

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

UNSTARRED QUESTION NO:53
ANSWERED ON:19.11.2009
REFINING COST OF CRUDE OIL
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) the estimated refining cost of the crude oil in the Public Sector Oil Companies at present;
- (b) whether refining cost of crude oil of the Public Sector Oil Companies is more than the private sector companies;
- (c) if so, the details and reasons therefore; and
- (d) the steps taken by the Government to reduce refining cost of crude oil in the Public Sector Oil Companies?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI JITIN PRASADA)

(a) to (c): The cost of refining crude oil differs on account of differences in types of crude processed, Refinery plant configuration, technology, capacity, age, location and logistics of the Refinery crude etc. The major element of cost in the refining process is crude oil, which constitute around 95% of total cost of product. In addition to crude oil cost, the refineries incur operating expenses towards salaries and wages, chemicals and catalysts, power and water, repairs and maintenance, depreciation and other overheads. The average cost of production of Public and Private Sector is given as under:

(Rs./MT of Production)

2006-07 2007-08 2008-09

(a) Public Sector 25043 27143 33150
Companies

(b) Private Sector 19584 24693 30408
Companies

The average cost of production of Public Sector refineries is higher on account of the following factors:-

- (i) Most of the refineries in Public Sector are old and suffer locational disadvantage.
- (ii) Most of the public sector refineries are small in size. The sub optimal size of Public sector refineries results in higher unit cost of production.
- (iii) Most of the Public sector refineries have to bear irrecoverable taxes like octroi, entry tax on crude oil which increases the cost of production substantially.
- (iv) Public Sector refineries (except Koyali Mathura and Panipat refineries which import crude oil at Vadinar port) import crude oil at ports with limited infrastructure which does not permit berthing of large size ships.

(d): Continuous efforts are made to reduce the cost. Some of the steps taken by PSUs to reduce the cost are :

- (i) Monitoring of chemical consumption cost;
- (ii) Adherence to preventive and total productive maintenance schedule to achieve the optimum maintenance costs;
- (iii) Reduction in cost of insurance due to Package Policy; and

(iv) Monitoring by the Ministry through MOU targets.