

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

UNSTARRED QUESTION NO:6715
ANSWERED ON:17.05.2012
HIKE IN PRICE OF PETROLEUM PRODUCTS
Sivasami Shri C.

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

- (a) whether the Reserve Bank of India (RBI) has favoured the hike in prices of petroleum products;
- (b) if so, the details thereof;
- (c) whether the Government is considering to hike the prices of the said products keeping in view the RBIs views in this regard; and
- (d) if so, the details thereof?

Answer

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

(a) & (b): Reserve Bank of India, in its Monetary Policy Statement-2012-13, has stated that going by the recent burden-sharing arrangements with the Public Sector Oil Marketing Companies (OMCs), the budget estimate of compensation for under-recoveries of OMCs at the present level of international crude prices is likely to fall significantly short of the required amount. Any slippage in the fiscal deficit would have implications for inflation. Moreover, the fiscal deficit of the Central Government has remained elevated since 2008-09. The fiscal slippage in 2011-12 was also significantly high. Even though the Union Budget envisaged a reduction in the fiscal deficit in 2012-13, several upside risks to the budgeted fiscal deficit remain. In particular, containment of non-plan expenditure within the budget estimates for 2012-13 is contingent upon the Government's ability to adhere to its commitment of capping subsidies.

Further, RBI has stated that, from the perspective of vulnerabilities emerging from the fiscal and current account deficits, it is imperative for macroeconomic stability that administered prices of petroleum products are increased to reflect their true costs of production.

(c) to (d): An Empowered Group of Ministers (EGoM) is in place to consider all issues relating to under-recoveries by the OMCs on sale of Diesel, PDS Kerosene and Domestic LPG, and other related issues and take final decision to address all pertinent issues, including revision of prices.