

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

UNSTARRED QUESTION NO:5056  
ANSWERED ON:26.04.2013  
PRICE OF GAS PRODUCED UNDER NELP  
Siddeswara Shri Gowdar Mallikarjunappa

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

- (a) whether the price of gas produced under New Exploration Licensing Policy (NELP) is equal to or less than the price of Administered Price Mechanism (APM) gas from the fields allocated to Oil and Natural Gas Corporation Limited (ONGC) on nomination basis;
- (b) if so, the details thereof;
- (c) whether permission has been denied to NELP and Coal-Bed-Methane (CBM) operators for selling gas at market price derived on competitive arms-length basis as provided under the contracts and if so, the details thereof;
- (d) whether sub-market price causes losses to the Government in terms of lower royalty, taxes and profit petroleum; and
- (e) if so, the details thereof and the action the Government proposes to take to fix responsibility for the losses caused under the Production Sharing Contract (PSC) by wrong pricing?

**Answer**

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

a) to (c): In terms of the Production Sharing Contracts (PSCs) under New Exploration & Licensing Policy (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 / Field / Development 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.

The Empowered Group of Ministers (EGOM) was set up to decided on the utilization and pricing issues of gas produced under New Exploration & Licensing Policy (NELP). The EGOM has approved the price formula based on which the current NELP gas produced from the block KG-DWN-98/3 works out to be US \$ 4.2 per Million Metric British Thermal Unit (MMBTU) at crude price greater or equal to US \$ 60 per barrel. The EGOM has approved the price formula for a period of five (5) years from the date of commencement of supply of gas from the above block.

The price of Administered Price Mechanism (APM) natural gas produced by National oil Companies (NOCs) has been fixed at \$ 4.2/MMBTU less royalty. For North-East, the net consumer price is 60% of the above price. This price excludes cess, transportation charge, Marketing Margin/ Service charge, taxes etc.

On 6th September 2010, Reliance Industries Limited (RIL) represented to this Ministry that they have an offer for purchase of gas at higher rate than 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.

In so far pricing of CBM gas is concerned, it is determined on arms- length basis as provided in the contracts.

(d) to (e): Do not arise in view of reply to (a) to (c) above.