

HC seeks oil ministry reply on gas allocation

Hetal Vyas, TNN | Jun 10, 2011, 02.28am IST

MUMBAI: The Bombay High Court on Thursday suggested the ministry of petroleum and natural gas to consider whether it was willing to provide firm allocation of natural gas supply to Welspun Maxsteel and Ispat Industries, major producers of sponge iron.

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

Hearing petitions filed by the iron giants, a division bench of chief justice Mohit Shah and Justice Girish Godbole directed the Union government to file its affidavit by June 14 and posted the hearing on June 16.

The companies moved HC last month challenging the ministry's decision of reserving the entire gas output for "core sector" [fertilizer, power, LPG and CNG suppliers] as arbitrary.

Suggesting the government to distribute gas uniformly, Justice Shah remarked: "Sometimes government does not realize. If an industry shuts down, it is very difficult to revive (it)."

Counsel for Union, Kevic Setalvad, sought time to file reply. Setalvad told the court that the ministry has filed affidavit in the Delhi high court on the petition filed by Essar, another largest steel manufacturer.

Representing Welspun, senior counsel Janak Dwarkadas, argued that due to non-supply of gas, their plant was facing closure and employment of their 3,000 staff was at stake.

The companies have argued that the government has reserved 50 million cubic meter of gas for the sector. The remaining surplus has to be distributed on pro rata basis to other industries.

The ministry asked Reliance Industries to first supply gas to fertilizer, power, LPG and city gas companies, leaving nothing for others like sponge iron makers such as Welspun and Ispat.