

## Reliance Industries prices coal gas from Madhya Pradesh at minimum \$6



[Reliance Industries](#) Ltd on Wednesday sought bids from buyers of coal gas it produces from CBM blocks in Madhya Pradesh at a minimum price of about USD 6 at the current oil price.

Reliance sought bids for 0.82 million standard cubic meters per day of gas from the Sohagpur coal-bed methane (CBM) block, according to a notice inviting offer (NIO).

Bids have been sought for supply of gas, which can be used in industries as fuel or feedstock as well as by city gas operators for supply as CNG to automobiles and piped cooking gas to households, for one year beginning April 1, 2021.

Users have been asked to quote a percentage of Brent crude oil price they will be willing to pay for the gas.

Reliance set 9.5 per cent of Brent rate as the base or minimum price and asked bidders to "enter bids that are higher than or equal to it."

At the current USD 65 per barrel Brent crude oil price, the price of gas produced from coal seams, called CBM, comes to USD 6.17 per million British thermal unit (mmBtu).

"A bidder shall be required to quote the variable denoted as 'V' in percentage terms as a positive number" of the Dated Brent price, the notice said.

Gas price will be "higher of (V per cent) x Dated Brent; or PPAC Price," it said.

PPAC price refers to the rate the government fixes every six months for gas produced mostly by state-owned firms such as ONGC. That price for the six months ending March 31, 2021 is USD 1.79 per mmBtu.

Reliance started commercial gas production from the CBM blocks in March 2017 and reached the peak of 3 mmscmd before the end of 2018.

CBM is natural gas stored or absorbed in coal seams and contains 90-95 per cent methane.

The pricing formula notified on Wednesday is a variation over the 2017 formula when Reliance had sought bids in the form of a deductible from 12.67 per cent of prevailing Brent crude oil price plus USD 0.52 per mmBtu plus USD 0.26 per mmBtu.

In that bidding for up to 3 mmscmd of gas, Reliance had outbid rivals including state-owned GAIL (India) Ltd to buy the entire volume.

Earlier this month, Reliance and its partner BP plc of UK bid out 7.5 mmscmd of gas from its eastern offshore KG-D6 block by pricing the fuel at JKM (Japan Korea Marker).

The JKM represents the price for spot LNG delivered in the Asian market and is now being widely used in the LNG industry as a marker for medium/ long term LNG contracts instead of traditional linkage to oil.

In that auction, bidders were asked to "quote the variable denoted as 'V' in USD per million British thermal unit (mmBtu) terms."

"The gas price (in USD/mmBtu (GCV)) shall be = JKM + V," the bidding notice had said adding the 'V' could not be less than USD (-)0.30/mmBtu.

Reliance bought two-thirds of the volume in that auction.

[Reliance Industries](#)