

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

UNSTARRED QUESTION NO:624

ANSWERED ON:24.11.2011

PROFIT EARNED BY ONGC

Adhalrao Patil Shri Shivaji; Adsul Shri Anandrao Vithoba; Dharmshi Shri Babar Gajanan; M. Thambidurai Dr. ; Reddy Shri Anantha Venkatarami; Yadav Shri Dharmendra

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

- (a) whether the Oil and Natural Gas Corporation (ONGC) is earning huge profits despite selling crude oil to State refiners at discount to help compensate them for fuels sold below costs to curb inflation;
- (b) if so, the details thereof;
- (c) whether the ONGC also benefited from a decline in the rupee because sale of oil and gas are priced in dollars;
- (d) if so, the details thereof;
- (e) the number of times the State owned Oil Marketing Companies increased the price of petrol, diesel, LPG, CNG and Kerosene in the current year;
- (f) the actual cost of these products and per unit taxes levied by the Union and State Governments thereon; and
- (g) the steps taken by the Government to reduce the prices of petroleum products alongwith the directions, if any, to the State Governments to cut duty on petroleum products?

Answer

MINISTER IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI S. Jaipal Reddy)

(a) & (b) Since 2003-04, Oil and Natural Gas Corporation Limited (ONGC) has been sharing under-recoveries of Oil Marketing Companies (OMC). The under-recoveries are shared by way of extending discounts on crude oil LPG (Domestic and PDS SKO supplied by ONGC to OMCs/refineries. Although, international price of crude oil over the years have increased manifold, due to sharing of under-recoveries, ONGC is not able to retain such price advantage.

As a result of sharing of under-recoveries, the net realized price of ONGC crude price works out to much below the international price.

The share of under-recoveries and actual Profit After Tax (PAT) of ONGC during last three years is as below:

(Rs. in Crore)

FY	Share of Under-recoveries	PAT
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2008-09#	28,226	16,126
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2009-10	11,554	16,768
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2010-11	24,892	18,924
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(#) Includes additional compensation for import cost of Rupees 943 crore.

ONGC Board has approved Plan Expenditure of Rs.31,316crore for RE 2011-12 and Rs.33,065 crore for BE 2012-13. The fund requirement of this Plan Expenditure will be met through internal resources generated to extent of rs 26,779 crore in RE 2011-12 and Rs.27,971 crore in BE 2012-13 and balance deficit of Rs.4,537 crore in RE 2011-12 and Rs.5,094 crore in BE 2012-13 will be met out of funds drawn from the existing investments or short term borrowings.

In view of this, profits earned by ONGC are not huge and are just sufficient to support its activities and future investment programmes.

(c) & (d) Though, ONGC as a producer is expected to benefit from decline in the rupee as sale oil and gas are priced in dollars, but in view of existing mechanism for sharing of under-recoveries of OMCs, ONGC is not able to retain such price advantage. Further, ONGC is also making payment for certain oil fields services in dollars.

(e) to (g) The information is being collected and will be laid on the Table of the House.