

# Impact Assessment of Gas Price Hike on Different Industries and Overall Gas Sector in India

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## Abstracts

Government of India recently doubled natural gas prices from the existing \$4.2 mmbtu to \$8.4-8.5 per mmbtu. This is the first hike in gas prices in three years and will come in effect from April 1, 2014. The new price is based on the formula derived by Rangarajan committee. The move seems to have changed the prospect around entire gas sector and the same seems to have taken a leap of faith overnight. The premise given by government for this gas price hike is in sync with point raised by RIL i.e. Investments in gas exploration will increase only when price of domestic gas is attractive enough for Indian and overseas companies to commit capital to the sector that's full of risk. Every industry/stakeholder, across the gas value chain is now busy quantifying the impact of this hike on overall business. Whether the approved price hikes catalyze investment from both domestic and overseas companies, time will only approve of whether this hypothesis holds true.

The move is however well appreciated by analysts, E&P and state oil companies. Analysts view this to boost further investment in E&P sector and move towards reducing costly LNG imports. This would potentially double India's natural gas reserves and opens up frontier for companies to take exploration at riskier location. There is certainly enough incentive for investment because the level of \$8.4/mmbtu is close to international prices. Further hikes would eventually equal domestic gas prices with international rates and this should attract some investment into the natural gas sector. On the other hand government could boost revenue from royalties and thus a win-win situation for both government and companies. Market have already welcomed the move and shares of ONGC, Oil India and Reliance Industries jumped sharply after the announcement.

In order to assess the real impact of this gas price hike across industries and its effect in

the times to come and to quantify the same, InfracInsights is pleased to launch its latest research report 'Impact of Gas Price Hike on Stakeholders and Industries across the Gas Value Chain'. The report will decode the policy announcement and its impact on gas producers, gas transmission co's, gas distributors, gas consumers, gas imports and overall economy and overall economy.

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