

FIXATION OF NATURAL GAS PRICE

New Delhi: May 6, 2010

Article 21.6 of the Production Sharing Contract (PSC) stipulates sale of gas at competitive arms-length prices to the benefit of parties to the Contract and that gas price formula/basis would require approval of the Government prior to the sale of natural gas to the consumers/buyers. Thus, under the PSC, Contractor is required to get the price formula/basis approved by the Government prior to sale of gas.

Accordingly, the contractor of KG-DWN-98/3 block, vide its letter dated 18th May 2007, had submitted a price proposal for approval by the Government. This price proposal was considered by the Prime Minister's Economic Advisory Council (EAC) chaired by Dr. Rangarajan, which recommended that the proposed price appeared to be in line with the PSC with small modification. The Government also constituted a Committee of Secretaries (CoS) under the Cabinet Secretary to consider the gas supply and pricing issues, which recommended that the government may consider framing a Gas pricing and Gas Utilization Policy, before considering the price proposal. Various representations and presentations were made by various stakeholders which were taken into account by these two committees while giving their report.

The Empowered Group of Ministers (EGOM) was set up to decide on the utilization and pricing issues of gas produced under New Exploration & Licensing Policy (NELP). The EGOM comprised of Minister of External Affairs, Minister of Power, Minister of Chemicals and Fertilizers and Minister of Steel, Minister of Finance, Minister of Law & Justice, Minister of Petroleum & Natural Gas, Minister of Corporate Affairs and Deputy Chairman, Planning Commission. The EGOM considered the recommendations of the EAC and CoS and approved the price formula based on which the current gas price works out to be US \$ 4.2 per mmbtu at crude price greater or equal to US \$ 60 per barrel.

Thus, while arriving at the price of gas, the interests of powers and fertilizer sector were also taken into account.

The above information was given by the Minister of State for Petroleum & Natural Gas Shri Jitin Prasada in a written reply in the Lok Sabha today.