

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

UNSTARRED QUESTION NO:149

ANSWERED ON:02.07.2009

HIKE IN OIL AND GAS PRICE

Chauhan Shri Sanjay Singh; Nirupam Shri Sanjay Brijkishorilal ; Siddeswara Shri Gowdar Mallikarjunappa

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

- (a) the details of subsidy being given on different petroleum products and the current losses being incurred by Oil Marketing Companies (OMCs) on account of the subsidy product-wise;
- (b) whether the Government is considering to increase the prices of petroleum products in the country keeping in view the hike in the prices of petroleum products in the international market;
- (c) the percentage of increase registered in the prices of crude oil in international market during the last two years, till date;
- (d) the likely impact of the price-rise on the country's economy and on subsidy structure;
- (e) whether the Union Government is considering to empower the petroleum companies to fix the prices of petroleum products; and
- (f) if so, the reasons therefor?

Answer

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

(a): Government is providing subsidy of Re.0.82 per litre on PDS Kerosene and Rs.22.58 per 14.2 kg Domestic LPG cylinder from the fiscal Budget to the Public Sector Oil Marketing Companies (OMCs), namely, Indian Oil Corporation, Hindustan Petroleum Corporation and Bharat Petroleum Corporation. There is no fiscal subsidy on Petrol and Diesel. However, during 2008-09, to compensate the OMCs for their under-recoveries incurred on the sale of Petrol, Diesel, PDS Kerosene and Domestic LPG, Government issued Oil Bonds of Rs.71,292 crore to the OMCs while the Upstream Oil PSUs, viz. ONGC, OIL and GAIL contributed Rs.32,000 crore in price discounts on crude oil and petroleum products.

Based on the Refinery Gate Prices applicable for 1st July, 2009, the OMCs are incurring under-recoveries of Rs.5.82 per litre on Petrol, Rs.3.62 per litre on Diesel, Rs.15.26 per litre on PDS Kerosene and Rs.92.96 per 14.2 kg Domestic LPG cylinder.

(c): The average price of Indian Basket of Crude Oil during the last three years and upto 26.6.2009 is given below:

(b),(d),(e)&(f): As passing on the entire impact of the increase in the oil prices to the consumers would result in a steep increase in the domestic prices, the Government has been following the 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.

The Government abolished the Administered Pricing Mechanism (APM) with effect from 1st April 2002 and decided that pricing of all petroleum products, except PDS Kerosene and Domestic LPG, would be market-determined. In order to provide PDS Kerosene and Domestic LPG at affordable prices, the Government formulated subsidy schemes, which are in operation since April 2002. To protect the consumer and the economy from the volatility and uncertainty of the international oil prices, Government, however, has been modulating the retail selling prices of the four sensitive petroleum products; namely Petrol, Diesel, Domestic LPG and PDS Kerosene.

In view of the increase in price of the Indian Basket of Crude Oil by about 75% since December, 2008, the Government has increased the retail selling prices of Petrol by Rs.4 per litre and Diesel by Rs.2 per litre (at Delhi) with corresponding increases in the rest of the country with effect from the midnight of 1st/2nd July, 2009. However, there has been no increase in the retail selling prices of PDS Kerosene and Domestic LPG.