

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

UNSTARRED QUESTION NO:4550
ANSWERED ON:03.05.2012
SUBSIDY BY UPSTREAM OIL COMPANIES
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether a formula was set in the year 2003-04 for bearing the amount of subsidy given on petroleum products under which one-third of the subsidy has to be borne by the upstream oil companies;
- (b) if so, the details thereof;
- (c) whether 41.5 per cent and 38.75 per cent of the subsidy was recovered from the oil companies by ignoring the said formula during the years 2006-07 and 2010-11 respectively;
- (d) if so, the details thereof; and
- (e) the reasons for ignoring the said formula during the said years?

Answer

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

(a) to (d): In order to insulate the common man from the impact of rise in international oil prices and the domestic inflationary conditions, the Government has been modulating the retail selling price (RSP) of the sensitive petroleum products viz. Petrol (decontrolled w.e.f. 26.6.2010), Diesel, PDS Kerosene and Domestic LPG resulting in incidence of under-recoveries to the Oil Marketing Companies (OMCs). The Government has evolved a Burden Sharing Mechanism since 2003-04 to ensure that the burden of under-recoveries incurred by OMCs is shared by all the stakeholders in the following manner:

i. Government through oil bonds/ cash assistance; ii. Public Sector Upstream Oil Companies namely, Oil and Natural Gas Corporation (ONGC), Oil India Limited (OIL) and GAIL (India) Limited (GAIL) by way of price discount on Crude oil and products. iii. Public Sector Oil Marketing Companies, by absorbing a part of the under-recoveries. iv. Consumers, by minimal price increase.

The details of under-recovery incurred by the OMCs vis-À-vis the burden shared by upstream companies since 2006-07 are given below:-

(Rs crore)				
Year	Total Under-recovery	Burden Shared by Upstream Sector		
	Rs crore	Rs crore	Percentage	
2006-07	49387	20507	41.52	
2007-08	77123	25708	33.33	
2008-09	103292	32000	30.98	
2009-10	46051	14430	31.33	
2010-11	78190	30297	38.75	
2011-12 (up to Dec. '11)	97313	36894	37.91	

(e): The extent of sharing by Public Sector Upstream Oil Companies, inter alia, depends on the quantum of total under-recoveries incurred by OMCs and the burden sharing formula finalized by the Ministry of Finance in consultation with the Ministry of Petroleum & Natural Gas.