

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

UNSTARRED QUESTION NO:3027

ANSWERED ON:15.03.2013

PRICES OF GAS

Mahendrasinh Shri Chauhan

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

- (a) whether any criteria has been fixed for fixing sale price of gas in the country;
- (b) if so, the details thereof;
- (c) whether any deviation from the fixed criteria has been noticed; and
- (d) if so, the details thereof and the action taken thereon, company-wise for the last three years and the current year?

**Answer**

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

(a) and (b) The price of Administered Price Mechanism (APM) and non-APM gas is fixed by the Government. As regards New Exploration Licensing Policy (NELP) and Pre-NELP gas, its price is governed in terms of the Production Sharing Contract (PSC) signed between the Government and the contractor. Under the provisions of the PSCs under 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 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.

Under the PSC regime, the contractor of KG-DWN-98/3 block had submitted a price proposal for approval by the Government. This price proposal was considered by the Prime Minister's Economic Advisory Council (EAC) chaired by Dr. Rangarajan, which recommended that the proposed price appeared to be in line with the PSC with small modification. The Government also constituted a Committee of Secretaries (CoS) under the Cabinet Secretary to consider the gas supply and pricing issues, which recommended that the government may consider framing a Gas pricing and Gas Utilization Policy, before considering the price proposal. Various representations and presentations were made by various stakeholders which were taken into account by these two committees while giving their report.

The Empowered Group of Ministers (EGoM) was set up to decide on the utilization and pricing issues of gas produced under New Exploration & Licensing Policy (NELP). The EGoM considered the recommendations of the EAC and CoS and approved the price formula based on which the current gas price for the natural gas produced from the above block works out to be US \$ 4.2 per mmbtu at crude price greater or equal to US \$ 60 per barrel.

The EGoM followed the pricing principles/criteria incorporated in the PSC to decide on the utilization and pricing issues of gas produced under New Exploration Licensing Policy (NELP) and the pricing formula was not fixed in accordance with the provisions of the PSC.

In case of Pre-NELP PSCs, natural gas is sold on the basis of pricing formulae provided in the respective PSCs.

(c) No deviation has come to the notice of the Government,

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