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MINUTES OF THE MEETING OF THE EMPOWERED GROUP OF MINISTERS HELD ON 23<sup>RD</sup> OCTOBER, 2008 UNDER THE CHAIRPERSONSHIP OF SHRI PRANAB MUKHERJEE, HON'BLE MINISTER OF EXTERNAL AFFAIRS TO DISCUSS ISSUES RELATED TO PRICING AND COMMERCIAL UTILIZATION OF GAS UNDER NEW EXPLORATION LICENSING POLICY (NELP)

The Empowered Group of Ministers (EGoM) met on 23.10.2008 to decide issues pertaining to pricing and commercial utilization of gas under the New Exploration Licensing Policy (NELP). The list of participants is at Annex I.

2. The EGoM considered the agenda note circulated by MOP&NG. It was noted that supply of gas to all customers would be made as per the approved decisions of EGoM in its meeting on pricing held on 12.9.2007, as mentioned in para I (1) of the Agenda Note. After detailed discussions, EGoM took the following decisions:-

A.1. Keeping in view the long standing shortage of natural gas in the country, leading to under-utilized/stranded assets, the EGoM in its meeting held on 28.05.2008 had given directions about the priority sectors to which 40 mmscmd natural gas expected to be produced from RIL's KG D6 field by March 2009 would be supplied. EGoM took note of the recommendations of CoS in respect of natural gas requirement for Ratnagiri Power Project Limited (RGPPL). While confirming the prioritization of sectors made on 28.05.2008, EGoM modified the decision of 28.05.2008 by according priority to RGPPL along with fertilizer units and directed that RGPPL be supplied 1.4 mmscmd during January to March 2009 and 2.7 mmscmd during April to September 2009, subject to commencement of production, within the

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overall allocation of power sector (18 mmscmd) decided earlier. Further, 8.5 mmscmd would be supplied to RGPPL after September 2009 from the production from RIL's KG D6 field.

A.2 The decisions taken in the EGoM meeting held on 28.5.2008 regarding supply of natural gas to priority sectors, along with the modification decided in this meeting as noted in para A.1 above, be made applicable to the first 40 mmscmd of gas produced from RIL's KG D-6 field, irrespective of the date on which this production is attained.

B. As regards the reference forwarded by MOP in respect of requirement of natural gas for the captive power plant of M/s. ESSAR Power Limited with capacity of 530 MW, it was decided that the list of all such existing natural gas-based captive power plants be compiled and presented before the next EGoM meeting for decision.

C. EGoM considered the proposal put forth by MOPNG regarding the supply of 18 mmscmd earmarked for the power sector to various power plants and noted that after RGPPL, priority should be given to the Andhra Pradesh power plants. EGoM directed that MOP&NG would have discussions with MOP to arrive at a mutually acceptable decision and decide supply of natural gas to various power plants. In case of any difficulty in arriving at a decision, the issue should be brought before the EGoM.

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D. Regarding the supply of natural gas to Dadri Power Project, the views expressed by the Law Minister were noted and the decision was deferred.

E. Regarding the NTPC-RIL sale price, views expressed by the Law Minister were noted. It was decided that the verdict of the court should be awaited.

F. MoP&NG would ensure that a workable GSPA is evolved for sale of gas to be produced under NELP to consumers across the country.

G. MOP&NG would take decisions regarding supply of natural gas to consumers by the Operator, in accordance with the decisions of the EGoM and taking into account Court orders, after consultations with the concerned Ministries and other stakeholders, with which the Operator would comply.

H. MoP&NG would take decisions regarding supply of natural gas to sectors/individual customers consequent to gas being available on account of short offtake, delay and any other unforeseen circumstances.

I. Minister of Chemicals & Fertilizers and Steel raised the issue that Fertilizer Companies need to have GSPAs for supply of gas, so as to enable them to achieve financial closure for their plans of optimum capacity utilization, expansion, de-bottlenecking and conversion to

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natural gas. EGoM decided that MOP&NG would facilitate finalization of GSPAs by Fertilizer Companies for supply of gas.

J. Minister of Chemicals & Fertilizers and Steel raised the demand for supply of natural gas to existing natural gas-based sponge iron/steel plants, as they were operating at low levels of capacity utilization. It was decided to give priority to the existing natural gas-based sponge iron/steel plants after the sectors decided in the EGoM meeting held on 28.05.2008. However, the supply would be made from the production beyond the first 40 mmscmd to be produced from RIL's KG-D6 field.

K. The EGoM meeting held on 28.05.2008 had inter alia decided to supply 3 mmscmd for existing natural gas-based LPG plants. Secretary, MoP asked for the diversion of this gas to power sector. EGoM decided that MOP&NG would undertake a study of the cost benefit analysis of supply of 3 mmscmd natural gas to LPG plants and present the findings to EGoM for a decision.

3. The meeting ended with thanks to the Chair.

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Annex-I

MEMBERS PRESENT

1. Shri Pranab Mukherjee, Minister of External Affairs
2. Shri Sushilkumar Shinde, Minister of Power
3. Shri Ram Vilas Paswan, Minister of Chemicals & Fertilizers and Steel
4. Shri P. Chidambaram, Minister of Finance
5. Shri H.R. Bhardwaj, Minister of Law and Justice
6. Shri Murlidhar Deora, Minister of Petroleum and Natural Gas
7. Shri Prem Chand Gupta, Minister of Corporate Affairs

OFFICERS IN ATTENDANCE

1. Dr. Subas Chandra Pani, Secretary, Planning Commission
2. Shri. R.S. Pandey, Secretary, Ministry of Petroleum and Natural Gas
3. Shri Anil Razdan, Secretary, Ministry of Power,
4. Shri T.K. Viswanathan, Secretary, Department of Legal Affairs,
5. Shri Pramod Kumar Rastogi, Secretary, Ministry of Steel
6. Shri Atul Chaturvedi, Secretary, Department of Fertilizer
7. Shri S. Sundareshan, Additional Secretary, Ministry of Petroleum and Natural Gas
8. Shri D.N. Narasimha Raju, Joint Secretary, Ministry of Petroleum and Natural Gas
9. Shri V.P. Joy, Joint Secretary, Ministry of Power
10. Shri Vijay Chhibber, Joint Secretary, Department of Fertilizer
11. Ms. Neel Kamal Darbari, Joint Secretary, Department of Chemicals and Petrochemicals
12. Shri Manu Srivastava, Director, Ministry of Petroleum and Natural Gas
13. Shri Rajesh Agarwal, Deputy Secretary, Department of Fertilizer
14. Shri B.C. Tripathi, Director (Marketing), GAIL (India) Limited