

LOK SABHA

**STARRED QUESTION NO. 39
TO BE ANSWERED ON 24th June, 2019**

Royalty on Crude Oil and Gas

***39. SHRI VISHNU DAYAL RAM:**

पेट्रोलियम एवं प्राकृतिक गैस मंत्री

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

- (a) whether royalty is paid to the State Governments on crude oil and gas on the basis of wellhead prices of crude oil and if so, the details thereof;
- (b) whether the upstream companies including Oil and Natural Gas Corporation Limited are paying the royalty to the States on post-discounted prices;
- (c) If so, the details thereof;
- (d) Whether certain State Governments have represented to the Union Government for payment of royalty according to the established mechanism and at pre-discounted prices; and
- (e) If so, the details thereof along with the follow-up action taken by the Government and the outcome thereof?

Answer

**पेट्रोलियम एवं प्राकृतिक गैस मंत्रालय में मंत्री
(श्री धर्मेंद्र प्रधान)**

**MINISTER IN THE MINISTRY OF PETROLEUM & NATURAL GAS
(SHRI DHARMENDRA PRADHAN)**

(a) to (e): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) to (e) of the LOK SABHA STARRED QUESTION NO.*39 ASKED BY SHRI VISHNU DAYAL RAM TO BE ANSWERED ON 24TH JUNE, 2019 REGARDING “ROYALTY ON CRUDE OIL AND GAS”

(a) to (c) : Royalty on production of crude oil and gas is payable to the State Governments on wellhead price for production from onshore fields in terms of statutory provisions of Oilfields (Regulation and Development) Act 1948(ORDA), Petroleum & Natural Gas (PNG) Rules 1959, Petroleum & Natural Gas (Amendment) Rules, 2003 read with notifications/resolutions dated 17th March, 2003, 16th December, 2004, 20th August, 2007 and 28th August, 2009 issued by the Government under the ORDA from time to time.

In order to protect from the inflationary impact of rising international oil prices, the Government has been modulating the retail selling prices of Petrol (upto 25th June 2010), Diesel (upto 18th October, 2014) PDS Kerosene and subsidized domestic LPG. As a result, the Public Sector Oil Marketing Companies (OMCs) incurred under recoveries on the sale of petroleum products. In this background, the Government has evolved a “burden sharing mechanism” since 2003-04 to ensure that the burden of under-recoveries incurred by OMCs is shared by all the stakeholders. The National Oil Companies, Oil Natural Gas Corporation (ONGC) and Oil India Limited (OIL) also shared the burden by selling the crude oil at discounted price. However, it was provided that the discount offered by upstream oil companies would not affect the royalty payable to the State Governments. Upstream oil companies paid the royalty on pre-discount price during the years 2003-04 to 2007-08. However, in May 2008, Government withdrew the said provisions. Accordingly, ONGC and OIL started making payment of royalty to State Governments at post discount price for the period 1.4.2008 to 31.01.2014. The burden sharing mechanism has since been discontinued. Presently, the royalty on crude oil & gas produced from nomination blocks is being paid by ONGC and OIL on well head price derived from actual sale price realized.

(d) & (e): Government of Gujarat had filed a Special Civil Application in the High Court of Gujarat, Ahmedabad for payment of royalty at pre-discount prices. Gujarat High Court inter alia pronounced that royalty on crude oil is to be paid on pre-discounted price. Aggrieved by the order, ONGC filed a Special Leave Petition before the Supreme Court. Supreme Court stayed the operation of the impugned judgment subject to the condition that ONGC pays royalty to State of Gujarat on pre-discounted price of crude oil w.e.f. 1st February 2014 onwards. Subsequently Government of Assam also filed a writ petition before the High Court of Guwahati and further moved to the Supreme Court. All the stake holders reached an agreement (dated 17.02.2017) and it was decided that Government of India will pay to the Government of Gujarat (Rs. 8392 crore) and Assam (Rs. 6306 crore) for the dues of royalty for the period from April, 2008 to January, 2014. Supreme Court had disposed both the petitions as per the above agreement. Till 31.05.2019, Rs. 8205.26 crore to Government of Gujarat and Rs. 5532.87 crore to Government of Assam have been released on this account.
