

GOVERNMENT OF INDIA
MINISTRY OF PETROLEUM AND NATURAL GAS
RAJYA SABHA
QUESTION NO 02.03.2010
ANSWERED ON
COMPENSATION TO STATE RUN OIL RETAILER

473

Dr. Yogendra P. Trivedi

Will the Minister of COAL, HEALTH AND FAMILY WELFARE, INFORMATION AND BROADCASTING, PETROLEUM AND NATURAL GAS be pleased to state :-

(a) whether his Ministry has failed to find common ground with the Finance Ministry on how much compensation should be paid to State-run oil retailers for their losses; and

(b) if so, the views of both the Ministries in the matter?

ANSWER

MINISTER OF PETROLEUM AND NATURAL GAS

(SHRI MURLI DEORA)

(a)to(b): The retail selling prices of the four sensitive petroleum products namely; Petrol, Diesel, PDS Kerosene and Domestic LPG are not being maintained in line with the international oil prices. Due to this, the Public Sector Oil Marketing Companies (OMCs) incur under-recoveries on the sale of these products. During the year 2009-10 (April-December 2009), the OMCs have incurred under-recoveries of Rs.29,353 crore on the sale of sensitive petroleum products.

As passing on the entire impact of the increase in the oil prices to the consumers would result in a steep increase in the domestic prices and aggravate inflationary conditions, the Government has been following an equitable Burden Sharing Mechanism, to ensure that the burden of under-recoveries is shared by all the stakeholders; namely the Government, the Public Sector Oil Companies and the consumers in the following manner:

Government through issue of Oil Bonds/Cash Subsidy Domestic upstream oil companies through price discounts to OMCs OMCs to bear a portion of the under recoveries and Consumers to bear small price increases.

Under the burden sharing mechanism, Ministry of Finance have confirmed a budgetary support of Rs.12,000 crore as the share of the Government towards meeting the under-recoveries for the year 2009-10. The PSU Upstream Oil Companies have also contributed Rs.8,364 crore to the OMCs for their under-recoveries on Petrol and Diesel by way of discount on crude oil/products during the first three quarters of 2009-10.

Ministry of Petroleum and Natural Gas keeps regular touch with Ministry of Finance on the quantum of under-recoveries and makes request for subsidy assistance from time to time.

X-X-X-X-X