

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

STARRED QUESTION NO:306
ANSWERED ON:26.04.2012
PRICES OF PETROLEUM PRODUCTS IN INTERNATIONAL MARKET
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) the details of fluctuations in prices of various petroleum products per barrel in the international market during the last three years;
- (b) the details of studies conducted to assess the impact of price rise of various petroleum products on the prices of other essential commodities;
- (c) the details of losses or profits registered by various Oil marketing Companies (OMCs) during the last one decade, company-wise;
- (d) the details of increase in revenue of the Government with the corresponding hike in prices of petrol, diesel and kerosene; and
- (e) the alternatives being explored by the Government keeping in view the rising prices of petroleum products?

Answer

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

(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. 306 asked by Shrimati Sushila Saroj and Shri Kameshwar Baitha to be answered on 26th April, 2012 regarding "Prices of Petroleum Products in International Market."

(a): The prices of crude oil and petroleum products in the international market fluctuate continuously depending on several factors including demand and supply conditions in the world. The average annual prices of Indian basket of crude oil and major petroleum products namely Petrol, Diesel, Kerosene and Liquefied Petroleum Gas (LPG) in the international markets during the last three years are given below :-

Prices of Indian Basket Crude Oil and Petroleum Products in International Market

Year	Crude oil (Indian Basket)	Petrol \$/bbl.	Diesel \$/ MT#	Kerosene	LPG
2009-10	69.76	76.23	74.67	75.35	582.69
2010-11	85.09	92.43	95.66	96.79	745.29
2011-12	111.89	121.60	125.38	125.99	899.42

Notes -

1. The composition of Indian Basket of Crude represents average of Oman & Dubai for sour grades and Brent

(Dated) for sweet grade in the ratio of 63.5:36.5 for 2009-10, 67.6:32.4 for 2010-11 and 65.2:34.8 for 2011-12.

2. Price of Petrol is 92 Research Octane Number (RON) unleaded for Singapore market.

3. Price of Kerosene & Diesel (0.5% sulphur) is for Arab Gulf Market.

4. LPG Price is Saudi Aramco Contract Price (CP) based on 60:40 butane / propane ratio. bbl. - Barrel # MT - Metric Tonne.

(b): An Expert Group under the Chairmanship of Dr. Kirit S. Parikh was constituted by the Government to advise on a viable and sustainable system of pricing of petroleum products. In respect of Petrol, the Committee observed that Petrol being largely an item of final consumption has a very limited impact on inflation. On the other hand, Diesel is used in several sectors, inter-alia, in agriculture sector, as fuel in the transport sector, for generation of power, industrial usage, etc. Any increase in diesel prices, therefore, has a cascading effect on the inflation.

(c): The details of Profit and Loss declared by the Public Sector Oil Companies since 2002-03 alongwith details of compensation received from the Government and Upstream Oil Companies and the loss they would have suffered without this compensation is given in Annexure.

(d): During 2010-11, the contribution to the Central Exchequer through taxes/duties on crude oil and petroleum products, from dividend to the Government and income tax was ` 1,36,497 crore. The Excise duties on Petrol and Diesel are specific at the rate of `14.78 per litre and ` 2.06 per litre (including education cess) respectively. The Excise duties on PDS Kerosene and Domestic LPG are NIL. Hence, Central Government revenue does not increase with increase in the price of these products. The Central Government provided Rs. 41,000 crore to the OMCs to part fund their under-recovery of ` 78,190 crore; and ` 2904.25 crore and ` 22.32 crore under the "PDS Kerosene and Domestic LPG Subsidy Scheme 2002" and "Freight Subsidy (For Far Flung Areas) Scheme, 2002" respectively. The total contribution to the State Government Exchequer through VAT, Royalty, Octroi, Entry Tax and Dividend income etc. in 2010-11 was ` 88,997 crore. State taxes comprise of, inter-alia, Sales Tax/VAT, Entry Tax, etc. Rates of Sales Tax/VAT are either ad-valorem or ad-valorem plus specific basis. Whenever there is an increase in Retail Selling Prices of these petroleum products, the State Government's Sales Tax/VAT collection goes up correspondingly.

(e): India is importing more than 80% of its requirement of crude oil. The price of crude oil has generally been rising in the international market. Keeping in view the rising price of petroleum products, following measures have been taken to accelerate hydrocarbons exploration and production activities to meet the increasing demand of fuel:

(i) Carving out more areas of exploration for offer under various rounds of New Exploration Licensing Policy

(NELP) / Coal Bed Methane (CBM) Policy.

(ii) Application of Enhanced Oil Recovery (EOR) / Improved Oil Recovery (IOR) techniques for increasing recovery factor from existing fields.

(iii) Acquisition of exploration acreages and production properties overseas to bring in equity oil.

(iv) Substitution of oil through use of alternative/ non-conventional sources of energy.