Have to free prices of gas and downstream products

The fact that prime minister Narendra Modi plans a week-long visit to the Central Asian republics—Kyrgyzstan, Kazakhstan, Tajikistan, Turkmenistan and Uzbekistan—later this month suggests he has jettisoned all doubts about the 1,800 km TAPI pipeline that travels through Pakistan after coming in through Afghanistan from Turkmenistan. Whether the security establishment in India is right in its assessment that a pipeline crossing Pakistan will truly be safe—or how the risk is to be defrayed among participants—remains to be seen. What is clear, however, is that India's policies on natural gas and on downstream industries needs a radical change.

For around 3 years now, the government has been dilly-dallying over raising gas prices even though the production-sharing contracts signed with gas exploration firms promises market pricing. Indeed, a year after it came to power, the NDA is no closer to a resolution and, as a result, exploration activities have come to a halt in the deep seas where the bulk of India's reserves lie. Given the prices proposed by the Rangarajan committee way back in December 2012 were much lower than the $12-13 per mmBtu at which imports were taking place, it was never clear why no decision was taken. While not taking a decision on gas prices is hitting gas exploration firms and industries such as power and fertiliser plants that run on gas, imagine how much this problem will be compounded in the case of the TAPI project if, after sinking in $10 billion to build the pipeline and making large financial commitments to Turkmenistan, India does not allow market-pricing of gas. Or if, while Turkmenistan is paid market prices for its gas, the government does not allow higher input prices to be reflected in pricing of electricity or fertilisers. At some point, the government needs to bite the bullet on pricing—else, it should give up on grandiose projects that involve large investments.