

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

UNSTARRED QUESTION NO:594  
ANSWERED ON:04.12.2003  
MODIFICATION IN LPG AND KEROSENE SUBSIDY SCHEME  
GANGASANDRA SIDDAPPA BASAVARAJ

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

- (a) whether the Union Government have announced major modifications in the domestic LPG (cooking gas) and kerosene subsidy scheme 2003;
- (b) if so, whether the new scheme, oil marketing companies will be allowed to recover one-third of the under-recoveries on sale of these two fuels;
- (c) if so, the details of the new mechanism announced by the Government;
- (d) the time by which it is likely to be introduced; and
- (e) to what extent it has been helpful and welcomed by all?

**Answer**

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

(a) to (e): As per the Government decision on dismantling of Administered Pricing Mechanism (APM) in the petroleum sector, the Government subsidy on PDS Kerosene and Domestic LPG is on flat rate basis and after accounting for the same, the Oil Marketing Companies (OMCs) could vary the retail selling prices in line with the variations in the international prices of these products.

PDS Kerosene and Domestic LPG are domestic fuels of mass consumption. Passing of higher international prices of these products in the domestic selling prices would have hurt the consumers. The matter was therefore re-examined and it was decided in consumer interest that the OMCs will not increase the selling prices of these products during 2003-2004 and the resultant under-recoveries of the OMCs, would be absorbed/shared amongst the oil companies.

As per the broad mechanism finalized for sharing of these under-recoveries amongst the oil PSUs, the OMCs would strive to make up for about one-third of the projected under-recoveries by cross-subsidization through other retail products and the balance under-recoveries would be shared between the OMCs and the upstream companies (ONGC and GAIL).