

FICCI calls for a relook at the gas pricing formula to reflect realities of Indian markets

Current gas pricing formula is unfairly biased towards the pricing in gas surplus economies

New Delhi, 9 October 2015: FICCI strongly advocates a gas pricing mechanism which adequately remunerates domestic E&P activity, and ramps up India's domestic gas supply volumes. Not only is this imperative for the development of domestic hydrocarbon industry, but is vital towards ensuring India's energy security. A pricing regime should be reflective of the enormous geological risks and production uncertainties which are inherent in geography such as India.

Commenting on a letter to Mr. Kapil Dev Tripathi, Secretary Ministry of Petroleum and Natural Gas, FICCI has insisted that the current gas pricing formula be relooked, as it is unfairly biased towards the pricing in gas surplus economies such as United States, Canada and Russia and is not consistent with realities of Indian Market. This view has also been corroborated by rating agencies Standard & Poor and Moody's which have recommended that the pricing formula incorporate prices in similar geographies such as Indonesia and Thailand which average around \$8-10/mmbtu.

Dr. Didar Singh, Secretary General, FICCI emphasized that India's vast untapped reserves in deepwater, ultra-deepwater as well as North East and frontier basins can only be brought online by creating a favorable pricing regime which incentivizes both domestic and foreign Oil & Gas majors to commit significant amounts of risk capital and advanced engineering solutions in these areas. Furthermore, he added that the higher premium for deepwater, ultra-deepwater along with high pressure and high temperature fields, as previously announced by the Government needs to be implemented expeditiously. This incentive also needs to be extended to all existing discoveries.

Continuing with the current gas pricing regime will severely affect India's larger goal of reducing Oil import dependency and building the domestic hydrocarbon capacity as envisaged in Hon'ble Prime Minister's "Make in India" initiative.

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