

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

UNSTARRED QUESTION NO:537

ANSWERED ON:15.03.2012

GAS PRICING MECHANISM

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

- (a) the details of Gas pricing mechanism in the country as compared to other countries;
- (b) the names of the States with whom consultations were held for fixing price of natural gas and if not, the reasons therefor;
- (c) the details of the recommendations made by the Tariff Commission for price fixation of natural gas produced by Oil and Natural Gas Corporation (ONGC) and Oil India Ltd. alongwith the details of price of gas fixed after such recommendation;
- (d) whether ONGC is allegedly misusing its Navaratna status and curtailing freedom so far as taking decisions for fixing gas price is concerned and if so, the remedial measures taken by the Government: and
- (e) the details of changes proposed in the current pricing mechanism and its likely impact on power and fertilizer industry?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI R.P.N SINGH)

(a) & (b): At present, there are broadly two pricing regimes for gas in the country – gas priced under Administrative Pricing Mechanism (APM) and non-APM or free market gas. The price of APM gas is set by the Government. As regards non-APM/free market gas, this could also be broadly divided into two categories, namely, (i) imported Liquefied Natural Gas (LNG), and (ii) domestically produced gas from New Exploration Policy (NELP) and pre-NELP fields. While the price of LNG imported under term contracts is governed by the Sale & Purchase Agreement (SPA) between the LNG seller and the buyer, the spot cargoes are purchased on mutually agreeable commercial terms. As regards NELP & pre-NELP gas, its pricing is governed in terms of the Production Sharing Contract (PSC) signed between the Government & the Contractor. The States do not participate in fixing the gas price.

(c) The Tariff Commission (TC) had recommended different producer prices for ONGC & OIL which were Rs.3600 & Rs.4040 respectively for thousand standard cubic meters (mscm) of gas (at calorific value of 10,000 kCal/scm). TC further recommended that for every 10 points change in Wholesale Price Index - all commodities (WPI) (base year 1993-94) over 189.4 of March 2005, the producer price of natural gas would require change by Rs.55/mscm. TC did not find it appropriate to link the producer price of APM gas with the price of alternate liquid fuels or non-APM gas, and has fixed the producer price on the basis of normative cost of production. However, TC has recommended that, in light of the substantial difference between these prices, the consumer price of APM gas could be fixed at a level somewhat higher than the producer price worked out by it. The additional realization due to the difference between the consumer price & the producer price could be mopped up and kept in a separate account/fund from which Research & Development activities could be funded for maintaining/increasing the production of gas from nominated fields. Further, TC has mentioned that the difference could be used for 'developmental activity'. The comments of Tariff Commission were considered by the Cabinet and price of APM gas was fixed at \$ 4.2/MMBTU (including royalty).

(d) No, Madam, The price of natural gas produced from nominated Blocks of NOCs viz., ONGC & OIL is fixed by the Government.

(e) As of now, there is no proposal for revision of current Gas prices.