

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

STARRED QUESTION NO:106
ANSWERED ON:01.12.2014
PETROLEUM PRODUCT PRICES
Ajmal Shri Sirajuddin;Gutha Shri Sukender Reddy

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

- (a) the details of crude oil prices in the international market imported by various Oil Marketing Companies (OMCs) during the last two years and the current year along with its landed cost;
- (b) the details of prices of petroleum products including petrol, diesel, kerosene, ATF and LPG and the production costs, taxes levied and subsidies provided, product- wise during the said period;
- (c) whether the global crude oil prices such as Brent/Nymex crude oil are linked to petroleum products prices in the country;
- (d) if so, the details thereof along with the moderation of subsidy on petroleum products by the Government during the said period; and
- (e) the efforts made by the Government to regulate the prices of petroleum products with reference to global crude oil price?

Answer

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

(a) to (e): A statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (e) of the Lok Sabha Starred Question No.106 asked by Shri Sirajuddin Ajmal and Shri Gutha Sukhender Reddy to be answered on 1st December, 2014 regarding Petroleum Product Prices.

(a): The Indian basket of Crude Oil represents a derived basket comprising of Sour grade (Oman & Dubai average) and Sweet grade (Brent Dated) of Crude oil processed in Indian refineries in the ratio of 72.04:27.96 during 2013-14. The average prices of Indian Basket Crude oil during 2013-14 and 2014-15 is given below:

Year	2012-13	2013-14	2014-15
			(up to 24.11.14)
Indian Basket Crude oil (\$/bbl)	107.97	105.52	99.46

The details of crude oil imported by the Public Sector Oil Marketing Companies (OMCs) alongwith landed cost during 2012-13, 2013-14 and 2014-15 (April to October, 2014) are given below:

OMCs	Landed cost of imported crude oil					
	2012-13		2013-14		2014-15	
	(April to October, 2014)					
	Quantity	Value	Quantity	Value	Quantity	Value
	(MMT)	(/ MT)	(MMT)	(/ MT)	(MMT)	(/ MT)
IOCL	42.49	45218	42.88	48901	25.71	46962
BPCL	17.01	46049	16.71	50409	11.17	48765
HPCL	12.06	43578	11.89	49087	6.04	47426

(b): The details of retail selling price (RSP) of major petroleum products at Delhi, since 1st April 2012 are given at Annexure 1.

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. It is difficult to apportion the total cost amongst individual refined products, hence product-wise costs are not identified separately. The detailed price buildup showing price excluding taxes, taxes levied by the Central and State Governments and subsidy/ under-recovery on Diesel, PDS Kerosene and Domestic LPG, at Delhi at beginning of last two years and the current year are given at Annexure 2.

(c):As per the existing pricing mechanism, the OMCs pay Import Parity Price (IPP) when they purchase PDS Kerosene and Domestic LPG from the refineries. The IPP is determined based on the prices of respective product in the international market (Arab Gulf) and represents the price that importers would pay in case of actual import of product at the respective Indian ports.

However, the prices of all other products, including Petrol and Diesel, have been made market determined and the same are decided by the OMCs.

(d) & (e): As regards moderation of subsidy, the Government has taken following actions during last two years, which have resulted in reduction in subsidy/ under-recovery on the petroleum products:

(i) Diesel: In order to reduce under-recovery on sale of Diesel, the Government on 17.01.2013 authorized the OMCs to (a) increase the retail selling price of Diesel in the range of 40 paisa to 50 paisa per litre per month (excluding VAT); and (b) sell Diesel to all consumers taking bulk supplies directly from the installations of the OMCs at the non-subsidized market determined price. Effective 19th October 2014, the price of Diesel has been made market determined for all consumers.

(ii) PDS Kerosene: The quota of PDS Kerosene has been rationalized over the years resulting in reduction in subsidy.

(iii) Domestic LPG: Effective 14th September, 2012, the Government decided to cap the supply of Subsidized Domestic LPG cylinders for each domestic LPG consumer to 6 cylinders (of 14.2 Kg) per annum, which was subsequently increased to 12 cylinders since 30th January, 2014. The Government has also launched Modified Direct Benefit Transfer of LPG (DBTL) scheme w.e.f. 15.11.2014 in 54 districts for direct transfer of subsidy on LPG. The scheme is due to be launched in rest of the country w.e.f. 01.01.2015. This will reduce diversion of domestic LPG.

In order to insulate the common man from fluctuating global prices of crude oil, the Government continues to modulate the retail selling price of Subsidized Domestic LPG and PDS Kerosene, resulting in incidence of under recoveries to the OMCs. The details of under recoveries incurred by the OMCs since 2012-13 are given below:

(` crore)

Year	Diesel	PDS Kerosene	Domestic LPG	Total
(till 18.10.2014)				
2012-13	92,061	29,410	39,558	1,61,029
2013-14	62,837	30,574	46,458	1,39,869
H1, 2014-15	11,656	14,857	24,597	51,110