

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:3306  
ANSWERED ON:12.12.2014  
COST BASED STUDY ON PETROLEUM PRODUCTS  
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**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Government had asked the Tariff Commission for cost based study of petroleum products of National Oil Marketing Companies;
- (b) if so, the details thereof;
- (c) whether the study report has been received;
- (d) if so, the outline of the conclusion of the study; and
- (e) if not, the reasons therefore?

**Answer**

Minister of State for Finance (SHRI JAYANT SINHA)

- (a) Yes sir.
- (b) The terms of Reference of the cost based study of the petroleum products of National Oil Marketing Companies (OMCs) were as follows:
  - (i) To suggest methodology for estimating quantum of under recoveries to public sector Oil Marketing companies (OMCs) on sale of petrol, diesel, kerosene and liquefied petroleum gas (LPG) at Govt. regulated prices;
  - (ii) To suggest appropriate reference price to be adopted for estimating under recoveries of public sector OMCs by examining:
    - a) Cost structure of own refineries and marketing and distribution cost, and normative cost and sale prices;
    - b) Import parity/Trade parity prices;
    - c) Cost of import;
    - d) Cost of procurement from other sources etc.Review and make recommendations on burden sharing mechanism for under recoveries with stake holders i.e. Oil Marketing Companies and upstream producers (ONGC, OIL and GAIL) and examine the same with reference to profitability and margins of stakeholders.
- (c) Yes sir.
- (d) Inter-alia, the Cost Based Study has made recommendations on pricing policy to be followed for Upstream Companies and Oil Marketing Companies (OMCs), consolidation of operations under various segments of the three OMCs, separation of refinery and marketing functions, necessity to create a mechanism for better coordination regarding capacity expansion, reduction of entitlements of Kerosene under PDS, tax reforms and need to encourage cleaner sources of energy.
- (e) Does not arise.