

Recently, CCEA approved Natural Gas Marketing Reforms in a step towards gas based economy.

India's gas consumption in its primary energy basket is only 6.2% against global average of 24%. While government targets to increase it upto 15% by 2020.

This abysmal situation is mainly due to distorted gas pricing mechanism

in the country, for instance

(i) multiple pricing - different for Domestic gas which shares 48% of mix and imported gas.

(ii) Administered pricing mechanism as

an average of UK, US, Canada, Russia

is against market demand and supply rule.

(iii) Time lag of one quarter or more is not in line with current pricing.

(iv) out of GST - creates cascading effect and hurts uniformity in pricing.

(v) 300km rule - in which price of gas increases while pipeline moves beyond 300km from production or importing site hurts consumer.

(vi) Domestic pricing kept away from Indian gas exchange, thus transparency & bidding is dim.

(vii) Transportation cost which should be 2-3% increases upto 10% due to low external pricing.

(viii) multiple tariffs also increases cost.

Thus government has taken series of reforms like

A) Natural gas marketing reform - however it will cover only 20% of gas.

ii) Indian Gas Exchange at Gujarat and Andhra Pradesh to discover online and face less pricing.

iii) unifying marketing by proposing one price under 300 km and one price out of 300 km.

way forward

i) Bring private investment by

Ease of Doing Business reform in Logistic & Infrastructure, RED will automatically cut pricing through competition.

ii) GST net - IEX suggested to bring gas commodity under GST for level playing field.

iii) decontrolling of pricing to end central controlling to attract FDI.

iv) Fast infrastructure implementation

both like 'Uda Mangal', TAPI etc.

v) Grant infrastructure status to pipeline to incentivise investors.