

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

UNSTARRED QUESTION NO:1521

ANSWERED ON:09.12.2004

CRUDE OIL PRICE

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

- (a) whether Prime Minister had a number of discussions with Finance Minister and Petroleum Minister in the month of August to find ways how to deal with spiraling world crude oil prices;
- (b) if so, whether the cabinet committee on prices has considered the issue in depth and proposed measures to slow down the inflationary pressure on the economy;
- (c) if so, whether the Ministry has also discussed the issue with the consultants of the public sector petroleum companies taking into account the presence on global measures on this issue;
- (d) if so, the final agreement reached; and
- (e) the steps taken to meet the situation of high price for global market?

Answer

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

(a) to (e): The Government is constantly monitoring and keeping under careful review the domestic consumer prices of four major products, viz., PDS kerosene, domestic LPG, diesel and petrol in consultation with the public sector oil marketing companies.

Considering India's high dependence on oil imports, the increase in international price does impact on the domestic consumer prices of petroleum products. With a view to containing such impact, the position was reviewed by the Government in August 2004 and effective 19.8.2004, while, the excise duties on petrol, diesel and PDS kerosene were reduced by 3%, 3% and 4% respectively, the customs duties on petrol, diesel, PDS kerosene and domestic LPG were reduced by 5% each. The Government had earlier reduced excise duties on petrol, diesel and domestic LPG by 4%, 3% and 8% respectively effective 16.6.2004.

In addition to aforesaid fiscal measures the Cabinet Committee on Economic Affairs (CCEA) approved a price band mechanism for petrol and diesel in July 2004 as per which the Oil Marketing Companies (OMCs) could 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 and approach the Government.

As far as PDS kerosene and domestic LPG are concerned, these are subsidized products. In addition to the Government subsidy, oil PSUs have been sharing the burden by not passing the full increase in international prices on to the domestic consumer prices of these products.