

Gas pricing uncertainty stops GSPC from starting production

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Gujarat State Petroleum Corporation (GSPC), that is ready to pump natural gas from its Krishna-Godavari (KG) basin block, has not started commercial production, which industry and official sources say may be due to the uncertainty over gas prices.

Gujarat's energy minister Saurabh Patel announced this month that the state government's company GSPC had successfully extracted gas in the offshore KG basin and brought it to the mainland. But, Patel did not give any time-frame for commencing commercial production from the Deendayal block, which was initially supposed to start production in 2007.

GSPC wants to sell gas at about \$13 per unit. The current gas price for output from fields discovered under the new exploration licensing policy (NelP) is \$4.2 per unit. The government has said this price would continue up to the end of September.

Sources said GSPC is not sure whether the revised price will be applicable retrospectively. "The company would not like to commence commercial production at this juncture and be classified as old producing fields, losing the new price advantage," a source familiar with the matter said. However, another source said there may be other factors that have delayed production for the company that has frequently postponed the start of gas output from the block.

GSPC officials did not respond to ET's queries.

The company is demanding higher price because cost of producing gas from the deepwater region in the east coast is high, mainly because of high temperature and pressure, industry sources said.