

**Concern over government's proposal for a unified tariff for gas transportation pipelines**

**From :** dilip chenoy <dilip.chenoy@ficci.com>  
**Subject :** Concern over government's proposal for a unified tariff for gas transportation pipelines  
**To :** Secretary <secretary@pngrb.gov.in>  
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3 attachments

Ms. Vandana Sharma  
Secretary  
Ministry of Petroleum & Natural Gas  
Government of India  
New Delhi

**Reg: PNGRB Public Notice -- PNGRB/COM/2-NGPL/Tariff (3)/2019 Vol-II Dated June 29, 2020**  
**Sub: Concern over PNGRB's proposal for a unified tariff for gas transportation pipelines**

Dear Madam,

I refer to the recent media reports regarding government's proposal for putting in place a unified tariff for gas transportation.

As the government is aiming to cut down the cost of transportation of natural gas by setting a unified tariff for inter-connected cross country gas pipelines for longer distances to boost consumption, the industry is concerned over the proposal as it may have severe economic implications.

A unified transportation tariff unduly favours the customers who are located at a distance from the gas source as this results in cross subsidy to them from customers who are located at the source. It should be left to the free market forces to decide where the plant should be set up. Our few arguments in this matter are as follows:

- Unified gas pricing for transportation would be against the producing states, as they will lose their advantage for attracting industrial investment that consume gas. Moreover the consumers at source, both current and future, will end up subsidising consumers away from the source. This will lead to cross subsidising which is undesirable.
- Gas pooling as a policy would result in a situation like "freight equalisation" that happened around 40 years ago in the Steel industry, which was unviable and eventually had to be done away with.
- As an example, if an industry which is dependent on imported raw material has set up / sets up a plant at the port, they will lose their cost advantage to a similar industry which has set up far away from the port if the freight is equalised.
- Different pipelines will have different capacity utilisations; for example, spur lines and pipelines far away from the source because both the gas quantity will be lesser and compression costs / transmission losses will be higher.

We would suggest going for a distance based tariff of say every 100 km and request your kind intervention to not go ahead with the proposal for pooling gas pipeline tariff.

Best Regards,

Dilip Chenoy

**Federation of Indian Chambers of Commerce and Industry***Industry's Voice for Policy Change*

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