

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

UNSTARRED QUESTION NO:3106

ANSWERED ON:11.05.2006

CRUDE OIL PRICES IN INTERNATIONAL MARKET

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

- (a) whether the international oil prices reached a new high of US Dollar 70.88 a barrel on April 18, 2006;
- (b) if so, the likely effects on import of crude oil in the country; and
- (c) the steps likely to be taken by the Government to cope with the situation?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI DINSHA PATEL)

- (a) The prices of WTI (West Texas Intermediate, the bench mark crude oil in the USA) was US\$ 71.35/bbl and price of Brent (dated) (bench mark crude oil in Europe) was US\$ 72.51/bbl on the close of 18th April, 2006.
- (b) The fluctuation in international oil prices has a cascading effect on the overall economy affecting primary sectors such as transport, power, fertilizers etc. besides generating inflationary pressures and slowing down the growth rate of the economy.
- (c) Notwithstanding the steep rise in international prices of sensitive petroleum products, Oil Marketing Companies (OMCs), have been modulating the price increase in petrol and diesel also besides maintaining the prices of subsidized products like PDS kerosene and domestic LPG in consultation with the Government. In June 2004, the Government elucidated the principles which would govern its policy of containing the burden of increase in international prices on consumers of these products. It was decided that the burden should be equitably shared by consumers, the Government and the oil companies. Accordingly from 2003-04 onwards Government introduced subsidy sharing mechanism in which, after taking into account the subsidy provided from the fiscal budget, the balance is shared by the upstream and downstream companies equitably. The Government also issued oil bonds for Rs.11,500 crores to the OMCs to partially compensate them for the under-recoveries suffered on sale of domestic LPG and PDS kerosene. The Government is constantly monitoring the price situation.