

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

STARRED QUESTION NO:231
ANSWERED ON:25.11.2010
SUBSIDY ON CRUDE OIL AND PETRO-PRODUCTS
Singh Rajkumari Ratna

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

- (a) whether the public sector upstream oil companies including Oil and Natural Gas Corporation provide subsidy for crude oil and petro-products through price discounts to the Oil Marketing Companies (OMCs);
- (b) if so, the details of such subsidy provided by the public sector oil companies during the last three years;
- (c) the objectives of providing the said subsidy; and
- (d) the extent to which the OMCs have been benefited through it?

Answer

MINISTER OF PETROLEUM AND NATURAL GAS(SHRI MURLI DEORA)

(a)to(d): A statement is laid on the Table of the House.

Statement referred to in reply to parts (a)to(d) of Lok Sabha Starred Question No. 231 asked by Shrimati Rajkumari Ratna Singh to be answered on 25th November, 2010 regarding "Subsidy on Crude Oil and Petro-Products".

(a)to(c): As the retail selling prices of the sensitive petroleum products have not been maintained in line with the international oil prices, the Public Sector Oil Marketing Companies (OMCs) viz. Indian Oil Corporation Limited (IOCL), Hindustan Petroleum Corporation Limited (HPCL) and Bharat Petroleum Corporation Limited (BPCL) incur under-recoveries on the sale of these petroleum products. Government has been following an equitable burden sharing mechanism, under which the different stakeholders contribute in the following manner:

- (i) Government through issuance of Oil Bonds/cash assistance;
- (ii) Upstream oil companies namely, Oil and Natural Gas Corporation (ONGC), Oil India Limited (OIL) and GAIL (India) Limited (GAIL) by way of price discount on Crude oil and products;
- (iii) Oil Marketing Companies (OMCs), by absorbing a part of the under-recoveries; and
- (iv) Price increases for the consumers, from time to time.

The details of assistance given by the upstream oil PSUs, through price discounts on crude/products under the burden sharing mechanism to the OMCs, during the last three years are as under:

(`Crore)				
Upstream Companies	2007-08	2008-09	2009-10	
Oil and Natural Gas Corporation	22,001	27,374	11,554	
Oil India Limited	2,306	2,932	1,549	
GAIL (India) Limited	1,401	1,694	1,327	
Total	25,708	32,000	14,430	

(d): The extent of compensation provided to the OMCs under the burden sharing mechanism by the upstream oil companies by way of

price discount on Crude oil and products during the last three years is as under:

(`Crore)

Oil marketing companies 2007-08 2008-09 2009-10

Indian Oil Corporation Limited 14,324 18,063 7,548

Hindustan Petroleum Corporation Limited 5,409 6,618 3,252

Bharat Petroleum Corporation Limited 5,975 7,319 3,630

Total 25,708 32,000 14,430