Price System for Gas

Why in news?

The critical issue of gas pricing has led to the constitution of an expert committee under the chairmanship of Kirit Parikh.

What is the status of gas sector in India?

- Gas demand is directly linked to availability of the fuel.
- The total volume consumed in the country is 170 million standard cubic metre per day.
- Almost 50% of the gas consumption in India is imported.

- India's gas pricing system is mainly composed of
  - APM (Administrative Price Mechanism)
  - Non-APM (Free market gas)
- **Petroleum Planning and Analysis Cell (PPAC)**, attached to the Ministry of Petroleum and Natural Gas declares the APM gas price.
- The non-APM gas is of two types
  - Domestically produced gas from JV (Joint Venture) fields
  - Imported gas

India has set the target to raise share of natural gas in energy mix to 15% by 2030.

What is the Kirit Parikh Committee about?

- **Mandate** - Kirit Parikh Committee was constituted to
  - Review the current domestic natural gas pricing regime
  - Examine issues related to ensuring fair price to the end-consumer
  - Suggest market-oriented, transparent and reliable pricing
- **Recommendations**
- The Committee has recommended a change in the formula for pricing of gas produced from nomination fields (APM gas) to make it more market oriented.
- It also proposed for the removal of ceiling price for gas from high pressure-high temperature areas from a specified date.
- It has also recommended that the APM price should be maintained between a floor and ceiling for domestic consumers.
- It has proposed a period after which the pricing will be market determined.
- The price of APM and other gas whose prices are set by government should be fully deregulated ideally by January 1, 2027, if the gas price volatility on the international market has moderated.

What are the concerns with the Committee recommendations?

- The Parikh committee recommendations is said to be tilted in favour of continued subsidy for city gas entities, which is untargeted and unsustainable.
- Indiscriminate grant of city gas distribution licences over the last few years is a questionable and unviable strategy.
- Most of the stakeholders in the industry feel that a suppressed APM price will distort the market.

What lies ahead?

- There is a need for an authority like the **Petroleum and Natural Gas Regulatory Board (PNGRB)**, on the lines of the State Electricity Authority, to regulate the gas price.
- It is important to have a smooth transition to marketing and pricing freedom for all sources of gas for the growth of the market.

References

1. The Hindu Businessline | Is a fair price system for gas emerging?
2. PPAC | Petroleum Planning & Analysis Cell

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