

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

UNSTARRED QUESTION NO:2417

ANSWERED ON:07.12.2012

PRICES OF CRUDE OIL AND GAS

Dhotre Shri Sanjay Shamrao;Meena Shri Raghuvir Singh

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

- (a) the price at which the Government has fixed the selling price of gas under the Production Sharing Contracts (PSCs);
- (b) whether the private companies have demanded increase in price of gas being produced by them under the New Exploration and Licensing Policy (NELP);
- (c) if so, the details thereof and the steps being taken by the Government to regulate the price of gas being charged by them;
- (d) whether the Government also proposes to cap the price of crude oil being produced under the PSCs and
- (e) if so, the likely impact on reduction in subsidy on LPG kerosene and diesel as result thereof?

**Answer**

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

(a) to (c): The Contractors as per PSCs 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 NELP Contracts shall approve the formula or basis on which Natural Gas prices shall be determined.

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) was 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.

On 6th September, 2010, Reliance Industries Limited (RIL) represented to this Ministry that they have an offer for purchase of gas at higher rate approved by the rate approved by the EGOM and they sought guidance and as to how to proceed as per the PSC. RIL was instructed to comply with the price finalized by EGOM.

A Committee has been constituted under Chairmanship of Dr. C. Rangarajan, Chairman, PM's Economic Advisory Council (EAC) whose terms of reference includes "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): The price of crude oil produced under Production Sharing Contract (PSC) regime is determined as per the provisions of relevant PSC. The price of crude oil produced under PSC regime is not capped.

(e): Does not arise in view of (d) above