

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

UNSTARRED QUESTION NO:3460

ANSWERED ON:10.12.2009

PRODUCTION COST OF LPG

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

- (a) whether production cost of LPG has been assessed by the Government;
- (b) if so, the average production cost of LPG during the last three years and the current year; and
- (c) the percentage of taxes, cess and surcharges of the Central and State Governments levied on LPG during the aforesaid years?

Answer

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

(a)to(b): In petroleum refining, crude oil is processed through numerous processing units. The finished petroleum products are produced from a blend of various intermediate streams. The major element of cost in the refining process is the cost of crude oil, which constitutes around 95% of total cost of production. In addition, the refineries incur operating expenses towards salaries & wages, chemicals & catalysts, power & water, repairs & maintenance, depreciation and other overheads. The blending of intermediate products streams from various process units for making finished petroleum products results in difficulty in allocating the total costs to individual refined products, with a reasonable degree of accuracy. Therefore, individual product-wise costs are not calculated by the Companies separately.

(c): Domestic LPG is a subsidized product. Customs and Excise Duties on Domestic LPG have been made "NIL" w.e.f. 1st March, 2005 by the Union Government. Further, Domestic LPG was made a "Declared Goods" under the Central Sales Tax Act, capping the maximum Sales Tax/ VAT rate at 4% effective 19.4.2009 across the country.