

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

UNSTARRED QUESTION NO:3807  
ANSWERED ON:02.12.2010  
SALE PRICE OF PETROLEUM PRODUCTS  
Chinta Mohan Dr. ;Sharma Shri Jagdish

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

- (a) whether the petroleum products are made available to the oil marketing companies in the country on the basis of international sale prices;
- (b) if so, the details thereof;
- (c) whether the sale prices of those products are higher than the cost of such products produced in the country;
- (d) if so, the reaction of the Government in this regard; and
- (e) the difference between the above mentioned prices during April 2010-11 and September 2010?

**Answer**

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

(a)&(b): Around three-fourths of the domestic requirement for petroleum products in the country are met by import of crude oil. Since more than 75% of the domestic consumption of petroleum products is met through imported crude oil, the international oil prices have a decisive influence on the domestic prices of petroleum products. The Public Sector Oil Marketing Companies (OMCs) pay Trade Parity price to refineries when they buy Diesel and Import Parity price to Refineries for PDS Kerosene and Domestic LPG.

The Government has made the price of Petrol, both at the Refinery Gate and at the Retail Level, market-determined with effect from 26.6.2010. Subsequent to the decontrol of Petrol pricing, the oil companies are free to take appropriate decision on the pricing of Petrol on the basis of international oil prices, market conditions and commercial considerations.

(c)to(e): 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.

The retail selling prices of the sensitive petroleum products namely, Diesel, PDS Kerosene and Domestic LPG are calculated by taking into account:

- (a) Price paid to refinery on Trade Parity/Import Parity basis
- (b) Inland freight upto the market
- (c) Marketing Margin
- (d) Dealers Commission
- (e) Excise Duty
- (f) Value Added Tax and local levies

However, to ease the burden on the consumer, the retail selling prices of Diesel, PDS Kerosene and Domestic LPG are not being maintained in line with the international oil prices. As per the international oil prices effective 1st December 2010, the OMCs are incurring under-recovery on the sale of Diesel of `4.11 per litre, `16.88 per litre on PDS Kerosene and `272.19 per cylinder on Domestic LPG.

Government through an equitable burden sharing mechanism has been reducing the impact of under-recoveries on OMCs since 2003-04.