

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

STARRED QUESTION NO:241

ANSWERED ON:10.08.2006

HIKE IN PRICES OF PETROLEUM PRODUCTS

Rao Shri Sambasiva Rayapati;Vallabbhaneni Shri Balashowry

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

(a) whether the Government has evolved any policy to ensure that there is no corresponding steep hike in prices of petroleum products in the country when there is any hike in the international market;

(b) if so, the details thereof; and

(c) if not, the concrete measures proposed to be taken to protect the interest of the common man ?

**Answer**

MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MURLI DEORA)

(a) to (c): A Statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (c) of Lok Sabha Starred Question No.241 by Shri Rayapati Sambasiva Rao and Shri Balashowry Vallabhaneni to be answered on 10th August, 2006 regarding hike in prices of petroleum products.

(a) to (c): Yes, Sir. Government has evolved a policy of equitable burden sharing amongst the three stakeholders, namely, the consumers, the PSU oil companies and the Government, to ensure that there is no corresponding steep hike in prices of petroleum products in the country, whenever there is any hike in the international market. This policy has been evolved in the context of unprecedented increase in international oil prices, with a view to moderate its impact on the common man. Though the Indian basket of crude price has almost doubled since end 2004, Government took a decision not to increase the prices of PDS kerosene and domestic LPG to protect the interests of the weaker sections of society and the common man.

We import 76% of our crude oil requirements. The total under recovery on account of escalated international prices of crude oil is estimated at Rs.73,500 crores for the current year. Government along with oil companies have decided to absorb 87.5% of this burden. Only the balance 12.5% is to be borne by the consumers by way of a modest increase in petrol and diesel prices.

Besides the above, Government has taken the following measures to protect the interest of the common man :

# Central taxes, namely, excise duty and customs duty on kerosene and LPG have been completely removed.

# Customs duty on petrol and diesel has been reduced to 7.5% as against 20% in May 2004.

# LPG has been placed under declared goods category reducing the sales tax to a maximum of 4%.

# Based on the request made to the State Governments to moderate the impact of price rise on the common man, ten State Governments, namely, Andhra Pradesh, Delhi, Goa, Haryana, Himachal Pradesh, Maharashtra, Tamil Nadu (diesel only), Uttaranchal, Manipur and Assam, have reduced the sales tax on Petrol and Diesel to reduce the burden of the recent price hike.