

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

UNSTARRED QUESTION NO:2353  
ANSWERED ON:08.12.2005  
ZERO COUPON OIL BONDS  
Chitthan Shri N.S.V.

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

- (a) whether the Government is planning to issue Zero-Coupon Oil Bonds to cover the subsidy burden of Public Sector Oil Companies;
- (b) if so, the details thereof; and
- (c) the time by which these bonds are likely to be issued ?

**Answer**

MINISTER OF PETROLEUM & NATURAL GAS AND PANCHAYATI RAJ (SHRI MANI SHANKAR AIYAR)

(a) to (c) : With the declared intention of moving towards market-determined pricing for petroleum products, Government announced the dismantling of the Administered Pricing Mechanism (APM) effective 1.4.2002. However, there has been an unprecedented, sharp and spiraling increase in international oil prices, particularly since late 2003, combined with considerable week-to-week and even day-to-day volatility. Therefore, Government, in June 2004, elucidated the principles which would govern its policy of containing the burden of increase in international prices on consumers of sensitive petroleum products. It was decided that the burden should be equitably shared by consumers, the Government and the oil companies. Therefore, the full impact of the international price increase has not been passed on to consumers of sensitive products and OMCs have been modulating the price increase in petrol & diesel besides maintaining the prices of subsidized products like domestic LPG & PDS Kerosene, in consultation with the Government. In consequence they have suffered huge under-recoveries.

In order to partially compensate the public sector OMCs on account of past under-recoveries suffered on the above products, Government, in principle, has approved the issue of oil bonds. The modalities are being worked out.