

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

UNSTARRED QUESTION NO:3661
ANSWERED ON:26.04.2012
APM FOR PETROLEUM PRODUCTS
Jakhar Shri Badri Ram

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

- (a) whether the Government have decided to end the Administered Price Mechanism (APM) for petroleum products;
- (b) if so, the details thereof alongwith the reasons therefor;
- (c) the alternative mechanism likely to be developed by the Government to protect the interests of the common man; and
- (d) the benefits likely to be accrued to the Oil Marketing Companies due to change in the policy?

Answer

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

(a) to (d): With effect from 1.4.2002, the Administered Pricing Mechanism (APM) for petroleum products was dismantled and it was decided that the prices of all petroleum products, except PDS Kerosene and Domestic LPG, would be market-determined. The primary objective behind the reforms undertaken by the Government was the growing imperative for fiscal consolidation, the need for reducing the subsidy burden on petroleum products so as to allocate more funds to social sector schemes for the common man, and for ensuring country's energy security in the long term. However, in view of the steep increase and high volatility in the international oil prices since 2004-05, the Government started modulating the Retail Selling Prices (RSPs) of the four sensitive petroleum products; namely Petrol, Diesel, PDS Kerosene and Domestic LPG sold by the three Public Sector Oil Marketing Companies (OMCs) to protect the consumer from the inflationary impact of international oil prices.

In the light of the recommendations made by the Expert Group set up to advise on a viable and sustainable system of pricing of petroleum products under the Chairmanship of Dr. Kirit S. Parikh, the price of Petrol has been made market-determined with effect from 26.6.2010. Also, the Government took a decision 'in principle' on 25.06.2010 that the price of Diesel would be made market-determined, both at Refinery Gate and Retail Level. However, in order to insulate the common man from the impact of rise in international oil prices and the domestic inflationary conditions, the Government continues to modulate the retail selling prices of Diesel, PDS Kerosene and Domestic LPG.