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Hike in prices of petro-products

242. SHRI N.K. SINGH: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

- (a) whether Government has recently announced huge hike in the prices of petroleum products;
- (b) if so, the reasons therefor;
- (c) whether there are stiff protests over the rise in prices of petroleum products and the common man has been badly affected;
- (d) whether Government has also announced de-regulation of the fuel prices; and
- (e) if so, how Government is planning to protect the interests of consumers?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI JITIN PRASADA): (a) to (e) With effect from 1.04.2002, the Administered Pricing Mechanism (APM) for petroleum products was dismantled and it was decided that the pricing of all petroleum products, except PDS Kerosene and Domestic LPG, would be market-determined. However, in view of the steep increase and high volatility in the international oil prices since 2004-05, the Government was modulating the retail selling prices of the four sensitive petroleum products, namely Petrol, Diesel, PDS Kerosene and Domestic LPG sold by the three Public Sector Oil Marketing Companies (OMCs); namely, Indian Oil Corporation, Bharat Petroleum Corporation and Hindustan Petroleum Corporation, to protect the consumer from the inflationary impact of international oil prices.

The Government had constituted an Expert Group under the Chairmanship of Dr. Kirit S. Parikh to examine the current pricing policy of the four sensitive petroleum products and to advise on a viable and sustainable system of pricing of petroleum products. The Expert Group submitted its Report to the Government on 3rd February 2010.

In the light of the recommendations made by the Expert Group, the prices of Petrol and Diesel have been made market-determined with effect from 26.6.2010. As a result, the price of Petrol went up by Rs.3.50 per litre. In the case of Diesel, however, it was decided that for the present, the price would be increased by only Rs 2 per litre. It has also been decided that in case of a high rise and volatility in the international oil prices, Government will suitably intervene in the pricing of Petrol and Diesel.

In view of the importance of the household fuels, namely PDS Kerosene and Domestic LPG, the Government has decided that the subsidies on these petroleum products will continue. To reduce the under-recovery burden of the OMCs as also to protect the common man, the Government decided to increase the retail price of PDS Kerosene by only Rs.3 per litre and of Domestic LPG by only Rs 35 per cylinder (at Delhi), with corresponding increases in the rest of the country.

The primary objective behind the pricing reforms undertaken by the Government is the growing imperative for fiscal consolidation, the need for reducing the subsidy burden on petroleum products so as to allocate more funds to social sector schemes for the common man, and for ensuring country's energy security in the long term. Market-determined pricing of Petrol and Diesel is expected to induce market competition, encourage Oil Marketing Companies to reduce cost, improve efficiency and enhance service standards and thereby provide greater benefit to the consumers.

As regards protests over the price increase of the four sensitive petroleum products, the Kirit Parikh Committee had observed that the inflationary impact would have to be judged in comparison to the inflationary impact of budgetary deficits caused by extending huge subsidy on petroleum products.

Deregulating prices of petro-products

243. SHRI AMAR SINGH: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether Government has recently raised the prices of petrol, diesel and LPG cylinder, which has adversely affected the lower and middle class people;

(b) if so, the details thereof;