(e) to (g) An Empowered Group of Ministers (EGoM) has been constituted to decide issues relating to commercial utilization of gas produced under New Exploration Licensing Policy (NELP). EGoM, in its meeting held on 23.08.2013, has capped the supply of domestic gas to fertilizer sector at 31.5 million standard cubic meters per day (mmscmd), and decided that the entire additional NELP gas production, available during the years 2013-14, 2014-15 and 2015-16 after meeting the supply level of 31.5 mmscmd to fertilizer sector, be supplied to the power sector. Moreover, Ministry of Petroleum and Natural Gas, on 01.01.2013, has also issued Guidelines on Clubbing/Diversion of gas between power plants of same owner to enable use of domestic gas more efficiently to improve the Plant Load Factor (PLF) with corresponding increase in total generation of electricity. The fertilizer sector remains at first position in order of priority for the purpose of allocation of domestic gas.

Changes in contract terms of oil exploration

2125. DR. PRADEEP KUMAR BALMUCHU : Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state :

(a) whether it is a fact that the Ministry is contemplating on bringing about changes in the contract terms pertaining to exploration and production of oil and gas blocks in the country;

(b) if so, the details thereof; and

(c) the benefits being offered by Government in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRIMATI PANABAKA LAKSHMI) : (a) Government constituted a Committee under the Chairmanship of Dr. C. Rangarajan, Chairman, Economic Advisory Council to the Prime Minister to look into the PSC Mechanism in petroleum industry. Committee has submitted its reports. Based on the recommendations of the committee, Government is formulating a Revenue sharing model (RSM) for E and P contracts.

(b) and (c) The details are given in Statement.

Statement

Projected benefits of the new contracts/policy

1. Uniform Licensing policy will ensure exploration and production of all kinds of, "petroleum" and "natural gas" under one license in the awarded acreage. This will remove impediments on account of multiple operators, thus, expedite exploration.

2. Contractor will have incentive in keeping the costs low. This is in line with the Government's broad objectives of efficiency in oil field operations and conserving scarce hydrocarbon resources.

3. The proposed system is simple and transparent with easy-to-monitor parameters of production and price. Government share of revenue will be realised along with the commencement of production, which will be independent of contract cost escalation/fluctuations.

4. Management Committee (MC) will be able to concentrate on monitoring of technical aspects for effective exploration and optimal exploitation of reservoirs, as monitoring of budget and expenditure will not be required.

5. The proposed fiscal model based on production-price matrix addresses the issue of windfall profits to the Contractor in case of a price surge.

6. Option of bidding the revenue share at various production levels and oil price tranches allows the bidder to factor in the fiscal terms of contract in view of the market conditions. There is no minimum Government share prescribed and the bidder is free to bid any non-zero share. The Contractor's cost recovery will be embedded in his share of production, which the Contractor will be free, to bid. Further, provision of 0% rate of royalty for offshore water blocks will be for highly cost intensive and risk prone offshore exploration.

7. The proposed system compares favourably as a flexible and investor-friendly system with the systems adopted in neighbouring countries in

Southeast Asia, like Myanmar and Indonesia. These countries, which have a cost-recovery mechanism, follow a more rigid and harsh fiscal regime. Myanmar, for example, has cost-recovery, but, also has signature, discovery and production bonuses, State participation, domestic market obligation, and various types of fees. Similarly, Indonesia has cost-recovery, and also signature bonus, three production bonuses, State participation, a very high percentage of royalty (20%), domestic market obligation, and a fixed percentage as Government share.

8. The proposed model is basically a royalty-tax regime, with production level payment. Government share arrived at through competitive bidding increases with the output and price rise, for the Government take. Similar royalty tax regime with variations is prevailing in about 49 countries out of which 24 countries have a sliding scale concession and others are without any sliding scale.

Increase in price of non-subsidised LPG cylinders

2126. SHRI ARVIND KUMAR SINGH :
SHRI PRABHAT JHA :
SHRIMATI KUSUM RAI :

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

(a) whether Government has increased the price of non-subsidized LPG cylinders by Rs. 220/- per cylinder;

(b) if so, the details thereof ;

(c) the reasons for steep rise in price of LPG;

(d) whether prices of CNG, petrol and diesel have also been increased recently; and

(e) if so, the details thereof alongwith the details of total increase in price of LPG, CNG, petrol, diesel and kerosene since 1 January, 2013 to 15 January, 2014 as well as the rise in their prices in international market?