

LOK SABHA
UNSTARRED QUESTION NO- 5487
TO BE ANSWERED ON- 03rd April, 2025

COSTS INVOLVED IN THE PRODUCTION OF PETROLEUM AND NATURAL GAS

5487. Dr. M K Vishnu Prasad:

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

- a) the costs involved in the production of petroleum and natural gas from the point of extraction of crude oil in off-shore/other countries till it is sold to the consumers;
- b) the steps taken by the Government to reduce these costs so as to reduce the costs of the products for the consumers; and
- c) the manner in which the Government has been successful in reducing such costs so far?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS
(SHRI SURESH GOPI)

(a) to (c) In the Oil & Gas industry various costs are involved till the sale of final products to the consumers. From the point of extraction these inter-alia include cost of making the extracted commodity merchantable, cost of Importation/Transportation, costs of refining, marketing margins, statutory levies etc.

The Government / Oil and Gas Companies have implemented several measures to optimize fuel supply costs, focusing on efficiency improvements, logistical streamlining, and fiscal interventions.

Cost reductions have been achieved through technological advancements in refining and transportation. The rationalization of freight charges by PSU Oil Marketing Companies (OMCs) has significantly reduced transportation costs, narrowing the price gap between urban and remote areas. The expansion of the City Gas Distribution (CGD) network has further improved fuel accessibility.

Government also took several other steps to insulate common citizens from high international prices, which included diversifying the crude import basket, invoking the provisions of Universal Service Obligation to ensure availability of petrol & diesel in domestic market, increasing the blending of ethanol in petrol, etc.

Fiscal interventions, such as excise duty reductions in 2022 and strategic reductions in VAT by multiple states, have provided direct relief to consumers. Prices of petrol and diesel are market determined and Public Sector Oil Marketing Companies (OMCs) take appropriate decision on pricing of petrol and diesel. In March, 2024, OMCs reduced the retail prices of petrol and diesel by Rs. 2 per litre each.

India has been the only major economy in the world where the prices of petrol and diesel have come down in recent years. Changes in prices of petrol and diesel in some major economies between November 2021 and January 2025 are as under:

	% age Change in Prices between Nov-21 and Jan-25	
Country	Petrol	Diesel
India (Delhi)	-13.60%	-10.92%
France	14.21%	15.08%
Germany	7.87%	12.43%
Italy	8.65%	11.39%
Spain	8.67%	12.93%
UK	0.08%	2.61%
Canada	10.52%	23.05%
USA	4.83%	12.86%

Source: Petroleum Planning and Analysis Cell (PPAC)

Globally, Pradhan Mantri Ujjwala Yojana (PMUY) is the biggest program of its kind that provides Domestic LPG to more than 100 million poor households at an effective price of just about Rs. 35/Kg. Further, the effective price of domestic LPG cylinder in neighbouring countries as on 01.01.2025 is as below:

Country	Domestic LPG (Rs./14.2 kg.cyl.)
India	503.00*
Pakistan	1094.83
Sri Lanka	1231.53
Nepal	1206.65

Source: Petroleum Planning and Analysis Cell (PPAC)

*Effective cost to PMUY beneficiaries in Delhi, effective price is Rs. 803 for non-PMUY consumers

The price of Compressed Natural Gas (CNG) in any location is fixed by the City Gas Distribution (CGD) entity authorized by Petroleum and Natural Gas Regulatory Board (PNGRB) after considering cost of gas procured, state taxes, tariff and other components.

In order to minimise the impact of rising Natural Gas prices, the Government has approved the revised domestic natural gas pricing guidelines vide Gazette Notification dated 07.04.2023 for gas produced from nomination fields of Oil and Natural Gas Corporation (ONGC)/ Oil India Limited (OIL), New Exploration Licensing Policy (NELP) blocks, and pre-NELP blocks, where the Production Sharing Contracts (PSCs) provide for Government approval of prices. Under the revised guidelines, the price of such natural gas is determined as 10% of the monthly average of the Indian Crude Basket and is notified on a monthly basis. For gas produced by ONGC and OIL from their nomination blocks, the Administered Price Mechanism (APM) price is subject to a floor of \$4.0/Metric Million British Thermal Unit (MMBTU) and a ceiling of \$6.5/MMBTU. This has led to price stability for consumers.
