

GAIL officials opposing unbundling of marketing, transmission businesses say no response from govt

KARUNJIT SINGH
NEW DELHI, JULY 26

OFFICERS AT GAIL Ltd — the state-owned gas marketing and transmission company — continue to oppose the government's plans to unbundle its gas transmission business and gas marketing businesses, and claim that the Centre has not replied to or approached the GAIL Officers Association (GOA) on their concerns regarding the proposed unbundling.

GOA had, in 2018, written to the Prime Minister and the Petroleum Ministry to express its opposition to the move, citing concerns about the viability of the two businesses as separate entities and the impact of the move on the company's plans to expand its pipeline network. Recently, Petroleum Minister Dharmendra Pradhan had reaffirmed the Centre's plans to unbundle GAIL's gas marketing and transmission businesses to make it more competitive and "increase credibility."

One of the major concerns

The GAIL Officers Association had, in 2018, written to the PM and the Petroleum Ministry opposing the move

which the government hopes to address with the proposal is to assure natural gas consumers of equal access to GAIL's 12,200-km gas pipeline network which accounts for around 70 per cent of the gas pipeline network in India.

Representatives of GOA said that there was underutilisation of GAIL's pipeline network and that they had received information, based on an RTI plea, from the Petroleum and Natural Gas Regulatory Board (PNGRB) that there had been no complaints alleging misuse of market power by GAIL made to the regulator. Capacity utilisation for GAIL's transmission business stood at around 52 per cent in FY19.

"Such a move may be suitable when India becomes a more ma-

ture gas market," said a representative of GOA, noting that the gas marketing and transmission businesses were able to add stability to GAIL's overall financial health in scenarios where the profitability of the gas marketing business may be hit by fluctuations in international natural gas prices.

Another GAIL officer noted that profits from the gas marketing business had helped the company invest in further building gas infrastructure, and that there was concern about viability of these businesses as separate entities.

"The businesses supplement and complement each. Whatever we earn from production plants, it goes into infrastructure projects," said a GOA representative, who did not wish to be quoted.

An industry analyst, who asked to remain anonymous, said unbundling of the two businesses may impact GAIL's plans to expand its pipeline network. The analyst did, however, note that there was a concern, especially among smaller buyers of natural gas, that they can only use GAIL's pipelines

if they purchase gas from it as they are not able to negotiate transmission agreements with GAIL for shorter durations and relatively small volumes. In FY19, the transmission of natural gas marketed by GAIL accounted for around 86 MMSCMD (million metric standard cubic metres per day) or 80 per cent of the total transmission of 107 MMSCMD total gas transported by the state-run company.

In January, then GAIL chairman Ashutosh Karnatak had said it was in the process of executing 5,500-km of natural gas pipelines to boost the share of gas in India's energy consumption basket to 15 per cent by 2030 from the current 6.2 per cent. Former GAIL chairman BC Tripathi has also said that the Centre should wait for the natural gas market to mature before unbundling GAIL's gas marketing and transmission businesses.

A GOA representative said unbundling would lead to lower efficiency. The Ministry of Petroleum and Natural Gas did not respond to emailed requests for comment from *The Indian Express*.