

**MR. SPEAKER:** You better ask the the Agriculture and Irrigation Ministry.

**SHRI VIKRAM MAHAJAN:** This question should be directed to the Irrigation Ministry.

**PROF. N. G. RANGA:** May I know whether the Government have any special engineering staff and department which are charged with the special responsibility of exploring the possibilities for developing the wind mill power and, then, what is more, also for encouraging specific State Governments to make their own experiments, to make their own estimates and also develop wind power according to their possibilities?

**SHRI A. B. A. GHANI KHAN CHAUDHURI:** This question should be addressed to the Science and Technology Department and not to us....  
(Interruptions)

**MR. SPEAKER:** It is for the Energy.

**PROF. N. G. RANGA:** Would the hon. Minister consult the Department of Science?

**MR. SPEAKER:** He says that he is dealing with the energy problem and it is for the Irrigation Ministry.

**PROF. N. G. RANGA:** Let them take note of the suggestion.

**MR. SPEAKER:** We shall ask them.

#### Request for Increase in Royalty on Crude Oil by Gujarat

\*977. **SHRI R. P. GAEKWAD:** Will the Minister of PETROLEUM, CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether it is a fact that the Gujarat State Government had urged the Centre to review its decision to increase the royalty on crude oil for the State;

(b) whether it is a fact that the increased royalty on crude oil for the State is very inadequate; and

(c) the detailed demands of this State and the reaction of Government thereto?

**THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM, CHEMICALS AND FERTILIZERS (SHRI DALBIR SINGH):** (a) to (c). A Statement is laid on the Table of the Sabha.

#### Statement

(a) Yes, Sir.

(b) The rate of royalty payable on the indigenously produced crude oil is regulated under the Oilfields (Regulation and Development) Act, 1948. Proviso to Section 6 (A) (4) of the Act lays down that the Central Government shall not (a) fix the rate of royalty in respect of any mineral oil so as to exceed 20 per cent of the sale price of mineral oil at the oilfields or the oil well-head as the case may be or (b) enhance the rate of royalty in respect of any mineral oil more than once during any period of 4 years. On this basis, at present, the maximum permissible royalty of Rs. 61/1 per tonne is being paid with effect from 1-4-1981.

(c) The State Government of Gujarat had earlier submitted a detailed memorandum urging for upward revision in the rate of royalty. The main points raised in the memorandum which have now been reiterated are as follows:—

(i) Royalty should not be determined on the basis of the indigenous price which has no co-relation to the international market price.

(ii) Royalty should be fixed at 20 per cent *ad valorem* of the weighted average posted price of Middle-Eastern crudes plus 4 per cent as compensation for the loss in sales tax.

(iii) The posted price for the purpose of computing royalty should include the cost of transportation to the nearest Indian port and should

also allow for escalations based on API gravity variation.

(iv) The rate of royalty should be revised w.e.f. 1-1-1980 notwithstanding the fact that an earlier revision was made w.e.f. 8th September, 1976 and not w.e.f. 1-1-1976.

(v) in case the rate of royalty suggested by State Government is not acceptable, the matter should be referred to arbitration.

Under the law international prices of crude have nothing to do with the fixation of royalty which has to be related only to the prices paid for domestic crude. Under the Act royalty cannot be changed before the expiry of four years from the date of the previous revision. The Act does not provide for a reference to arbitration or giving of an award. The law provides that the rate of royalty shall be fixed by the Central Government.

After due consideration of the views of the concerned State Governments and other relevant factors, Government of India have decided to increase the rate of royalty payable on crude oil from Rs. 42/-per tonne to Rs. 61/-per tonne with effect from 1st April, 1981. The royalty of Rs. 61/-per tonne is the maximum that can be paid on the basis of the present sale price of crude. At present the price payable for onshore crude as fixed by the Government is about Rs. 305/-per tonne. As per the Act, the next revision of the rate of royalty will be due four years hence.

**SHRI R. P. GAEKWAD:** The State of Gujarat is going into its Sixth Plan and crude oil is one of the main resources through which the State Government can acquire a lot of funds for the Plan.

The royalty that is being given today is only 20 per cent of the international rates today which hardly covers the handling charges. Therefore, I would like to know from the hon. Minister whether the amount of

royalty will be increased so that the Sixth Plan can be executed.

**THE MINISTER OF PETROLEUM, CHEMICALS AND FERTILIZERS (SHRI P. C. SETHI):** The States of Assam and Gujarat were getting royalty at Rs. 42 per tonne. Now the royalty payable on the indigenously produced crude oil is regulated under the Oilfields (Regulation and Development) Act, 1948. Under the proviso to Section 6 (A) (4) of the Act we have gone to the maximum possible extent which is 20 per cent according to which the present payment that is being made to the producer is Rs. 305. We have raised the royalty to Rs. 61.

It is true that the State Government has demanded that the royalty be paid on the basis of the Middle-East oil prices. But this is not possible because the producers of oil in India are selling oil at Rs. 305.

Another question from the State Government was that if not on the average price of the Middle-East, it should be paid on the weighted average of the imported price and the indigenous price. For this, unless the Act is changed, it is difficult to go beyond this.

**SHRI R. P. GAEKWAD:** Knowing that the State has to go into its Sixth Plan, I think the Central Government should make more provision for funds so that the State Government can go into it.

**MR. SPEAKER:** He has already given the answer.

**SHRI P. C. SETHI:** As far as providing of funds to the State Government is concerned, we are trying to spend as much money as possible in our projects. Not only that, Gujarat, is also now going to get a petro-chemical complex in the joint sector and several other projects are also coming up there. As far as it is within the reach of this Ministry, we are trying to do our best for Gujarat.