

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

UNSTARRED QUESTION NO:3341

ANSWERED ON:15.12.2005

PRICES OF PETROLEUM PRODUCTS

Singh Shri Rajiv Ranjan (Lalan);Suman Shri Ramji Lal

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

(a) whether the `Energy and Research Institute` in their study report has stated that diesel and petroleum consumer prices in the country should be fixed on the basis of open market instead of import price;

(b) if so, the details and the facts thereof; and

(c) the reaction of the Government thereto?

**Answer**

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

(a)&(b): Yes, Sir. The main recommendations of The Energy & Resources Institute (TERI) report on `Petroleum Pricing in India : balancing efficiency and equity`, are as under :-

(i) The Government must, as soon as possible, move to a system of market-determined pricing of petroleum products as recommended by the Expert Technical Group.

(ii) The import parity pricing formula needs to be revisited to ensure that the Indian refining industry enjoys a rational margin that is fair to producers as well as consumers.

(iii) The Government can define a sliding scale for excise duties that would ensure that its revenue expectations remain untouched with changes in international prices of crude and products. This would not only ensure that the consumer does not have to face the cascading effect of an ad valorem duty but also make transparent and certain the response of the Government to international price changes.

(iv) The State Governments can also devise a similar formula.

(c): In order to formulate a long-term pricing policy for petroleum products, the Government have constituted an inter-ministerial Committee under the Chairmanship of Dr. C. Rangarajan, Chairman, Economic Advisory Council to the Prime Minister.

The Committee is mandated to look into various aspects of pricing and taxation of petroleum products with a view to stabilizing/rationalizing their prices, keeping in view the financial position of the oil companies, the investment needed in the sector, the need to conserve petroleum products, and establishing a transparent mechanism for the autonomous adjustment of prices by the oil companies. Taking into consideration the interests of all stakeholders concerned, the Committee will suggest a comprehensive mechanism for pricing and taxation of sensitive petroleum products, and other allied issues.