

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

UNSTARRED QUESTION NO:2314
ANSWERED ON:03.12.2009
SUPPLY OF LPG WITH HIGHER BUTANE
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether butane and propane is mixed in different proportions to form LPG in order to claim subsidy thereby resulting in loss of Rs.40.97 crore during five years ended March 2008 and supply of LPG with higher butane;
- (b) if so, whether the oil companies failed to use the suggested linkages leading to frequent deviations/ manual interventions;
- (c) if so, the details thereof;
- (d) whether due to wide gap between the prices of subsidized LPG and commercial LPG, the oil companies failed to exercise control on the diversion of domestic LPG for commercial usage;and
- (e) if so, the number of cases of diversion of domestic LPG for commercial usage came to light in the last three years and the action taken by the Government thereon?

Answer

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

(a): As per the Government approved PDS Kerosene and Domestic LPG Subsidy Scheme, 2002, the desired Cost Price of Domestic LPG is derived by considering weighted average of international prices of Butane and Propane with weightage of 60% and 40% respectively. However, Butane and Propane are not produced separately at the refineries, and LPG with varying ratios of Butane & Propane, is produced so as to meet BS 4576 specifications. In case of imports, Butane & Propane are imported separately. The ratios of imports of Butane & Propane depend upon availability as well as the facilities to handle them at port locations, where these are blended to match BS 4576 specifications.

(b)&(c): The linkages for bulk LPG from various sources to the bottling plants and from bottling plants to the markets mainly depend upon the following :

- (i) Availability of LPG at source/import terminal
- (ii) Distance of the bottling plant from source/import terminal.
- (iii) Bottling plant capacity
- (iv) Market demand
- (v) Mode of bulk transportation and the transportation cost.

The linkages for a particular month are finalised before beginning of the month with the above assumptions / inputs. However, during the month, some linkages are required to be changed due to the following :

- (i) Disruption in LPG availability at sources/non-uniform availability due to non-plan shutdowns/other operational reasons.
- (ii) Non-materialisation of the projected demand in the markets.
- (iii) Fluctuation in bottling levels at the bottling plants due to various constraints.
- (iv) Delay in arrival of LPG import vessels at the ports.
- (v) Bandhs/strikes/natural calamities etc.

(d)&(e): The Public Sector Oil Marketing Companies (OMCs) have detected 1,470 cases of diversion of Domestic LPG by their LPG distributors in the country during the last three years and during April-August, 2009. Action against the erring distributors was taken as per provisions of Marketing Discipline Guidelines (MDG)/ Distributorship Agreement.