

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

STARRED QUESTION NO:41

ANSWERED ON:24.11.2011

HIKE IN PRICES OF PETROLEUM AND PETROLEUM PRODUCTS

Bavalia Shri Kuvarjibhai Mohanbhai;Shankar Alias Kushal Tiwari Shri Bhisma

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

- (a) the number of times the prices of petroleum and petroleum products have been raised or rolled back by Oil Marketing Companies (OMCs) after deregulation of the prices of petroleum;
- (b) the number of times the prices of crude oil increased in the international market during the above mentioned period;
- (c) the profits/losses of the OMCs at the time of every increase in the prices of petroleum during the above period;
- (d) the reasons for the continuous increase in the prices of petroleum; and
- (e) the steps taken by the Government to keep the prices of petroleum and petroleum products under control?

Answer

MINISTER OF PETROLEUM AND NATURAL GAS(SHRI S. JAIPAL REDDY)

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

Statement referred to in reply to parts (a) to (e) of Lok Sabha Starred Question No. 41 asked by Shri Bhisma Shanker alias Kushal Tiwari and Shri Kunvarjibhai M. Bavaliya to be answered on 24th November, 2011 regarding "Hike in Prices of Petroleum and Petroleum Products".

(a) to (e): The prices of crude oil and products have been steadily rising in the recent past. The average price of Indian basket of crude oil which was \$85.09 per barrel in 2010-11 has now increased by 30% and the average price during the current financial year is at around \$110 per barrel. Coupled with the upward price movements, the Public Sector Oil Marketing Companies (OMCs) have also been hit by depreciation of Rupee which has depreciated from an average of ` 45.58/\$ during the last year to over ` 50/\$ in November, 2011.

The details of revisions in the Retail Selling Prices (RSPs) of Petrol, Diesel, PDS Kerosene and Domestic LPG since 26.6.2010 along with the price of Indian basket of crude oil on the date of price revision are given in the annexure.

In the light of the recommendations made by the Expert Group set up to advise on a viable and sustainable system of pricing of petroleum products under the Chairmanship of Dr. Kirit S. Parikh, the price of Petrol was made market-determined with effect from 26.6.2010. Since then, the Public Sector Oil Marketing Companies (OMCs) have been taking decision on the pricing of Petrol in line with the international oil prices and market conditions. The price of Petrol was last increased by OMCs on 4.11.2011 by ` 1.50 per litre (excluding state VAT). Subsequently, with effect from 16.11.2011 the OMCs reduced the price of Petrol by ` 1.85 per litre (excluding State VAT) in line with reduction in the price of Petrol in the international market.

The price of international crude and product prices vary daily. However, the refinery gate prices at which the OMCs buy the refined products are revised on fortnightly/monthly basis depending on the product. In spite of rise in crude and product prices, Government continues to modulate the retail selling prices of Diesel, PDS Kerosene and Domestic LPG in order to protect the common man from the impact of inflationary pressures.

Currently, the OMCs are incurring under-recovery on the sale of three sensitive products viz. Diesel, PDS Kerosene and Domestic LPG at the rate of ` 10.17 per litre, ` 25.66 per litre and ` 260.50 per cylinder respectively. Their daily under-recovery amounts to ` 336 crore and monthly under-recovery to ` 10,073 crore on the sale of these products. These under-recoveries have not been passed on to the consumers.

In order to give further relief to the consumers, the Central Government eliminated Customs duty on crude oil with corresponding reduction in Customs duty on petroleum products and reduced Excise duty on Diesel by ` 2.60 per litre with effect from 25.6.2011. Through these measures, Government sacrificed annual revenue of ` 49,000 crore. In spite of these measures, OMCs are expected to incur under-recoveries of ` 1,32,016 crore during the current financial year.

The profits/losses are computed on quarterly basis as per statutory requirements and these cannot be calculated for the day of price revision. The profit/losses of Public Sector OMCs namely, Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation

Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) during the years 2010-11 and 2011-12 (April-September, 2011) are given below:-

**Profit/(Loss) after Tax (PAT) of OMCs
(crore)**

| OMC | 2010-11 | 2011-12 |
|-------|-------------------------|----------|
| | (April-September, 2011) | |
| IOCL | 7,445 | (11,204) |
| BPCL | 1,547 | (5,791) |
| HPCL | 1,539 | (6,445) |
| Total | 10,531 | (23,440) |

During the year 2010-11, the OMCs incurred under-recovery of 78,190 crore. To compensate these under-recoveries, the Government and the Upstream Oil Companies namely, ONGC, OIL and GAIL extended cash assistance/compensation of ` 39,309 crore to IOCL, ` 16,379 crore to BPCL and ` 15,609 crore to HPCL. The OMCs also absorbed under-recovery of ` 6,893 crore. After receipt of this cash assistance/compensation, the OMCs could declare minimal profit during 2010-11.

During the first half of the current Financial Year, the OMCs have incurred under-recovery of ` 64,900 crore. To partly compensate these under-recoveries, the Government has confirmed budgetary support of ` 15,000 crore and Upstream Oil Companies have contributed ` 21,633 crore to OMCs. Despite this, the three OMCs have declared combined loss of ` 23,440 crore. Subsequently, Government has sanctioned cash budgetary support of an additional amount of ` 15,000 crore.