

Revision in natural gas price to shore up Energy Security, says Naina Lal Kidwai, President, FICCI

New Delhi, 28 June, 2013: FICCI welcomes the bold policy initiative taken by the government to revise the domestic natural gas price from present \$4.2 mmbtu to \$8.4 mmbtu from April 1, 2014, to be reviewed on a quarterly basis .

FICCI has been, for long, arguing in favour of offering remunerative prices to domestic producers, as, an efficient pricing mechanism will play a key role in expanding domestic energy supply. Moreover correct pricing of energy leads to more efficient use of energy resources . **President FICCI Naina Lal Kidwai** said "the revision in natural gas price will bring in the much required technology and risk capital from foreign majors to tap vast unexplored resources in the deep and ultra deep water frontier basins. This also has the potential to usher in the much needed Gas Revolution in India with an increased share in our energy basket in line with that of developing countries"

Many feel the increase in gas prices will lead to a hike in power tariffs, increase fertilizer cost. However, it is important to understand that given the current state of domestic production, huge dependence on imported LNG is an expensive proposition, as it is imported at \$13-14 mmbtu and sold domestically at the current rate of \$4.2 mmbtu. Furthermore, lower domestic natural prices encourage Indian companies to invest in overseas E&P activities and develop their economies, create employment overseas, and then import LNG to India at market-determined prices. By doing this, government not only depletes the forex reserves but also loses out on the royalties/PLP/taxes etc. which it would get from domestic E&P. This also reduces the incentive, and financial ability, for the development of local / regional gas transportation and distribution infrastructure.

Revised domestic natural gas prices, which in-turn is expected to boost domestic gas production, will reduce dependency on expensive and polluting fuels such as diesel and naphtha. It will usher in coal sector reforms due to competitive pressures & increased availability of natural gas. It will also enable revival of gas-based-power projects, which are currently sitting idle due to shortage of gas supplies and encourage, setting up of new gas-based power projects, which will be a cleaner & efficient source of power supply to the nation.

Most important it will allow India to reduce our current account deficit as domestic sources of energy replace our current huge import bill of oil.

FICCI Media Division