

**GOVERNMENT OF INDIA  
PETROLEUM AND NATURAL GAS  
LOK SABHA**

UNSTARRED QUESTION NO:3194

ANSWERED ON:15.04.2010

FIXATION OF PRICES OF NATURAL GAS

Aaron Rashid Shri J.M.;Bhadana Shri Avtar Singh;Mahant Dr. Charan Das

**Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:**

- (a) whether the Supreme Court observed that gas prices charged by ONGC were based on 'proper and relevant criteria' in its judgment dated 04-05-1990 in the ONGC vs. Association of Natural Gas Consuming Industries of Gujarat case;
- (b) if so, the details thereof;
- (c) the reasons for not allowing ONGC to continue pricing gas on fuel oil price parity basis;
- (d) the ONGC gas price in terms of \$/MMBTU on the basis of the above pricing mechanism at current average price for imported fuel oils; and
- (e) the difference between existing APM gas price and fuel oil parity-based gas price?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI JITIN PRASADA)

(a) & (b): Prior to 30-01-1987, gas prices were not administered by the Government and ONGC used to determine gas prices based on thermal equivalence of alternate fuels used by consumers. The prices charged by ONGC during the period 01-04-1979 to 29-01-1987 were disputed by 19 consumers in Gujarat, who formed 'Association of Natural Gas consuming Industries of Gujarat'. The said Association filed a Writ Petition before Hon'ble High Court of Gujarat in 1979, which on 30-07-1983 accepted the petition and set aside the price determined by ONGC. ONGC filed Civil Appeal against the order of the Hon'ble High Court in the Hon'ble Supreme Court in September 1983. The Hon'ble Supreme Court vide its order dated 04-05-1990 set aside the order of the Hon'ble High Court and upheld the pricing basis adopted by ONGC for the period prior to 30-01-1987.

(c): Keeping in view enhanced gas availability from Western Offshore fields of ONGC and in order to promote the utilization of natural gas and protect investments by various players along the gas chain, Government decided to administer gas price with effect from 30-01-1987. In the 1987 pricing order, ONGC gas price was fixed at Rs.1400 mscm (thousand standard cubic metres) on cost plus basis.

(d): Based on the average refinery transfer price of Fuel Oil at Mumbai in 2008-09 and the thermal equivalence of Fuel Oil & natural gas, price of ONGC's natural gas on the basis of the above pricing mechanism would have been US \$ 12.94/mmbtu. This is considering energy content of Fuel Oil & natural gas at 10,000 kcal/kg & 10,000 kcal/scm respectively and exchange rate of Rs. 45/US \$.

(e): As against the above, price of APM gas is Rs.3200/ thousand standard cubic metres(mscm) (US \$ 1.79/mmbtu) for power & fertilizers customers and Rs. 3840/mscm (US \$ 2.15/mmbtu) for small scale customers and city gas entities.