

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

STARRED QUESTION NO:46
ANSWERED ON:25.02.2010
HIKE IN PRICES OF PETROLEUM PRODUCTS
Gaddigoudar Shri P.C.;Kumar Shri Kaushalendra

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

- (a) whether an expert group headed by the economist Kirit Parikh has suggested in its report that the petrol and diesel prices must be freed from Government control and prices of cooking gas and kerosene should be increased by Rs.100 per cylinder and rupees six per litre respectively;
- (b) if so, the details thereof;
- (c) whether the Government has decided to implement the recommendations of the Committee;
- (d) if so, the details thereof; and
- (e) the manner in which the Government proposes to protect the interests of the common man?

Answer

MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MURLI DEORA)

(a)to(e): A statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (e) of Lok Sabha Starred Question No. 46 asked by Shri P.C. Gaddigoudar and Shri Kaushalendra Kumar to be answered on 25th February, 2010 regarding "Hike in Prices of Petroleum Products."

(a)to(e): An Expert Group, constituted by the Government on "A Viable and Sustainable System of Pricing of Petroleum Products" under the chairmanship of Dr. Kirit Parikh, has submitted its Report on 3rd February, 2010. The main recommendations of the Group are as under:-

- (i) Prices of Petrol and Diesel should be market determined, both at the refinery gate and at the retail level.
- (ii) PDS Kerosene allocation across states should be rationalized, which will bring down all-India allocation by at least 20%. Further reduction in PDS Kerosene allocation can be done on the basis of progress of rural electrification, LPG and piped gas availability.
- (iii) The price of PDS Kerosene needs to be increased by at least Rs.6 per litre. Thereafter, price can be raised every year in step with the growth in per capital agricultural Gross Domestic Product (GDP) at nominal price.
- (iv) Prices of Domestic LPG can be increased by at least Rs.100 per cylinder. Thereafter, the price of Domestic LPG should be periodically revised based on increase in paying capacity as reflected in the rising per capita income. The subsidy on Domestic LPG should be discontinued for all others except the BPL households once an effective targeting system is in place.
- (v) A transparent and effective distribution system for PDS Kerosene and Domestic LPG can be ensured through UID/Smartcards framework.
- (vi) The Public Sector Oil Marketing Companies (OMCs) marketing PDS Kerosene and Domestic LPG should be compensated fully for their under-recoveries. The mechanism for financing under-recoveries on PDS Kerosene and Domestic LPG would involve the following:
 - (a) Periodic reduction in PDS Kerosene allocation,
 - (b) Increase in prices of PDS Kerosene and Domestic LPG from time to time,
 - (c) Mopping up a portion of the incremental revenue accruing to ONGC/OIL from production in those blocks, which were given by the Government on nomination basis.
 - (d) Providing cash subsidy from the Budget to meet the remaining gap.

The Government has not taken a decision on the implementation of the Expert Group's recommendations. While taking a decision in this regard, the Government will keep in mind the interests of the common man, especially the vulnerable sections of the society, the financial health of the Public Sector Oil Companies and the fiscal/budgetary constraints of the Government.