Clean Energy Vision and Natural Gas

What is the issue?

- Global powers are fixated on the concept of “net zero carbon emissions” and the appropriate target year for achieving it.
- While securing a global consensus around this target is important, the immediate priority should be to lay out the stepping stones; here is why natural gas is crucial in this regard.

What is the need now and how does natural gas help?

- The world does need a well-defined, time-bound objective in terms of emissions.
- “Net Zero” offers everyone a tangible metric against which to measure progress.
- But rather than focus only on the endgame of decarbonisation, India must first “green” its fossil fuel energy basket.
- This can be done by increasing the share of natural gas.
- This is a feasible prospect because:
  - this increase will not have the downsides of the alternative of shutting down coal mines
  - it will not require industries to invest heavily in retrofitting their systems
  - it will allow the government to meet its objective of providing secure and affordable energy to everyone without degrading the environment
- Furthermore, it can be achieved through executive ordinance and without the need for legislative approval.
- The policy approach at this end must cut across all segments of the natural gas value chain.
- It should cover things from production (domestic and international) to transportation (pipeline and LNG) to markets (current and emergent) to commercial (pricing, taxation) and regulatory issues.

How to increase the share of natural gas?

- **Prioritising** – First of all, it is essential that the authorities prioritise natural gas.

- They must recognise its versatility. It is a competitive fuel; it is abundantly available in and within the Asian/ME subcontinent.
- It has multiple uses and it is the “greenest” of all fossil fuels.
- **Pricing** - The pricing of natural gas is a complex task.
- There are multiple price formulae, each for –
    - gas produced from domestic fields by the public sector companies
    - gas produced by private companies
    - production from deep waters offshore under high temperature etc.
- The taxation system is also comparably regressive.
- It is a cascading structure so that the tax rates increase as the gas flows from one zone to another.
- This means that customers located at a distance from the source of gas pay a higher price than those closer to the source.
- The result is the dampening of demand.
- Also, gas is not under GST.
- So, such disincentivising policy distortions must be corrected.
- **Structure** - The authorities should revamp the structure of the industry.
- The Gas Authority of India Ltd (GAIL) is currently engaged in the production, transportation and marketing of gas.
- This allows GAIL to leverage its ownership of the bulk of the gas pipelines to deny its competitors access to the market.
- So, the need is to have assured and common access to all marketers but GAIL can bend the policy to its advantage without breaching it.
- Most countries have tackled this conflict-of-interest situation by separating the upstream (production/import) and downstream (marketing) interests from transportation.
- GAIL should also be so “unbundled”. Its business activities should be limited to pipeline construction and transportation.
- **Coordination** - Finally, the institutional mechanism should be created to enable better coordination between the central and state governments.
- Centre and state have clashed in the past over issues like land acquisition, pipeline routing, and royalty payments.
- This is a key reason why India has not yet constructed a national pipeline grid.
- Centre-state differences have also delayed the construction of import facilities and the creation of gas markets.
- A way has to be found to take these issues off the political table.
- It should be brought within the frame of an integrated decision-making process.

Source: The Indian Express

