

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

UNSTARRED QUESTION NO:558

ANSWERED ON:15.03.2012

SUBSIDY TO OIL COMPANIES

Shantha J.;Singh Shri Bhola;Vasava Shri Mansukhbhai D.

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

- (a) the details of subsidy or assistance given to petroleum companies and upstream oil companies during each of the last three years alongwith the total revenue earned from the petroleum products during the corresponding period;
- (b) the justification for giving assistance after giving right to the companies to increase oil prices;
- (c) whether the oil companies are receiving assistance on one hand and on the other hand independently increasing oil prices time and again;
- (d) if so, the action taken by the Government to remove this anomaly;
- (e) the subsidies given to consumers by the petroleum companies and Government on kerosene and other petroleum products like LPG, petrol and diesel etc.; and
- (f) the methodology adopted to regulate and fix petroleum prices?

Answer

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

(a): The contribution from taxes and duties on petroleum products to Central Exchequer vis-à-vis the assistance provided by the Government to the Public Sector Oil Marketing Companies (OMCs) since 2008-09 is given below:

(Rs crore)

2008-09 2009-10 2010-11

Contribution to Central Exchequer due to Tax/ Duties on Petroleum Products (a) 71,190 78,443 1,03,580

Payout by Government to OMCs

Oil Bonds/ Cash assistance by Govt. towards OMCs' under recoveries 71,292 26,000 41,000

Subsidy on PDS SKO and Domestic LPG 2,688 2,770 2,904

Freight Subsidy on PDS SKO and Domestic LPG 22 22 22

Gas subsidy for North East 142 159 445

Total Payout to OMCs (b) 74,144 28,951 44,371

Net Contribution to Central Exchequer (a-b) -2954 49,492 59,209

(b)to(d): In the light of the recommendations made by the Expert Group headed by Dr. Kirit S. Parikh, the Government has made the price of Petrol market-determined with effect from 26th June, 2010. Since then, the OMCs take appropriate decision on the pricing of Petrol in line with the international oil prices and market conditions. Even after implementation of the market determined pricing, the OMCs have been making price revisions of Petrol in a guarded manner, at times, absorbing a part of under-recovery themselves.

However, in order to protect the consumer from the inflationary impact of rising international oil prices, the Government continues to modulate the Retail Selling Price (RSP) of Diesel, PDS Kerosene and Domestic LPG. Therefore, the current prices of these products are below their required market price, resulting in under-recovery to the OMCs. As per the refinery gate prices effective 7th March, 2012 the OMCs are incurring under-recovery of Rs 12.17 per litre on the sale of Diesel, Rs 28.66 per litre on the sale of PDS Kerosene and Rs 439.00 per 14.2 KG Cylinder of Domestic LPG. The under recovery being incurred by the OMCs is being compensated under the Burden Sharing Mechanism approved by the Government.

Further, there have been no revisions in the RSP of Diesel, PDS Kerosene and Domestic LPG after 25th June, 2011. Also, there has not been any increase in RSP of Petrol after 4th November 2011. Instead, the prices of Petrol have been reduced by the OMCs twice on 16th November and 1st December, 2011 due to reduction in price of petroleum products in the international markets.

(e): The details of subsidy provided by the Government under the "PDS Kerosene and Domestic LPG Subsidy Scheme, 2002" and the under-recovery incurred by the OMCs on Diesel, PDS Kerosene and Domestic LPG are given below:

Particulars	Diesel Rs per litre	PDS Kerosene Rs per Cylinder	Domestic LPG
-------------	------------------------	---------------------------------	--------------

Subsidy under the "PDS Kerosene and Domestic LPG Subsidy Scheme, 2002".	Nil	0.82	22.58
---	-----	------	-------

Under-recovery incurred by the OMCs	12.17	28.66	439.00
-------------------------------------	-------	-------	--------

Total Subsidy to Consumer	12.17	29.48	461.58
---------------------------	-------	-------	--------

Based on the refinery gate price (RGP) effective 7th March 2012.

As mentioned above, since the prices of Petrol have been made market-determined w.e.f. 26th June, 2010, no subsidy / under-recovery is being provided to the OMCs on sale of Petrol.

(f): The OMCs pay Trade Parity Price (TPP) for purchase of Petrol/Diesel and Import Parity Price (IPP) for purchase of PDS Kerosene and Domestic LPG to refineries. The IPP/ TPP are determined based on prices prevailing in the international market. Further, the desired Retail Selling Prices of sensitive petroleum products for the consumers is calculated by adding the inland freight, marketing margins and duties & taxes to the price paid to refinery.