

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

UNSTARRED QUESTION NO:780
ANSWERED ON:29.07.2010
HIKE IN PRICES OF PETROLEUM PRODUCTS
Mahajan Smt. Sumitra

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

- (a) whether there has been uncontrolled increase in prices of petrol and petroleum products in the country;
- (b) if so, the details and the reasons therefor;
- (c) the details of international price of petrol per barrel and the cost of petrol per litre in the country; and
- (d) the details of import-export charges levied on petrol and diesel per litre?

Answer

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

(a)&(b): The Government had constituted an Expert Group under the Chairmanship of Dr. Kirit S. Parikh to advise on a viable and sustainable system of pricing of these petroleum products. In the light of the recommendations made by the Expert Group, the prices of Petrol and Diesel have been made market-determined with effect from 26.6.2010. 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. However, to reduce the under-recovery burden of the OMCs, the Government decided to increase the retail price of PDS Kerosene by only Rs.3 per litre and that of Domestic LPG by only Rs.35 per cylinder (at Delhi), with corresponding increases in the rest of the country. This is 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 encourage Oil Marketing Companies to reduce cost, improve efficiency and enhance service standards and thereby provide greater benefit to the consumers.

(c): The international price of Petrol is quoted on daily basis. During the year 2010-11 (upto 25th July, 2010), the average international FOB price of Petrol unleaded (92 RON) ex Singapore was \$ 84.30 per barrel.

Crude oil constitutes more than 90% of the total cost of production of Petrol. In addition, the refineries incur operating expenses towards salaries & wages, chemicals & catalysts, power & water, repairs & maintenance, depreciation and other overheads. In petroleum refining, crude oil is processed through numerous processing units and finished petroleum products are produced from a blend of different various intermediate streams. The blending of intermediate products streams from various process units for making finished petroleum products results in difficulty in allocating the total costs to individual refined products with a reasonable degree of accuracy. Therefore, individual product-wise costs are not calculated by the oil companies.

(d): At present, Customs Duty of 7.5% is levied by the Government on import of Petrol and Diesel. Besides Customs Duty, other charges being incurred on import of Petrol and Diesel are ocean freight, insurance, ocean loss, LC charges and port charges. On export of Petrol and Diesel, there is no Government levy.