

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

UNSTARRED QUESTION NO:1333

ANSWERED ON:04.03.2010

LOSSES TO OIL MARKETING COMPANIES

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

- (a) whether the State-run oil marketing companies are incurring heavy losses;
- (b) if so, the details thereof during the last three years, company-wise;
- (c) the reasons for such losses;
- (d) the cost of refining of oil per litre of crude by oil refineries;
- (e) the details of the administrative expenses of these companies during the above period;
- (f) the mechanism adopted to check/control the administrative expenses of the companies; and
- (g) the steps taken to compensate the losses of the State-run oil companies?

Answer

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

(a)to(c): The Profits after Tax of the Public Sector Oil Marketing Companies (OMCs), namely, Indian Oil Corporation Limited (IOC), Bharat Petroleum Corporation Limited (BPC) and Hindustan Petroleum Corporation (HPC) during the last three years are given below:

	Rs. crore			
		2006-07	2007-08	2008-09
IOC	7499	6963	2950	
BPC	1806	1581	736	
HPC	1571	1135	575	
Total	10876	9679	4261	

(d) The major element of cost in the refining process is the cost of crude oil, which constitutes around 95% of total cost of production. In addition, the refineries incur operating expenses towards salaries & wages, chemicals & catalysts, power & water, repairs & maintenance, depreciation and other overheads. In petroleum refining, crude oil is processed through numerous processing units and finished petroleum products are produced from a blend of different various intermediate streams. The blending of intermediate products streams from various process units for making finished petroleum products results in difficulty in allocating the total costs to individual refined products with a reasonable degree of accuracy. Therefore, individual product-wise costs are not calculated by these Companies separately.

(e) The details of the administrative and office expenses of the PSU oil refining companies for the last three years are given below:

(Rs. in crore)

2006-07 2007-08 2008-09

IOC 1,529.91 1,873.35 1,829.85

HPC 609.97 710.41 755.60

BPC 1,283.00 1,404.00 1,589.00

Mangalore 27.32 31.39 33.80

Refinery
and Petrochemicals
Ltd.

Numaligarh 152.52 149.13 240.33
Refinery Ltd.

Chennai 90.52 89.44 153.53
Petroleum
Corporation
Ltd.

(f): The above oil refining companies are managing their administrative/office expenses in compliance of the guidelines issued by the Government on "Expenditure Management-Economy Measures and Rationalisation of Expenditure" from time to time.

(g): The retail selling prices of the four sensitive petroleum products namely; Petrol, Diesel, PDS Kerosene and Domestic LPG are not being maintained in line with the international oil prices. Due to this, the Public Sector Oil Marketing Companies (OMCs) incur under-recoveries on the sale of these products. During the year 2009-10 (April-December 2009), the OMCs have incurred under-recoveries of Rs.29,353 crore on the sale of sensitive petroleum products.

Government has been following an equitable Burden Sharing Mechanism, to ensure that the burden of under-recoveries is shared by all the stakeholders; namely the Government, the Public Sector Oil Companies and the consumers.

Under the burden sharing mechanism, Ministry of Finance have confirmed a budgetary support of Rs.12,000 crore as the share of the Government towards meeting the under-recoveries for the year 2009-10. The PSU Upstream Oil Companies have also contributed Rs.8,364 crore to the OMCs for their under-recoveries on Petrol and Diesel by way of discount on crude oil/products during the first three quarters of 2009-10.