

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

STARRED QUESTION NO:25

ANSWERED ON:23.11.2012

CAP ON SUBSIDISED LPG CYLINDERS

Dhanapalan Shri K. P.;Khaire Shri Chandrakant Bhaurao

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

- (a) whether the Government is considering to review the per year cap on LPG cylinders being provided to the consumers and to reduce the price of non-subsidised cylinders for the poor people;
- (b) if so, the details thereof;
- (c) the details of subsidy provided on LPG cylinders during the last three years along with the rationale for increasing the prices and reducing the subsidy on LPG cylinders in the country;
- (d) the methodology adopted by the Government to calculate the profitability in LPG and whether the Government has allowed the Oil Marketing Companies to fix the rate of LPG according to the open market; and
- (e) if so, the details thereof indicating the difference in LPG prices in the international market and the consumer retail price in India?

Answer

MINISTER OF PETROLEUM & NATURAL GAS (Dr. M. VEERAPPA MOILY)

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

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF THE LOK SABHA STARRED QUESTION NO. 25 BY SHRI CHANDRAKANT KHAIRE & SHRI K.P. DHANAPALAN TO BE ANSWERED ON 23RD NOVEMBER, 2012 REGARDING CAP ON SUBSIDISED LPG CYLINDERS.

(a)& (b) :Representations have been received to revise the annual cap, which are being looked into. As per the decision of Cabinet Committee on Political Affairs (CCPA), the price of cylinders beyond the cap of 6 per year would be available at market rate to be notified by the Public Sector Oil Marketing Companies (OMCs) on monthly basis.

(c) The details of subsidy provided by the Government on the LPG Cylinders during the last three years i.e., 2009-10, 2010-11 and 2011-12 are as under:

Per Unit & Total Subsidy Provided to Consumer on Domestic Subsidized LPG

Year Total subsidy amount (Rs. Crore)

Per Unit Subsidy (Rs./Cyl.)	From Govt. Budget	By Govt. Cos.	Total subsidy	Oil to consumers
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2009-10	200.71	1814	14257	16071
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2010-11	272.52	1974	21772	23746
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2011-12	342.88	2137	29997	32134
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: Provisional figures for the first half (Apr-Sept) of 2012-13

In order to insulate the common man from the impact of rise in international oil prices and domestic inflationary conditions, the Government continues to modulate the retail selling price of subsidized Domestic LPG, among others, resulting in incidence of under-recoveries to the OMCs. The OMCs are currently incurring under-recovery of Rs.478.50 per 14.2 kg subsidized Domestic LPG cylinder(based on the refinery gate price effective 1.11.2012). In addition, Government provides a fiscal subsidy of Rs.22.58/cylinder on domestic subsidized cylinder.

During the year 2011-12, the OMCs incurred under-recovery of Rs.1,38,541 crore on sale of Diesel, PDS Kerosene and Domestic LPG. The OMCs need to be compensated in order not only to maintain their financial health but also to allow them to generate resources for capital expenditure, modernization and acquisition of assets for future growth.

On 13th September, 2012, the Government decided to restrict the supply of subsidized domestic LPG to each consumer at 6 cylinders (of 14.2 kg) per annum. However, the base price of the subsidized domestic LPG cylinders was not revised. The increase of Rs. 11.50 per cylinder w.e.f. 5th/6th October, 2012 was on account of revision in the Distributor's commission.

(d) & (e): The Government only modulates the price of domestic subsidized LPG. Oil Marketing Companies are free to fix prices of other categories of LPG in consonance with prevailing international prices. The price of domestic subsidized LPG is based on import parity price as recommended by Dr. Rangarajan Committee in 2006. As per the Refinery Gate Price on 1st November 2012, the Retail Selling Price of domestic subsidized LPG at Delhi is Rs. 410.50 per 14.2 kg cylinder. As reported by OMCs the current price of domestic non-subsidized 14.2 kg LPG cylinder is Rs. 895.50 at Delhi. The Free on Board (FoB) price at Arab Gulf, taken as the international price benchmark, translates to Rs 738 per 14.2 kg cylinder. The difference in the FoB price at Arab Gulf and the price of a 14.2 kg non-subsidized cylinder at Delhi is on account of ocean freight from Arab Gulf to Indian ports, import related charges, inland freight, marketing cost and margin, cylinder bottling charges and distributor commission.