

New Domestic Natural Gas Pricing Guidelines, 2014

No.22013/27/2012-ONG D.V.—In supersession of this Ministry's Gazette notification no. 22011/3/2012-ONG.D.V dated 10.1.2014, the Government of India hereby notifies the New Domestic Natural Gas Pricing Guidelines, 2014, as hereunder:—

1. The wellhead gas price* (P), under these guidelines would be determined as per the formula given below:-

$$P = \frac{V_{HH} P_{HH} + V_{AC} P_{AC} + V_{NBP} P_{NBP} + V_R P_R}{V_{HH} + V_{AC} + V_{NBP} + V_R}$$

Where

- (i) V_{HH} = Total annual volume of natural gas consumed in USA & Mexico.
- (ii) V_{AC} = Total annual volume of natural gas consumed in Canada.
- (iii) V_{NBP} = Total annual volume of natural gas consumed in European Union (EU) and Former Soviet Union (FSU) countries, excluding Russia.
- (iv) V_R = Total annual volume of natural gas consumed in Russia.
- (v) P_{HH} and P_{NBP} are the annual average of daily prices at Henry Hub (HH) and National Balancing Point (NBP) respectively, less the transportation and treatment charges as given in para 2.
- (vi) P_{AC} and P_R are the annual average of monthly prices at Alberta Hub and Russia (as published by Federal Tariff of the Russian Government or equivalent source) respectively, less the transportation and treatment charges as given in para 2.

(*Well head price refers to the price of gas receivable by the producer of gas at the contract area/lease area from the buyer of gas. In case of on-land blocks, the price receivable by the contractor (producer) in the contract area will be the well head price. In case of offshore blocks, if the gas is processed and sold in the offshore contract area, the price receivable at the offshore will be the well head price. If the gas is brought to landfall point for processing and is sold at landfall point, the facilities located in the landfall point will be considered part of the contract area and the price receivable at land fall point will be the well head price).

2. The wellhead price for three different hubs and Russia would be determined by deducting US \$ 0.50/MMBTU towards transportation and treatment charges from each of the three Hub prices and Russian price.

3. The gas price, determined, under these guidelines would be applicable to all gas produced from nomination fields given to ONGC and OIL India, New Exploration and Licensing Policy (NELP) blocks, such Pre-NELP blocks where, the Production Sharing Contract, (PSC) provides for Government approval of gas prices and Coal Bed Methane (CBM) blocks except as indicated in para 4 and 5 below.

4. The gas price, so determined under these guidelines shall not be applicable, where prices have been fixed contractually for a certain period of time, till the end of such period. This gas price shall also not be applicable where the PSC concerned provides for a specific formula for natural gas price indexation/fixation and to such Pre-NELP PSCs which do not provide for Government approval of formula/basis for gas prices. Further, the pricing of natural gas from small/isolated fields in the nomination blocks of NOCs will continue to be governed by the extant guidelines in respect of these fields issued on 8th July, 2013.

5. The matter relating to cost recovery on account of shortfall in envisaged production from D1, D3 discoveries of Block KG-DWN-98/3 is under arbitration. The difference between the price, determined under these guidelines converted to NCV basis and the present price (US \$ 4.2 per million BTU) would be credited to the gas pool account maintained by GAIL and whether the amount so collected is payable or not, to the contractors of this Blocks, would be dependent on the outcome of the award of pending arbitration and any attendant legal proceedings.

6. The periodicity of price determination/notification shall be half yearly. The price and volume data used for calculation of price under these guidelines shall be the trailing four quarter data with one quarter lag. The first price on the basis of aforementioned formula in these guidelines would be determined on the basis of price prevailing at Henry Hub, NBP, Alberta Canada and Russia, between 1st July, 2013 and 30th June, 2014. This price would come into effect from 1st November, 2014 and would remain valid till 31st March, 2015. Thereafter, it would be revised for the period 1st April, 2015 to 30th September, 2015 on the basis of said prices prevalent between 1st January, 2014 and 31st December, 2014, i.e., with the lag of a quarter and so on. The

price determined under these guidelines would be announced in advance of the half year, for which it is applicable.

7. The price determined under these guidelines would be applied prospectively with effect from 1st November, 2014.

8. Director General of Petroleum Planning and Analysis Cell (DG PPAC) under the Ministry of Petroleum and Natural Gas shall notify the periodic revision of prices under these guidelines.

9. For all discoveries after the issuance of these guidelines, in Ultra Deep Water Areas, Deep Water Areas and High Pressure High Temperature (well head shut-in pressure > 690 bars, bottom hole temperature > 150 degree centigrade) areas, a premium would be given on the gas price determined as per the formula given in para 1. The premium under this para shall be determined as per prescribed procedure.

10. Price determined under these guidelines would be on GCV basis.

11. The price, determined under these guidelines would be in US \$ per MMBTU.

12. In the North Eastern Region (NER), the 40% subsidy would continue to be available for gas supplied by ONGC/OIL. However, as private operators are also likely to start production of gas in NER, and would be operating in the same market, this subsidy would also be available to them to incentivize exploration and production.

13. The price determined under these guidelines shall be applicable to all sectors uniformly.