

Benefits to OMCs due to skewed pricing mechanism

1209. SHRI A. W. RABI BERNARD: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the State owned Oil Marketing Companies (OMCs) benefited to the tune of ₹26,600 crores over a five year period because of a skewed pricing mechanism;

(b) if so, the details thereof;

(c) whether it is a fact that private sector refineries were also provided undue benefits of ₹677 crore on diesel sales in 2011-12; and

(d) if so, the details thereof?

THE MINISTER OF STATE OF THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DHARMENDRA PRADHAN): (a) and (b) No, Sir. On the contrary, the Public Sector Oil Marketing Companies (OMCs) have contributed towards under recoveries and paid income tax and dividend to the Government of India. It is also pointed out that the profit as a percentage of turnover of OMCs is around 1% which is barely enough to meet their fund requirements for modernization and upgradation.

Refining is a cyclical industry characterized by very volatile prices. Providing some level of protection and thereby adequate refining margins is necessary for encouraging investment in expansion, and more importantly in modernization of our domestic refineries. Failure on this count can impede our quest for energy security. Further, many of the public sector refineries are very old (built between 1901 to 1985) and located in sub-economic zone (such as the North-East refineries) with low economies of scale and therefore often have very low GRMs.

(c) and (d) As per the recommendations of the Rangarajan Committee 2006, the Refinery Gate Price of Petrol and Diesel is based on Trade Parity Pricing (TPP). Accordingly, OMCs procure diesel at Trade Parity Price (TPP) from public and private sector refineries.

Shortage of petroleum products

1210. DR. T.N. SEEMA: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether Government has noticed the shortage of petroleum products in the country including Kerala;