

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

UNSTARRED QUESTION NO:2056

ANSWERED ON:09.03.2015

UNDER RECOVERIES IN PRICES OF PETROLEUM PRODUCTS

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

- (a) whether the Public Sector Oil Marketing Companies (OMCs) have incurred loss due to higher inventory on account of steep fall in crude oil prices resulting as under recoveries in pricing of certain petroleum products in the current year;
- (b) if so, the subsidy provided by the Government to OMC/upstream companies during the last three years and the current year, OMC/ product-wise including Kerosene and LPG;
- (c) whether the Government plans to revisit the subsidy formula of petroleum products including crude oil for upstream/downstream public/ private sector companies in view of the recent fall in international crude oil prices;
- (d) if so, whether the cost of the production is also taken into account while determining the amount of subsidy and if so, the details thereof, product-wise including CNG/PNG/LPG and kerosene and
- (e) whether the oil import bill has been drastically reduced during the current year and if so, the details thereof along with the steps taken by the Government to reduce the prices of petroleum products in proportion to reduction in prices of crude oil in international market, product-wise?

**Answer**

MINISTER OF STATE (I/Q IN THE MINISTRY OF PETROLEUM AND NATURAL GAS

(SHRI DHARMENPRA PRADHAN)

(a) & (b): The Public Sector Oil Marketing Companies (OMCs) have reported that due to continuous and significant decrease in prices of crude oil and petroleum products, they are incurring huge inventory losses. During the period April - December, 2014, the inventory losses of OMCs amounted to approximately 23,651 crore. However, it is not compensated to OMCs through Burden Sharing Mechanism, under-recovery.

The details of the under-recovery incurred by the OMCs on sale of regulated petroleum products i.e. Diesel (upto 18.10.2014). Subsidized Domestic LPG and PDS Kerosene during the last three years and current year are given in Annexure-1.

(c): The prices of Petrol and Diesel have been made market determined w.e.f. 26.06.2010 and 19.10.2014 respectively. OMCs take appropriate decision on their prices in line with the international prices of these products and market conditions.

As regards PDS Kerosene and Subsidized Domestic LPG, the Government continues to modulate the prices of Subsidized Domestic LPG and PDS Kerosene. Also, no subsidy is being provided to private sector oil companies.

(d): Refining of crude oil is a process industry, where crude oil constitutes around 90% of the total cost. Crude oil is processed through several processing units. Each of these units produces intermediate products streams, which require further reprocessing and blending. As it is difficult to apportion the total cost amongst individual refined products, product-wise costs are not identified separately.

The PSU OMCs pay Import Parity Price (IPP) to refineries for PDS Kerosene and Domestic LPG (subsidized). The difference between the desired price based on IPP

principle and actual selling price realized (excluding taxes and dealer commission) represents the under-recoveries of oil companies.

(e): The details of import bill of crude oil and petroleum products in the current year (April -December, 2014) and previous year (April -December, 2013) are given in Annexure 2. It may be seen that the crude oil import bill during the period April -December, 2014 has reduced in rupee terms by 761,726 crore vis-à-vis April-December, 2013.

The prices of Petrol and Diesel have been market determined and OMCs take appropriate decision on their prices in line with the international prices of these products and market conditions.

The prices of PDS Kerosene and Subsidized Domestic LPG are dependent on the international prices of these products. The Government continues to modulate the Retail Selling Price (RSP) of PDS Kerosene and Subsidized Domestic LPG resulting in under-recovery to OMCs.