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# CBG Price Mechanism to be Tweaked

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Panel to suggest a new mechanism that would keep prices attractive for producers & buyers

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**New Delhi:** The government is reviewing the price mechanism for compressed biogas (CBG) to make rates more remunerative for producers and supplies more stable for retailers, according to people with knowledge of the matter.

The petroleum and natural gas ministry has set up a committee with representatives from the compressed biogas association, IndianOil, GAIL and the ministry to suggest a new mechanism that would keep prices attractive both for producers and buyers, the people said.

CBG prices, which are linked to the retail rates of compressed natural

gas (CNG), have fallen about 12% in the past year and a half to ₹1,290 per mmbtu from ₹1,470. The decline was partly driven by the government's decision in April 2023 to cap the price of domestic natural gas to \$6.5 per mmbtu. City gas distributors mix this price-capped natural gas with CBG to serve their CNG customers.

Producers are, however, upset with the reduction in CBG procurement price, which the government is now trying to address. The government will take a final view on pricing after the committee submits its report.

Two pricing mechanisms are being followed for CBG, with one where state-run GAIL purchases CBG from producers at rates pegged at 80% of the average retail selling price of CNG. The other formula, which involves a base price and a percentage of the difference between the base price and the CNG retail price, is followed by fuel retailers like IndianOil.

The formula under which GAIL obtains CBG throws up a price,

which is about \$0.5 per mmbtu higher than the one under which Indian Oil or other fuel retailers obtain the gas, according to the person cited earlier. This results in most CBG being sold to GAIL, leaving fuel retailers' pumps dry on many occasions, they said.

This hurts the fuel retailers, which have invested in setting up CBG dispensers. CBG plants have come up in the country mostly following the full offtake assurance by fuel retailers at attractive prices. And now retailers themselves feel left behind on occasions as their gas pumps run dry.

The government panel will try to address that as well by possibly offering a single uniform price at which CBG producers can sell to any customer.



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