

LOK SABHA
UNSTARRED QUESTION NO. 4272
TO BE ANSWERED ON 07TH January, 2019

Production cost of Natural Gas

4272. SHRI RAM KUMAR SHARMA:
SHRI M.B. RAJESH:
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SHRI SHIVKUMAR UDASI:

पेट्रो लयम एवं प्राकृतिक गैस मंत्री

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether the production cost of natural gas is higher than its retail prices and the current gas pricing method has been criticised by producers/upstream companies as being too low to attract investments in the sector and if so, the details thereof along with the present cost of production and the basis on which the retail price of natural gas is fixed by the Government;
- (b) whether there has been a huge decline in the domestic production of natural gas in the country during the last three years and the current year and if so, the details thereof and reasons therefor, company/oil and gas fields-wise;
- (c) whether the Government has done any assessment of the impact of decline in production and availability of natural gas on the economy as a whole and power sector in particular and if so, the details and the findings thereof along with the corrective measures taken or proposed to be taken to meet requirements of domestic gas production in the country;
- (d) whether natural gas production of ONGC from KG-DWN-98/2 is likely to start by December 2019 and peak gas production rate is projected at 16 million cubic meters per day and oil output is pegged at 80000 barrels a day and if so, the details thereof along with quantum of increase in production of natural gas and crude oil per day registered during the said period;
- (e) whether ONGC has allocated 1.7 billion work package of crucial underwater kits in KG-DWN-98/2 off the East coast and if so, the details thereof along with its potential to reduce country's import dependence for oil and gas by 10 per cent; and
- (f) whether ONGC's domestic production during the current year has gone down 1 per cent as compared to last year resulting in the country's dependence on imports and if so, the details thereof along with steps taken to push up production two and half times by 2030?

ANSWER

पेट्रो लयम एवं प्राकृतिक गैस मंत्री (धर्मन्द्र प्रधान)
MINISTER OF PETROLEUM & NATURAL GAS
(SHRI DHARMENDRA PRADHAN)

- (a) Cost of production of natural gas depends on several factors such as location (onshore, shallow water, deep water) of gas field, quality & composition of produced gas, gas type whether associated gas or non-associated gas, age and size of the gas field, type of

reservoir, logistics, availability of surface facilities, exchange rate etc. Since factors which affect cost of production are unique to each gas field, cost of production of gas varies from field to field. Government of India notified “New Domestic Natural Gas Pricing Guidelines, 2014” on 25.10.2014. This pricing mechanism is formula based and has been worked out considering the volumes and prices prevailing at major international markets such as Henry Hub(USA), National Balancing Point(UK), Alberta(Canada) and Russia. The formula has been finalized considering the requirements of producing and consuming sectors, and has tried to make a fine balance between their interests. The gas prices notified for 1st October, 2018 to 31st March, 2019 is US\$ 3.36/ MMBTU(on GCV basis)

Further, to incentivize domestic production of natural gas, Government notified a policy in March, 2016 to grant marketing and pricing freedom with a price ceiling on gas produced from discoveries in Deepwater, Ultra Deepwater, and High Pressure-High Temperature areas. Government has also provided marketing and pricing freedom for the sale of crude oil and natural gas to be produced under the Discovered Small Fields Policy-2015 and Hydrocarbon Exploration and Licensing Policy (HELP). Government has also granted pricing and marketing freedom to the gas produced from Coal Bed Methane (CBM) blocks. Recently, exploration & production companies working in north eastern region have been provided marketing including pricing freedom for the gas which are yet to commence commercial production as on 1st July, 2018.

(b) & (c): The domestic production of natural gas in the country was 31.86 Billion Cubic Meters(BCM) in financial year 2015-16, 31.34 BCM in financial year 2016-17 and 31.91 BCM in financial year 2017-18. Domestic natural gas is allocated as per prevailing gas allocation policy wherein power sector is a priority sector and balance demand is met through import of Liquefied Natural Gas (LNG) under open general license. To incentivize domestic production of natural gas, marketing including pricing freedom has been granted in deep water, ultra deep water and High Pressure-High Temperature (HP-HT) area, in north eastern region and fields under Hydrocarbon Exploration and Licensing Policy (HELP), Discovered Small Field (DSF) Policy and Coal Bed Methane (CBM) blocks.

(d) Natural gas production from KG-DWN-98/2 Block is proceed to start by December 2019. The peak gas production rate is projected to be about 15 Million Metric Standard Cubic Metre per Day and the peak oil production rate is projected as about 78000 Barrels of Oil per Day.

(e) ONGC awarded the SURF (Subsea Umbilical Risers Flowlines) and SPS (Subsea Production Systems) package on 1st October, 2018 at an award cost of about USD 1.65 billion. This project envisages production of 25.87 million metric tonnes (MMT) of oil and 45.28 BCM of gas by 2035-36.

(f) ONGC's standalone production of crude oil (including condensate) and natural gas in 2018-19 (April, 2018 to November, 2018) is 30.464 million metric tonnes of oil equivalent (MMTOE) as compared to 30.701 MMTOE in corresponding period of previous year 2017-18 (April, 2017 to November, 2017). ONGC is undertaking several steps to increase the production of oil / gas and has chalked out two pronged strategy i.e. redevelopment of existing matured fields and development of new fields/ marginal fields. Small/marginal fields, which were not viable on standalone basis, are being developed through cluster development concept.
