



Domestic gas price slashed to \$1.79/ mBtu

Ceiling price for gas from difficult fields cut to \$4.06/ mBtu

OUR BUREAU

New Delhi, September 30

The Ministry of Petroleum and Natural Gas has slashed the price of domestically produced natural gas to \$1.79 per million British thermal units (mBtu) for the October 2020 to March 2021. This is the third consecutive cut in price of domestically produced natural gas in the country. It is also the first time that the price has gone below \$2 per mBtu. The price ceiling for natural gas produced from difficult (High Pressure-High Temperature, Deepwater and Ultra Deepwater discoveries) fields was also cut to \$4.06 per mBtu.

For consumers of piped natural gas (PNG) and compressed natural gas (CNG), the price cut is a boon. It is expected that City Gas Distribution (CGD) companies like Indraprastha Gas Ltd (IGL) and

Gas price revision trend

Period	Domestic natural gas price in \$ per mBtu	Gas price ceiling in \$ per mBtu
April 2016 - September 2016	3.06	6.61
October 2016 - March 2017	2.50	5.30
April 2017 - September 2017	2.48	5.56
October 2017 - March 2018	2.89	6.30
April 2018 - September 2018	3.06	6.78
October 2018 - March 2019	3.36	7.67
April 2019 - September 2019	3.69	9.32
October 2019 - March 2020	3.23	8.43
April 2020 - September 2020	2.39	5.61
October 2020 - March 2021	1.79	4.06



Source: Petroleum Planning and Analysis Cell

Mahanagar Gas Ltd (MGL) would be passing on the benefits of the price cut. Analysts estimate a cut of ₹1-3 per standard cubic meters (SCM) in tandem with the lowering of natural gas price.

But the price reduction adversely affects the earnings of oil and gas exploration and production companies such as Oil and Natural Gas Corporation (ONGC) and Oil India Ltd (OIL). It also affects gas

transportation companies such as GAIL (India) Ltd who get an ad valorem tariff on every molecule of gas that moves in their pipelines.

To stay afloat, the domestic oil and gas exploration sector wants a floor price for natural gas in the country. According to senior industry executives, the public sector undertaking oil exploration companies have sought a floor price of \$4.5 per mBtu.



GAIL wins Leaders Award at Sustainability 4.0 Awards 2020

GAIL won Leaders Award in Mega Large Business, Process Sector category in 11th edition of Frost & Sullivan, MEASA and TERI, The Energy and Resources Institute's Sustainability 4.0 Awards 2020. Manoj Jain, C&MD, GAIL said, "We are extremely happy and honoured to have been recognised as Leader in Mega Business Process Sector Category this year by Frost & Sullivan & TERI Award Jury. The award is essentially a result of eco-conscious development GAIL has been pursuing for the past 36 years."



Gas price slashed 25% to lowest on record

SHINE JACOB

New Delhi, 30 September

In a huge setback to producers like Oil and Natural Gas Corporation (ONGC) and Oil India (OIL), the central government on Wednesday cut the price of domestic natural gas to \$1.79 per million metric British thermal unit (mmBtu) for the October-March period of the current financial year, down 25 per cent from \$2.39 per mmBtu in the April-

September period.

The government also reduced the ceiling price for gas produced from deepwater, ultra-deepwater and high pressure, and high-temperature areas by 28 per cent to \$4.06 per mmBtu for the period under review, as compared to \$5.61 per mmBtu during April-September. The current prices are the lowest since the new pricing system was implemented in November 2014.

The price of domestic nat-



ural gas during the October-March period of FY20 was \$3.23 per mmBtu, while it was \$8.43 per mmBtu for difficult fields. There was a decline of

45 per cent and 52 per cent, respectively, in one year. Though not a positive sign for producers, dip in natural gas prices may help the fertilizers, electricity, CNG sectors and consumers with piped gas connections.

This comes at a time when a committee with representatives ONGC, OIL, GAIL and the Petroleum Planning and Analysis Cell (PPAC) are expected to come out with a report on setting a floor price

for natural gas. The report is expected to be submitted before the ministry of petroleum and natural gas in a fortnight and if it is accepted, the ministry is expected to move a Cabinet note for setting a floor price.

Natural gas prices are revised every six months in India and are based on a formula that is a weighted average of global benchmarks like Henry Hub, Alberta gas, NBP and Russian gas.