

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

UNSTARRED QUESTION NO:162

ANSWERED ON:19.11.2009

RATIONALIZATION OF SUBSIDY ON PETROLEUM PRODUCTS

Swamygowda Shri N Cheluvarya Swamy

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

(a) whether the Government has planned to rationalize the subsidy on petroleum products instead of burdening only few oil Public Sector Undertakings as being done in present;

(b) if so, the details thereof; and

(c) whether the steps taken by Government to balance the oil pricing mechanism by imposing lesser burden on the consumers in the event of hike in the international oil price?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI JITIN PRASADA)

(a)to(c): For the purpose of grant of subsidy on petroleum products, Government is administering 'PDS Kerosene and Domestic LPG Subsidy Scheme, 2002' and 'Freight Subsidy (For Far Flung Areas) Scheme, 2002'. Under these two Schemes, Government is giving subsidy on PDS Kerosene and Domestic LPG from the fiscal budget to the Public Sector Oil Marketing Companies (OMCs).

In view of increasing price volatility in the international market since 2004-05, the Government as an administrative measure, advised the OMCs to modulate the price increase in Petrol and Diesel besides maintaining prices of the subsidized petroleum products.

As passing on the entire impact of the increase in the oil prices to the consumers would have resulted in a steep increase in the domestic prices and aggravated inflationary conditions, the Government has been following an equitable Burden Sharing Mechanism, to ensure that the burden of under-recoveries was shared by all the stakeholders; namely the Government, the Public Sector Oil Companies and the consumers in the following manner :

Government through issue of Oil Bonds

Domestic upstream oil companies by offering price discounts to OMCs

OMCs to bear a portion of the under recoveries and

Consumers to bear minimal price increases.

By adopting this approach, the Government has not only protected the consumers from high international oil prices but has also ensured the financial health of the Public Sector Oil Marketing Companies.