

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

STARRED QUESTION NO:98

ANSWERED ON:14.07.2014

PAYMENT OF ROYALTY BY ONGC

Kachhadia Shri Naranbhai;Patel Smt. Jayshreeben

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

- (a) whether the Oil and Natural Gas Corporation Limited (ONGC) unilaterally pays the royalty to the States on post discounted prices;
- (b) if so, the details thereof along with the reasons therefor;
- (c) whether the rates of royalty being paid to the States are based on the Wellhead price on crude oil production and if so, the details thereof;
- (d) whether certain States including Gujarat have represented to the Government for payment of royalty as per pre-discounted prices; and
- (e) if so, the details thereof along with follow-up action taken by the Government and the outcome thereof?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI DHRAMENDRA PRADHAN)

(a) to (c). A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF THE LOK SABHA STARRED QUESTION NO. 98 RAISED BY SHRIMATI JAYSHREEBEN PATEL AND SHRI NARANBHAI BHIKHABHAI KACHHADIA TO BE ANSWERED ON 14.07.2014 REGARDING PAYMENT OF ROYALTY BY ONGC.

(a) and (b): In view of Government of Indias directives, vide letter dated 30th October, 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 23rd May, 2008 withdrew the earlier directives issued vide letter dated 30th October, 2003. Consequently, ONGC started making payments of royalty to State Governments also on post-discount price from 1st April, 2008.

(c): Royalty on production of crude oil 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 given in annexure.

(d) and (e): The States of Gujarat and Assam have represented before the Union Government. The Government of Gujarat had also filed a Special Civil Application No.13943 of 2011 before the Honble High Court of Gujarat with a prayer to direct ONGC to pay the royalty on crude oil at the pre-discount price from April, 2008 instead of on post discount price. The Honble High Court of Gujarat vide its order dated 30.11.2013 has ordered that the royalty on crude oil is to be paid on pre-discount price and directed ONGC to make the payment towards the amount of shortfall of royalty for the period April, 2008 till date within a period of two months from the date of the order. Aggrieved by the order, ONGC has filed a Special Leave Petition(SLP) before the Honble Supreme Court. Pending further orders, the Honble Court on 13.02.2014, stayed the operation of the impugned judgment subject to the condition that ONGC pays royalty to State of Gujarat on pre-discount price of crude oil w.e.f. 1st February, 2014 onwards. Accordingly, ONGC has started paying royalty on pre-discount price w.e.f. February, 2014.