

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

UNSTARRED QUESTION NO:2814

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FIXATION OF PRICE OF NATURAL GAS

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

- (a) the criteria adopted for fixing the price of natural gas from Krishna-Godavari (KG) D6 Block;
- (b) the reasons for fixing the gas price formula in US Dollar for the domestic consumption;
- (c) the USD/INR exchange rate for the payment of gas to RIL by the Government owned power, fertilizer and steel companies;
- (d) whether there was any deviation from the approved formula; and
- (e) if so, the reasons therefor?

Answer

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

(a) Production Sharing Contract (PSC) provides for pricing of gas on the basis of sales on competitive arms Length principles. The formula or basis on which the prices shall be determined is required to be approved by the Government prior to sale of Natural gas to consumers/ buyers. The price obtained from the basis/formula comes to US \$ 4.2 per MMBTU for crude oil price equal or greater then US \$ 60 per barrel.

(b) Gas prices are generally indexed to liquid hydrocarbons such as crude oil, fuel oils etc. The international prices of these liquid fuels are quoted normally in US Dollars. Therefore, the prices of natural gas as well as of crude oil under the Production Sharing Contracts (PSC) are in US Dollars. Further, accounts in all PSCs are required to be maintained in US Dollars.

(c) to (e) The exchange rate is fixed on the monthly average of the daily mean of the buying and selling rates of exchange as quoted by State Bank of India (or any other financial body as may be mutually agreed by the parties) for the Month prior to the Month in which the revenues, costs, expenditures, receipts or income are recorded. There is no deviation in the formula approved by the Government.