

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

UNSTARRED QUESTION NO:3109

ANSWERED ON:16.03.2015

DELAY IN SUBSIDY TO OMC

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

- (a) whether the Government has noticed the delay in releasing subsidy on sale of petroleum products to the Oil Marketing Companies (OMCs) during each of the last three years and the current year;
- (b) if so, the details thereof along with profit/loss incurred by Public Sector OMCs under the Ministry during the said period, company-wise;
- (c) whether the recent crash of crude oil prices in the international market leading to huge margin on selling of petroleum products to OMCs in the country during the current year;
- (d) if so, the details on the basis of margin earned by OMCs on sale of petroleum products in the country; -i-
- (e) whether the Government has implemented the Kirit Parikh Committee report for calculating under-recoveries on the basis of trade-parity pricing instead of import/export parity price and if so, the details thereof;
- (f) whether the State Governments including Gujarat have requested to exempt the public transport system/State Transport Undertakings from the definition of bulk users of diesel and exempt them from differential pricing arrangement and if so, the details thereof; and (g) whether the Government proposes to subsidise branded fuel products across the country along with initiatives taken by OMCs about judicious use of petroleum products and fuel conservation campaign in the country and if so, the details thereof?

Answer

MINISTER OF STATE (I/C) IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI PHARMENPRA PRADHAN)

(a) & (b): The amount of under-recovery incurred by the Public Sector Oil Marketing Companies (OMCs) on sale of subsidized petroleum products depends on a variety of factors, such as price of crude oil and petroleum products in international markets. Rupee - Dollar exchange rate, etc, resulting in difficulty in correct estimation of under-recoveries. The budgetary support towards compensation of under recoveries of the OMCs is decided by the Government under a burden sharing mechanism in which Public Sector Upstream Oil Companies, OMCs and Government share the burden of under recovery.

After receiving audited figure of under recovery of OMCs at the end of every quarter, the Government decides the share of Public Sector Upstream Oil Companies and Government towards compensation of under recoveries of the OMCs and intimates the same to all concerned.

The details of Net profit/loss reported by the OMCs since 2011-12 are given below:
(Rs. crore)

Oil Companies	2011-12	2012-13	2013-14	2014-15
	(April-December			
	, 2014)			

IOCL	3,954	5,005	7,019	-1,012
HPCL	911	905	1,734	571
BPCL	1,311	2,643	4,061	2,232

(c) & (d): Sharp fall in the prices of crude oil and petroleum products has led to inventory losses amounting to ₹ 23,651 crore approximately for the OMCs during the period April - December, 2014. The OMCs have reported combined loss of ₹ 2,411 crore in 3rd quarter of the financial year 2014-15 as compared to a Profit After Tax

(PAT) of ₹ 416 crore in 2nd quarter of the financial year 2014-15.

(e): The Expert Group under the chairmanship of Dr. Kirit S. Parikh, in its report of October 2013, has recommended that the Government should take steps to make the prices of petroleum products market determined. Till that time, the prevailing pricing methodology based on Trade Parity Price (TPP) for Diesel and Import Parity Price (IPP) for PDS Kerosene and Domestic LPG should be continued.

Subsequently, the price of Diesel has been made market determined effective 19th October 2014. The pricing methodology for PDS Kerosene and Subsidized Domestic LPG continues to be on the basis of Import Parity Pricing (IPP).

(f). With effect from 19th October, 2014 the Government has made the price of Diesel market determined both at Refinery Gate and Retail Level for consumers.

(g): There is no such proposal before the Government, at present.

Petroleum Conservation and Research Association (PCRA) is a nodal agency in promoting fuel conservation in the country and is taking many initiatives for fuel conservation.