

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

UNSTARRED QUESTION NO:3634

ANSWERED ON:26.04.2012

LOSSES OF OIL COMPANIES

Lingam Shri P.;Muttamwar Shri Vilas Baburao;Pakirappa Shri S.;Shekhar Shri Neeraj;Singh Shri Yashvir;Sudhakaran Shri K.

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

- (a) the details of revenue loss being incurred presently by Oil Marketing Companies (OMCs) on petrol, diesel and other petroleum products due to rise of crude oil prices in the international market;
- (b) whether the OMCs have warned of disruptions in fuel supplies if retail prices of petroleum products are not hiked.;
- (c) if so, the details thereof alongwith the reaction of the Government thereto;
- (d) the steps being taken by the Government to compensate the OMCs for the losses being incurred by them including cut on excise duty on petrol; and
- (e) the expected hike in prices of petroleum products to offset the alleged losses?

Answer

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

(a): In the light of the recommendations made by the Expert Group under the chairmanship of Dr. Kirit S. Parikh, the price of Petrol has been made market-determined with effect from 26.6.2010. However, the Government continues to modulate the retail selling price of Diesel, PDS Kerosene and Domestic LPG in order to insulate the common man from the impact of rise in international oil prices and the domestic inflationary conditions. This results in incidence of under-recoveries to the Public Sector Oil Marketing Companies (OMCs). The OMCs are currently incurring under-recovery of ` 14.29 per litre on the sale of Diesel, ` 31.04 per litre on PDS Kerosene and ` 570.50 per 14.2 kg cylinder of Domestic LPG (based on the refinery gate prices effective 16.4.2012 for Diesel & 1.4.2012 for PDS Kerosene and Domestic LPG).

(b): Yes Madam. OMCs have intimated that in case the prevailing under-recoveries are not adequately compensated, it may adversely impact the supply-demand balance of petroleum products.

(c) and (d): The under-recoveries of OMCs are being partially compensated by the Government through cash assistance and by upstream oil companies through discount on crude and petroleum products under the Burden Sharing Mechanism.

Further, in order to reduce the burden of the rise in international oil prices on the consumers, Government took the following decisions on 24th June, 2011:-

- (i) Elimination of 5% Customs Duty on Crude Oil and reduction in Customs Duty on petroleum products by 5%.
- (ii) Reduction of Excise Duty on Diesel by ` 2.60 per litre. The remaining Excise Duty of ` 2.06 per litre on Diesel could not be reduced as it is earmarked towards Road and Education cess.
- (iii) Minimal price increase of ` 3/- per litre on Diesel, ` 2/- per litre on PDS Kerosene and ` 50/- per 14.2 kg Domestic LPG cylinder excluding State levies.
- (e): The prices of three sensitive petroleum products viz Diesel, PDS Kerosene and Domestic LPG have not been increased after 25.06.2011. At present, there is no proposal to increase the prices of these sensitive petroleum products.