

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

UNSTARRED QUESTION NO:1217
ANSWERED ON:30.11.2012
PRICING OF D GAS
Rajendran Shri C.

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

- (a) whether the Government has taken cognizance of the implication of the court orders in respect of distribution and pricing of natural gas from the Krishna Godavari (KG) D6 Basin;
- (b) if so, the reaction of the Government in this regard;
- (c) the impact of such an order on the future gas utilization policy of the Government;
- (d) whether the Government proposes to intervene in the matter to settle the disputes early;and
- (e) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SMT. PANABAAGA LAKSHMI)

(a) to (e): Hon'ble Division bench of Bombay High Court vide judgement dated 15.06.2009 disposed of the Appeals with direction to the parties i.e. Reliance Industries Limited (RIL) and Reliance Natural Resources Limited (RNRL) that within one month from the date of judgement, the parties should enter into a "suitable arrangement" on the basis of quantity, tenure and price as specified and agreed between the parties under the MoU.

The Government filed a Special Leave Petition (SLP) in the Supreme Court against the RNRL and RIL challenging the above judgement of Bombay High Court to protect interest of the Government and public at large.

The Supreme Court of India delivered judgment on 7th May, 2010 in Civil Appeal No. 4273 of 2010 [Reliance Natural Resources Limited (RNRL) versus Reliance Industries Limited (RIL)] and Civil Appeal No. 4277 of 2010 (Union of India versus RIL). Two separate but largely concurring opinions were delivered by Justice P. Sathasivam, on behalf of himself and the Chief Justice, and Justice Sudershan Reddy. Whereas there were some points of difference between the two judges, as far as the Union of India was concerned, there was complete unanimity in all the findings relating to the regulation and supply of natural gas. These findings are briefly summarized as follows:

- (i) All natural gas vests in the Union of India by virtue of Article 297, and title vests to the delivery point in accordance with Article 27.1 of the PSC.
- (ii) Since some functions of the Union relating to the exploration and supply of natural gas have been privatized, such private parties are also bound by other Constitutional obligations that would have been applicable to the Union of India if such functions had not been privatized.
- (iii) The power of the Union of India to regulate supply and production of natural gas is paramount under the Constitution, relevant statutes and the PSC itself and this cannot be superseded by a private arrangement.
- (iv) Allocation of natural gas made by the EGOM cannot be overridden by a contractor through a private arrangement.
- (v) Contractor, i.e. RIL, is bound by the decisions of the EGOM on price, quantity and tenure of supply of natural gas.
- (vi) Supplies of natural gas can only be made in accordance with the policies of the Government.

Further Welspun Maxsteel Limited and Essar Steel Limited had filed W.P. No.3748/2011 and W.P. No.3106/2011 in the High Court of Mumbai and Delhi respectively challenging the cuts imposed in the supply of gas to them from KG D6 by EGOM. Both the Petitions were disposed off on 8.7.2011 and 29.9.2011 respectively and the action taken by the Government was upheld as being consistent with the Gas Utilization Policy laid down by EGOM.