Business Standard

Proposed gas price pooling to boost GDP by up to 0.88%

The finding was part of a study conducted jointly by NCAER and GMR Energy

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The proposed gas price pooling policy of the government is expected to increase the Gross Domestic Product (GDP) by 0.50-0.88 per cent, says a study.

"The gas price pooling policy would lead to an increase in GDP of 0.50 per cent or Rs 69,431 crore with a plant load factor of 30 per cent, 0.7 per cent (or Rs 96,107 crore) with a PLF of 40 per cent, and 0.88 per cent (or Rs 1.23 lakh crore) with a PLF of 50 per cent," the study conducted jointly by NCAER and GMR Energy said.

The proposed gas price pooling policy would pool existing limited supply of domestic gas with imported regasified LNG to help operationalise about 16,100 MW of stranded, gas-based, power plants to start operating from their current zero per cent of plant load factor (PLF) to about 30-40 per cent.

Also, it will help increase employment in 2015-16 by creating about 13 lakh new jobs with 30 per cent PLF; 18 lakh with 40 per cent PLF and 23 lakh with 61 per cent PLF, the study said.

However, it pointed out that price of pooled natural gas would be higher than domestic price which will hike power production cost.

"However, selling price of electricity has been administratively capped at Rs 5.50 per kilowatt hour, so the gap between selling price and production cost would lead to a revenue shortfall for gas-based power plants," National Council of Applied Economic Research (NCAER) said.

The revenue shortfall is proposed to be partially borne by government as subsidies and tax concessions, and partially borne by inter-linked sectors taking cuts in their revenues.

NCAER said the proposed gas price pooling policy will have positive growth multiplier effects on economy.

"Globally, there is a strong correlation between economic growth and energy consumption, and India is no exception.

"The policy will yield positive net benefits as long as policymakers build suitable safeguards into this policy to not pick up and pay for inefficiencies of public and private sectors over a long time period, or to bail out companies for a period more than strictly necessary," said Indira Iyer, Senior Fellow, NCAER.