

**GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA**

UNSTARRED QUESTION NO:2495

ANSWERED ON:23.08.2013

SHORTAGE OF GAS

Annayagari Shri Sai Prathap; Jagannath Dr. M.; Owaisi Shri Asaduddin; Pradhan Shri Amarnath; Ray Shri Rudramadhab

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether a number of power plants and steel plants in the country including Andhra Pradesh are at the risk of turning into non-performing assets due to non-availability of domestic natural gas;
- (b) if so, the details thereof, State/UT-wise along with the reasons therefor and the corrective measures taken by the Government in this regard;
- (c) whether the Empowered Group of Ministers (EoGM) recently discussed the allocation of gas and fixation of price of gas;
- (d) if so, the details thereof along with the recommendations of the Planning Commission and Ministry of Power in this regard;
- (e) whether certain States including Andhra Pradesh have requested the Union Government for allocation of gas to gas-based power plants keeping in view of low production of gas from the Krishna-Godavari D-6 basin; and
- (f) if so, the details thereof and the action taken by the Government thereon?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SMT. PANABAANKA LAKSHMI)

(a) & (b): Yes, Madam. The details are at Annexure-I, II & III. In so far as steel plants are concerned, M/s Essar Steel, JSW Ispat Limited, Welspun Maxsteel Limited are facing reduced supply of gas due to decline in production of natural gas. These plants may, however, opt for Regassified Liquefied Natural Gas which is abundantly available in the country.

(c) & (d): Ministry of Petroleum & Natural Gas has circulated a note regarding options for change in inter-se priority in core sector for allocation of NELP gas for consideration of the Empowered Group of Ministers for pricing & commercial utilization of NELP gas. The views of Ministry of Power & Planning Commission in this regard are as follows:

Ministry of Power (MoP) has sought the highest priority along with the fertilizer sector for allocation/supply of domestic gas, including KG-D6 gas, and accordingly to re-allocate the existing gas and factor this in all future allocations. MoP has stated that according the same priority to power sector and fertilizer sector will result in increase in gas availability for the power sector that would support generation of an additional 2400 MW at 70% PLF (around 14,700 Million units per annum) of affordable power for existing gas based power plants.

Planning Commission has stated that availability of gas for Power Plants has become critical in view of the fact that there are large stranded assets. In order to correct this situation, Policy intervention is required to ensure that the stranded power assets are able to produce power and do not become Non-Performing Assets (NPAs). Planning Commission has also stated that if the overall supplies are dwindling, Fertilizer sector will also have to share its burden. A balance has to be struck between requirements of the Fertilizer sector & Power sector in a way that there are no NPAs and the economy also grows. To ensure increased power production and higher PLF of gas-based plants, 35% of the gas requirement for power may be met from domestic sources and 15% from LNG over a period of two years.

A note on revision of gas price was originally prepared and circulated for consideration of the Empowered Group of Ministers (EGoM). Subsequently, the note was revised for consideration by the Cabinet Committee on Economic Affairs (CCEA). This was done since the EGoM considers only NELP related issues while the proposal covered pricing of domestic gas from all the blocks and not from NELP blocks alone.

Government has approved the gas price formula based on recommendations of the Rangarajan Committee, which will be applicable from 1st April 2014 for a period of 5 years.

(e) & (f): Yes, Madam. The State Governments of Kerala, Karnataka & Andhra Pradesh have requested for allocation of domestic natural gas for City Gas Distribution (CGD) and power projects for their respective States. The Chief Minister of Andhra Pradesh vide letters dated 2nd May, 2013 and 15th July, 2013 has requested to accord higher priority to gas based power projects in Andhra Pradesh over fertilizer and RGPPL; to allocate domestic gas to AP based power projects in such a manner that plants operate of

higher PLF of 75%; to allocate additional 10 MMSCMD of domestic gas from new sources of ONGC and GSPC to power sector. The Chief Minister of Kerala vide letter dated 29th June, 2013 has sought allocation of gas to the power projects being established in Kerala. The Chief Minister of Karnataka vide letter dated 7th June, 2013 has sought allocation of 9.6 MMSCMD of domestic gas to various power projects in Karnataka. The Chief Ministers of respective States have been informed that due to decline in production of domestic natural gas, it is not possible to make additional allocation of domestic gas at present. Chief Ministers have also been advised that gas based plants in power sector may consider tying up R-LNG to meet the shortfall. Further, this Ministry, on 01.01.2013, has issued Guidelines on Clubbing/Diversion of gas between power plants of same owner to enable use of domestic gas more efficiently to improve the PLF.