

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

STARRED QUESTION NO:23

ANSWERED ON:23.11.2006

REDUCTION IN PRICES OF PETROLEUM PRODUCTS

Reddy Shri Mekapati Rajamohan;Scindia Shri Jyotiraditya Madhavrao

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

- (a) whether the prices of petroleum products in the country have been increased on several occasions when the prices of crude oil were increased in the international market;
- (b) if so, whether the Government is aware that during the recent months, the prices of crude oil has come down in the international market;
- (c) if so, the details thereof;
- (d) whether the Government proposes to reduce the prices of petroleum products keeping in view the decline in crude oil prices in the international market;
- (e) if so, the details thereof and the steps taken or being taken by the Government to pass on the benefit of lower oil prices to consumers; and
- (f) if not, the reasons therefor?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI MURLI DEORA)

(a) to (f) : A Statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (f) of Lok Sabha Starred Question No.23 by Shri M. Raja Mohan Reddy and Shri Jyotiraditya M. Scindia to be answered on 23rd November, 2006 regarding reduction in prices of petroleum products.

(a): The prices of petroleum products have been raised on several occasions when crude prices in international markets have increased in the past years. However, these increases have been much less than the increases required corresponding to prices of crude in the international market.

During 2006, retail prices of petrol and diesel have been increased only once. Retail prices of petrol and diesel were increased only partially and not in line with the then prevailing international oil prices. No increase has been made in retail prices of PDS kerosene and domestic LPG. The increase required and the increases made are elaborated in the table below:

Product	Petrol	Diesel	PDS Kerosene	Dom. LPG
	(Rs/ltr)	(Rs/ltr)	(Rs/ltr)	(Rs/Cyl)

Increase required as per May/ June 06 international prices	10.55	9.88	17.16	114.45
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Increase made on 6.6.06	4.00	2.00	Nil	Nil
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Balance	6.55	7.88	17.16	114.45
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(b) & (c): The Indian basket of crude oils was at about \$ 67/ bbl when the last increase in prices of petrol and diesel in June 2006 was made. The prices went up to \$ 75 / bbl in August this year. The Government, however, did not raise the domestic retail prices and the additional burden was borne by the Government and the oil PSUs.

The oil marketing companies continue to incur heavy under recoveries in diesel, PDS Kerosene and domestic LPG, even when the prices have currently come down to \$ 57-58 / bbl.

(d) to (f): The oil marketing companies are still incurring under recoveries (difference between retail price equivalent to the level of international oil prices and price actually charged from the consumer) on diesel, PDS kerosene and domestic LPG. In case of PDS kerosene, the last price revision was done almost 5 years ago when the international oil prices were very low. Similarly domestic LPG prices were revised marginally two years ago.

In the first half of 2006-07 (1.4.2006 to 30.9.2006) the under recoveries have amounted to about Rs.33,200 crores. These under recoveries have been partially met through burden sharing of Rs. 12,000 crores by upstream companies, viz. ONGC, OIL and GAIL and assurance of issue of bonds of Rs.14,150 crores.

The international oil prices continue to fluctuate. The Government is keeping a close watch on the volatile prices. Seasonally oil prices are expected to increase during the winter months. The Government will consider downward revision in the prices of petrol and diesel when there is sustained drop in the prices of crude in the international market.