

Natural gas prices to fall next fiscal: Goldman Sachs

NEW DELHI: Natural gas prices for existing fields such as KG-D6 of Reliance Industries will dip to \$3.6 per unit in next fiscal from \$3.82 currently, Goldman Sachs said on Wednesday.

"We believe Indian domestic natural gas prices that are linked to prices in gas surplus economies remain materially below the costs to develop marginal and deep-water fields and hence do not incentivise exploration and production capex," it said in a report.

This has resulted in Indian producers potentially losing \$2 billion annually in value added assuming they can replace imports entirely, it added.

"We believe the current gas price regime is not incentivis-

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ing domestic capex sufficiently as we expect prices under the current formula to decline to \$3.6 per million British thermal unit in 2016-17 while cost for new deep-water discoveries ranges between \$6 to \$7 per mmBtu," Goldman said.

The Oil Ministry, earlier this week, floated a consultation paper for freeing prices of natural gas produced from fields auctioned in future. The rates for existing and old

fields will remain to be priced at the current formula which uses average price prevailing in gas-surplus economies.

"We note 47 trillion cubic feet of domestic natural gas resources remain untapped and believe linking the gas price to liquid/alternative fuels and letting producers take the commodity risk could create a market conducive to private capex," Goldman said.

The nomination blocks of ONGC and Oil India with cost ranging from \$3.2 to \$3.6 per mmBtu would fail to make economic returns at the new rates.

The BJP-led government had in October last year approved a new pricing formula for all domestically produced natural gas. — PTI