoes booked by GAIL. "If GAIL can source the combined requirement for the CGD industry it can be offered at an economical price while making profit margins for themselves," sources said.

GAIL did not comment on the story.

The ministry of petroleum

and natural gas will ask GAIL to book long term contracts for the CGD players to tackle the future demand that is unlikely to be met from domestic production, a source said.

CGD companies such as Mahanagar Gas and Indraprasth gas have been forced to blend around 15% to

20% of imported LNG with domestic natural gas that led to rise in input cost. The costs were also impacted by doubling of domestic natural gas price by government on April 1 to \$6.1/million British thermal unit (mmBtu).

CGD companies have since raised the price of CNG and PNG by ₹10/kg/scm that has led to large scale protest by small scale transport operators across the country.

City gas distribution was the second biggest consumer of natural gas in the country with a 24% share. While fertiliser sector is the largest consumer with 28%, power sector contributes 13%, refinery 8% and petrochemicals 5%.

India's total gross production of natural gas for the month of February rose by 12% on year to 2,602 million ion metric standard cubic meter (MMSCM), while imports of LNG declined 0.5% on year to 2,507 MMSCM. Total natural gas available for sale during the month was 4,587 MMSCM up 5.4% on year.