

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

UNSTARRED QUESTION NO:2009
ANSWERED ON:08.03.2013
PRODUCTION COST OF PETROLEUM PRODUCTS
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) the details of actual production cost of petrol, diesel and kerosene per litre and of LPG per kilogram, item-wise;
- (b) the methodology followed by the Oil Marketing Companies (OMCs) in calculating the production cost of per litre petrol, diesel, kerosene and per kilogram of LPG gas;
- (c) whether the OMCs are suffering from under-recoveries;
- (d) if so, the details thereof along with the procedure for calculating the under-recoveries; and
- (e) the steps being taken by the Government to reduce under-recoveries of the OMCs?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SMT.PANABAANKA LAKSHMI)

(a) & (b) 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 extensive reprocessing and blending. This results in difficulty in apportioning the total cost to individual refined products with reasonable accuracy. Therefore, individual product-wise costs are not identified separately.

(c) & (d) In order to insulate the common man from the impact of rise in oil prices in the international market and in view of the domestic inflationary conditions, Government continues to modulate the Retail Selling Price (RSP) of Diesel (partially), PDS Kerosene and Subsidized Domestic LPG resulting in incidence of under-recoveries on the sale of these products to the Public Sector Oil Marketing Companies (OMCs). Based on the Refinery Gate Price (RGP) effective 1.3.2013, OMCs are incurring under-recovery of rs 11.26 per litre on the retail sale of Diesel, rs 33.43 per litre on PDS Kerosene and rs 439.00 per 14.2 kg cylinder on Subsidized Domestic LPG. The details of calculation of the under-recovery of Diesel (to retail consumers), PDS Kerosene and Subsidized Domestic LPG effective 1.3.2013 are given at Annexure.

(e) The Government has taken the following reform measures:

- (i) The price of Petrol has been made market determined with effect from 26.06.2010;
- (ii) OMCs have been authorized to (a) increase the retail selling price of Diesel in the range of 40 paise to 50 paise per litre per month (excluding VAT as applicable in different State/Union Territories) until further orders; and (b) sell Diesel to all consumers taking bulk supplies directly from the installations of the OMCs at the non-subsidized market determined price since 18.01.2013; and
- (iii) Restrict the supply of subsidized domestic LPG cylinders to each consumer to 9 cylinders (of 14.2 kg) per annum with effect from 18.01.2013.