

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

UNSTARRED QUESTION NO:560

ANSWERED ON:14.07.2014

IMPACT OF PETROLEUM PRODUCTS ON INDIAN ECONOMY

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

- (a) whether the Government has chalked out any mechanism to revise the prices of Petrol, Diesel, LPG, CNG and Kerosene;
- (b) if so, the details thereof along with its likely impact on Indian economy/ Oil Marketing Companies particularly in view of the recent crisis in Iraq resulting in wide fluctuation of crude oil prices in the international market;
- (c) whether the Government proposes to reduce the tax on petroleum products in order to protect the consumers from the recent hike in prices of petroleum products in the international markets; and
- (d) if so, the details thereof along with other measures suggested by the Government to check the rising prices of petroleum products?

Answer

MINISTER OF STATE (I/C) IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DHARMENDRA PRADHAN)

(a) & (b): The Price of Petrol has already been made market determined effective 26th June 2010 and since then, the Public Sector Oil Marketing Companies (OMCs) are free to decide on the price of Petrol. As regards Diesel, effective 17th January 2013, the Government has authorized the OMCs to (a) increase the retail selling price of Diesel in the range of 40 paise to 50 paise per litre per month (excluding VAT as applicable in different State/Union Territories), and (b) sell Diesel to all consumers taking bulk supplies directly from the installations of the OMCs at non-subsidized market determined price.

As regards Compressed Natural Gas (CNG), the retail price of CNG and Piped Natural Gas (PNG) in any city is fixed by the concerned City Gas Distribution company (CGD) operating in that particular city. The CGD entities also supply CNG for industrial and commercial use. The Government has vide revised guidelines dated 03.02.2014 agreed to meet the entire requirement of CNG (transport) and PNG (domestic) through supply of cheaper domestic gas at a uniform base price to all the CGD entities. The price of CNG (transport) is therefore a function of the base price and the different State and local taxes and levies and the pipeline transportation tariff. The price of CNG for supply to industrial and commercial sectors is a function of the proportion of domestic gas, long term RLNG and spot RLNG, the transportation tariff and the different State and local taxes and levies.

There has been no increase in basic price of PDS Kerosene and Subsidized Domestic LPG since June, 2011.

Also, at present, there is no impact on import of crude oil from Iraq due to the prevailing crisis in that country.

(c): The Government has taken various steps in the past to rationalize the taxes on petroleum products such as gradual reduction in Customs and Excise duty rates on Petrol & Diesel; making the Excise duty on Petrol and Diesel specific and eliminating Customs and Excise duty on PDS Kerosene and Domestic LPG. At present, the rate of Customs Duty levied on Petrol and Diesel is 2.5%. The rate of Excise Duty on Petrol and Diesel is Rs.9.48 per litre and Rs.3.56 per litre (including Education Cess) respectively. Excise Duty on PDS Kerosene and Domestic LPG is NIL.

(d): In order to cushion the common man from the impact of high international oil prices and domestic inflationary conditions, the Government is already modulating the retail selling price of Diesel (in retail), PDS Kerosene and Subsidized Domestic LPG resulting in under- recovery on the sale of these products to the OMCs.