

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

UNSTARRED QUESTION NO:492

ANSWERED ON:04.12.2003

SALE OF CRUDE OIL TO OIL PROCESSING COMPANIES

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

- (a) whether the crude oil producing companies in the country sell crude oil to crude oil processing companies at the prevailing international rates;
- (b) if so, the facts thereof;
- (c) the reasons for allowing oil producing companies to sell crude oil to other companies at the prevailing international market rates in the country;
- (d) whether the crude oil producing companies make a huge profit by selling crude oil at the prevailing international market rates; and
- (e) if so, the details thereof?

Answer

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

(a) to (e): With the dismantling of Administered Pricing Mechanism (APM) in the Petroleum Sector effective 1.4.2002, the price of indigenous crude oil of National Oil Companies (NOC`s) i.e.

(b) Oil and Natural Gas Corporation Limited (ONGC) and Oil India Limited (OIL) has become market determined.

Post APM, ONGC and OIL have entered into crude oil supply agreements with the public sector refining companies which inter-alia contain appropriate pricing clauses for different types of crude oils including linkage with international marker crude oils. Under these agreements, while, high international prices of crude oil would benefit NOCs, low prices would go against their interests. The profit after tax of ONGC and OIL during 2002-03 was Rs.10,529.22 crore and Rs.9,16.70 crore respectively.