

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

UNSTARRED QUESTION NO:1686

ANSWERED ON:16.07.2009

DEREGULATION OF PRICING AND DISTRIBUTION OF PETROLEUM PRODUCTS

Tewari Shri Manish

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

(a) whether the Government proposed to implement in letter and spirit the policy of deregulation of pricing and distribution of petroleum products notified on April 1, 2002; and

(b) the experience of the Government between 2004-09 with regard to the informal or quasi-formal re. introduction of the Administered Price Mechanism (APM) with regard to the balance between protecting consumer interest and the financial health of oil sector PSU's?

Answer

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

(a)to(b): 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 increasing price volatility and uncertainty of the international oil prices since 2004-05, Government is, however, modulating the retail selling prices of the four sensitive petroleum products; namely Petrol, Diesel, Domestic LPG and PDS Kerosene as an administrative measure.

Since passing on the entire impact of the increase in the oil prices to the consumers would have resulted in a steep increase in the domestic prices and aggravated the inflationary conditions, the Government has been following an equitable Burden Sharing Mechanism, to ensure that the burden of under-recoveries was shared by all the stakeholders; namely the Government, the Public Sector Oil Companies and the consumers. By adopting this approach, the Government has ensured that not only the consumers are protected from the vagaries of high oil prices, but the oil companies also made reasonable profits.

The Government is closely monitoring the international oil price situation and will continue to take appropriate pricing decisions to protect the interest of the consumers-particularly the poorer and vulnerable sections of society.