

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

UNSTARRED QUESTION NO:2050

ANSWERED ON:05.08.2010

SUBSIDY TO OIL COMPANIES

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

- (a) whether profit of oil companies is increased exorbitantly due to subsidy being given to them;
- (b) if so, the reaction of the Government thereto; and
- (c) the present mechanism adopted by the Government to provide subsidy to oil companies in the country?

Answer

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

(a)to(c): The Public Sector Oil Marketing Companies (OMCs) namely, Indian Oil Corporation (IOC), Bharat Petroleum Corporation (BPC) and Hindustan Petroleum Corporation (HPC) have been incurring under-recoveries on the sale of sensitive petroleum products i.e. Petrol, Diesel, Domestic LPG and PDS Kerosene. To compensate the under-recoveries incurred by the OMCs, the Government has been following a Burden Sharing Mechanism to ensure that the under-recoveries are equitably shared by all the stakeholders; viz, the Government, the Public Sector Oil Companies and the consumers in the following manner:

- # Government through issue of Oil Bonds/Cash Subsidy;
- # Public Sector upstream oil companies through price discounts to OMCs;
- # OMCs to bear a portion of the under- recoveries; and
- # Consumers to bear minimal price increases.

The details of the under-recoveries incurred by OMCs and compensation provided to the OMCs under the burden sharing mechanism by the Government & Public Sector upstream oil companies during the last three years and the current year are as below:

(Rs./crore)

Particulars	2007-08	2008-09	2009-10	2010-11
(April -June)				

Total Under recovery	77123	103292	46051	20072
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Compensation through:

- Oil Bonds/Cash Assistance	35290	71292	26000#	0
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by Government

- Upstream assistance	25708	32000	14430	6691
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Total Assistance	60998	103292	40430	6691
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Under-recovery borne by OMCs	16125	0	5621	13381
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Out of Rs.26,000 crore, Rs.12,000 crore have been released to the OMCs.

The OMCs could report some marginal profits during the years 2007-08 to 2009-10 because of the compensation provided by the Government. As such compensation has not been given by the Government during the 1st quarter of 2010-11, the OMCs have reported losses. The details of Profits after Tax (PAT) of the OMCs during the said period are as below:

	(Rs./crore)			
OMCs	2007-08	2008-09	2009-10	2010-11
	(April-June)			
IOC	6963	2950	10221	(3388)
BPC	1581	736	1538	(1718)
HPC	1135	575	1301	(1884)
Total	9679	4261	13060	(6990)

Figures in () represent losses.