

# Business Standard

## RIL taken to court on gas supply cuts

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With Reliance Industries (RIL) set to cut gas supply to steel, petrochemical and refining sectors from Monday, three companies — Welspun Maxsteel, Ispat Industries and Essar Steel — have moved courts for a stay.

As gas production from RIL's block in the Krishna Godavari (KG) basin has fallen to 50 million standard cubic metres a day (mscmd) from 62 mscmd in March 2010, the government has asked RIL to give priority to users in fertiliser, LPG, power and city gas distribution sectors. This means cutting supply to users in steel, petrochemical and refining sectors.

The three companies will be hit by the RIL action. Essar has filed the case in the Delhi High Court, which will take up the matter on Tuesday. The other two have approached the Mumbai High Court. The hearing has been fixed for Monday.

While a senior Welspun Maxsteel executive did not respond to phone calls, an RIL spokesperson did not answer phone calls or email queries. The Essar Steel spokesperson also did not comment.

Essar has been allocated 3.2 mscmd, while Welspun Maxsteel and Ispat Industries have together been allotted 1 mscmd on a firm basis. A firm allocation, as against fallback, is considered more definite as the user company has a right on the gas produced.

The government has also been made a party to the case. A senior government official confirmed the development. The court is likely to hear the case on Monday.

The Ministry of Petroleum and Natural Gas has written to RIL twice since March-end to meet supply commitments to consumers in fertiliser, LPG, power and city gas sectors. RIL has been allowed to use a small part of the gas to maintain pressure in its east-west pipeline. "In view of the reduction in KG-D6 production, if there is a shortfall in meeting the firm demand of the remaining sectors, pro rata (proportional) cuts should be imposed," said the ministry.

RIL has been resisting implementation of the directive for fear of contractual disputes. The gas sale and purchase agreements signed between RIL and consumers do not make any distinction between sectors.

Besides steel and sponge producers, petrochemicals and petroleum refiners will also face a cut. RIL will have to cut supply to its own refinery and petrochemical plants, besides to Indian Oil Corporation and Hindustan Petroleum Corporation. RIL has a firm allocation of 1.9 mscmd for Gandhar and Nagothane petrochemical plants in Gujarat, while its Jamnagar refinery has been allocated about 2.34 mscmd.