GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:1055
ANSWERED ON:16.08.2012
PRICING OF GAS
Anandan Shri K.Murugeshan

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

(a) whether the share of revenue of the Government under Production Sharing Contract (PSC) increases if gas prices are aligned as per available arms-length prices in market;

(b) if so, the details thereof;

(c) whether by keeping the prices low, the contractor earns a higher share of profit from the PSC;

(d) if so, the details thereof and the rationale behind compromising the arms-length pricing causing losses in royalty and profit to the Government; and

(e) the reasons for not implementing the provisions of the PSC

Answer

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

(a) & (b): The prices of natural gas produced under the Production Sharing Contract (PSC) regime, are aligned with the arms-length market prices in accordance with the following provisions of the PSCs:

`The Contractor shall endeavour to sell all Natural Gas 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 PSCs, shall approve the formula or basis on which Natural Gas prices shall be determined`.

The royalty payable to the Central/ State Governments will increase with the higher gas price and vice versa. Further, other things remaining the same, higher gas price is likely to increase the quantum of sharing of profit between Government of India (GoI) and the Contractor in accordance with the rates already agreed as per the PSCs.

(c) Contractor earns only that much share of profit as prescribed under PSC.

(d): Does not arise in view of answer to (c) above.

(e): PSCs are being implemented without fail in all cases.