

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

UNSTARRED QUESTION NO:1451
ANSWERED ON:13.12.2013
ROYALTY ON CRUDE OIL AND GAS
Pathak Shri Harin;Patil Shri C. R.

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

- (a) whether the royalty on crude oil and gas to be paid to the State Governments are based on the Wellhead Price of Crude Oil;
- (b) if so, the details thereof;
- (c) whether the Oil and Natural Gas Corporation Limited (ONGC) unilaterally paid the royalty to the State Governments on post discounted prices;
- (d) if so, the details thereof along with the reasons therefor;
- (e) whether State Governments including Gujarat has represented to Union Government for payment of royalty as per the said mechanism and as per pre-discounted prices; and
- (f) if so, the details thereof and the reaction of the Union Government thereto?

Answer

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

(a) and (b): Royalty on production of crude oil and natural gas is payable to the Central Government (for production from offshore fields) and to the State Governments (for production from onshore fields) in terms of the statutory provisions of Oilfields (Regulation and Development) Act 1948 (ORDA), Petroleum & Natural Gas (PNG) Rules 1959, Petroleum & Natural Gas (Amendment) Rules, 2003 read with notifications/resolutions dated 17th March, 2003, 16th December, 2004, 20th August, 2007 and 28th August, 2009 issued by the Government under the ORDA from time to time.

Royalty on crude oil to the Central and State Government is paid at the rates specified in the Schedule to ORDA on the well head price determined in terms of aforesaid statutory provisions. The current schedule of royalty rates is attached at the annexure.

(c) and (d): In view of Government of India's directives, vide letter dated 30th Octo, 2003, since 2003-04 Oil and Natural Gas Corporation Limited(ONGC) has been allowing discount to Oil Marketing Companies (OMCs) on sale of crude oil. As per the above letter, ONGC was initially directed that revenue of State Governments in terms of royalty on crude oil should not be affected by the discount. In view of specific directive, since April, 2003, ONGC paid royalty on production of onshore crude to State Governments on pre-discount sale price though royalty on production of offshore crude oil to the Government of India was paid at post-discount sale price, in line with statutory provisions.

Subsequently, Ministry of Petroleum & Natural Gas vide letter No.P-20012/28/97-pp(Part-II-A) dated 23 May, 2008 withdrew the earlier directives issued vide letter dated 30th October, 2003, Consequently, ONGC started making payment of royalty to State Governments also on post discount price from 01st April, 2008.

(e) and (f): The State- Governments of Gujarat and Assam have represented to the Government of India on the issue of payment of royalty. After examination, Government of Gujarat was informed on 07.07.2009 that in respect of offshore crude oil, the Royalty paid by upstream companies to the Central Government has always been on the basis of post-discount prices. There is nothing in the legal provisions to suggest that payment of onshore Royalty to State Governments should be on a different principle. Government of Gujarat had filed a Special Civil Application in the High Court of Gujarat, Ahmedabad on 27th September, 2011 for payment of royalty at pre-discount prices. At present the matter is sub-judice.

Against above Special Civil Application, Hon`ble Gujarat High Court, vide its order dated 30th November, 2011 has decided that royalty on crude oil is to be paid on pre-discount price and directed ONGC to make the payment towards shortfall royalty for the period April, 2008 till date, within a period of two months.

ONGC is contemplating filling on appeal in Hon`ble Supreme Court of India against the order of Hon`ble Gujarat High Court.