

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

UNSTARRED QUESTION NO:675

ANSWERED ON:24.11.2011

PRICING OF PETROLEUM PRODUCTS

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

- (a)the details of the norms prescribed for fixing and increasing the price of petroleum and petroleum products;
- (b)the role assigned to Oil Marketing Companies in these matters;
- (c)whether any methodology has been evolved so as to ensure that the end consumers do not suffer much as result of frequent price rise of petroleum products; and
- (d) if so, the action taken in this regard?

**Answer**

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

(a)to(d): The Public Sector Oil Marketing Companies (OMCs) pay Trade Parity Price (TPP) for purchase of Diesel and Import Parity Price (IPP) for purchase of PDS Kerosene and Domestic LPG to the refineries. The IPP/ TPP are determined based on the prices of petroleum products prevailing in the international market.

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 (RSPs) of Diesel, PDS Kerosene and Domestic LPG and the present RSPs of these petroleum products are below the required market price. As a result, at present, the OMCs are incurring under-recovery of Rs.10.17 per litre on the sale of Diesel, Rs.25.66 per litre on PDS Kerosene and Rs.260.50 per cylinder of Domestic LPG.

The retail selling prices of other petroleum products except Diesel, PDS Kerosene and Domestic LPG are revised in line with the international oil prices and market conditions by the Public Sector OMCs.

To insulate the end consumers from the high and volatile international oil prices, the Central Government has recently eliminated 5% Customs Duty on crude oil with corresponding reduction in Customs Duty on Petrol and Diesel. Excise Duty on Diesel has been reduced by Rs.2.60 per litre effective 25.06.2011.

Recently, effective 16.6.2011, OMCs have reduced Petrol price by Rs. 1.85 (excluding State VAT) due to reduction in the prices in the international market.