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## Government plans to raise APM gas price by 17%

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Zee News reported that the government may hike the price of natural gas produced by ONGC and Oil India Ltd by over 17% and index it to inflation rate to help the 2 firms cut losses on selling fuel below cost.

The Petroleum ministry has prepared a draft cabinet note for raising prices of natural gas produced by ONGC from fields given to it on nomination basis to INR 3,765 per thousand cubic meters (from current INR 3,200 per thousand cubic meter).

Senior ministry official said that for OIL, the gas price has been proposed at INR 4,205 per thousand cubic meters.

However, ONGC currently loses about INR 3,000 crore in revenues annually on selling gas from fields like Bassein and Mumbai High at Government capped price.

Official said "The Cabinet note is ready and will be circulated once Petroleum minister Mr Murli Deora approves it. In all likelihood, the proposal may go to Cabinet sometime next month."

According to sources, the price would change by INR 55 per thousand cubic meter for every 10 points change in Wholesale Price Index. Price of gas produced by ONGC and OIL from fields given to them on nomination basis, called the Administered or APM rate, were last revised in June 2005.

The official said APM price would be raised to USD 4.20 per million metric British thermal units in stages over the next 3 years, adding that this would bring rates at par the sale price of gas produced by Reliance Industries from its giant KG-D6 fields.

The official said the Cabinet at the last gas price revision in 2005 had asked the Tariff Commission to recommend producer price for ONGC and OIL. The Tariff Commission had recommended a producer price of INR 3,600 per thousand cubic meters for ONGC and INR 4,040 per thousand cubic meters for OIL.

Official said though the Tariff Commission was asked to determine the producer price effective from July 1st, 2005, the price increase would be brought into effect prospectively. The consumer price for power and fertiliser units outside North-East may be fixed at 10% above the producer price that is INR 4,141.5 per thousand cubic meters while for the plants in NE it would be 60% of the price that is INR 2,259 per thousand cubic meters.

Moreover, consumer price for transport and small consumers outside NE may be fixed at 20% above the price for power and fertiliser sectors that is INR 4,969.8 per thousand cubic meters.

(Sourced from zeenews.com)

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