

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

UNSTARRED QUESTION NO:1776
ANSWERED ON:16.07.2009
SUBSIDY ON KEROSENE
Ram Shri Purnmasi;Reddy Shri Magunta Srinivasulu

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

- (a) whether kerosene/LPG are being diverted/black-marketed for adulteration/commercial use and there is an acute shortage of kerosene/LPG in the country?
- (b) if so, the steps taken to check the diversion/black-marketing of kerosene/LPG and to ensure the availability of these items at fair price to the consumers;
- (c) whether the Government has decided to eliminate the subsidy being given on kerosene;
- (d) if so, the reasons therefor;
- (e) the alternate method proposed to be adopted to ensure availability of kerosene to BPL families at the lower prices; and
- (f) the steps taken by the Government to increase the production to kerosene/LPG?

Answer

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

(a) & (b): The possibility of black marketing of Kerosene and Liquefied Petroleum Gas (LPG) by some unscrupulous elements cannot be ruled out due to huge price difference.

There is no overall shortage of Liquefied Petroleum Gas (LPG) and kerosene in the country.

In order to check the black marketing of PDS kerosene, the Central Government have made provisions in the Kerosene (Restriction on Use and Fixation of Ceiling Price) Order, 1993, issued under the Essential Commodities Act, 1955, that dealers have to sell PDS kerosene at a price fixed by the Government or OMCs and have to prominently display stock- cum-price board at the place of business including the place of store at a conspicuous place.

Under the Control Orders issued by the Government to prevent diversion and black- marketing of kerosene under the Essential Commodities Act, 1955, State Governments are empowered to take action against those indulging in black-marketing and other irregularities, similar action are warranted against erring LPG distributors as well as under relevant Control Orders.

The following measures have been taken to prevent the diversion/black marketing of domestic LPG cylinders for commercial purposes:

(i) Under the LPG (Regulation of Supply and Distribution) Order, 2000 promulgated under the Essential Commodities Act, 1955 the diversion/black marketing of domestic LPG cylinders for commercial purposes by the distributors of public sector OMCs is prohibited.

(ii) The officials of public sector OMCs carry out random checks at distributors godown, delivery point, as well as en-route to ensure that no diversion/black marketing takes place. As per the MDG, in case established cases of diversion/ black marketing of domestic LPG cylinder for commercial purposes, action is taken against the distributor.

(c): No, Madam. There is no such proposal under the consideration of the Government as of now for eliminating the subsidy on kerosene.

(d): Does not arise, in view of reply to part (c) above.

(e): No alternative method has been proposed by the Government of India to make available kerosene to BPL families on lower prices. However, Government of India commissioned a detailed study of Kerosene demand in the country, through the National Council of Applied Economic Research (NCAER) in December 2004. NCAER submitted its report in October 2005. NCAER has inter alia recommended to restrict the subsidy on kerosene to BPL families only. Also, Dr. Rangarajan Committee constituted by the Government to formulate a long-term pricing policy of petroleum products has also recommended to restrict PDS SKO subsidy to BPL families only. The Government has accepted the recommendations of Dr. Rangarajan Committee Report and has decided 'in principle' that subsidy on PDS Kerosene may be restricted to BPL families only.

(f): The refining capacity of OMCs is estimated to reach 241 Million Metric Tonnes Per Annum (MMTPA) at the end of Xith Plan from existing capacity of 177.97 MMTPA. This implies a corresponding increase in production of petroleum products including Kerosene/LPG.