

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

UNSTARRED QUESTION NO:4630
ANSWERED ON:22.12.2014
DEREGULATION OF DIESEL AND NATURAL GAS PRICING
Scindia Shri Jyotiraditya Madhavrao

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

- (a) whether the Government has deregulated the prices of diesel and determined the price formula for natural gas in order to free the economy from the clutches of fuel subsidy;
- (b) if so, the details thereof; and
- (c) the steps taken by the Government to protect the consumers from the likely situation, if any, of the frequent and steep rise in the prices of petroleum products by the oil marketing companies in future?

Answer

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

(a) & (b): Effective 19th October 2014, the Government has made the price of Diesel market determined, both at retail and refinery gate level, for all consumers.

Further, the Government has notified the New Domestic Natural Gas Pricing Guidelines, 2014 on 25th October, 2014. As per the guidelines, the wellhead gas price (P) would be determined as per the formula given below:

$$P = \frac{V_{HH} P_{HH} + V_{AC} P_{AC} + V_{NBP} P_{NBP} + V_{R} P_{R}}{V_{HH} + V_{AC} + V_{NBP} + V_{R}}$$

Where

- (i) VHH = Total annual volume of natural gas consumed in USA & Mexico.
(ii) VAC = Total annual volume of natural gas consumed in Canada.
(iii) VNBP = Total annual volume of natural gas consumed in European Union (EU) and Former Soviet Union (FSU) countries, excluding Russia.
(iv) VR = Total annual volume of natural gas consumed in Russia.
(v) PHH and PNBP are the annual average of daily prices at Henry Hub (HH) and National Balancing Point (NBP) respectively, less US \$ 0.50/mmbtu towards transportation and treatment charges.
(vi) PAC and PR are the annual average of monthly prices at Alberta Hub and Russia respectively less US \$ 0.50/ mmbtu towards transportation and treatment charges.

(c): Since deregulation of Petrol and Diesel prices effective 26.6.2010 and 19.10.2014 respectively, the Public Sector Oil Marketing Companies (OMCs) are taking decision on prices of these products in line with international prices and other market conditions. The price of Petrol has come down to ` 61.33/litre on 16.12.2014 from ` 76.06/litre on 14.09.2013 in Delhi, i.e., a decline of ` 14.73/litre. Similarly, the price of Diesel has come down to ` 50.51/litre on 16.12.2014 from ` 58.97/litre on 31.08.2014 in Delhi, i.e., a decline of ` 8.46/litre.

In order to protect the domestic consumers from the impact of high international oil prices, the Government continues to modulate the retail selling prices of PDS Kerosene and Subsidized Domestic LPG and their basic prices have not been increased in line with the international prices since 25.06.2011.