

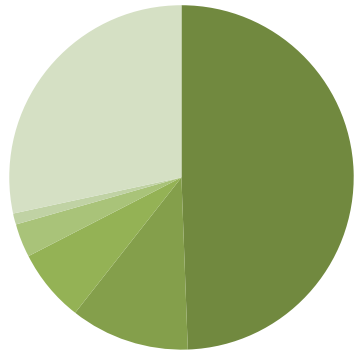
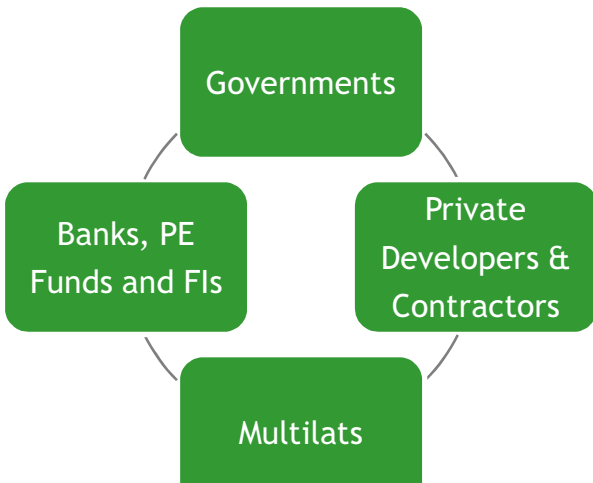





Andhra Pradesh – The Natural Gas Hub

Regulatory Perspective and Role of Govt. of AP

About Feedback Ventures Pvt. Ltd.

India's Leading Infrastructure Services Company

Work we do		Team	
Advisory	Planning & Engineering	Project Management	Operations & Maintenance
Transportation		<p>Multidisciplinary Team</p>  <p>Total: 860</p>	
Energy			
Realty & Townships			
Urban and Social Infrastructure			
Leadership		Clients	
Mission Holdings	Promoter Group		
	India's leading construction company		
	India's leading infrastructure finance company		
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ENERGY PRACTICE

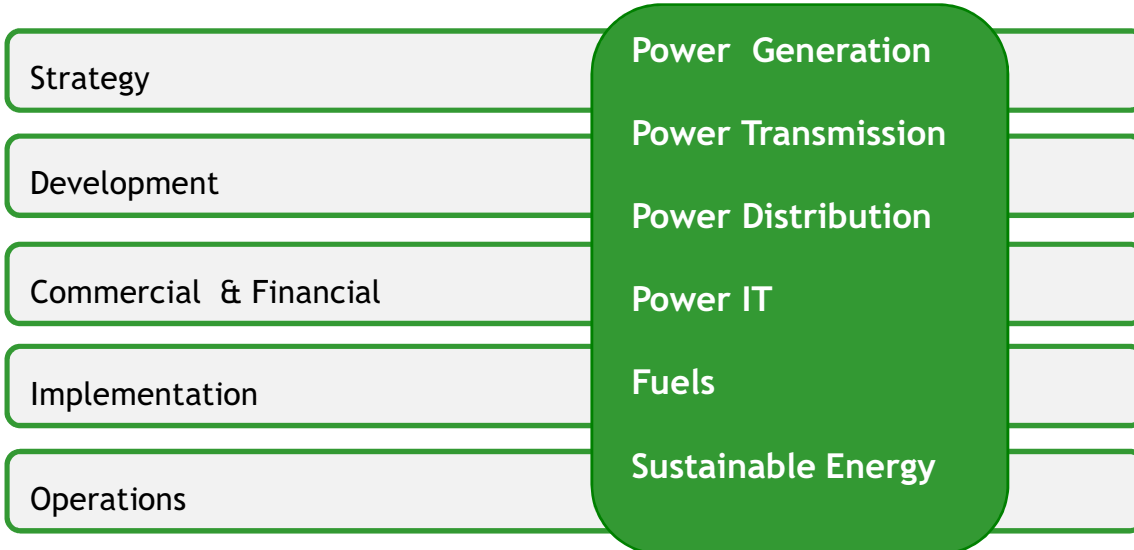
We provide advisory and technical support services across the energy value chain from fuels, generation, transmission, distribution and IT, to renewables and energy efficiency.

We are recognized as enablers to government utilities, private developers, investors, and regulators.

Our dedicated team of energy practitioners is one of the largest and most experienced in the country.



