

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

STARRED QUESTION NO:281
ANSWERED ON:23.07.2009
REDUCTION IN PRICES OF CRUDE OIL
Owaisi Shri Asaduddin

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

- (a) whether the prices of crude oil have dropped recently in the global market;
- (b) if so, the details thereof;
- (c) the extent to which the petroleum companies have made their losses good in the wake of reduced crude oil prices in the international market;
- (d) whether the Government proposes to reduce the prices of petroleum products in the country;
- (e) if so, the details thereof; and
- (f) the steps taken by the Government to safeguard the domestic market from the effect of fluctuating prices of crude oil in the international market?

Answer

MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MURLI DEORA)

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

Statement referred to in reply to parts (a) to (f) of Lok Sabha Starred Question No. 281 asked by Shri Asaduddin Owaisi to be answered on 23-07-2009 regarding "Reduction in Prices of Crude Oil".

(a)to(f): International prices of crude oil and petroleum products have remained highly volatile in the recent past. The Crude oil prices have been steadily increasing since March, 2009 and the average Indian Basket during July, 2009 is \$63.27 per barrel (up to 15th July, 2009). The month-wise average price of Indian Basket of Crude Oil since January, 2009 is given below:

\$ per barrel

January, 2009 43.99

February, 2009 43.22

March, 2009 46.02

April, 2009 50.14

May, 2009 58.00

June, 2009 69.12

July, 2009 (up to 15-07-2009) 63.27

The total under-recoveries of the Public Sector Oil Marketing Companies (OMCs) on the sale of Petrol, Diesel, PDS Kerosene and Domestic LPG, during the financial year 2008-09 and in the 1st Quarter of 2009-10 (April-June, 2009) are given below: -

Rs. crore

2008-09

2009-10
(April-June, 2009)
(Provisional)

Petrol	5,181	1,030	
Diesel	52,286	(469)	
PDS Kerosene	28,225	3,249	
Domestic LPG	17,600		1,626
Total		1,03,292	5,436

As passing on the entire impact of the steep increase in the oil prices to the consumers would result in a sharp increase in the domestic prices the Government has taken measures to ensure that the burden of international oil prices is shared by all the stakeholders, namely, the Government, the Upstream Oil Companies, the Public Sector Oil Marketing Companies (OMCs) and the consumers, in the following manner:

- # Government, through issue of Oil Bonds
- # Public Sector Upstream Oil Companies, through price discounts to OMCs.
- # OMCs to bear a portion of the under-recoveries, and
- # Consumers, through minimal price increases.

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. In addition, ONGC and OIL also contributed Rs.943 crore through price discounts towards the import losses of OMCs.

Government is closely monitoring the international oil price situation and will take appropriate pricing decisions to protect the interest of the common man, particularly the vulnerable sections of society.