GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF INVESTMENT AND PUBLIC ASSET MANGEMENT

LOK SABHA
UNSTARRED QUESTION NO.2234
TO BE ANSWERED ON MONDAY, DECEMBER 02, 2019
Agrahayana 11, 1941 (Saka)

Privatisation of Oil Companies

2234. SHRI BENNY BEHANAN:
SHRI HIBI EDEN:

Will be the Minister of FINANCE be please to state:

(a) whether the Government is considering privatization/disinvestment of any of the oil companies and if so, the details thereof and the reasons therefor;
(b) the manner in which the Government is going to compensate the loss of exchequer after the ownership of oil companies have been disinvested;
(c) whether the privatization of oil companies would result in the emergence of new monopolies and leads to concentration of wealth in the hands of few private companies; and
(d) if so, the details thereof?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ANURAG SINGH THAKUR)

(a) Yes Sir. Government has given 'in-principle' approval for strategic disinvestment of Government of India shareholding of 53.29% in Bharat Petroleum Corporation Ltd (BPCL) (except its equity shareholding of 61.65% in Numaligarh Refinery Limited (NRL) and management control thereon) along with transfer of management control to a strategic buyer and further strategic disinvestment of BPCL's shareholding of 61.65% in NRL along with transfer of management control to a Central Public Sector Enterprise (CPSE) operating in the Oil and Gas Sector. Government follows a policy of strategic disinvestment of CPSEs, which are not in 'priority' sectors. For this purpose, NITI Aayog has been mandated to identify such CPSEs based on the criteria of (i) National Security (ii) Sovereign function at arm's length, and (iii) Market Imperfections and Public Purpose. Profitability/loss of the CPSE is not relevant criteria. BPCL is also not in priority sector.
(b) The Government will get proceeds as against the divestment of its equity in BPCL.
(c) & (d) Oil marketing companies are profitable entities in a state-controlled oligopoly. Privatization of BPCL would vastly improve efficiency in the marketplace and provide benefit to consumers, if the oligopoly became more competitive with the material presence of a private sector participant that would compete to enhance its share while bringing best practices to the industry. BPCL has roughly 25% market share in the refining and retail business. Remaining 75% is held by Indian Oil Corporation Limited and Hindustan Petroleum Corporation Limited. Therefore, disinvestment of BPCL will not create private sector monopoly.

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