ONGC and OIL purposes hike gas price by 33pct

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Indian petroleum ministry has proposed a 33% hike in the price of natural gas produced by ONGC and Oil India and gradually increase it to USD 4.20 per mBtu set for gas from the Reliance Industries' KG-D6 fields.

The ministry has circulated a Cabinet note for raising price of gas under the administered pricing mechanism from INR 3200 per thousand cubic meters to INR 4250 per thousand cubic meters. Price of APM, or the gas produced from fields given to ONGC and OIL on nomination basis, is proposed to be raised in stages to INR 7500 per thousand cubic meters or USD 4.2 per million British thermal unit by 2013.

Official sources said that the price set for RIL's eastern offshore KG-D6 gas is being considered as the benchmark for market price of indigenously produced gas in the country.

They said that producer price for ONGC is proposed at INR 3,870 per thousand cubic meters from INR 3,200 per thousand cubic meters. The consumer price would be 10 per cent higher than this. For OIL, the producer price has been proposed at INR 4,310 per thousand cubic meters.

Sources said the proposed prices are in line with the Tariff Commission recommendation, which in 2005 suggested a producer price of INR 3,600 per thousand cubic meters to ONGC and INR 4,040 per thousand cubic meters to OIL. On top of this, the price would change by INR 55 per thousand cubic meter for every 10 points change in Wholesale Price Index. WPI has risen by 49 points since the TC recommendation.

Sources said the hike in natural gas price was necessitated as ONGC and OIL were losing about INR 3,000 crore annually on the gas business, as prices were lower than cost.

The increase in gas price would lead to a hike in fertilizer and power generation cost but would also give the government around INR 750 crore more in taxes and royalty in the current year. This would rise to INR 4,500 crore in 2013, when prices are brought at par with RIL gas price.

The price hike proposal, sources said, would be put up to the Cabinet Committee on Economic Affairs after obtaining comments from the concerned ministries.

Sources said consumer price for power and fertilizer units outside the northeast would be fixed at 10% above the producer price, while it would be 60% of the price for the plants in the northeast.

(Sourced from Business Standard)