

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

UNSTARRED QUESTION NO:4452

ANSWERED ON:26.08.2004

FREEDOM TO OIL COMPANIES TO REVISE PRICE

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

- (a) whether Government has given freedom to oil companies to revise prices of oil and diesel every fortnight within narrow pricing band;
- (b) if so, the details thereof;
- (c) the extent to which this decision of the Government is to be helpful to oil companies;
- (d) whether with this decision, the international crude prices burden is likely to be shifted to consumers automatically; and
- (e) if so, the steps taken or being taken by the Government to protect the consumers from continued price hike of petroleum products ?

Answer

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

(a) to (e): With a view to modulating the impact of high international prices on the domestic consumer prices of petrol and diesel, a price band mechanism has been put in operation as per which the Oil Marketing Companies (OMCs) can effect price revisions based on the previous fortnight's average international price, provided that the exchange rate adjusted C&F (cost & freight) product price was within the band of $\pm 10\%$ around the mean of (a) last three months' rolling average prices; and (b) last one year's rolling average prices. In case the C&F prices breach the ceiling due to high volatility, OMCs would keep the prices in the band. The Government may then adjust the duties on petrol and diesel so as to contain the impact of increase in international prices on the domestic consumer prices of these products. With this objective in mind, effective mid-night of 18th/19th August 2004, the customs duties on petrol and diesel were reduced by 5% each and excise duties were reduced by 3% on each of the product. The Government had also earlier reduced excise duties by 3% on diesel and 4% on petrol effective mid-night of 15th/16th June 2004.