

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

UNSTARRED QUESTION NO:4555
ANSWERED ON:03.05.2012
COMPENSATION TO OMCS WITH CASH
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether the Government is considering to compensate the Oil Marketing Companies (OMCs) with cash instead of the practice of issuing bonds;
- (b) if so, the details thereof and the reasons therefor; and
- (c) the funds allocated for this purpose during the Twelfth Five Year Plan?

Answer

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

(a) to (c): Under the burden sharing mechanism, Government is providing partial compensation of the under-recovery incurred by the Public Sector Oil Marketing Companies (OMCs). Government had issued Oil bonds to the OMCs for their under-recoveries up to the year 2008-09. However, since 2009-10, the Government has been providing cash assistance to the OMCs towards the share of the Government for compensating the under-recoveries of the OMCs.

Compensation of under-recoveries depends upon various factors including the price of the commodities in the international market as well as in the domestic market, changes in volume of consumption and ability of the oil companies to share it. Hence, it is not possible to estimate the under recovery for future years. Therefore, it is difficult to evolve a fixed policy to fund under-recovery as it varies from quarter to quarter even in a particular year. However, the details of compensation/assistance given to the OMCs by the Government during 2011-12 (actual) and budget estimate for 2012-13 are given below:-

(RS crore)

S. No.	Type of Subsidy/ Compensation	2011-12	2012-13 (BE)
1	Fiscal subsidy under 'PDS Kerosene and Domestic LPG Subsidy Scheme, 2002'	3,000	3,050
2	Fiscal subsidy under Subsidy under 'Freight Subsidy (For Far-Flung Areas) Scheme, 2002'	23	26
3	Compensation to OMCs for under-recoveries	45,000	40,000
4	Natural Gas subsidy for North East	458	504
5	Total Subsidy (1+2+3+4)	48,481	43,580

during April-December 2011.