

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

UNSTARRED QUESTION NO:6730  
ANSWERED ON:17.05.2012  
SUBSIDY SHARING BY OMCS .  
Sugumar Shri K.

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

- (a) whether the oil companies have demanded for a fair and equitable mechanism for sharing of subsidy;
- (b) if so, the details thereof;
- (c) whether the oil companies have rejected the formula proposed by the Government; 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) to (d): 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.

Compensation of under-recoveries depends upon various factors including the price of petroleum in the international market and in the domestic market, changes in volume of consumption and ability of the oil companies to share it. Therefore, it is difficult to evolve a fixed formula for sharing of under-recovery under the Burden Sharing Mechanism. The Burden Sharing Formula is finalized by the Ministry of Finance in consultation with Ministry of Petroleum and Natural Gas.