

## Gas auction shifts to revenue model

**New Delhi, Nov. 16:** With current rates considered too low to support exploration and production cost, the government on Monday proposed to free natural gas pricing as well as replace the controversial Production Sharing Contract (PSC) with simpler revenue-sharing regime for all future field auctions.

In September, the government had allowed pricing freedom for the gas produced from 69 small and marginal fields it plans to auction shortly.

"In the recently announced marginal field policy, the government has provided pricing and marketing freedom for the natural gas. On similar lines, it is proposed to provide pricing and marketing freedom for the natural gas to be produced from the areas to be awarded under the new contractual and fiscal regime in order to incentivise production from these areas," the oil ministry said on Monday.

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including Reliance Industries as well as state-owned ONGC have been seeking pricing freedom as the current rates make new investments unviable.

The BJP-led government had in October last year approved a new pricing formula for all domestically produced natural gas. As a result, rates rose by about 33 per cent to \$5.61 per million British thermal unit for a period up to March 31 from the long-standing price of \$4.2. The rates, on net calorific value (NCV) basis, dropped to \$5.05 per mmBtu for six month period beginning April 1, 2015. From October 1 rates fell to \$4.24.

At present, conventional oil and gas exploration is covered by the NELP while CBM exploration and production is governed by a separate regime.

— PTI

