

(TO BE PUBLISHED IN THE GAZETTE OF INDIA ,
EXTRAORDINARY, PART 1, SECTION 1)

GOVERNMENT OF INDIA
MINISTRY OF PETROLEUM AND NATRUAL GAS

New Delhi, Dated : 21st March , 2016

Marketing including pricing freedom for the gas to be produced from Discoveries in Deepwater, Ultra Deepwater and High Pressure-High Temperature areas.

No. O-22013/27/2012-ONG-D-V(Vol-II) – The Government of India hereby notifies the Marketing including pricing freedom for the gas to be produced from Discoveries in Deepwater Ultra Deepwater, and High Pressure-High Temperature areas as hereunder :-

A) i) For all the discoveries in deep water/ultra deep water/high temperature-high pressure areas which are yet to commence commercial production as on 01.01.2016 and to all future discoveries in such areas, the producers will be allowed marketing freedom including pricing freedom subject to a ceiling price on the basis of landed price of alternative fuels.

ii) The ceiling shall be based on the prices of substitute fuels where prices are publicly available, and the method of calculation shall be communicated transparently. To ensure transparency and simplicity in calculation, a simple mark-up of 5% shall be applied to the FOB prices of imported fuels to arrive at the landed price where published landed prices are not available.

iii) The landed price-based ceiling will be calculated once in six months and applied prospectively for the next six months. The price data used for calculation of ceiling price in US \$ per mmbtu (GCV) shall be the trailing four quarters data with one quarter lag.

iv) The ceiling price in US \$ per mmbtu (GCV) shall be calculated as, lowest of the (i) Landed price of imported fuel oil (ii) Weighted average import landed price of substitute fuels and (iii) Landed price of imported LNG.

v) The landed price of imported fuel oil is defined as:

Twelve months simple average of daily prices quoted by Platts for Arab Gulf Fuel Oil 180 CST plus a mark-up of 5% towards freight, insurance etc.,

vi) The weighted average import landed price of substitute fuels is defined as follows:

$$0.3 \times \text{landed price of imported coal} + 0.4 \times \text{landed price of imported fuel oil} + 0.3 \times \text{landed price of imported naphtha}$$

For this purpose, the landed price of imported coal is defined as:

Twelve months simple average of daily prices quoted by Platts for coal import.

For this purpose, the landed price of imported fuel oil is defined as:

Twelve months simple average of daily prices quoted by Platts for Arab Gulf Fuel Oil 180 CST plus a mark-up of 5% towards freight, insurance etc .

For this purpose, the landed price of imported naphtha is defined as:

Twelve months simple average of daily prices quoted by Platts for Arab Gulf Naphtha plus a mark-up of 5% towards freight, insurance etc..

vii) The landed price of imported LNG is defined as:

Twelve months simple average of daily prices quoted by Platts in 'LNG Daily' for West India DES price.

Director General of Petroleum Planning and Analysis Cell (DG, PPAC) under the Ministry of Petroleum and Natural Gas will notify the periodic revision of gas price ceiling under these guidelines.

B) For the purpose of this special dispensation of providing marketing freedom, fields having at least 2/3rd of the total number of appraisal and development wells in that field in deep water/ultra deep water/high pressure-high temperature area shall be considered as eligible for the special dispensation for the entire output from such fields. The classification will be as (a) Deep water areas: Areas having water depth between 400 meters and 1500 meters (b) Ultra-Deep water areas: Areas having water depth greater than 1500 meters (c) High Pressure-High Temperature Areas: Areas having shut-in well head pressure greater than 690 bars, bottom hole temperature greater than 150 degree centigrade. While considering the number of wells, the number of wells will be rounded off to the previous lower number of wells in case of decimals and the wells will mean the sub-surface geological location coordinates in the discovery reservoir(s) and the water depths will be vertically above the sub-surface geological locations (as per bathymetry).

C) The proposed guidelines would be applicable to future discoveries as well as existing discoveries which are yet to commence commercial production as on 01.01.2016. However, in case of existing discoveries which are yet to commence commercial production as on 01.01.2016, if there is pending arbitration or litigation filed by the contractors directly pertaining to gas pricing covering such fields, this policy guideline shall be made applicable only on the conclusion/ withdrawal of such litigation/ arbitration and the attendant legal proceedings.

D) All gas fields currently under production will continue to be governed by the pricing regime which is currently applicable to them.



(U P Singh)

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