

**GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA**

UNSTARRED QUESTION NO:3320

ANSWERED ON:05.02.2004

SUBSIDY SHARING MODALITIES BETWEEN OIL COMPANIES AND MARKETING FIRMS

GANGASANDRA SIDDAPPA BASAVARAJ

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

- (a) whether the Government has set up a committee to work out the modalities of subsidy-sharing between oil producing companies and marketing firms;
- (b) if so, whether this committee will also look into the losses accruing from the decision to freeze LPG and kerosene prices for a year despite rising costs;
- (c) if so, whether the committee has been formed to devise a formula for sharing the cost;
- (d) if so, whether the committee has given its recommendations;
- (e) if so, the details thereof; and
- (f) to what extent the Union Government has accepted the recommendations?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRIMATI SUMITRA MAHAJAN)

(a) to (f): As per the Government decision on dismantling of Administered Pricing Mechanism (APM) in the petroleum sector, the Government subsidy on PDS Kerosene and Domestic LPG is on a flat rate basis and after accounting for the same, the Oil Marketing Companies (OMCs) could vary the retail selling prices in line with the variations in the international prices of these products.

PDS Kerosene and Domestic LPG are domestic fuels of mass consumption. Passing of higher international prices of these products in the domestic selling prices would have hurt the consumers. The matter was therefore re-examined and it was decided in consumer interest that the OMCs will not increase the selling prices of these products during 2003-04 and the resultant under-recoveries of OMCs would be absorbed/shared amongst the oil companies.

As per the broad mechanism finalised for sharing of these under-recoveries amongst the oil PSUs, the OMCs would strive to make up for about one-third of the projected under-recoveries by cross-subsidization through other retail products and the balance under-recoveries would be shared between the OMCs and the upstream companies (ONGC and GAIL).