

Sale of gas to city distribution companies

3300. SHRI B.S. GNANADESIKAN: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether it is a fact that Government has decided to sell gas to city distribution companies like IGL, MGL, at APM price of Rs. 3,840 per Standard Cubic Meter;

(b) if so, why these companies are selling CNG/PNG at a large mark-up of Rs. 22 per kg equivalent to Rs. 22,000 per Standard Cubic Meter, *i.e.* almost 300 per cent of the price at which the gas bought by these companies; and

(c) the details of role of the downstream regulator established in fixing natural gas prices?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI JITIN PRASADA): (a) The Government had increased the APM price of natural gas to City Gas Distribution (CGD) Companies to Rs.3,840 per thousand standard cubic meters (mscm) from 06.06.2006). The APM price of natural gas to CGD companies in North East was increased to Rs.2304 per mscm.

(b) CNG price of Rs.22 per kg is not equivalent to Rs.22,000 per mscm.

Further, CGD Companies are not Central Public Sector Undertakings. As such, approval of the Government is not required for fixation of price of Compressed Natural Gas and Piped Natural Gas sold by these Companies.

CGD Companies are supplied gas at APM rates. However, over a period of time, requirement of gas has increased in some cities and these Companies have to source other costlier gas as well. Further, consumer price of gas also includes transportation tariff, taxes, operational costs, etc.

(c) Petroleum and Natural Gas Regulatory Board (PNGRB) does not regulate the price of natural gas under the provision of PNGRB Act, 2006. However, CGD entities are otherwise governed by the provisions of PNGRB Act, 2006 and the Regulations formed therein.

Authority for distribution and price of Natural Gas

3301. SHRI DHARAMPAL SABHARWAL:

SHRI N.R. GOVINDARAJAR:

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

(a) whether ultimate power regarding distribution and price of natural gas vests with Government, as per Gas Utilization Policy (GUP) and Production Sharing Contract (PSC);

(b) if so, the details in this regard;

(c) whether there are inherent weakness and flaws in Reliance Natural Resource Gas Ltd. (RNRL)'s claim seeking gas at a price 40 per cent lower than fixed by Government; and

(d) if so, why Government have not so far upheld, defend and indicate its policies on natural gas?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI JITIN PRASADA): (a) and (b) The Government exercises powers regarding pricing and commercial utilization of natural gas produced in accordance with provisions of the PSCs signed between the Government and the Contractor under the New Exploration Licensing Policy (NELP). The PSC provide for a Gas Utilization Policy to be formulated by the Government.

(c) and (d) The Government constituted an Empowered Group of Ministers (EGoM) to decide issues regarding pricing and commercial utilization of natural gas produced under NELP. Government intervened in the case between M/s. RNRL and M/s. RIL in hon'ble High Court of Bombay. Government has also filed an SLP in the Hon'ble Supreme Court on the same issue.

As per PSC, the pricing formula/basis has to be approved by the Government. RIL had sent a proposal to Government for approval of price of US \$ 2.34 per mmbut to RNRL, which was not approved as it was not based on an arms-length transaction.

Profit sharing formula in petroleum

3302. SHRI VIRENDRA BHATIA:

SHRI NAND KISHORE YADAV:

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

(a) whether Government has approved the price formula/basis for the valuation of its share in profit of petroleum in case of long term gas sale and purchase agreements;

(b) if so, the details thereof; and

(c) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI JITIN PRASADA): (a) to (c) Production Sharing Contract (PSCs) provide for sale of all natural gas by the contractor from the contract area at arms-length prices to the benefits of parties to the Contract. Further, the PSC provides that the formula or basis on which the prices shall be determined shall be approved by the Government prior to sale of natural gas to the consumers/buyers. Natural gas is to be sold as per the gas utilization policy/pricing policy approved by Empowered Group of Ministers (EGOM).

Price formula of KG Basin gas

3303. SHRI VIRENDRA BHATIA:

SHRI NAND KISHORE YADAV:

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

(a) whether the price formula approved by Government for KG Basin takes into consideration that the gas sale price could be different for spot contracts from the gas sale price