

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

UNSTARRED QUESTION NO:3787

ANSWERED ON:02.12.2010

SUBSIDY ON KEROSENE

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

- (a): whether the Government provide subsidy on petro-products including LPG and Kerosene;
- (b) if so, the quantum of subsidy provided on both LPG and Kerosene during the last three years and at present;
- (c) whether the Oil marketing companies have demanded for sharing the subsidy burden with companies like GAIL & ONGC;
- (d) if so, whether the cost of production of the aforesaid items are also calculated while determining the amount of subsidy;
- (e) if so, the names of the heads whose expenditure is included by the Government while calculating cost of production;
- (f) the extent to which cost of production of LPG and Kerosene increased, separately, following unprecedented increase registered in the prices of crude oil in the international market during the year 2010-11;
- (g) whether Government has made any rules to check the misuse of subsidized Kerosene for commercial purpose; and
- (h) if so, the details thereof?

Answer

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

(a)to(c): The Government is providing a subsidy of `0.82 per litre on PDS Kerosene and `22.58 per cylinder on Domestic LPG from the fiscal budget under the "PDS Kerosene and Domestic LPG Subsidy Scheme, 2002" to the Public Sector Oil Marketing Companies (OMCs). The details of fiscal subsidy given by the Government under the said Scheme to the OMCs during the last three years and current year are given below:

(` crore)

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

Fiscal Subsidy on PDS	2641	2688	2770	1369
Kerosene and Domestic				
LPG				

In addition to the aforesaid fiscal subsidy, Government has been following a burden sharing mechanism, to ensure that the burden of under-recoveries is shared by all the stakeholders; namely the Government, the Public Sector Oil Companies and the consumers 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.

Under the burden sharing mechanism, the under-recoveries incurred by the OMCs on the sale of sensitive petroleum products namely, Petrol, Diesel, PDS Kerosene and Domestic LPG have been compensated during the last three years and for the period April-

September 2010, as per the details given below:

(` crore)

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

Under-recovery on sensitive petroleum products 77,123 1,03,292 46,051 31,367#

Burden sharing through:

- Government-through issue of 35,290 71,292 26,000 13,000

Oil bonds/Cash assistance

- Upstream assistance 25,708 32,000 14,430 10,456

- Balance under-recovery borne by OMCs 16,125 0 5,621 7,911

Under-recovery on Petrol is upto 25.6.2010.

(d): Refining of crude oil is a process industry where crude oil constitutes around 90% of the total cost. Crude oil is processed through numerous processing units. Each of these units produces intermediate products streams, which require extensive reprocessing and blending. This results in difficulty in allocating the total joint costs to individual refined products with reasonable accuracy. Therefore, individual product-wise costs are not identified separately.

(e)&(f): Does not arise in view of (d) above.

(g)&(h): In order to check black marketing/diversion of PDS Kerosene, the Central Government have made provisions in the Kerosene (Restriction on Use and Fixation of Ceiling Price) Order, 1993, issued under the Essential Commodities Act, 1955, according to which the dealers cannot sell PDS Kerosene at a price higher than the price fixed by the Government/OMCs and the PDS Kerosene dealers are required to prominently display stock-cum-price board at the place of business including the place of store at a conspicuous place. State Governments are empowered to take action against those indulging in black-marketing and other irregularities. In addition of the above, OMCs undertake regular and surprise inspections at Kerosene dealerships and take action under Marketing Discipline Guidelines (MDG) and Dealership Agreements against those indulging in diversion / black-marketing of PDS Kerosene.