

Business Standard

HC asks Petroleum Min to hear Welspun, Ispat on gas issue

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Bombay High Court today directed Ministry of Petroleum and Natural Gas to give a hearing on May 11 to Welspun Maxsteel and Ispat Industries, major producers of sponge iron, on the issue of gas allocation.

The two companies are fearing closure of their operations because of drastic cut in supply of natural gas from KG basin due to fall in gas production and government policies.

The direction was given by the bench headed by Justice Mrudula Bhatkar on a petition filed by Welspun and Ispat who have challenged an oil ministry order reserving the entire gas output from KG basin for the "core sector".

The court asked the ministry to hear the petitioners and also other industries who have sought intervention in the matter, on May 11, and take a decision by May 18. The matter has been posted for further hearing on May 23.

The petitioners contended that in the event of closure, or reduction in production levels of sponge iron, the exchequer will suffer losses of as much as more than Rs 1000 crore.

They argued that if targeted steel production was not achieved, there would be a shortage and the country would have to import steel, as against the present net exporter status.

Reliance Industries has seen output from its eastern offshore KG-D6 fields dropping from 61.5 million standard cubic meter per day (mmscmd) in March 2010 to less than 50 mmscmd now.

Reliance, till now, had been effecting a pro-rata cut in supplies to all its customers but the oil ministry now wants gas to go first to fertiliser, power, LPG and city gas companies, as a result leaving nothing for others like sponge iron makers such as Welspun and Ispat.