

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

UNSTARRED QUESTION NO:1759

ANSWERED ON:16.08.2013

INCREASE IN PRICES OF NATURAL GAS

Ahir Shri Hansraj Gangaram; Das Gupta Shri Gurudas; Dome Dr. Ram Chandra; Jeyadurai Shri S. R.; Mahato Shri Narahari; Panda Shri Prabodh; Pradhan Shri Amarnath; Ray Shri Saugata; Roy Shri Nripendra Nath; Shetkar Shri Suresh Kumar; Singh Alias Pappu Singh Shri Uday; Singh Shri Dhananjay; Siricilla Shri Rajaiah; Viswanathan Shri P.

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

- (a) whether the Government has decided to double the prices of domestically produced natural gas from 1 April, 2014;
- (b) if so, the details thereof and the reasons therefor along with the new criteria/ formula adopted under which the revised prices of natural gas are being/have been fixed;
- (c) whether the overall impact of increase in the prices of natural gas on power tariff, cost of fertilizers and CNG transportation and common man have been assessed, if so, the details thereof and if not, the reasons therefor;
- (d) whether the Ministry of Finance has asked his Ministry to take appropriate action on the suggestions from different quarters for fixing an upper limit on increasing the price of natural gas; and
- (e) if so, the response of his Ministry in this regard along with the other corrective measures proposed to be taken by the Government in this regard?

Answer

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

- (a) No Madam. Government has approved the gas price formula based on the Rangarajan Committee recommendations, which will be applicable from 1st April 2014 for a period of 5 years.
- (b) Details of approved price formula are at Annexure I.
- (c): It has been estimated that an increase of US \$ 1/mmbtu in gas price will increase the cost of production of fertilizer by Rs. 1.37/kg, power by Rs. 45 paise per unit and LPG by Rs. 28 per cylinder.
- (d) and (e): Ministry of Finance has advised to examine for appropriate action on the following issues vide OM dated 4th July, 2013:
 - (i) There must be ceiling under the formula. It cannot be that gas producers will reap unlimited gains in case of an upswing in global prices; any upside has to be capped
 - (ii) The government must also subject gas producers to closer regulation, especially on the aspects of cost recovery and technical parameters related to production.
 - (iii) The ongoing issues with Reliance-which will benefit the most from the higher prices now –over cost recovery and penalties for not meeting contracted output levels need to be taken to their logical conclusion;
 - (iv) Once Reliance overcomes the technical difficulty of producing gas at the KG-D6 field, the government must ensure the company delivers the shortfall it still owes at old price \$ 4.2 rather than getting the benefit of the new price.
 - (v) The government should also consider the other important recommendation of the Rangarajan Committee – of moving to revenue sharing arrangement with gas producers;
 - (vi) As for the impact on electricity companies, if the impact is shared across all 900 billion units of power generated, the required tariff hike of 7-8 paise/unit is easily absorbed." Currently the above mentioned issues are under examination.