

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

UNSTARRED QUESTION NO:3425

ANSWERED ON:30.08.2013

PRICING OF PETROLEUM PRODUCTS

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

- (a) whether there are differences between his Ministry and Ministry of Finance regarding the fixing of the sale price of petroleum products in the country;
- (b) if so, the details thereof;
- (c) whether the Government proposes to fix prices of petroleum products as per their cost of production in the country; and
- (d) if so, the details thereof and if not, the reasons therefor?

**Answer**

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

(a) to (d): As per the prevailing pricing policy, 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 and Subsidized Domestic LPG from refineries. The IPP/TPP is determined based on the prices prevailing in the international market.

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 RSP of Diesel in retail, PDS Kerosene and Subsidized Domestic LPG and their prices have not been revised in line with changes in the international market. As a result, the OMCs have incurred under-recovery of ` 1,61,029 crore during 2012-13 and ` 25,579 crore during April-June, 2013.

Based on the current Refinery Gate Price (RGP), the OMCs are incurring under-recovery of ` 10.22/ litre on Diesel (to retail consumers), ` 33.54/ litre on PDS Kerosene and ` 411.99/ Cylinder on Subsidized Domestic LPG (as per RGP effective 16.8.2013 for Diesel and 1.8.2013 for PDS Kerosene and Subsidized Domestic LPG). Except for the above three regulated products, prices of other petroleum products are determined by the oil marketing companies.

Now, an Expert Group under the chairmanship of Dr. Kirit S. Parikh has been constituted by the Government to advice on pricing methodology of petroleum products.