Unified Gas Price System

Why in news?

The government has proposed for a unified gas price system.

How are tariffs decided currently?

- Tariffs for transportation of gas are set separately for each pipeline.
- It is set by the Petroleum and Natural Gas Regulatory Board.
- It is set based on the volume of gas transported on the pipeline and its operating life aimed at providing the operator a pre-tax return of 18%.
- Tariffs for pipeline usage are divided into zones of 300 km.
- Tariff increases for zones further away from the point where gas is injected.
- Further, if a buyer needs multiple pipelines even from the same operator, that transport tariff would increase.
- All of India's imported natural gas arrives at terminals on the west coast.
- So, the further east the buyers are located, the costs increases.

What is the proposed move?

- The government is aiming to cut down the cost of transportation of natural gas by fixing a tariff for longer distances to boost consumption.
- It is proposing a unified price system with,
    1. One price for those transporting gas nearby within 300 km and
    2. One price for those transporting gas beyond 300km.
- This proposal is part of an effort to boost the share of natural gas in India's energy basket from 6% currently to 25% by 2030.
- The move would fix tariff prices within an integrated pipeline network such as that of GAIL (Gas Authority of India Ltd.)
- GAIL has India's largest gas transportation pipeline network that prevents the buyers to pay charges for the use of multiple pipelines.
- Such a move would help connect new markets.
- It would benefit consumers in parts of the country far from the western coast.

How would the costs be?

- The cost of gas transportation for oil marketing companies and fertiliser plants that are closer to the points of gas injection may go up.

- This is because the government lowers rates for transportation of gas to areas farther away from points of supply.
- GAIL would hope that the average tariff per unit of gas transported will not be very different from current tariffs.
- GAIL would hope for increased utilisation as demand for gas increases.
- The government is also expecting that as India boosts gas imports, it will be able to negotiate better prices on gas imports.

Source: The Indian Express

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