

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

UNSTARRED QUESTION NO:1338

ANSWERED ON:03.03.2011

SUBSIDY TO PUBLIC SECTOR OIL COMPANIES

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

- (a) whether the Union Government has instructed the Public Sector Oil Companies for subsidizing petroleum products even in the face of high rate of crude in the international market;
- (b) if so, the response of the Public Sector Oil Companies thereon;
- (c) the details of subsidies given by the Government to Public Sector Oil Companies on various petroleum products, product-wise,
- (d) the total losses suffered by the Government on account of giving subsidy to Oil Companies;
- (e) whether there is any proposal to enhance the country's refineries capacities;
- (f) if so, the details thereof; and
- (g) the steps taken by the Union Government to reduce the oil import bill?

Answer

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

(a)&(b): The international price of crude oil has been rising consistently. The average price of Indian Basket of crude oil, which was \$69.76/barrel in 2009-10, has increased to \$82.45/barrel in during 2010-11 (upto 28.02.2011) and was \$109.55/ barrel on 28.02.2011. While the price of Petrol has been made market-determined, in view of the high international oil prices, the retail selling prices of other three sensitive petroleum products namely, Diesel, PDS Kerosene and Domestic LPG continue to be modulated by the Government. Since the retail selling prices of these products are not being maintained in line with international prices, the Public Sector Oil Marketing Companies (OMCs) are incurring under-recoveries on sale of these products.

Based on the Refinery Gate Price, applicable from 1st March, 2011, the OMCs are incurring under-recovery of ₹11.16 per litre on Diesel, ₹23.56 per litre on PDS Kerosene and 297.80 per cylinder on Domestic LPG. The Government is keeping a close watch on the price situation.

(c)&(d): The OMCs are compensated for their under-recoveries on sale of PDS Kerosene, Domestic LPG and Diesel. Prior to implementation of market determined pricing for Petrol effective 26.06.2010, the OMCs were also being compensated for under-recovery on Petrol.

Under the burden sharing mechanism being followed, these under-recoveries are shared by the Government and the Public Sector Oil Companies. The OMCs are estimated to incur under-recovery of 77,324 crore on sale of petroleum products during 2010-11.

The details of under-recoveries incurred by the OMCs and the sharing thereof during 2008-09, 2009-10 and current year (April-December 2010) are given below:

(Rs. crore)

	2008-09	2009-10	2010-11 (April-December 2010) #
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Total Under-recovery on sensitive petroleum products	1,03,292	46,051	46,963
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Burden sharing through:

- Oil Bonds/Cash Assistance 71,292 26,000 21,000
by Government

- Upstream assistance 32,000 14,430 15,654

Under-recovery absorbed by Nil 5,621 10,309
OMCs/ unmet gap

Burden Sharing Mechanism for 2010-11 is yet to be finalised

Under-recovery on Petrol is upto 25.6.2010.

Apart from compensating for the under-recoveries the Government has also been providing a subsidy of ₹0.82 per litre on PDS Kerosene and 22.58 per cylinder on Domestic LPG from the budget under the 'PDS Kerosene and Domestic LPG Subsidy Scheme, 2002' to the Public Sector Oil Marketing Companies (OMCs). The details of the subsidy given by the Government under the said Scheme to the OMCs during 2008-09, 2009-10 and current year are given below:

(Rs. crore)

2008-09	2009-10	2010-11
(April-December)		

Subsidy on PDS Kerosene and	2,688	2,770	2,050
Domestic LPG			

(e)&(f): Consequent on de-licensing of refinery sector since June, 1998, a refinery can be set up anywhere in India by a Private or Public Sector Enterprise depending on its techno-commercial viability. During the Xth Five Year Plan, the Public Sector oil companies (including their Joint ventures) and Private Sector oil companies have proposed to expand their refining capacity including Greenfield Refineries from the existing 187.386 MMTPA to 237.832 MMTPA.

(g): In order to augment the indigenous crude oil production, Government introduced New Exploration Licensing Policy (NELP) in 1999 to provide a level playing field to all players, Indian or foreign, by giving them the same fiscal and contractual terms for the offered acreages. Till 2009, eight rounds of NELP biddings have been completed.

Other energy sources such as Coal Bed Methane, underground Coal Gasification, bio-fuels and Gas hydrates are also being explored to augment domestic energy supply.