

**GOVERNMENT OF INDIA
CIVIL AVIATION
LOK SABHA**

UNSTARRED QUESTION NO:3596
ANSWERED ON:15.12.2014
AVIATION FUEL HEDGING
Gandhi Shri Feroze Varun

Will the Minister of CIVIL AVIATION be pleased to state:

- (a) the norms/rules to facilitate the airlines to hedge their aviation fuel requirements;
- (b) whether the National Carriers including Air India are currently hedging their aviation fuel requirements; and
- (c) if so, the details thereof and if not, the plan of National Carriers to hedge their aviation fuel requirements in future?

Answer

Minister of CIVIL AVIATION (Shri Ashok Gajapathi Raju Pusapati)

(a) Airlines require to comply with following regulatory requirements before starting the process of fuel hedging in India.

(i) Approval of RBI.

(ii) Appointment of authorized dealer with whom the transaction would be routed.

(iii) Appointment of counter parties in order to carry out the derivative transactions.

(iv) The Airlines would also have to sign an International Swap Dealers Association (ISDA) agreement with each of the counter party with whom they will be hedging.

(b) & (c) Air India has been steadily exploring the volatile market to hedge aviation fuel from October 2013 till now, the Company has hedged fuel for the total quantity of 110,000 barrel (quantity 10,000 barrel/per deal). The strike rate for the quantity hedged is in the range of US\$ 112 per barrel to US\$ 122 per barrel. The Company has been watching the market and will hedge aviation fuel in the future as well.