

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

STARRED QUESTION NO:56
ANSWERED ON:24.02.2011
HIKE IN PRICES OF PETROLEUM PRODUCTS
Mahajan Smt. Sumitra;Shekhar Shri Neeraj

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

- (a) whether the prices of petrol, diesel, Compressed Natural Gas (CNG) and Liquefied Petroleum Gas (LPG) have been increased on a number of occasions during the last three years and the current year;
- (b) if so, the details thereof and the reasons therefor;
- (c) the production cost of petrol, diesel and CNG in the country alongwith the other administrative expenses involved therein;
- (d) the details of taxes levied per litre on petroleum products by the Government, product-wise; and
- (e) the details of steps taken by the Government to check unabated increase in prices of petroleum products?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI R.P.N. SINGH)

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

Statement referred to in reply to parts (a) to (e) of Lok Sabha Starred Question No. 56 asked by Shri Neeraj Shekhar and Shrimati Sumitra Mahajan to be answered on 24th February, 2011 regarding "Hike in Prices of Petroleum Products."

(a) & (b): In view of the steep increase and high volatility in the international oil prices since 2004-05, the Government has been modulating the retail selling prices of the four sensitive petroleum products; namely Petrol, Diesel, PDS Kerosene and Domestic LPG sold by the three Public Sector Oil Marketing Companies (OMCs), namely, Indian Oil Corporation, Bharat Petroleum Corporation and Hindustan Petroleum Corporation. While the major portion of the resultant under-recoveries were absorbed by the Government and the Public Sector Oil Companies, only minimal increases were made in the retail selling prices of these petroleum products to protect the consumer from the full impact of the rise in international oil prices. However, the price of Petrol, both at refinery gate and the retail level has been made market determined effective 26.06.2010. The details of increase/decrease in the retail selling prices of Petrol, Diesel and Domestic LPG (at Delhi) since April 2007 are given in the Annexure-I.

The price of Compressed Natural Gas (CNG) is not decided by the Government. The price of CNG in each city/area is decided by the entity engaged in City Gas Distribution (CGD) in that city/area. In large number of cities/areas, the source of CNG is Administered Price Mechanism (APM) gas. During the period of last three years, the price of APM gas has been revised from Rs. 3200/ thousand standard cubic meter (mscm) to Rs. 6818/ mscm in June 2010.

(c): 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. Therefore, the product-wise costs are not identifiable.

The cost of CNG consists of the following components:

Sr. No. Components

A Gas cost

B Network tariff

C CNG compression charge

D Marketing margin

E Basic Price $E=A+B+C+D$

F Excise Duty @ 14.42% $F = E \times 14.42\%$

G VAT@ applicable rate on Basic and Excise $G=(E+F) \times \text{applicable rate}$

H Delivered CNG Price = $E+F+G$

(d): The details of taxes levied on Diesel, PDS Kerosene and Domestic LPG at Delhi are given below:

Diesel	PDS Kerosene	Domestic LPG
Rs./litre	Rs. /litre	Rs. /Cylinder

RSP at Delhi	37.75	12.73	345.35
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A. Central Taxes

Customs Duty	2.36	0.00	0.00
Excise Duty	4.74	0.00	0.00
Total Central Taxes	7.10	0.00	0.00
Total Central Taxes	7.10	0.00	0.00

B. State Taxes

VAT	4.44#	0.61	0.00
Total Taxes (A+B)	11.54	0.61	0.00

Note: Central taxes are inclusive of levy of Education Cess at 3% thereon.

Custom Duty is based on the Refinery Transfer Prices applicable for the 2nd Fortnight of February 2011.

Includes Re.0.25 per litre of Pollution Cess levied by the Delhi Government.

Since the pricing of Petrol both at refinery gate and the retail level has been made market determined with effect from 26.6.2010, the oil companies are fixing the retail price of Petrol on market conditions and commercial consideration. At present, the Retail Selling Price of Petrol at Delhi (IOCL) is Rs. 58.37 per litre. Of this, Excise Duty accounts for Rs. 14.78 and VAT component is Rs. 9.73 per litre.

On the price of CNG (at Delhi), Service Tax on City Gas Network and Excise Duty plus Education Cess is levied at 10.30% and 14.42% respectively.

The final prices of these products vary from State to State depending on variations in the State levies.

(e): Since India imports about 80% of its crude oil requirements, the international oil prices necessarily have a bearing on the domestic prices of Petrol and other petroleum products. The Government does not have any control on the international prices of crude oil and petroleum products, which are influenced by several factors including, inter alia, demand and supply conditions in the world. However, in order to insulate the common man from the impact of rise in international oil prices, the Government continues to modulate the prices of other three sensitive petroleum products, viz., Diesel, PDS Kerosene and Domestic LPG. As the crude oil prices have increased significantly in the recent past, the Oil Marketing Companies are incurring under-recoveries of Rs. 9.55/litre on Diesel, of Rs. 20.57/litre on PDS Kerosene and of Rs. 356.07/cylinder on Domestic LPG, which have not been passed on to the consumers.