

Discovery of Gas Hydrates

761. SHRI A. K. SELVARAJ: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether it is a fact that the US Geological Survey has confirmed the discovery of a big gas reserve in the form of hydrates off the Andhra Pradesh coast by a multi-party expeditionary team led by ONGC;

(b) if so, the details thereof;

(c) whether it is also a fact that Government has discovered a large, highly enriched accumulation of natural gas hydrates in the Bay of Bengal that has the potential to be tapped; and

(d) if so, the details thereof?

THE MINISTER OF STATE OF THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DHARMENDRA PRADHAN): (a) to (d) Gas Hydrate Programme in the country is at Research and Development Stage. Under National Gas Hydrate Programme (NGHP) Expedition-2 Gas Hydrates have been discovered in deep waters of the Krishna Godavari (KG) Basin (Bay of Bengal). As per preliminary estimates, 134 Trillion Cubic Feet of gas hydrates are present in KG-Basin. However, further drilling/coring/logging and analytical studies of the subsurface data are required to establish this gas hydrate resource.

Market driven pricing of petroleum products

762. SHRI K. C. RAMAMURTHY: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether it is a fact that petroleum products have now become market-driven;

(b) if so, whether the entire benefit of price reduction is transferred to the consumers;

(c) if not, the reasons therefor;

(d) what are the reasons that our domestic petroleum prices are linked to the respective products in the international market; and

(e) what is Trade Parity Pricing methodology and how it is beneficial/loss to the Indian consumers?

THE MINISTER OF STATE OF THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DHARMENDRA PRADHAN): (a) to (c) The prices of

Petrol and Diesel have been made market determined by the Government effective 26th June, 2010 and 19th October, 2014 respectively. Since then, the Public Sector Oil Marketing Companies (OMCs) take appropriate decision on pricing of Petrol and Diesel in line with their international prices and other market conditions. Public Sector OMCs are at present applying Trade Parity Pricing methodology to compute the RSP. Other cost elements in the RSP of Petrol and Diesel viz. Excise Duty, BS IV premium, marketing cost and margins etc. are specific costs which do not increase/decrease with the volatility in international prices of Petrol and Diesel. The element of excise duty which is specific in nature has been increased since November, 2014. Most of the State Governments have also increased VAT on Petrol and Diesel. After taking into account these factors, Public Sector OMCs have passed on major portion of the decrease in price to the consumers of Petrol and Diesel. Further, Government continues to modulate the effective price to consumer for Subsidized Domestic LPG and Retail Selling Price (RSP) of PDS Kerosene.

(d) and (e) During 1976-2002, based on the recommendations of expert committees, the Government pursued cost-plus Administrated Pricing Mechanism (APM) for the sector. However, as APM was found to be increasingly unsuitable for the long term growth and efficiency of oil industry, the Government decided to abolish APM and replace cost-plus retention pricing of petroleum products produced by the domestic refineries by Import Parity (IPP). In June, 2006, based on the recommendations of the Rangarajan Committee, the Government changed the pricing of Petrol and Diesel to Trade Parity Pricing (TPP).

TPP is the weighted average of Import Parity Price (IPP) and Export Parity Price (EPP). The Rangarajan Committee stated that “currently, the Refinery Gate Prices are computed based on the Import Parity Principle. There is need to review the pricing of sensitive petroleum products (Petrol and Diesel) to provide relief to consumers as also to rationalize pricing in the context of exports of the order of 20% of production of these production. Given the global context and over refining capacity, a more appropriate pricing model for Diesel and Petrol will be the Trade Parity Price”.

Under the Trade Parity principle, the impact of changes in international prices of petroleum products is passed on to the consumers. This also enhances the operational efficiency of domestic refiners as compared to the erstwhile cost plus pricing mechanism which was the basis of pricing of petroleum products era upto March, 2002. Currently, the prices of both Petrol (since June 2010) and Diesel (since October, 2014) have been made market determined