

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

UNSTARRED QUESTION NO:730
ANSWERED ON:24.07.2003
IMPORT OF PETROLEUM PRODUCTS BY ESSAR OIL
MAHBOOB ZAHEDI

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

- (a) whether State-owned Oil Marketing Companies are facing the risk of losing a major chunk of their bulk consumers of diesel with Essar Oil set to become the first private company that can undercut them through cheaper imports;
- (b) if so, whether Essar Oil contracted 20,000 tonnes of diesel after the new export - import policy allowed Oil Companies with marketing licenses to directly import petro products;
- (c) if so, whether this will allow Essar Oil to price its diesel cheaper by at least 40 paise a litre on the basis of import parity;
- (d) whether this will put the State-owned Oil Marketing Companies at a disadvantageous position; and
- (e) if so, the corrective steps taken to protect the interest of Oil Companies?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SMT. SUMITRA MAHAJAN)

(a) to (e): With the dismantling of administered pricing mechanism effective 1.4.2002, the pricing of diesel has been decontrolled. Further, effective 1.4.2003, the companies like M/s Essar Oil, who have been granted rights for marketing of transportation fuels in terms of the Resolution No.P-23015/1/2001-MKT dated 8.3.2002 of the Ministry of Petroleum and Natural Gas, can directly import transportation fuels including diesel. As per information available, M/s Essar Oil has imported diesel during May and July 2003.

In a free market scenario, the public sector oil marketing companies would need to compete with the private players in the marketing of diesel.