

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

UNSTARRED QUESTION NO:4254
ANSWERED ON:06.09.2012
POLICY FOR GAS PRICING
Mahendrasinh Shri Chauhan ;Tewari Shri Manish

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

- (a) the details of the gas pricing policy of the Government;
- (b) whether the price of USD 4.2 per MMBTU was based on the very first ``price discovery`` process that eventually became similar to a contractual negotiation and whether the producer prices are up for revision in 2014;
- (c) whether the Government has set up a mechanism, committee, working group to decide the basis on which gas prices (producer prices) will be revised;
- (d) whether the regulation of pipelines fall to the remit of the Petroleum and Natural Gas Regulatory Board (PNGRB) and the exact legal remit;
- (e) the details of gas pipelines set up by the private companies during the last 5 years;
- (f) the revenue foregone by the Government in terms of profit gas, royalty and taxes by fixing 4.2 USD as the gas price juxtaposed against the import parity price during the last five financial years; and (g) the ratio of profit fixed on gas production for gas producing companies along with the rates at which gas is being sold by different companies to its consumers?

Answer

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

- (a): Under the provisions of the Production Sharing Contracts (PSCs) under NELP regime and Coal Bed Methane (CBM) Contracts, the Contractor shall endeavour to sell all Natural Gas and CBM produced and saved from the Contract Area at arms-length prices to the benefit of Parties to the Contract. The Government as per the provisions of NELP and CBM Contracts shall approve the formula or basis on which Natural Gas and CBM Gas prices shall be determined.
- (b) Reliance Industries Limited (RIL), operator of the block KG-DWN 98/3, had submitted a price proposal for approval of the Government. Empowered Group of Ministers (EGoM) constituted to consider issues related to gas pricing under New Exploration Licensing Policy (NELP) regime on utilization of gas. On 12.9.2007, the EGOM approved the price formula for the gas produced from KG-DWN-98/3 block valid for 5 years from the date of commencement of supply. Based on the approval of EGoM, the current gas price works out to be US \$ 4.2 per mmbtu at crude price greater or equal to US \$ 60 per barrel.
- (c): A Committee has been constituted under Chairmanship of Dr. C. Rangarajan, Chairman, PM's Economic Advisory Council (EAC) to review profit sharing mechanism and Production Sharing Contracts (PSCs) in Hydrocarbon explorations. One of the terms of reference of the Committee is regarding structure and elements of the guidelines for determining the basis or formula for the price of domestically produced gas and for monitoring actual price fixation.
- (d): Yes Madam. The regulation of natural gas pipeline falls to the remit of the Petroleum & Natural Gas Regulatory Board (PNGRB) as per the provisions of the PNGRB Act 2006.
- (e): M/s. Reliance Gas Transportation Infrastructure Corporation Ltd. (RGTIL) is the only private company which has laid & commissioned Kakinada Hyderabad- Uran - Ahmedabad (East West Pipeline) during the last five years.
- (f): The price formula approved by the Government was proposed by the Contractor on basis of arms length principle. Further, as per PSC, commercial development of gas has to be decided in accordance with Gas Utilization Policy of the Government. Hence there is no revenue foregone.
- (g) As per available information the prices of different gases are annexed.