16.041/2 hrs.

Title: Regarding revision in prices of petroleum products - Laid.

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI RAM NAIK): Hon. Members are well aware that the oil prices have been showing a volatile trend for the last 18 months. They have increased to more than three times. The price of Brent crude which was $ 10.23 per barrel (Rs.3,313 per tonne) in February, 1999 increased to $ 27.26 per barrel (Rs. 8,944 per tonne) by March, 2000 and to a ten year high of over $ 37 per barrel (Rs.12,000 per tonne) in September, 2000. The average price during the period October 1 to November 19, 2000 has been $ 31.65 per barrel (Rs.10,828 per tonne).

India imports 70 per cent of its total crude oil needs. The import bill which was Rs. 53,500 crore in 1999-2000 is expected to reach over Rs. 80,000 crore in 2000-01. On account of the volatile trend in the prices of crude oil and petroleum products in the international market, the oil pool deficit which had come down to Rs.3,408 crore at the end of 1998-99, increased to around Rs. 6,300 crore as on 31.3.2000 and would have gone up to Rs. 23,600 crore by March 31, 2001 at the prices that were put in place on March 23, 2000 and continued upto September 29, 2000. Such a high level of deficit in the oil pool account was not sustainable as it would have affected the liquidity of the oil companies adversely making it extremely difficult either to import or process crude oil and market products. The Government, therefore, decided to increase the prices effective 29/30th September, 2000.

After the revision in the consumer prices, Government had received many representations from various quarters. Honourable Prime Minister had directed to

* Laid on the Table

have a re-look on the price corrections. The Government, after considering all aspects of the matter, have now decided to reduce the retail selling price of PDS kerosene, the domestic fuel of the poor, by around Re 1 per litre; and of domestic fuel of the poor, by around Re 1 per litre; and of domestic LPG, the fuel used for cooking in about 5.5 crore households by housewives, by around Rs.10 per cylinder. These reductions in the prices of PDS kerosene and domestic LPG will come into force from the midnight of 21st/22nd November, 2000.

Before the price increase of September 30, 2000, estimated subsidy on kerosene for public distribution was Rs. 8.21 per litre, on domestic LPG Rs. 171 per cylinder, on diesel Rs.5.29 per litre and on ATF Rs. 2.64 per litre, considering an average crude oil price of $ 30 per barrel.

Taking into account the sharp increase in the oil prices in the international market, the Government decided to pass on to the consumers only 1/3rd of the oil pool deficit by the end of the current financial year. While taking the decision, Government recognised that it would not be possible to burden the consumers to a steep increase and, therefore, decided to absorb a substantial portion of the deficit into its own revenues by reducing the duties of customs and excise.

The price of diesel was revised along with reduction in the duty of excise from 16% to 12%. The increase at the retail level ranged between Rs.2.52 per litre to Rs. 3.63 per litre, depending upon local levies etc. Price increase in most places was within Rs.3 per litre. The current level of subsidy, based on November 2000 prices, is estimated to be Rs.3.43 per litre.

The price of kerosene for public distribution was revised upwards that resulted in the increase at the retail level between Rs.2.70 per litre to Rs.2.98 per litre, depending upon local levies etc. The level of subsidy, at November 2000 prices, is estimated to be Rs.6.98 per litre today. After the reduction in the retail selling price by around Re 1 per litre announced just now, the subsidy would go up to Rs. 7.87 per litre from November 22, 2000.

The price of domestic LPG was revised upwards that resulted in the increase at the retail level between Rs.36.20 per cylinder to Rs.37.65 per cylinder, depending upon local levies etc. The level of subsidy, at November 2000 prices is estimated to be Rs.143.76 per cylinder today. After the reduction in the retail selling price by around Rs.10 per cylinder announced just now, the subsidy would go up to Rs. 152.31 per cylinder from November 22, 2000.

ATF is to be de-regulated before March 2001. To bring the domestic price to international level, the price of ATF was increased. The increase ranged between Rs. 3.60 per litre to Rs. 3.76 per litre, depending upon local levies etc. ATF is currently priced around import parity level.

MS was cross subsidising PDS kerosene and domestic LPG. Consequent to the revision effective 30.09.2000, prices at the retail level increased in the range of Rs.2.35 per litre to Rs.3.47 per litre depending upon local levies etc. Price increase in most places was within Rs. 3 per litre. Currently, MS carries a cross subsidy of Rs.7.04 per litre.

The increases in the selling prices effected from September 30, 2000 were expected to give an amount of about Rs. 8,000 crore to the oil pool account during the current financial year. After the downward revision in the prices of kerosene for public distribution and domestic LPG announced by me just now, the inflow into the pool account during the current financial year from the price increases of September 30, 2000 would now be around Rs. 7,400 crore, i.e. Rs. 600 crore less than the amount estimated earlier. As I mentioned a little while ago, Government have reduced customs duties on crude oil from 15% to 10% and on petroleum products (including transportation fuels like MS, HSD, AFT) from 25% to 20%. Further excise duties have been reduced from 16% to 12% on HSD and from 32% to 16% on MS. Since kerosene and LPG carry an excise duty at the lowest rate of 8%, it could not be reduced further. These import duty concessions amount to Rs.2400 crore and those of excise duty to Rs.1600 crores making a total of Rs.4,000 crore. As the crude oil prices after the price revision continue to be over US $ 30 per barrel, and the dollar-Rupee ration also has adverse impact, it is estimated that the deficit would further add at the rate of Rs.250 per month for each one dollar increase in the oil price.

I may also mention here that the final prices to the consumers include an element of State sales tax also, which in some of the States is as high as 34%. Whenever basic prices are increased, the *ad-valorem* rates of sales taxes have a cascading effect on the retail selling prices. Therefore, I have suggested to all the Chief Ministers to suitably adjust the sales tax rate so as to neutarlise the impact of *ad-valorem* sales tax levy on the consumer prices when the basic prices are increased. I am happy to state that the Chief Minster, Goa has favourably responded by reducing the sales tax.

The increase in the consumer prices has become inevitable in view of the abnormally high prices of oil and products in the international market. If the corrections in the consumer prices announced were not made, it would have been impossible for the oil marketing companies to source crude oil and products to meet the domestic demand. We can only hope that the crude oil prices would come down to the levels that are affordable to our country.

(Also placed in Library. See No. LT 2365/2000)

MR. SPEAKER: Hon. Members, please go to your seats.

...(*Interruptions*)

MR. SPEAKER: I am coming to that point. Please go back to your seats. What is this?

...(*Interruptions*)

MR. SPEAKER: About the Adjournment Motion, I am going to tell you. Please go back to your seats.

...(*Interruptions*)

MR. SPEAKER: I am coming to that point only. I am going to tell you about it. First, please go back to your seats.

...(*Interruptions*)