

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

UNSTARRED QUESTION NO:308
ANSWERED ON:23.11.2006
ALTERNATIVE SOURCE OF FUEL
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether the prices of petroleum products soar due to excessive dependence on foreign countries for it and not promoting alternative source of fuel;
- (b) if so, the reaction of the Government in this regard,
- (c) the steps taken by the Government for promoting alternative source of fuel; and
- (d) the success achieved by the Government so far in this regard?

Answer

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

(a) & (b): Global prices of crude oil and petroleum products reached new highs in the past two years. The Indian basket of crude oil touched an all-time high of \$75.20 per bbl on 8th August 2006.

This steep increase in prices is having major impact on the Oil Marketing Companies (OMCs) and Indian economy, as about 78 percent of crude oil requirements are imported. Given the high level of import dependence, the impact of volatile international prices needs to be reflected in the domestic prices.

Since passing on the entire impact of the steep increase in the oil prices to the consumers would have resulted in steep increase in the domestic prices, the Government took certain measures in favour of vulnerable sections of society by ensuring that 87% of the burden was shared by the Government, the upstream Oil Companies and Oil Marketing Companies (OMCs), and passing on only 13% of the burden to the consumers.

While moderate increases have been made in the price of petrol and diesel, domestic LPG price has not been revised since November, 2004 and PDS Kerosene since March 2002. While alternative fuels are being developed and tested for their adaptability to engines and machines, as well as their environmental impacts, the available quantities are far below the required quantities. Their progressive use will take a few years to make any substantial impact, hence the dependence on petroleum products will continue.

(c):- Government has taken several initiatives for promoting alternative fuels including Bio-fuels, hydrogen and fuel cells and development of electric and hybrid vehicles. MOP&NG has notified vide notification No. 580(E) dt. 20th Sept., 2006 that subject to commercial viability, the Oil Marketing Companies shall sell 5% ethanol blended-petrol as per Bureau of Indian Standard specification through out the country except North Eastern States, J&K, Andaman & Nicobar Islands and Lakshadweep w.e.f 1.11.2006. As regards bio-diesel, this Ministry has announced a Bio-diesel Purchase Policy which has provided for 20 Purchase Centres to be set up by OMCs all over the country, where these companies would purchase bio-diesel which meets the standards prescribed by Bureau of Indian Standards (BIS) at a price valid for six months. The Ministry of New & Renewable Energy is carrying out R&D activities on applications of bio-diesel for stationary and transport applications including testing diesel engines using different blend levels of bio-diesel with diesel. That Ministry has set up a National Hydrogen Energy Board and prepared the National Hydrogen Energy Road Map which provides pathway for production, storage and use of Hydrogen. Energy in the country upto 2020.

(d):- Ethanol gasoline blend has been commercialized in the country and biodiesel blend is in the demonstration stage. Studies are in progress for using hydrogen as transport fuel.