

LOK SABHA DEBATES

LOK SABHA

Thursday, June 1, 1995/Jyaistha 11, 1917 (Saka)

The Lok Sabha met at Eleven of the Clock.

[MR. SPEAKER in the Chair]

ORAL ANSWERS TO QUESTIONS

[English]

Deficit in Oil Pool Account

*801. SHRI SANAT KUMAR MANDAL: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) the estimated cumulative deficit in the oil pool account during 1994-95;

(b) the reasons for deficit in the oil pool account;

(c) the role of the Oil Coordination Committee with regard to oil pool account; and

(d) the mechanism being adopted by the Government to check huge deficit in the oil pool account?

THE MINISTER OF STATE OF THE MINISTRY OF PETROLEUM AND NATURAL GAS (CAPT. SATISH KUMAR SHARMA) : (a) The estimated deficit in the current account of Oil Pool is likely to be about Rs. 3800 crores on 31.3.95 on cumulative basis.

(b) Pool Accounts are expected to be self balancing in the long run, though there may be imbalances for some periods. Deficits have arisen in the pool account because the sales realisation from the products did not fully cover the costs incurred.

(c) The Oil Coordination Committee maintains and administers the pool account according to the pricing mechanism in existence.

(d) The position of the oil pool account is periodically reviewed and corrective action taken.

SHRI SANAT KUMAR MANDAL: Mr. Speaker, Sir, I would like to know under what circumstances the reported Rs. 5,000 crore deficit in oil pool account resulted contrary to Government's expectation that the oil pool account was perfectly balanced at the end of 1994-95. Now, will the hon. Minister please state the break up of Rs. 3,800 crore deficit referred to in part (a) of the reply—industry's claim on the oil pool account and the subsidy upon petroleum products?

CAPT. SATISH KUMAR SHARMA: Sir, as the hon. Member is aware, up to 1988-89 the oil pool account was in a state of balance and in the present situation as the hon. Member is mentioning, in 1994-95 there is a cumulative deficit. The deficit is cumulative outstanding to the oil companies. But as far as the current account—1994-95—is concerned, there is an estimated surplus of Rs. 1,250 crore.

As regards the estimated subsidy, during 1994-95, the subsidy for HSD was Rs. 430 crore, for SKO, i.e., kerosene Rs. 3740 crore, for LPG Rs. 1410 crore, for naphtha (F) Rs. 520 crore, for furnace oil (F) Rs. 200 crore, for LSHS, i.e., fertilizer Rs. 130 crore, for bitumen Rs. 110 crore and for wax Rs. 20 crore. The total subsidy for this year is Rs. 6,560 crore.

SHRI SANAT KUMAR MANDAL: Sir, I would like to know from the hon. Minister what is the impact of higher consumption in the context of outgo of subsidy on products like kerosene, LPG for domestic use and naphtha for manufacturing fertilizer leading to increased imports and the heavy deficit in the oil pool account.

And Sir, it is a somewhat fantastic situation that even with the existence of mechanism of retention pricing operating right from the stage of crude oil processing in the refineries, the petroleum subsidy burden has gone up sharply leading to such a huge deficit in the oil pool account.

CAPT. SATISH KUMAR SHARMA: Sir, as we are all aware, till 1989, the peak production level was the highest ever at 34 million tonnes and it started sliding down. The problem started then. The important thing is that in this year, on the current account, there is a surplus. The reason is, our oil production is going up and efforts are being made in the medium-term to increase our oil production, to increase our refining capacity so that we have more of indigenous oil production. This year, our oil production has gone up to five million tonnes more. For the first time since 1989, from a low production level of 26.9 million tonnes, we have now come to a level where the oil production has gone up by five million tonnes more. Next year, it will be ten million tonnes more.

On the refining front also, as the Members are aware, new refineries are coming up. In collaboration with Oman, we are setting up two refineries; one is on the anvil and IOC is negotiating with Kuwait Petroleum Corporation. Besides, various refineries are coming up in the private sector. So, once the oil production goes up, once the refining capacity, which we are short of, is increased in the country, automatically this will have a positive impact on the oil pool account and then it will get into a state of balance.

DR. MUMTAZ ANSARI: Mr. Speaker, Sir, the deficit has risen in the oil pool account to the tune of Rs. 3,800 crore and it has been stated by the hon. Minister that this deficit has arisen due to the fact that the costs have not been covered. So, I would like to know from the hon. Minister

which of the costs have not been covered, whether it is the administrative cost or production cost or selling cost. Which of the costs have not been covered by the sale realisation? At the same time, I would also like to know from the hon. Minister whether there is any proposal to reduce this subsidy in order to just remove this deficit. And what corrective measures are being taken by the Oil Coordination Committee in order to balance this oil pool account?

