

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

UNSTARRED QUESTION NO:646
ANSWERED ON:25.02.2010
HIKE IN PRICES OF NATURAL GAS
Sule Supriya

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

- (a) whether the Government's move to strike administrative prices of gas with changeover to market pricing has been opposed to by the Ministries of Power and Fertilizer;
- (b) if so, whether this decision will have an adverse impact on cost of generation from the existing gas based plants with a bearing on consumer tariff;
- (c) if so, whether the Ministry considered the views of the Power and Fertilizer Ministries' proposal; and
- (d) if so, the time by which the final decision is likely to be taken in this regard?

Answer

MINISTER OF PETROLEUM & NATURAL GAS (SHRI MURLI DEORA)

(a) to (d): The price of gas under the Administered Price Mechanism (APM) was last revised on adhoc basis in 2005. The National Oil Companies, viz., ONGC and OIL, have reported a loss on account of their gas production, which leads to lack of investment for Exploration and Production activities. Views of the concerned Ministries, Departments and Planning Commission have been sought on the proposal to revise the APM price. The issue would be decided after taking all the views into consideration.

The actual impact on cost of generation from the existing gas-based plants, as also on Government subsidy in case of fertilizers sector, can be assessed once the decision with regard to increase in APM prices of natural gas is taken. As regards Government subsidy in fertilizers sector, additional inflow to the Government on account of the price increase by way of royalty, VAT, corporate tax, dividend and dividend distribution tax would also have to be considered.