

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

STARRED QUESTION NO:96

ANSWERED ON:14.07.2014

GAS PRICING MECHANISM

Jayadevan Shri C. N.;Owaisi Shri Asaduddin

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

- (a) the existing basis or formula to determine the price of natural gas produced from KG-D6 basin and other domestic fields;
- (b) whether the Government proposes to revise the existing mechanism to fix prices of domestically produced natural gas and if so, the details thereof and the reasons therefore;
- (c) whether the Government proposes to consult the various stakeholders before arriving at any decision to fix/revise natural gas prices and set up a panel to suggest the modalities in this regard; and
- (d) if so, the details thereof along with the time by which a final decision in fixing price of domestically produces gas is likely to be taken?

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. 96 TO BE ANSWERED ON 14.07.2014 REGARDING GAS PRICE MECHANISM

(a) The existing formula approved by the Government in 2007 for gas produced under New Exploration Licensing Policy (NELP) is:
 $SP \text{ (USD/mmbtu)} = 2.5 + (CP-25)0.15$

Where, SP=Sales price/mmbtu [Net Heating Value (NHV) basis]; CP=Average price of Brent crude oil in US\$/barrel for previous financial year.

The cap for Brent Crude Price in the formula would be frozen at US \$ 60 per barrel.

The gas produced from KG-D6 Block is priced according to this formula.

The price of gas produced from fields operated by National Oil Companies (NOC) under the nomination regime is fixed at US \$ 4.2 / mmbtu (inclusive of royalty). The price of Non APM gas produced from new fields of NOC in their existing nominated blocks varies from US \$ 4.2 / mmbtu to 5.0 \$ / mmbtu.

The price of gas produced from the fields operated by the companies under Pre-NELP regime is determined in accordance with the provisions made in the respective Production Sharing Contracts (PSCs).

(b) to (d) The formula approved in 2007 was valid for a period of 5 years from the date of commencement of supply and was to remain valid up to 31st March, 2014. Accordingly, the formula was due for revision.

The new Government has decided that the whole issue of gas pricing will need comprehensive re-examination. The Domestic Natural Gas Pricing Guidelines, 2014 have been kept in abeyance upto 30.09.2014, and till that time, the domestically produced gas would continue to be priced at the rate prevailing on 31.03.2014.