

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

UNSTARRED QUESTION NO:4270
ANSWERED ON:22.03.2013
PRICES OF PETROLEUM PRODUCTS
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether there is no mechanism to regulate the prices of petroleum products, Compressed Natural Gas (CNG) and Piped Natural Gas (PNG) at present in the country;
- (b) if so, the details thereof;
- (c) the reasons for delay in notifying section 11
- (f) of the Petroleum and Natural Gas Regulatory Board Act; and
- (d) the corrective steps taken by the Government to prevent restrictive trade practices in the marketing of petroleum products and natural gas?

Answer

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

(a) & (b) In the light of the recommendations made by the Expert Group headed by Dr. Kirit S. Parikh, the Government 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.

However, in order to insulate the common man from the impact of rise in oil prices in the international market and from 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 OMCs. In the light of the recommendations of the Kelkar Committee and in order to reduce the under recovery of OMCs, the Government, on 17.01.2013, authorized OMCs to (a) increase the retail selling price of Diesel in the range of 40 paisa to 50 paisa 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 with immediate effect.

Even after the above measures, based on the Refinery Gate Price effective 16.03.2013 for Diesel and 1.3.2013 for PDS Kerosene and Subsidized Domestic LPG, the OMCs are incurring under recovery of rs 8.64/ litre on sale of Diesel (to retail customers), rs 33.43/ litre on PDS Kerosene and rs 439.00 per 14.2 kg cylinder of Subsidized Domestic LPG.

The retail price of PNG/CNG in any city is fixed by the City Gas Distributor (CGD) entity operating in the city. The price of PNG/CNG is not decided or approved by the Government. The CGD entity uses a varying mix of domestic gas, Long-term RLNG and spot RLNG prices. The price of PNG/CNG is a function of the weighted average of the price of gas (domestic gas/RLNG/Spot LNG), operating expenses, various Central, State and Local taxes and levies.

(c) & (d) Considering the volatility of the international oil prices and in view of the Government's commitment to provide sensitive petroleum products to the common man at affordable price, the Government has been modulating retail selling prices of Diesel (to retail consumers), PDS Kerosene and Domestic LPG.