

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

UNSTARRED QUESTION NO:1302

ANSWERED ON:04.03.2010

HIKE IN CRUDE OIL PRICES

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

- (a) whether the international prices of crude oil have risen sharply;
- (b) if so, the reasons therefor and the estimated rise in oil import bill; and
- (c) the likely impact on the domestic prices of crude oil and other petroleum products?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI JITIN PRASADA)

(a)&(b): International prices of crude oil and petroleum products have remained highly volatile in the recent past. The price of the Indian Basket of crude oil, which averaged \$ 79.25 per barrel during 2007 -08, had gone up to an unprecedented level of \$ 142.04 per barrel on 3rd July 2008 before declining sharply. However, the crude prices have been steadily increasing since December 2008, largely due to the global economic recovery and rapid increase in demand from the emerging economies. The average price of Indian Basket of crude oil for the year 2009-10 is \$ 68.95 per barrel (up to 1st March 2010). The current price of the Indian basket of crude oil is \$ 76.75 per barrel as on 1st March 2010.

Due to increase in the international oil prices, the country's oil import bill has been going up. It has increased from Rs.40,030 crore in 1999-2000 to Rs.3,45,815 crore in 2008-09. During the year 2009-10 (April-December 2009), the expenditure on crude oil imports has been estimated at Rs.2,60,090 crore.

(c): The pricing of domestic crude oil is linked to international oil prices. With the cost of crude oil constituting a substantial part of the cost of the final petroleum products, the international oil prices have a decisive role in the domestic pricing of these products. As an administrative measure, however, the Public Sector Oil Marketing Companies have been asked to modulate the price increase in Petrol and Diesel besides maintaining prices of subsidized PDS Kerosene and Domestic LPG. To protect the consumer from the inflationary impact of rising international oil prices, the Government have taken certain measures to ensure that the burden is equitably shared by all the stakeholders; namely, Government, Public Sector Oil Companies and the consumer.