

HO.AVN.AERA.BKFFPL

11th April 2026

To
The Director (P&S)
Airports Economic Regulatory Authority of India (AERA)
3rd Floor, Udaan Bhawan
Safdarjung Airport
New Delhi – 110003

Dear Sir,

**Subject: Stakeholder Comments on Consultation Paper No. 09/2025-26 – Tariff
Determination for Fuel Farm & ITP Services at Kannur Intl. Airport (2ND Control Period)**

This is with reference to Consultation Paper No. 09/2025-26 dated 24 March 2026 issued by the Airports Economic Regulatory Authority of India (AERA) regarding determination of tariff for Fuel Farm and Into-Plane services at Kannur International Airport. We respectfully submit our comments regarding the Authority's proposal to reduce the Fuel Infrastructure tariff from ₹2,620 per KL to ₹1,830 per KL.

At the outset, it is submitted that the existing tariff of ₹2,620 per KL is reflective of the fully committed and front-loaded capital investment made by BPCL-KIAL Fuel Farm Pvt. Ltd. (BKFFPL)- a JVC of BPCL (74%) and KIAL (26%) to develop a world-class fuel farm suitable for international operations from the inception of the airport. The capital expenditure incurred is sunk, irreversible, and unavoidable, and any downward revision of tariff without commensurate increase in actual fuel throughput will lead to material under-recovery of approved costs, adversely impacting the economic viability of the service provider.

1. The JVC has been incurring loss since start of commercial operations due to lower throughput than what had been projected by KIAL.
2. Kannur International Airport continues to exhibit structural characteristics of a low-volume airport, with limited airline base, high dependence on point-to-point international operations, and absence of hub or transfer traffic permissions from Government. The relatively lower fuel throughput at the airport is not indicative of inefficiency on part of the fuel farm operator but is a direct outcome of the airport's inherent traffic and market structure. In such circumstances, per-unit fuel infrastructure tariffs are naturally going to be higher, and comparison with metro or hub airports is neither appropriate nor equitable.
3. It is further submitted that the sharp reduction in tariff (around 30 %) as proposed in the Consultation Paper effectively shifts the entire volume and traffic risk onto the fuel infrastructure service provider.

4. Moreover, the proposed tariff reduction is not supported by firm or binding fuel throughput commitments from airlines or oil marketing companies. In the absence of assured uplift volumes or minimum guaranteed throughput, tariff moderation becomes speculative and exposes the operator to significant downside risk, despite continued obligation to maintain infrastructure, safety standards, and service quality. A tariff framework based on optimistic volume assumptions without corresponding safeguards undermines long-term sustainability.
5. It is also submitted that premature tariff compression is not warranted especially in the initial years when BKFFPL is already having carried forward losses amounting to Rs.6,56.82 Lakhs as on 31st March 2025, as the Authority already retains adequate safeguards through the True-Up mechanism to address any over-recovery in subsequent periods. Retention of the existing tariff during the control period does not prejudice user interests, since any excess recovery, if it materialises due to higher-than-projected volumes, can be efficiently neutralised through True-Up in accordance with established AERA practice.
6. Also, it may be noted that an improvement in air traffic does not necessarily result in a proportionate increase in fuel throughput. The actual fuel uplift decisions of airlines are driven by the overall landed cost competitiveness of fuel at Kannur, including transportation and logistics cost, supply-chain economics, and comparison with nearby or source airports from where aircraft may alternatively uplift fuel. These commercial factors materially influence airline tankering and uplift decisions and therefore may limit the extent to which traffic growth translates into equivalent fuel throughput growth.
7. Also, it is worthwhile to mention that since the Ministry of Civil Aviation is not permitting foreign carriers to operate from Kannur Airport, this scenario has resulted in limiting the growth potential of the airport as well as the Fuel Farm to recover its CAPEX and operating costs due to lower volumes. Further, owing to capacity constraints, Indian carriers are prioritizing operations in Tier I cities, thereby limiting their presence in airports such as Kannur. At present, only IndiGo and Air India Express operate from Kannur Airport, while other domestic carriers have not commenced operations. This has further restricted the growth of the Fuel Farm in terms of fuel uplift. Further, owing to capacity constraints, Indian carriers are prioritizing operations in Tier I cities, thereby limiting their presence in airports such as Kannur. At present, only IndiGo and Air India Express operate from Kannur Airport, while other domestic carriers have not commenced operations. This has further restricted the growth of the Fuel Farm in terms of fuel uplift.
8. A sharp downward revision in tariff at this stage may also create an adverse regulatory precedent for emerging and regional airports, potentially discouraging investment in open-access fuel infrastructure projects where capital expenditure is incurred upfront but traffic ramp-up remains uncertain over extended periods. Such outcomes would be contrary to broader sectoral objectives of regional connectivity and infrastructure development.

In view of the above, it is respectfully submitted that continuation of the existing tariff of ₹2,620 per KL is necessary to ensure economic viability, appropriate risk allocation, and consistency with regulatory principles.

We request the Authority to kindly consider the above submissions while finalising the tariff order.

We remain available for any clarification or further submissions.

Yours faithfully,
For Bharat Petroleum Corporation Limited



Arendra Singh
GM Marketing Aviation (HQ)