

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

UNSTARRED QUESTION NO:1047

ANSWERED ON:16.08.2012

PRODUCTION SHARING CONTRACTS

Majhi Shri Pradeep Kumar;Patel Shri Kishanbhai Vestabhai;Rajesh Shri M. B.

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

- (a) whether the Government has constituted any committee to review the Production Sharing Contracts (PSC) for hydrocarbon exploration in the country and if so the details thereof;
- (b) whether the said committee has submitted its report;
- (c) if so, the terms of reference of the said committee along with its recommendations and the action taken thereon by the Government;
- (d) whether the private operators are inflating costs under the PSCs leading to huge revenue loss to the Government including that in the Krishna Godavari (KG) basin; and
- (e) if so, the extent of loss of revenue to the exchequer as a result thereof?

Answer

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

(a) and (b): 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 and to submit report by 31.8.2012.

(c): The terms of reference of the Committee are given below: -

- i) Review of the existing PSCs, including in respect of the current profit-sharing mechanism with the Pre-Tax investment Multiple (PTIM) as the base parameter and recommend necessary modification of the future PSCs;
- ii) Exploring various contract models with a view to minimize monitoring of expenditure of the contractor without compromising, firstly, on the hydrocarbons output across time and, secondly, on the Government's take;
- iii) A suitable mechanism of managing the contract implementation of PSCs which is being handled at present by the representation of Regulator/Government nominee appointed to the Management Committee;
- iv) Suitable governmental mechanisms to monitor and to audit Government of India (GOI) share of profit petroleum;
- v) 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; and
- vi) Any other issues relating to PSCs.

(d): Under the PSC regime, the actual cost incurred by the Contractor(s), duly audited by Management Committee (MC) appointed auditors and Government appointed auditors/CAG, is only considered for adoption by the MC for the purpose of cost recovery by the Contractor(s).

After approval of FDP, the expenditure incurred by the contractor is audited under the PSC which provides for auditing of the actual expenditures/cost recovery by different set of auditors; firstly, by the MC appointed auditors, secondly, by the Government appointed auditors,

(e): Does not arise in view of reply to (d).