GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

STARRED QUESTION NO:468
ANSWERED ON:06.08.2009
IMPLEMENTATION OF REPORT ON FUEL PRICES
Mani Shri Jose K.;Sudhakaran Shri K.

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

(a) the major recommendations made in the B.K. Chaturvedi Committee Report on fuel prices;

(b) whether the Government has examined the recommendations; and

(c) if so, the action taken thereon?

Answer

MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MURLI DEORA)

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

Statement referred to in reply to parts (a) to (c) of Lok Sabha Starred Question No. 468 asked by Shri Jose K. Mani and Shri K. Sudhakaran to be answered on 6th August, 2009 regarding "Implementation of Report on Fuel Prices".

(a): The main recommendations made in the B.K. Chaturvedi Committee Report are given below :

(i) Change Refinery Gate Pricing, from the current Trade Parity (for Petrol and Diesel) and Import Parity (for Kerosene and LPG), to Free on Board (FOB) Export Parity basis.

(ii) The price of Petrol should be adjusted to fully reflect international prices by March, 2009 and the price of Diesel be adjusted to fully reflect international prices in 24 months time.

(iii) Sale of Diesel to industrial and commercial users should be at market prices, to be negotiated on commercial considerations.

(iv) Once these price adjustments are completed, Government should disengage from the process of pricing of petroleum products, and allow pricing to be an outcome of a competitive market process.

(v) Subsidies on LPG (Domestic) and SKO (PDS) should be restricted to BPL families only. This subsidy should be delivered through Smart Cards or cash transfer in urban and semi-urban areas, and not through supply of products below their market prices.

(vi) For Domestic LPG, the entitlement to subsidised supply should be reduced to 6 refills in a year, which could be progressively reduced to 4 refills, 2 refills and zero refills in the following years.

(vii) A Special Oil Tax may be levied on the domestic producers of crude oil on pre-NELP leases, on the revenue earned at a price in excess of $ 75 per barrel at the rates indicated below:

(a) PSUs @ 100%, and

(b) Private and JV companies @ 40%

The Special Oil Tax shall be a purely temporary measure for financing the under-recoveries and not as general revenue measure. Once the adjustment process is completed, the tax should either be annulled or reset downwards, to equal the LPG and SKO subsidies given to BPL families.

(b)to(c): The recommendations made by the Committee are under consideration of the Government.