

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

UNSTARRED QUESTION NO:569
ANSWERED ON:25.02.2010
WITHDRAWAL OF SUBSIDY ON PETROL/ DIESEL
Singh Shri Bhola

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

- (a) whether the Government proposes to withdraw subsidy on petrol and diesel:
- (b) if so, whether the withdrawal of subsidy may lead to increase in prices of petroleum products;
- (c) whether increase in prices of petrol and diesel may to increase the rate of inflation; and
- (d) if so, the steps taken by the Government to control the rising prices?

Answer

MINISTER OF PETROLEUM AND NATURAL GAS (SHRJ MURLI DEORA)

(a): At present, there is no fiscal subsidy on Petrol and Diesel. However, as the retail selling prices of Petrol, Diesel, PDS Kerosene and Domestic LPG are not being maintained in line with the international oil prices, the Public Sector Oil Marketing Companies (OMCs) incur under-recoveries on the sale of these products. These under-recoveries are compensated under a Burden Sharing Mechanism. During the year 2009-10 (April-December 2009), the OMCs have incurred under-recoveries of Rs. 8,364 crore on the sale of Petrol and Diesel.

The Expert Group constituted under the chairmanship of Dr. Kirit Pankh to advise on a Viable and Sustainable System of Pricing of Petroleum Products has recommended, inter-alia that the prices of Petrol and Diesel should be market-determined, both at the refinery gate and at the retail level. The Government has not taken a decision on implementation of the Expert Group's recommendations.

(b) to (d): Do not arise in view of (a) above.