

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

UNSTARRED QUESTION NO:6052  
ANSWERED ON:05.05.2005  
HEDGING MECHANISM IN OIL MARKET  
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**Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:**

- (a) whether many nations in Asia including India do not have a hedging mechanism in the oil market;
- (b) if so, whether the Government has discussed with other Asian countries in this regard to evolve a hedging mechanism; and
- (c) if so, the details and the outcome thereof?

**Answer**

MINISTER OF PETROLEUM & NATURAL GAS AND PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR)

(a): Asia has an active Over the-Counter (OTC) market in Singapore, which offers different types of contract for oil price hedging. Companies of various Asian countries are free to use the OTC market, subject to the regulations within their own country. Since September 2000, the Reserve Bank of India has allowed Indian oil companies having underlying exposure to oil price risk to hedge their risk using overseas market offering hedging contracts.

(b): No, Sir.

(c): Does not arise.