

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

STARRED QUESTION NO:65

ANSWERED ON:29.07.2010

HIKE IN PRICES OF PETROLEUM PRODUCTS

Kumar Shri Vishwa Mohan;Rajukhedi Shri Gajendra Singh

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

- (a) whether the prices of petroleum products like petrol, diesel, LPG, kerosene, PNG and CNG have been increased in the recent months;
- (b) if so, the details thereof and the reasons therefor;
- (c) the details of such increase effected by the Government during the last year and the current year;
- (d) the details of the prices of sensitive petroleum products in the neighbouring SAARC countries;
- (e) whether the Government has assessed the impact of the recent hike of petroleum prices in the country on the common man, transport sectors and the economy as a whole; and
- (f) if so, the details thereof?

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. 65 asked by Shri Vishwa Mohan Kumar and Shri Gajender Singh Rajukhedi to be answered on 29th July, 2010 regarding "Hike in prices of petroleum products".

(a)&(b): In the light of the recommendations made by the Expert Group headed by Dr. Kirit S. Parikh, Government has decided that the prices of Petrol and Diesel be made market-determined.

As a result, the price of Petrol went up by Rs.3.50 per litre. In the case of Diesel, however, it was decided that for the present, the price would be increased by only Rs.2 per litre. It has also been decided that in case of a high rise and volatility in the international oil prices, Government will suitably intervene in the pricing of Petrol and Diesel.

In view of the importance of the household fuels, namely PDS Kerosene and Domestic LPG, the Government has decided that the subsidies on these petroleum products will continue. To reduce the under-recovery burden of the OMCs as also to protect the common man, the Government decided to increase the retail price of PDS Kerosene by only Rs.3 per litre and of Domestic LPG by only Rs.35 per cylinder (at Delhi), with corresponding increases in the rest of the country, as against the required increase of Rs.18.82 per litre in PDS Kerosene and Rs.261.90 per cylinder in Domestic LPG.

The primary objective behind the pricing reforms undertaken by the Government is the growing imperative for fiscal consolidation, the need for reducing the subsidy burden on petroleum products so as to allocate more funds to social sector schemes for the common man, and for ensuring country's energy security in the long term. Market-determined pricing of Petrol and Diesel is expected to induce market competition, encourage Oil Marketing Companies to reduce cost, improve efficiency and enhance service standards and thereby provide greater benefit to the consumers.

PNG and CNG are sold by City Gas Distribution (CGD) Companies, none of which are Central Public Sector Undertaking (CPSU). The prices of PNG and CNG are determined by the CGD Companies themselves.

(c): The details of increase in the Retail Selling Prices (RSP) of the sensitive petroleum products namely Petrol, Diesel, PDS Kerosene and Domestic LPG during 2009-10 and 2010-11 (at Delhi) are given below.

Petrol	Diesel	P.D.S Kerosene	Domestic LPG
(Rs. per litre)	(Rs. per litre)	(Rs. per litre)	(Rs. per Cylinder)

02.07.2009	44.63	32.87		
27.02.2010	47.43	35.47		
01.04.2010	47.93	38.10	310.35#	
26.06.2010	51.43	40.10	12.32	345.35
Current Prices	51.45	37.62##	12.32	345.35

Reduction in Diesel price due to lowering of VAT rate by State Government.

Increase in RSP at Delhi due to withdrawal of subsidy of Rs.40/- per cylinder and reduction in VAT from 4% to Nil by Delhi State Government.

The reasons for the above increase in the RSPs of Petrol, Diesel, PDS Kerosene and Domestic LPG (at Delhi) are as below:-

(i) Increase in the RSP on 2.7.2009 was due to the rise in international oil prices.

(ii) Revision in the rates of Excise/Customs Duty on Petrol and Diesel w.e.f. 27th February 2010.

(iii) Increase in the rate of Value Added Tax on Diesel at Delhi on 1st April, 2010.

(iv) Introduction of Bharat Stage-IV Grade of Petrol and Diesel at Delhi and 12 other cities on 1st April' 2010.

(v) Increase in the RSPs of the four sensitive petroleum products w.e.f. 26th June, 2010 as a result of the decisions taken by the Government on the recommendations of the 'Expert Group set up to Advise on a Viable and Sustainable System of Pricing Petroleum products.'

(d): The details of the Retail Selling Prices of the sensitive petroleum products, namely Petrol, Diesel, PDS Kerosene and Domestic LPG in India and neighbouring countries as on 1st July, 2010 in terms of Indian Rupees are given below.

	Petrol	Diesel	Kerosene	LPG(14.2 kg)
	Rs. per litre	Rs. per litre	Rs. per litre	Rs. per cyl.
Pakistan	35.77	39.21	35.94	576.68
Bangladesh	49.70	29.41	29.41	536.91
Sri Lanka	47.32	29.88	21.01	768.91
Nepal	50.85	39.21	39.21	775.54
India#	51.45	37.62	12.32	345.35

Note: Data on neighbouring countries as provided by IOC.

current RSP at Delhi.

(e)&(f): The four sensitive petroleum products, namely Petrol, Diesel, PDS Kerosene and Domestic LPG have a weight of 5.4% in the Wholesale Prices Index (WPI). It is estimated that the price increases made w.e.f. 26.6.2010 would lead to an inflationary impact of about 1% in the WPI of July, 2010. The Kirit Parikh Committee had observed that this inflationary impact would have to be judged in comparison to the inflationary impact of budgetary deficits caused by extending huge subsidy on petroleum products.