SECTORS COVERED



ENERGY PRACTICE

CLIENTS

Private Sector



Government Bodies & PSUs



Multilateral Agencies



PE/ Finance Companies

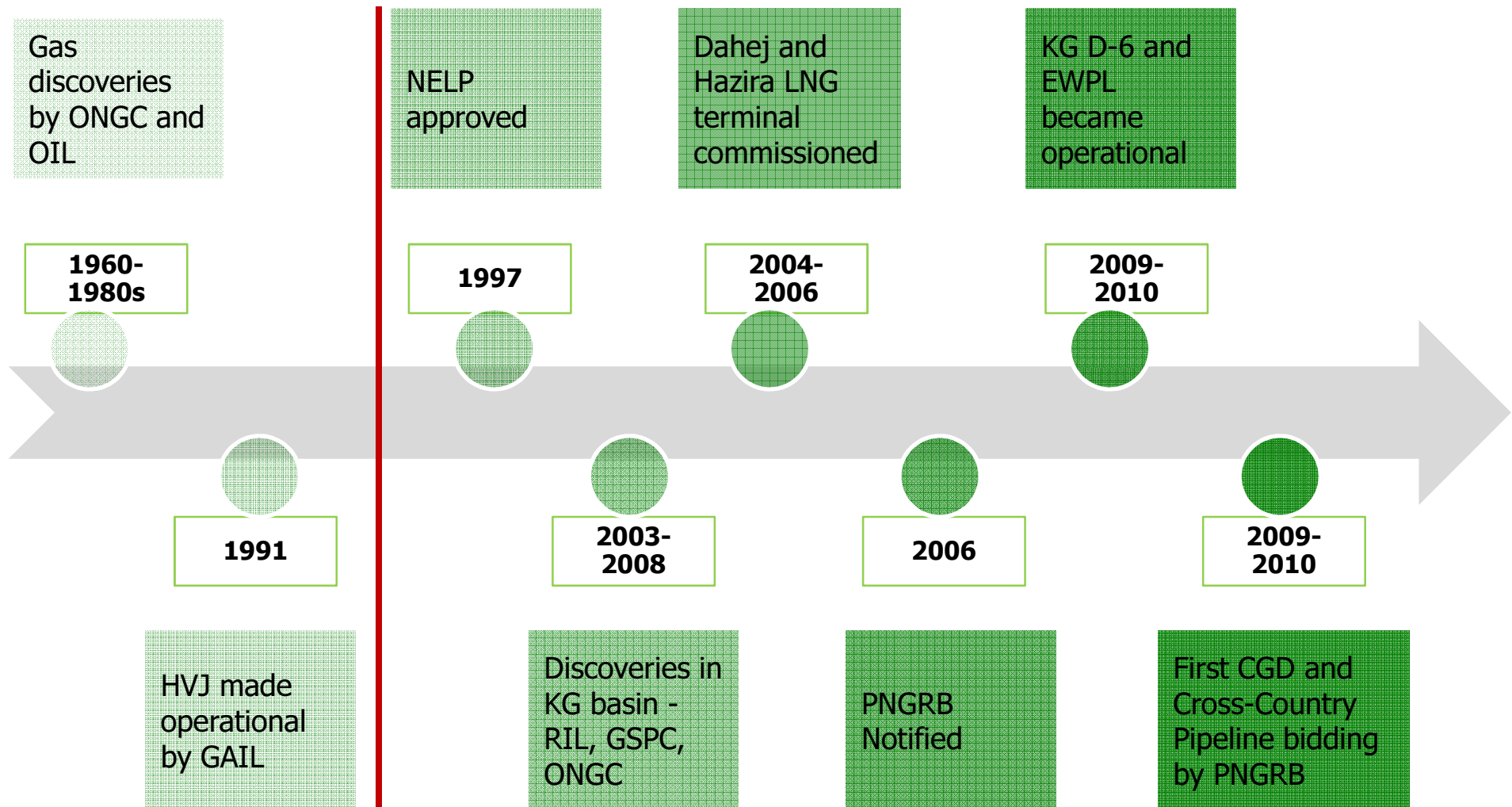


Oil & Gas Clientele...



Our Advisory services include Policy, Pricing, Regulatory, Technical, Financial, Commercial and Bid Advisory

Pre-NELP and PNGRB, natural gas industry was mostly Government-controlled



Presently, the industry is regulated by a number of bodies

Ministry of Petroleum & Natural Gas, Government of India					
Regulatory Body	DGH		PNGRB		E-GoM
Purview	Upstream – E&P		Downstream – Network Development		Allocation & Pricing of KG-D6 Gas
Function	Licensing Oil & Gas blocks under NELP		Licensing Pipelines & CGD Projects under PNGRB Act and associated regulations	Allocation of KG-D6 Gas (given limited availability)	Pricing of KG-D6 Gas (given limited availability)

