

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

STARRED QUESTION NO:32  
ANSWERED ON:09.08.2012  
HIKE IN PETROL PRICES  
Shekhar Shri Neeraj;Singh Shri Bhupendra

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

- (a) the number of times the prices of petroleum and petroleum products have been increased or rolled back by the Oil Marketing Companies (OMCs) after deregulation of the prices of petroleum, till date;
- (b) the reasons for continuous increase in the prices of petroleum along with the number of times the prices of crude oil increased in the international market during the aforesaid period;
- (c) the production cost of petrol, diesel and Compressed Natural Gas (CNG) including the administrative expenditure involved and the profit/losses of OMCs at the time of every increase in the prices of petroleum along with the revenue earned by the Government therefrom during the above period;
- (d) the level at which decision to hike prices of petroleum products including diesel is taken; and
- (e) the steps taken by the Government to keep the prices of petroleum and petroleum products under control and to insulate the common man from undue burden?

**Answer**

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

(a) to (e): A statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (e) of Lok Sabha Starred Question No. 32 asked by Shri Neeraj Shekhar and Shri Bhoopendra Singh to be answered on 9th August, 2012 regarding "Hike in Petrol Prices."

(a) & (b): In the light of the recommendations made by the Expert Group headed by Dr. Kirit S. Parikh, the Government has made the price of Petrol market-determined with effect from 26.06.2010. Since then, the public sector Oil Marketing Companies (OMCs) take appropriate decision on the pricing of Petrol in line with the international oil prices and market conditions. Even after implementation of the market determined pricing, the OMCs have been making price revisions of Petrol in a guarded manner, at times, absorbing a part of under-recovery themselves. However, the Government continues to modulate the Retail Selling Price (RSP) of Diesel, PDS Kerosene and Domestic LPG in order to insulate the common man from the impact of rise in international oil prices and the domestic inflationary conditions.

The details of revision in RSP of Petrol, Diesel, PDS Kerosene and Domestic LPG along with the price of Indian basket of crude oil on the date of price revision since 26.06.2010 i.e. the day on which the price of petrol was deregulated, are given at Annexure.

The cost of petroleum products mainly depends upon the price of crude oil, which constitutes over 90% of the total cost. Since India imports about 83% of its crude oil requirements, the international oil prices necessarily have a bearing on the domestic prices of petroleum products. The Government does not have any control on the prices of crude oil and petroleum products in the international market and these prices fluctuate on a daily basis depending on several factors including demand and supply conditions in the world.

(c): Refining of crude oil is a process industry, where crude oil constitutes around 90% of the total cost. Crude oil is processed through several processing units. Each of these units produces intermediate product streams, which require further reprocessing and blending. As it is difficult to apportion the total cost amongst individual refined products, product-wise costs are not identified separately. Pricing of CNG is not regulated by the Government. The price of CNG is determined by the respective City Gas Distribution (CGD) operator/entity based on weighted average price of gas sourced by them.

Further, the profits/losses are computed on quarterly basis as per statutory requirement and these cannot be calculated for the day of price revision. During 2010-11 and 2011-12, the PSU OMCs could collectively make a meager profit of Rs.10,531 crore and Rs.6,177 crore respectively, after taking into account the cash assistance from Government and the discount on sale of crude oil and products by upstream oil companies. The profit/losses of OMCs namely, Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL) during the years 2010-11 and 2011-12 are as under:-

Profit/(Loss) after Tax [PAT] of OMCs

(Rs. crore)

OMC	2010-11	2011-12
IOCL	7,445	3,954
BPCL	1,547	1,311
HPCL	1,539	911

Total 10,531 6,177

As regards revenue earned by the Government, during 2010-11 and 2011-12, the contribution to the Central Exchequer through taxes/duties on crude oil and petroleum products, dividend to the Government and income tax etc. was ` 1,36,497 crore and ` 1,19,850 crore respectively. Since the Excise Duty on Petrol and Diesel is specific in nature, the revenue of Central Government does not increase with increase in the price of these products. The total contribution to the State Government Exchequer through VAT, Royalty, Octroi, Entry Tax and Dividend income etc. in 2010-11 and 2011-12 was ` 88,997 crore and ` 1,12,919 crore respectively. Since the rate of Sales Tax/VAT is either ad-valorem or ad-valorem plus specific, the revenue of State Governments goes up with price increase.

(d): During the period from 27.10.2010 to 25.7.2012 the Empowered Group of Ministers (EGoM) considered all issues relating to under-recovery by the OMCs on sale of the four sensitive Petroleum products, viz., Petrol (upto 25.06.2010, when price of Petrol was made market determined), Diesel, PDS Kerosene and Domestic LPG, other related issues and took decisions. After 25.7.2012 the issues(s) relating to under recoveries of Oil Marketing Companies in respect of Diesel, PDS Kerosene and Domestic LPG, as and when necessary, will be considered by the appropriate Cabinet Committee/Cabinet.

(e): The price of Petrol has been made market-determined with effect from 26.6.2010. Even after implementation of the market determined pricing, the OMCs have been making price revisions of Petrol in a guarded manner, at times, absorbing a part of under-recovery themselves. However, the Government continues to modulate the retails selling price of Diesel in order to insulate the common man from the impact of rise in international oil prices and the domestic inflationary conditions resulting in incidence of under-recovery to the OMCs. Under the burden sharing mechanism, these under-recoveries are being shared by the stakeholders in the following manner:-

(i) Government through 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-recovery.

In addition, to reduce the burden of the rise in international oil prices on the consumers, Government took the following decisions on 24th June, 2011:-

(iv) Elimination of 5% Customs Duty on Crude Oil and reduction in Customs Duty on petroleum products by 5%.

(v) Reduction of Excise Duty on Diesel by Rs.2.60 per litre. The remaining Excise Duty of Rs. 2.06 per litre on Diesel could not be reduced as it is earmarked towards Road and Education cess.

(vi) Minimal price increase of Rs.3/- per litre on Diesel, Rs.2/- per litre on PDS Kerosene and Rs.50/- per 14.2 kg Domestic LPG cylinder excluding State levies.

Through above measures listed from serial (i) to (iii), the Government sacrificed an amount of Rs.49,000 crore annually.

OMCs are currently selling Diesel, PDS Kerosene and Domestic LPG below the required price and are incurring under-recovery of Rs.12.06 per litre on the sale of Diesel, Rs.28.54 per litre on PDS Kerosene and Rs.231 per 14.2 kg cylinder of Domestic LPG (based on the refinery gate prices effective 1.8.2012).