

Based on future assessment, the dependence on Foreign Companies required to be engaged for horizontal pilot/test well, Coring and Hydro-fracturing jobs, Lab facilities for Geo-chemical, Geo-mechanical, Geo-hazard, Geo-Technical, Techno-Commercial viability and other G and G Studies would be ascertained.

Approval for gas pricing formula

†2132. SHRI RAGHUNANDAN SHARMA : Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state :

(a) whether Government has approved the gas price formula to be effective from April, 2014;

(b) if so, the details thereof and the reasons therefor and its impact on electricity tariff, production cost of fertilizers, freight charge of CNG and cooking gas cylinders;

(c) the methodology formulated for fixing the price of indigenously produced natural gas in the country;

(d) whether Government has received representation from various sections against this proposal as it would have adverse effect on the common man and if so, the details thereof; and

(e) the action Government has taken in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRIMATI PANABAKA LAKSHMI) : (a) and (b) Government has approved the gas price formula based on the Rangarajan Committee recommendations which will be applicable from 1st April, 2014 for a period of five years, and the same has been published in the Gazette of India [(Extra-Ordinary) Part I, Section 1] on 17.01.2014. The said Notification is available on MoP and NG's website, i.e., <http://petroleum.nic.in> and it is also available on <http://www.eqazette.nic.in>. As per MOPNG estimates, the outgo for every US \$ 1/mmbtu increase in gas price will be US \$ 628.63 million (Rupees 3457.5 crores @ Rupee Dollar exchange rate of 1 US \$ = Rupees 55) considering current allocation of 37.52

† Original notice of the question was received in Hindi.

MMSCMD for Power sector. Outgo in Fertilizer sector due to US \$ 1/mmbtu increase in gas price taking domestic supply at current allocation on 31.50 MMSCMD will be US \$ 406 million (Rupees 2233 crores @ Rupee Dollar exchange rate of 1 US \$ - Rupees 55). The impact on CNG transportation and LPG cylinder has been estimated to be Rupees 2.93 / kg and Rupees 27.9/cylinder respectively for every US \$ 1/mmbtu increase in gas price.

(c) The methodology worked out for pricing of domestically produced natural gas is given in Statement (*See* below).

(d) and (e) The Government had received number of responses from various Ministries/Departments during Inter Ministerial Consultations. The Ministry of Power and Department of Fertilizer had opposed increase in prices of natural gas citing the adverse impact as estimated by them. The views of the Ministry of Power and the Department of Fertilizer were duly considered by the Government while approving the Natural Gas Pricing Guidelines, 2013. Representations opposing increase in natural gas prices have also been received from the Fertilizer Association of India, Gujarat Small Gas Consumer Association, Other Industry Associations, Members of Parliament and other quarters. Two public interest litigations [W.P. No. 513 / 2013 and W.P. No. 728/2013] have been filed before the Hon'ble Supreme Court *inter-alia* challenging the decision of the Government approving the new gas price formula with effect from 01.04.2014. The Government has filed the reply and the matter is *sub-judice*.

Statement

SOP for Computation of Gas Price to Indian Producers

The gas price computation is to be considered in three parts-

- (i) Calculation, of weighted average Netback prices for Indian importers
 - (ii) Calculation of World weighted average gas prices for Henry HUB, National Balancing Point (NBP) and Japan imported gas Netback Price.
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(iii) Average of (a) and (b) mentioned above will give the gas price for Indian producers.

(i) Calculation of weighted average Netback prices for Indian importers

1. The gas import data at FOB prices, volume of gas, Liquefaction charges and transportation charges and Netback prices for the Month will be obtained from all the importers (Petronet LNG, GAIL and GSPC for sample calculation).
2. Quarterly weighted average Netback prices will be computed.
3. For example, computing the gas price applicable for the quarter April-June, 2013, weighted average is computed for the 4 quarters (12 months) for the period from January, 2012 to December, 2012.
4. The lag of one quarter is due to delay in availability of required gas price and volume data by the importers/ Custom department.
5. The weighted average of netback price will be calculated for all the Indian importers.

Net back price = FOB Price - liquefaction cost - Transportation and treatment costs of natural gas from wellhead to liquefaction plant.

Liquefaction Cost: An average of \$ 2.5/MMBTU is adopted as the liquefaction cost while calculating the average producer netback for Indian imports and the weighted average price to producers in the global markets for older plants, and \$ 3.5/mmbtu for exports from plants starting deliveries after 2010 (source: Rangarajan Committee Report).

Transport cost from Feed gas to liquefaction plant: The transportation cost from the well-head to the liquefaction plant is considered as around \$ 0.5/MMBTU. This includes handling charges and sweetening cost of gas. (source: Rangarajan Committee Report).

(ii) Calculation of World weighted average gas prices for Henry HUB, National Balancing Point (NBP) and Japan imported gas Netback Price.

1. The weighted average of the 4 quarters will be calculated based on Henry Hub gas prices taken from Energy Information Administration (EIA, USA) and gas consumption of North America. Online monthly/quarterly gas consumption data is available with IEA, Argus and Energy intelligence for paid subscribers, which will be subscribed to in due course and used in computation.
2. Similarly, the weighted average of the 4 quarters will be calculated based on NBP gas prices taken from Platts and gas consumption of Europe and Former Soviet Union (FSU). Quarterly gas consumption data in Europe and FSU will be obtained by subscribing to standard industry data service providers, viz., Energy Intel/Platts/Argus Media etc.
3. Weighted average Netback gas price for Japan will be calculated based on the import data (FOB price and actual volume imported in Japan) published in Argus with reduction for liquefaction, transportation etc, as calculated for Indian importers for the corresponding period.
4. The weighted average of Henry Hub, NBP and Japan Netback price will be computed for the corresponding period of 4 quarters, which is the global weighted average price.
5. Global weighted average gas price for each quarter will be based on tracking four (4) quarters with a lag of one (1) quarter.

(iii) Gas Price to Indian Producers

The average of two- (i) Netback price of Indian gas import and (ii) global weighted average price will be the proposed gas price applicable to Indian producers.

Theft and adulteration from oil tank lorries

2133. DR. JANARDHAN WAGHMARE : Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state :

- (a) whether Government/oil corporations are aware of the fact that the