

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

UNSTARRED QUESTION NO:1662
ANSWERED ON:16.08.2013
SALE OF NATURAL GAS
Maadam Shri Vikrambhai Arjanbhai

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

- (a) the price at which Oil and Natural Gas Corporation Limited (ONGC) and Liquefied Natural Gas (LNG) importers are selling natural gas in Gujarat;
- (b) whether under the New Exploration Licensing Policy (NELP) and Coal Bed Methane (CBM) contracts, contractors have to sell all natural gas at competitive arms length prices to the benefit of the parties to the contracts;
- (c) whether the sale of NELP gas at the same price as other gases in the States would result in greater benefit to the parties under the contracts;
- (d) if so, whether NELP contractors have asked for a revision in gas prices because the price of NELP gas does not reflect the competitive arms length price that can bring maximum benefit to the parties under the contracts; and
- (e) if so, the details thereof and the action taken by the Government thereon?

Answer

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

- (a) ONGC is selling APM natural gas in Gujarat from existing fields of its nominated blocks to APM consumers at \$ 4.2/MMBTU, and to consumers not entitled for APM gas at - \$ 5.25/MMBTU (produced from offshore fields) and \$ 5/MMBTU (produced from onshore fields) ONGC is selling non-APM gas in Gujarat from new fields of its nominated blocks to consumers at \$ 5.25/ MMBTU (gas produced from offshore fields) and \$ 5/MMBTU (gas produced from onshore fields). Imported LNG is sold by importers/marketers at a rate mutually agreed between buyers and seller.
- (b.): The contractual provisions of NELP and CBM contracts require that the Contractor should endeavor to sell all Natural Gas produced from the Contract Area at arm's length prices to the benefits of Parties to the Contract. However, these contracts also stipulate that the formula or basis on which the prices shall be determined shall be approved by the Government prior to the sale of Natural Gas to consumers/ buyers.
- (c) NELP contracts have specific provisions for gas pricing determination. Hence, gas produced in NELP blocks has to be sold only as per PSC provisions.
- (d) RIL had proposed to the government for discussing a revised gas formula consistent with provision of PSC.
- (e.) The Government had constituted a Committee headed by Dr Rangarajan, Chairman, Economic Advisory Council to the Prime Minister in May, 2012, to look into the Production Sharing Contract (PSC) mechanism in petroleum industry. The Terms of Reference (TOR) of the Committee included among others formulating a 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. The Committee submitted its report in December, 2012. The Government approval on gas pricing is based on the Rangarajan Committee recommendations.