

LOK SABHA

UNSTARRED QUESTION NO. 4703

TO BE ANSWERED ON 22nd July, 2019

Loss in Production of Natural Gas

4703. SHRI P.K. KUNHALIKUTTY:

SHRIMATI JYOTSNA CHARANDAS MAHANT:

पेट्रो लयम एवं प्राकृतिक गैस मंत्री

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

(a) whether it is a fact that according to statement of Oil and Natural Gas Corporation (ONGC), natural gas is no more a profitable business because cost of production is significantly higher than the current gas price;

(b) if so, the details thereof;

(c) whether it is a fact that ONGC has incurred a loss of more than Rs. 5,000 crore in revenue on natural gas business because of cut in gas prices during the last 18 months; and

(d) if so, the steps taken/being taken by the Government in this regard?

Answer

पेट्रो लयम एवं प्राकृतिक गैस मंत्रालय में मंत्री

(श्री धर्मेंद्र प्रधान)

**MINISTER IN THE MINISTRY OF PETROLEUM & NATURAL GAS
(SHRI DHARMENDRA PRADHAN)**

(a) to (d): Government of India notified "New Domestic Natural Gas Pricing Guidelines, 2014" on 25.10.2014. The pricing mechanism is formula based and has been worked out considering the volumes and prices prevailing at major international markets such as Henry Hub, National Balancing Point, Alberta and Russia. The formula has been

finalized considering the requirements/interests of producing and consuming sectors. The prices are notified after every six months in accordance with said guidelines. In addition, the Government has provided pricing and marketing freedom under Discovered Small Field Policy (DSF), gas discoveries in Deep-water, Ultra Deep-water and High Pressure-High Temperature areas, Hydrocarbon Exploration and Licensing Policy (HELP) and Coal Bed Methane (CBM) contracts.

The gas prices also have witnessed an increasing trend during the last 2 years. The prices as on 1.4.2017 were US\$ 2.48 per Million British Thermal Unit (MMBTU) on Gross Calorific Value (GCV) basis, which have increased to US\$ 3.69/MMBTU as on 1.4.2019. Cost of production of natural gas depends on several factors such as location (onshore, shallow water, deep water) of gas field, quality and composition of produced gas, gas type - whether associated or non-associated gas, age and size of the gas field, type of reservoir, logistics, availability of surface facilities, exchange rate, etc. Since factors which affect cost of production are unique to each gas field, cost of production of gas varies from field to field. Further, ONGC accounts have also shown increased profits, i.e., Profit after Tax of ONGC was Rs.16,004 crore in Financial Year 2015-16, Rs.17,900 crore in Financial Year 2016-17, Rs.19,945 crore in Financial Year 2017-18 and Rs.26,716 crore in 2018-19.
