

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

STARRED QUESTION NO:506
ANSWERED ON:08.09.2011
FUEL SUBSIDY
Jagannath Dr. M.

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

- (a) whether the Task Force constituted to study direct transfer of subsidies on Public Distribution System for kerosene and domestic LPG to Below Poverty Line (BPL) families has submitted its report;
- (b) if so, the salient features of the recommendations/ suggestions made by the Task Force;
- (c) the follow-up action taken by the Government thereon; and
- (d) the quantum of money likely to be paid to each of the BPL families in this regard?

Answer

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

(a) to (d): A Statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (d) of Lok Sabha Starred Question No. 506 for 8th September, 2011 asked by Dr. M. Jagannath regarding Fuel Subsidy.

(a): Consequent to Finance Minister's announcement in his Budget Speech, a Task Force has been constituted by the Government in February, 2011 under the Chairperson, Unique Identification Authority of India (UIDAI) to recommend an implementable solution for direct transfer of subsidies on PDS Kerosene, domestic LPG and fertilizers. The Task Force will recommend the methodology for transfer of subsidy equivalent in cash to the entitled beneficiaries. The Task Force has submitted its Interim Report to the Government on 05.07.2011.

(b): The Task Force in its Interim Report has suggested a phased approach for implementing the direct transfer of cash subsidy. The salient features for PDS Kerosene and domestic LPG are as under:

I. Kerosene :-Transfer of cash subsidy for PDS Kerosene has been recommended in the following phases in consultation with the State Governments:-

Phase I - Direct transfer of subsidy to State Governments/UT administration : The amount of Kerosene subsidy released to the State/UT will be only to the extent of Kerosene lifted by the State/UT from the Oil company's depot.

Phase II- Subsidy Transfer to Beneficiaries : Transferring of the cash equivalent of subsidy directly to beneficiaries through their bank accounts by linking transactions to 'Aadhaar'- the UID-based platform.

In order to implement the system, following measures have been recommended by the Task Force :

- (i) The State Governments may be given a year to put in place institutional mechanisms (by 31st March, 2012) for direct transfer of Kerosene subsidy to the beneficiaries,
- (ii) A pilot for direct transfer of Kerosene subsidy will be initiated based on 'Aadhaar' authentication. The subsidy on Kerosene to the State/UT undertaking the pilot is to be linked to actual lifting of Kerosene in the preceding month at full rates,
- (iii) Financial incentives to be considered for States willing to implement direct transfer of Kerosene subsidy earlier than the one year time frame.

II. Domestic LPG : The proposed framework for cash transfer of subsidy for domestic LPG is considered for phase-wise implementation, to ensure a smooth transition from the existing regime over a period of time, without creating any sudden changes for the consumers, and allowing the system to be revamped to take care any eventualities, in the following manner :

Phase I - Cap on consumption of subsidized cylinders for all consumers: The number of cylinders to be issued at the subsidized rate to be restricted per household, contingent to a Government policy decision taken in this regard.

Phase II -Direct transfer of subsidy to consumers: The customers will buy the cylinders at market price while the Government will fix the subsidy per cylinder. OMCs will sell domestic LPG at the market price and the subsidy amount will be directly transferred from Government to the customers' Aadhaar-enabled bank account.

Phase III - Identify and target segmented consumers: The LPG subsidy shall be given to specific categories, and for the remaining consumers, the subsidy will be discontinued.

(c): The Empowered Group of Ministers (EGoM) on under-recoveries of the Oil Marketing Companies has accorded "in principle" approval to the recommendations of the Interim Report of the Task Force relating to the phase-wise implementation of the direct transfer of cash subsidy for LPG and Kerosene. Accordingly, the Government has taken the initiative to launch pilot studies to introduce the changes as proposed in the Interim Report for direct transfer of cash subsidy for domestic LPG, at Hyderabad (Andhra Pradesh) & Mysore (Karnataka), and for PDS Kerosene, at Alwar (Rajasthan).

(d): Since the subsidy on PDS Kerosene and domestic LPG is a dynamic figure, the quantum of subsidy will be as decided by the Government. The Identification of beneficiaries within the eligible category will be the responsibility of the concerned State Government/UT Administration.