

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

UNSTARRED QUESTION NO:5274

ANSWERED ON:26.04.2013

SUBSIDY SHARING BY OIL COMPANIES

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

- (a) the details of present mechanism for sharing of subsidy among various Oil Companies;
- (b) whether the various upstream Oil Companies disagree with the present mechanism and have demanded for an amicable formula for sharing of subsidy;
- (c) if so, the details thereof along with the reasons therefor; and
- (d) the corrective measures being taken or proposed to be taken by the Government in this regard?

Answer

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

(a): The under-recoveries incurred by the Public Sector Oil Marketing Companies (OMCs) are compensated through 'Burden Sharing Mechanism' in the following manner:

Government through Cash Assistance.

Public Sector Upstream Oil Companies viz. Oil and Natural Gas Corporation Limited, Oil India Limited and Gas Authority of India Limited through price discount on crude oil and petroleum products to OMCs.

OMCs to bear a portion of the under-recoveries.

Compensation of under-recoveries depends upon various factors including the price of petroleum in the international market, domestic retail selling prices, volume of consumption and ability of the oil companies to share the burden and is finalized by the Ministry of Finance in consultation with the Ministry of Petroleum and Natural Gas.

For the financial year 2011-12, Ministry of Finance has decided that out of the total under recovery of ` 1,38,541 crore, the Public Sector Upstream Oil Companies shall contribute ` 55,000 crore (@ US\$56 per barrel) and the balance ` 83,500 crore will be contributed by the Government. During Financial Year 2012-13, the Public Sector Upstream Oil Companies have contributed ` 45,251 crore (@ US \$ 56 per barrel provisionally) and Government has contributed 55,000 crore towards compensation of under-recovery of OMCs for the period from April, 2012 to December, 2012.

(b) to (d): The Public Sector Upstream Oil Companies have represented that their share in the burden sharing of under recovery of OMCs is continuously increasing and should be reduced.