

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.

Deregulation of prices of petro-products

252. SHRIMATI BRINDA KARAT: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) the rationale behind Government's decision to rise the prices of petrol, diesel, kerosene oil and cooking gas which is a cruel blow against the people who are already suffering due to the runaway increase in the prices of food and essential commodities;

(b) for whose interest Government has decided to deregulate the price of petrol and leave it to the market to determine;

(c) the manner in which people as well as country will be benefited by this deregulation;

(d) whether the so-called protection of PSUs from under-recoveries is entirely based on national prices calculated without any reference to the actual cost of production; and

(e) if so, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI JITIN PRASADA): (a) to (c) 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.

(d) and (e) The cost of imported crude oil constitutes about 90% of the product cost. Since more than 80% of the country's crude oil requirement is imported, international oil prices play a decisive role in domestic prices.

The OMCs pay Trade Parity price for Petrol and Diesel and Import Parity price for PDS Kerosene and Domestic LPG to the refineries. The difference between the required price based on Trade Parity/Import Parity and actual selling price realized (excluding taxes, dealer commission) represents the under-recoveries of the OMCs.

Policy on price fixation of petro-products

‡253. SHRI PRABHAT JHA: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether there is any Government policy for fixation of prices of petrol and diesel;

‡Original notice of the question was received in Hindi.