

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

UNSTARRED QUESTION NO:2856
ANSWERED ON:18.08.2011
PRICES OF LPG
Badal Harsimrat Kaur

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

- (a) whether the Government is planning to raise the prices of LPG on grounds of free pricing of petroleum products;
- (b) if so, the details thereof;
- (c) whether the Government has made any assessment or conducted any study regarding the advantages or disadvantages of open system of fuel pricing driven by markets and its impact on common man;
- (d) if so, the details thereof; and
- (e) if not, the rationale regarding implementing the same?

Answer

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

(a) and (b): The retail selling price of Domestic LPG is being modulated by the Government and its price is below the required market price. As per the Refinery Gate Price effective 1.8.2011, the Public Sector Oil Marketing Companies (OMCs) are incurring under-recovery of ₹ 247 per 14.2 kg cylinder of Domestic LPG. A proposal is under consideration of the Government to give consumers limited number of cylinders in a year at the subsidised rate. The pricing and marketing modalities have not yet been decided.

(c) to (e): The Expert Group under the Chairmanship of Dr. Kirit S. Parikh was constituted by the Government to advise on a viable and sustainable system of pricing of petroleum products. In the light of the recommendations made by the said Expert Group the price of Petrol has been made market-determined with effect from 26.6.2010. Since then, the Public Sector Oil Marketing Companies (OMCs) take appropriate decisions on the pricing of Petrol in line with the international oil prices and market conditions. As regards Diesel, the Kirit Parikh Committee had recommended that its price may be made market-determined but the Government took a decision 'in principle' that its price would be made market-determined, both at Refinery Gate and Retail Level.

However, in order to insulate the common man from the impact of rise in oil prices in the international market and in view of the domestic inflationary conditions, the Government continues to modulate the Retail Selling Prices (RSP) of Diesel, PDS Kerosene and Domestic LPG.

The primary objective behind the pricing reforms undertaken by the Government is the growing imperative for fiscal consolidation, the need for reducing the subsidy burden on petroleum products so as to allocate more funds to social sector schemes for the common man and for ensuring country's energy security in the long term. Market-determined pricing of Petrol is expected to induce market competition, encourage Oil Marketing Companies to reduce cost, improve efficiency and enhance service standards and thereby provide greater benefit to the consumers.