



RIL-BP invites bids for gas from KG-D6 block

PRESSTRUST OF INDIA
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Reliance Industries and its partner UK's BP Plc today invited companies to bid for incremental gas it plans to produce from the second wave discoveries in the KG-D6 block, pricing them for the very first time against an international gas benchmark.

While Reliance-BP had in November 2019 sold the first 5 million standard cubic meters per day of gas from the R-Series field in the KG-D6 block, the duo has now invited bids for 7.5 mmscmd of incremental output that is likely to be available from February next year, according to a notice inviting offer.

They have priced the first 5 mmscmd of gas against Brent crude oil but now they are seeking rates equivalent to JKM or Japan/Korea Liquefied Natural Gas Import



Price.

Bidders have been asked to "quote the variable denoted as 'V' in USD per million British thermal unit (MMBtu) terms."

"The gas price (in USD/MMBtu (GCV)) shall be = JKM + V," the notice said. GCV stands for gross calorific value.

"V" can be a positive, zero or negative number and up to two decimal places but it

cannot be less than (-)0.30 USD/MMBtu, it said.

This means users will have to quote -0.30 or higher value of "V".

JKM averaged \$6.20 per MMBtu in November and at the base or cut off price, KG-D6 gas would cost \$5.9 per mmbtu.

This is higher than \$4.2 to 4.4 per MMBtu rate at which the first 5 mmscmd are sold at Brent crude oil bench-

mark. Brent crude oil is presently in the range of \$50 to 51 per barrel.

Pricing of gas at JKM will be the first time that domestically produced gas is being sold at rates linked to an international gas benchmark, industry sources said.

Also, this will be the first discovery of gas price since the October 2020 decision of the government setting out uniform e-bidding norms for finding the market price.

That Cabinet decision also allowed the sale of gas to "affiliates" and so while Reliance-BP affiliate companies couldn't participate in the November 2019 price discovery, they can do so in the current one when e-bidding happens on 22 January.

The government has given operators the freedom to discover market prices but this rate is subject to a pricing ceiling or cap that the government notifies every six months.

The cap for six months to 31 March 2021, is \$4.06 per mmbtu.

And accordingly, Reliance-BP would get only that amount for the first 5 mmscmd of gas that they started to produce earlier this month.

Essar Steel, Adani Group and state-owned GAIL in November 2019 bought the majority of the initial 5 mmscmd of gas planned to be produced from R-Series in the KG-D6 block by bidding between 8.5 and 8.6 per cent of dated Brent price.

In that bidding, Reliance-BP had asked gas users to quote a price (expressed as a percentage of the dated Brent crude oil rate), supply period and the volume of gas required.

A floor or minimum quote of 8.4 per cent of dated Brent price was set, which meant that bidders had to quote 8.4 per cent or a higher percentage for securing gas supplies.