

Bid to end biogas, natural gas tax anomaly

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In a bid to clear the tax anomaly between biogas and natural gas when blending for use as auto fuel (compressed natural gas), Finance Minister Nirmala Sitharaman, in her Union Budget, has proposed exemption in excise duty on CNG to the extent equal to the GST paid on biogas or compressed biogas, subject to conditions.

Currently natural gas falls under the value-added tax (VAT) regime, while biogas attracts GST.

The Government has been promoting the use of compressed biogas as an alternative green transport fuel, which is produced through anaerobic decomposition of waste/ biomass sources, including municipal solid waste.



ALTERNATIVE. The Centre has been promoting the use of compressed biogas as an alternative green transport fuel

The Ministry of Petroleum and Natural Gas had launched the 'Sustainable Alternative Towards Affordable Transportation' (SATAT) initiative on October 1, 2018, aimed at establishing an eco-system for the

production of compressed biogas from waste/ biomass sources and promote its use along with natural gas.

Subsequently, the ministry had issued guidelines for co-mingling of domestic gas, for supply through city

gas distribution networks, with compressed biogas. However, due to the tax discrepancy, the blending had not taken off.

COST RATIONALISATION

Under SATAT, public sector oil marketing companies and GAIL had invited expression of interest (EOI) to procure CBG from potential entrepreneurs for the establishment of CBG plants across the country with an estimated production of 15 MMT per annum by 2023. OMCs and GAIL had earlier offered ₹46 per kg delivered price for procurement of CBG, which now stands at ₹54 per kg with additional incentives based on the delivery distance and current CNG market price.

According to Gaurav Kedia, Chairman, Indian Biogas Association, "Biogas plant

produces two major products: biogas (which can be refined further to produce bio-CNG or compressed biogas); and organic fertiliser (also known as fermented organic manure or FOM). The grid insertion of CBG with existing CNG/PNG pipeline raises the issue of cascading taxes, as CBG falls under the GST regime while compressed or piped natural gas falls under the excise regime."

The Budget has attempted to address the blending issue of CBG in PNG by exempting GST-paid CBG from excise duty in order to boost green mobility even further, he added. This also works as cost rationalisation for CBG producers. In due course, a 5 per cent CBG mandate will be introduced for all organisations marketing natural and biogas, she added.