

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

UNSTARRED QUESTION NO:3695  
ANSWERED ON:23.12.2004  
PETRO-CHEMICAL UNITS  
Appadurai Shri M.

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

- (a) whether public oil companies while supplying feed stock to various petrochemical units follow import parity pricing mechanism;
- (b) if so, any new duties/Special Additional Duty (SAD) imposed/introduced by the Union Government on certain products is passed on to the customers by the oil companies;
- (c) whether the Government are aware that if any new duties/Special Additional Duty (SAD) is withdrawn/reduced through notification on certain instances is not passed on by the oil companies to the industry (Petrochemical industry) finally it is passed on the customers by the industry;
- (d) if so, the action being taken by the Government against the oil companies for not implementing the Notification No.6/2004-Customs dated 8.1.2004 properly;
- (e) whether there is any proposal to give compensation to the industry;
- (f) if so, the details thereof; and
- (g) if not, the reasons therefor ?

**Answer**

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

- (a): The PSU Oil Marketing Companies (OMCs) are supplying various petroleum products as feedstocks to petrochemical units. OMCs are following a import parity pricing mechanism for supply of Naptha and polypropylene feedstocks (PPFS) to petrochemical units. For Linear Alkyl Benzene (LAB), the pricing is as per the mutually agreed commercial terms based on products specifications. The price of Natural Gas supplied by GAIL India Limited, a PSU, as feedstock to petrochemicals units is a floating price linked to an international basket of fuel oils that is fixed quarterly as per the methodology laid down in a Gas Pricing Order dated the 18th September, 1997. The price of C2-C3 mix supplied by Oil & Natural Gas Corporation Limited is based on the monthly Saudi Aramco contract price for propane on FOB basis. Oil India Limited (OIL) is supplying natural gas at a concessional gas price plus applicable royalty and sales tax.
- (b): The duties and levies have been passed on to the customers by the OMCs as per the Government notification.
- (c): All the reduction in the duties as applicable have been passed on to the customers by OMCs as per the Government notification.
- (d): Does not arise in view of (c) above.
- (e) to (g): The PSU oil companies have informed the Ministry that they are extending all the concession/reduction applicable as per Government notifications/orders and as provided by mutual contractual agreements. If any specific contravention is brought to the attention of the Government, it shall be investigated.