

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

UNSTARRED QUESTION NO:815  
ANSWERED ON:29.07.2010  
HIKE IN PRICES OF PETROLEUM PRODUCTS  
Azad Shri Kirti (Jha)

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

- (a) the basis on which the Government has hiked the prices of petrol and diesel and the reasons therefor; and
- (b) the extent to which public and private companies are likely to be benefited by the hike in petroleum products prices, company-wise; and
- (c) the likely increase in the earning of these oil companies due to the price hike?

**Answer**

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

(a): 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 induce market competition, encourage Oil Marketing Companies to reduce cost, improve efficiency and enhance service standards and thereby provide greater benefit to the consumers.

(b)&(c): During the year 2010-11, the under-recoveries of the Public Sector Oil Marketing Companies (OMCs) on the sale of sensitive petroleum products were estimated at about Rs.72,000 crore, assuming an annual average price of the Indian Basket of crude oil at \$ 75 per barrel. After the recent increases made in the retail prices of the four sensitive petroleum products, the under-recoveries of the OMCs have been estimated at about Rs.53,000 crore, assuming an annual average price of the Indian Basket of crude oil at \$ 75 per barrel.

As regards the private companies, Government does not monitor their profits as they are free to fix the prices of their petroleum products on commercial considerations.