

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

STARRED QUESTION NO:174

ANSWERED ON:09.03.2015

GAS PRICING POLICY

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

(a) whether the Government proposes to review the Rangarajan gas pricing formula and set up a Committee of Secretaries to determine the prices of natural gas produced by public/private sector companies including Krishna Godavari D-6 basin.

(b) if so, the action taken by the Government on the recommendations of the said Committee along with the likely impact on common man and industries such as power and fertilizers;

(c) whether the natural gas is being sold at different rates to the public/private sector companies across the country and if so, the reasons therefor along with the maximum and minimum rates of natural gas being sold by the public/private sectors in the country; and

(d) the steps being taken by the Government for uniform natural gas pricing policy in the country ?

**Answer**

MINISTER OF STATE (INDEPENDENT CHARGE) IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI DHARMENDRA PRADHAN):

a) to (d) A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF LOK SABHA STARRED QUESTION NO. 174 (14th POSITION) TO BE ANSWERED ON 9TH MARCH, 2015 REGARDING GAS PRICING POLICY

(a) & (b): Based on the recommendations of Rangarajan Committee Report, Domestic Natural Gas Pricing Guidelines, 2014 were approved by the previous Government and the same was notified on 10.1.2014. As per these Guidelines, the revised gas price was to be effective from 1st April, 2014. Since, the General Elections to the Lok Sabha were announced on 5th March, 2014, this issue was referred to the Election Commission of India which deferred the Notification of these guidelines.

The new Government subsequently decided that the whole issue of gas pricing would need comprehensive re-examination and directed that the Domestic Natural Gas Pricing Guidelines, 2014 be kept in abeyance up to 30.09.2014. Later, Government decided to keep the above mentioned Guidelines, in abeyance up to 15.11.2014.

In pursuance of the decision of the Government for comprehensive re-examination of the whole issue of gas pricing, a Committee consisting of Secretary (Power), Secretary (Expenditure), and Secretary (Fertilizers) with Additional Secretary of this Ministry as Member Secretary was set up. After consulting various stakeholders from the producing and consuming sectors, this Committee submitted its report on 16.09.2014. After considering the report of the said Committee, the Government issued New Domestic Natural Gas Pricing Guidelines, 2014 on 25.10.2014.

On the basis of New Domestic Natural Gas Pricing Guidelines, 2014, the Petroleum Planning & Analysis Cell (PPAC) has notified the price of Domestic Natural Gas applicable for the period 1st November, 2014 to 31st March, 2015 as US\$ 5.05/MMBTU on Gross Calorific Value (GCV) basis.

Government while considering the revision of gas price had assessed the financial impact of the pricing decision on various sectors. The impact of increase in price of one US Dollar (1USD= Rs. 60) would be :-

i) Increase in cost of production of urea by Rs. 1370/MT.

ii) Increase in cost of power generation from gas based power plants by Rs 0.45/unit at 70% Plant Load Factor (PLF).

iii) Increase in cost of Liquefied Petroleum Gas (LPG), produced from natural gas having higher fractions, by Rs 12.21 per non-subsidized gas cylinder. For subsidized gas cylinder, the subsidy would go up by this amount.

iv) Increase in cost of Compressed Natural Gas (CNG) by Rs 2.93 per kg.

v) increase in cost of Piped Natural Gas (PNG) by at least Rs. 1.89 per Standard Cubic Meter (SCM).

The increase in Government's revenue for every dollar increase in gas price, at the current production level is as follows:

(i) Royalty: Rs 597.12 crore

(ii) Profit Petroleum : Rs. 106.08 crore

(iii) Tax Revenue : Rs 1965.66 crore (Flat Tax Rate of 33.33%)

(c) & (d.): Subsequent to the issue of New Domestic Natural Gas Pricing Guidelines, 2014, the gas price of US \$ 5.05 / mmbtu on Gross Calorific Value (GCV) for domestically produced natural gas was notified by the government. This gas price is applicable to all the sectors uniformly, except for the gas from domestic sources, specified in these Guidelines. The above gas price is not applicable in the cases where prices have been fixed contractually for a certain period of time, till the end of such period. This gas price is also not applicable where the PSC concerned provides for a specific formula for natural gas price indexation/ fixation and to such Pre-NELP PSCs which do not provide for Government approval of formula/basis for gas prices. Further, the pricing of natural gas from small/isolated fields in the nomination blocks of NOCs will continue to be governed by the extant guidelines in respect of these fields issued on 8th July, 2013, and as amended by the Government from time to time. A guideline in this regard has been issued by the Ministry on 19.12.2014. For the gas produced in the North Eastern Region (NER), the 40% subsidy continues to remain available as earlier for gas supplied by ONGC/OIL. Apart from these domestic sources, the prices of gas imported in the country from the international market are not administered by the Government and these prices are market determined. The natural gas finally being sold to the consumers include the prices being paid by the supplier / transporter to producer / importer, marketing margin, transportation tariff and other applicable taxes.