

8/8/22

GS-2

Do you think govt needs to revisit gas pricing

formula comment.

The gas pricing has been controlled by the government of India. This can be revisited to attract more business in the gas economy.

Pricing methods

India revises domestically produced gas half-yearly basis based on the formula considering volumes and prices in the international market.

The formula has been achieved after considering between the producers and consumers.

The gas availability has become volatile due to Russia stopping Nord Stream project and supply concerns.

Revisiting gas prices

India consumes 173 million m³ a day of gas of which 92 is domestic, rest imported. ONGC and Oil India Limited control 80% of gas price through administered pricing mechanism (XPM)

Different sectors are benefitted differently. Power and fertilizers are largely benefitted. A pooled pricing from different sources such as sectoral pooling can be considered. This can reduce cross subsidies.

The Rangarajan committee recommended uniform gas pricing on a 12 month average can be devised.

Way forward
India's present gas penetration is 6% in energy mix. The order is to increase it to 15% by 2030. The gas pricing must be prudent addressing all stakeholders.