

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

UNSTARRED QUESTION NO:3412  
ANSWERED ON:30.08.2013  
PRICING OF PETROLEUM AND GAS  
Raghavan Shri M. K.

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

- (a) whether the domestic pricing of petroleum products and gas is based on the need to attract Foreign Direct Investment (FDI) in the country;
- (b) if so, the details thereof along with the reasons therefor;
- (c) the details of the benefits extended to the foreign investors in this regard;
- (d) whether higher price for petroleum products and gas is not based on actual expenditure but inclined to benefit FDI investors; and
- (e) if so, the details thereof and the measures taken to protect the interest of the domestic consumers in the country?

**Answer**

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

(a) to (e): As recommended by Dr. Rangarajan Committee in 2006, the Public Sector Oil Marketing Companies (OMCs) pay Trade Parity Price (TPP) for purchase of Diesel and Import Parity Price (IPP) for purchase of PDS Kerosene & Domestic LPG from the refineries. The IPP/ TPP are determined based on prices prevailing in the international market. The brief details of IPP/ TPP are given below:

# Import Parity Price (IPP) – IPP represents the price that importers would pay in case of actual import of product at the respective Indian ports and includes the elements of:

{FOB price + Ocean Freight + Insurance + Custom Duties + Port Dues, etc.}

# Export Parity Price (EPP) – EPP represents the price which oil companies would realize on export of petroleum products

{FOB price + Advance License benefit (for duty free import of crude oil pursuant to export of refined products)}

# Trade Parity Price (TPP) – TPP consists of 80% of Import Parity Price and 20% of Export Parity Price.

The following elements are taken into account while calculating the Retail Selling Price (RSP) of Diesel, PDS Kerosene and Domestic LPG:

# Price paid to refinery

# Inland freight up to the market

# Marketing Margin

# LPG bottling charges

# Dealer/ Distributors commission

# Excise duty

# Value added tax and local levies

However, in order to insulate the common man from the impact of rise in international oil prices and the domestic inflationary conditions, the Government continues to modulate the RSPs of Diesel (to retail consumers), PDS Kerosene and Subsidized Domestic LPG and their prices are below the required market price, resulting in incidence of under-recovery to the OMCs on sale of these products.

As per the Refinery Gate Price (RGP) effective 16.8.2013, the OMCs are incurring under-recovery of ` 10.22/ litre on sale of Diesel (to retail consumers), ` 33.54/ litre on PDS Kerosene and ` 411.99 per 14.2 kg cylinder on Subsidized Domestic LPG.

Further, the Production Sharing Contract (PSC) between Government and operator provides for sale of gas at competitive arms-length prices to the benefit of parties to the contract and that the gas price formula / basis would require approval of the Government prior to sale of natural gas to the consumers / buyers.

Domestic gas pricing is not based on the need to attract Foreign Direct Investment in the Country. However, appropriate gas price is likely to encourage accelerated exploration efforts by the contractors which may lead to new hydrocarbon discoveries. The higher gas price may enable development and monetization of stranded gas discoveries in onland and offshore areas.