CAPT. SATISH KUMAR SHARMA: Sir, the hon. Member has asked a very good question; it is a good query. The simple solution is, the oil pool account can be balanced if I raise the prices of the products. That is one way of doing it. We can do it immediately. The other is, if we reduce the subsidies on items like kerosene and all that, the deficit can be reduced. So, these are simplistic solutions which we are not interested in. As I mentioned here, the strategy is that on a medium-term we must increase our oil production in the country, we must increase the refining capacity without touching these things. We have no intention of reducing the subsidy which is on items like kerosene and LPG which, as you know, are for the targeted groups. That is not the idea. Our efforts are to increase the oil production and to strengthen those areas where we are weak, like in the refining area so that on the medium-term we can increase it.

SHRI VIJAY NAVAL PATIL: Mr. Speaker, Sir, lately the Ministry has given permission for import of kerosene and LPG etc. So, I would like to know what will be its direct or indirect impact on this oil pool account because of these imports. I would like to know whether it can be further balanced. When the hon. Minister has said that the refining capacity is being increased, before the refining capacity is increased, we must have more oil. So, what is being done for the exploration of more oil, and whether the foreign companies are also being roped into this?

CAPT. SATISH KUMAR SHARMA: That was done to gain, to reserve accretion, that means exploration, so that we can find new oil. India has oil production levels higher than there has been in the past. As I mentioned, on the one hand, our main strategy is to increase oil production. Oil production is on rise. It is five million tonnes more than this year. Next year it will be ten million tonnes. By 1998, we will be producing 44.5 million tonnes of oil. From 26.9 million tonnes, we will go up to 44.5 million tonnes which will be the highest ever. But more importantly what the hon. Member has mentioned in exploration. That is the key issue here and our thrust area is reserve accretion. India must find another Bombay High or two Bombay Highs. Only then, our position will become strong economically. In the area of oil, exploration is our thrust area. Our latest effort now is joint venture, exploration round, which is underway whereby we are spending two billion dollars and we are trying to invite international companies who will bring in the technology and three billion dollars as their equity to make it five billion dollar programme in the next five years and that is progressing very well.

SHRI ANNA JOSHI: This deficit shows that the cost of production is more than the prices for which we are giving it to the customer. My first question is, from your study, which will be the break-even point, when we will not have the deficit as well as the profit also, but our two ends can meet. What is the break-even point? This is first part of my question.

The second part of it is, you have said that the position of the oil pool account is periodically reviewed and corrective action is taken. I would like to ask what is the view taken so far and what is the corrective action taken in that matter?

CAPT. SATISH KUMAR SHARMA: As I mentioned, right from 1982 to 1989, the oil pool account was not in deficit. To give an idea of how a deficit came about, 1990 was the first time when the pool account had a deficit of Rs. 2497 crore. That happened mainly because there was an increase in cess from 600 metric tonnes to 900 metric tonnes. There was an increase in the imported price of crude. Then there was an increase in the exchange rate. There was an increase of cost of imported products. All that was responsible for it. In 1990-91, one important factor which contributed to this oil pool deficit was that Rs. 2,300 crore was appropriated from the pool account and put in the revenue account for balancing the Budget. Now oil pool account is in balance mainly if the inflows and outflows have no variations. Here what happened? We had outflows which never became inflow. This is the overall situation. Because of financial constraints in 1990—that was a period which, you are aware, was not a healthy period for the country; economically the country was not in a good shape — and because of that disastrous period, we had a situation that for the first time Rs. 2,300 crore was appropriated and put in the revenue account. In the past, it was taken in and put in the public account. But that was the first year when it was put in the revenue account.

SHRI G.M.C. BALAYOGI: Andhra Pradesh has now become almost a gold mine for ONGC, particularly for the K-G. Project area, particularly my Constituency, Ravva structure, Amalapuram. Because of the recent cyclone, people faced lot of problem in getting oil and kerosene. There was shortage of supply of oil. In view of this fact, I would like to know whether Government is going to set up any refinery in this K-G. Project area to increase oil production in Andhra Pradesh. Andhra Pradesh has the only oil refinery which is situated in Visakhapatnam. The hon. Minister made a statement recently while visiting that place.

MR. SPEAKER: Does it come out of this?

SHRI G.M.C. BALAYOGI: If the Government is not going to set up the oil refinery to increase the oil production, if any private persons come forward to set it up, is the Government going to give licence for setting up of the refinery in the KG Basin?

CAPT. SATISH KUMAR SHARMA: Yes, Sir, we welcome investments in refineries. If there is any proposal from the private sector to set up a refinery in Andhra Pradesh, it will be welcome and they will receive full support from us.