Multiple regulatory bodies for different activities

Gas distribution mechanisms:

- Gas Utilization Policy for KG-D6
- Market based for others/ isolated gas fields

Multiple pricing mechanisms:

- APM (until recently);
- Pricing Policy for KG-D6;
- Market based for others

Regulatory environment is still evolving

AP expected to be the main driver and beneficiary of this transformation

AP expected to benefit from KG Basin

- **Gas availability** - Expected to go up from ~60-65 MMSCMD to ~120 MMSCMD (RIL, GSPC, ONGC) by 2012-13.
 - Godavari Basin is also believed to have Shale Gas potential.
- **Transport infrastructure** – GAIL's Regional network (835 Km), EWPL already functional;
 - Three more pipelines (Kakinada-Haldia, Kakinada-Chennai, Mallavaram-Bhilwara) under implementation / bidding;
 - APGIC has submitted EoI to PNGRB for two more lines
- **CGD** - Hyderabad, Rajahmundry, Vijayawada and Kakinada already taking shape;
 - Another 20 cities identified by PNGRB for bidding;
- **Power Projects** - ~7500 MW planned/under development - APGenco, Reliance Power, GVK, Lanco, Konaseema, GMR, KVK, etc.
 - APGENCO is expected to get the gas allocation for its 2100 MW power project at Karimnagar according to the news report
- **Fertilizers Projects** - GoI requested to help revive FCI Ramagundam and clear the Nellore plant.
- **PCPIR** - Notified by GoI, infrastructure works started, anchor customers identified – investment potential ~\$ 75-80 Bn. Customers will be benefited by KG Basin gas.
- Customers closer to gas source will pay lower transportation tariff, due to **Zonal Tariff** setting method;

State Govt. support has been instrumental

- **Special charge given to a minister for natural gas**
- **2100 MW project being implemented by APGenco** –
 - Land acquired;
 - Water allocation in place;
 - Tender for EPC for 1st phase (700 MW) invited;
 - Gas allocation recommended by MoPNG and MoP. Allocation from E-GOM is expected;
- **APGIC formed as State Govt. instrument:**
 - **E&P:** won (in consortium) 4 blocks in NELP VIII bidding;
 - **Gas trading:** AP Gas Trading Company formed to play role of "aggregator" - sourcing gas from domestic and overseas companies and supplying to consumers in AP
 - **Pipelines and CGD:** APGIC has submitted EoI for two more lines, plus preparing for the third. AP Gas Distribution Company formed to proactively submit EoIs, bidding, developing pipelines and CGD networks in AP;
- **Demand creation:**
 - AP PCPIR is the first PCPIR to be approved by the GoI.
 - Several SEZs, Industrial Areas cleared by the State Govt.

Way forward – Govt. support will be imperative

Support required from Central Govt.

- . Regulatory consistency in E&P needs to be maintained - **Gas Marketing Rights** and **Gas Pricing**.
- . **Pooled Pricing Mechanism** – any decision should be made after careful consideration.
- . 7-year **tax holiday** needs to be extended to natural gas.
- . Clarity on **gas allocation principles** required – as per present rules, allocation provided only upon nearing commissioning of projects.
 - . In CGD, inclusion of commercial and industrial customers for Gas Allocation;
- . Declared Goods status for Gas
- . VAT Credit for Industrial consumers
- . Phased and time bound withdrawal of LPG Cylinders supply to domestic consumers where PNG penetration happens
- . Adequate provisions for ramping up supplies in the gas sales agreements (GSAs) signed with upstream suppliers with increase in consumer base

Support required from State Govt.

- Creation of **Single Window Clearance agency** for natural gas projects;
- **Equity participation** by the State Government in CGD projects to enable speedier **land acquisition and other clearances**.
- **Capacity building** through inclusion of related courses in ITI/Engineering Colleges and creation and revival of key universities (through state and or private funding), gas welding institutes, drilling training schools, etc.
- Facilitation for Shale Gas exploration
- Supportive legislation for enhancing CGD penetration such as incentivisation of clean fuel use in the area
- Mandatory for public transport to use CNG in cities where this fuel is available
 - **PNGRB regulations**
 - Need to analyse limited number of bidders for Cross Country Gas Pipeline
 - Need for close monitoring of the commitment provided by the CGD Companies both for “authorized” projects as well as “Competitive bid” projects

Potential Opportunities for Small & Medium Enterprises Sector
Downstream business in CNG, CNG Cylinders & Kit manufacture, CNG stations, Pipeline laying, Vendors items such as Meters, etc for CGD projects

Thanks

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Back-up Slide

Cross-country pipeline network envisaged by the PNGRB

