Ministry of Petroleum & Natural Gas

Revised CBG pricing supports producers without materially impacting consumers

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A recent newspaper article suggested that the revised price of Compressed Biogas (CBG) under the GOBARdhan Scheme could place a significant additional burden on CNG and household PNG consumers.

This conclusion does not present the correct picture. It is based on select inconsistent assumptions:

- Under the existing system, the price paid to CBG producers is linked to 85% of the retail selling price of CNG. Based on the latest revision, this works out to approximately ₹1,478 per MMBtu.
- Under the GOBARdhan Scheme, the CBG price has been fixed at ₹2,110 per MMBtu.
- The increase from ₹1,478 to ₹2,110 per MMBtu is approximately 43%.
- This is the procurement price paid to CBG producers. **It is not the price directly paid by CNG or household PNG consumers.**
- The full price of ₹2,110 per MMBtu will not be recovered through gas consumers. The Government will provide affordability support of **₹10 per kg of CBG**, equivalent to approximately **₹215 per MMBtu** for CBG with 95% methane content.
- This support will be **funded by the Government** and will not be recovered from gas consumers entirely. Therefore, the effective CBG cost to be recovered through a wide group of gas consumers will be: ₹2,110 per MMBtu – ₹215 per MMBtu = approximately **₹1,895 per MMBtu**
- Compared with the prevailing CBG price of ₹1,478 per MMBtu, the effective increase is therefore **approximately 28%**.
- Further, CBG is not sold at its procurement price to CGD entities. It is pooled with other domestically produced natural gas, and its cost is spread across the applicable domestic gas pool.
- Earlier, the cost of CBG was spread only across the limited quantity of APM gas allocated to the CNG (Transport) and PNG (Domestic) segments. **Under the new framework, the net cost of CBG will be spread across a domestic gas base approximately 2.5 to 3 times larger than the earlier base.**
- Due to spreading of CBG cost on a much larger gas pool, **the price impact on an individual gas consumer will be negligible**.

The revised pricing framework has been carefully designed to balance two objectives. **CBG producers receive a stable and viable price that enables plants to operate sustainably, while Government-funded affordability support and a substantially wider gas pool protect consumers from any material price impact.**

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