

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

UNSTARRED QUESTION NO:2919  
ANSWERED ON:18.08.2011  
HIKE IN OIL PRICES  
Raghavan Shri M. K.

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

- (a) The quantity of oil, the International Energy Agency (IEA) is expected to release in the next few months;
- (b) Whether the recent hike in oil prices is at a time when the international market is on downward trend;
- (c) If so, the reasons that lead to frequent price hike of oil products in the recent times;
- (d) Whether the Oil companies are still under loss after the recent hikes; and
- (e) If so, the details thereof?

**Answer**

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

(a) The International Energy Secretariat has informed that the IEA had decided on 23rd June 2011 to release 60 million barrels of oil from its emergency stocks. Thereafter, a detailed assessment of the market fundamentals was undertaken and the IEA has decided not to extend the collective action for release of emergency stocks. The IEA Secretariat has informed that it is monitoring the market and stands ready to release more oil if the situation so warrants.

(b) to (e): The international price of crude oil has been rising consistently in the recent past. The average price of Indian Basket of crude oil, which was \$ 69.76 per barrel in 2009-10, increased to \$ 85.09 per barrel during 2010-11. During 2011-12, the average price of Indian Basket of crude oil is \$ 112.11 per barrel (as on 16.8.2011).

Based on the recommendations of the Kirit Parikh Committee, the Government has made the price of Petrol market-determined both at the Refinery Gate and at the Retail level with effect from 26.06.2010. 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.

To protect the interest of the common man from high international oil prices, the Government has been modulating the retail selling prices of the sensitive petroleum products i.e. Diesel/PDS Kerosene/Domestic LPG and their prices are below the required market price. As a result, the OMCs are incurring under-recoveries on the sale of these petroleum products.

In view of the alarming situation arising out of projected massive under-recoveries of the OMCs of Rs. 1,71,140 crore during 2011-12 (assuming the average price of Indian Basket of \$ 110 per barrel) the Government took the following decisions on 24th June, 2011:-

- (i) Reduction of 5% Customs Duty on Crude Oil and on petroleum products.
- (ii) Reduced Excise Duty on Diesel by Rs 2.60 per liter.
- (iii) The Government will incur an annual revenue loss of Rs. 49,000 crore on account of these reductions.
- (iv) Minimal price increase of Rs. 3/- per liter on Diesel, Rs. 2/- per liter on PDS Kerosene and Rs. 50/- per 14.2 kg Domestic LPG cylinder excluding State levies.

The OMCs are currently incurring under-recoveries of Rs. 4.97 per litre on Diesel, Rs. 23.74 per litre on PDS Kerosene and Rs. 247 per cylinder of Domestic LPG. At these rates, the OMCs are incurring daily under-recovery of Rs. 235 crore.