

STATEMENT OF PETROLEUM MINISTER IN LOK SABHA ON THE PRICING OF PETROL AND DIESEL

New Delhi: July 02, 2009

Following is the uncorrected text of a statement by Shri Murli Deora, Minister of Petroleum & Natural Gas made in the Lok Sabha today:

1. “When the price of the Indian basket of crude oil fell from its highest level of \$142/bbl in June, 2008 to \$ 40 per barrel in December 2008, Government had responded by reducing the price of petrol by Rs. 10 a litre and the price of diesel by Rs. 4 a litre, in two stages within a space of two months. Thereafter, the international price of crude oil has risen from \$ 40 per barrel in December 2008 to around \$ 70 per barrel today. This increase in crude oil prices by about 75% since December, without corresponding increase in retail selling prices of sensitive petroleum products had resulted in OMCs’ under-recoveries going up. The OMCs’ under-recoveries were projected to be Rs.70,200 crore, at an average Indian basket crude price of \$70/barrel, during 2009-10. Any delay in price revision would have jeopardised OMCs’ liquidity position, with attendant consequences for smooth supply and distribution of essential fuels across the country.

2. In view of the continuous rise in international oil prices, and since the country imports more than 75% of its crude oil requirements, a marginal increase in the prices of petrol and diesel had become unavoidable. However, while considering a price increase, Government has kept in mind the interest of the ‘aam admi’ and the vulnerable sections of society. Accordingly, against the desired increase of Rs.6.94/ litre, the retail price of Petrol has been increased by only Rs.4/ litre. Similarly, against the desired price increase of Rs.4.11/ litre in Diesel, the retail price has been increased by only Rs. 2 per litre.

3. Having regard to the need to provide relief to the poor and the middle classes, Government has decided not to increase the retail prices of PDS Kerosene and Domestic LPG. Government is bearing a burden of Rs. 15.26 on each litre of PDS Kerosene and Rs. 92.96 on each cylinder of Domestic LPG. To ensure uninterrupted supply of these two products at subsidised prices, Government is prepared to bear the projected subsidy burden of over Rs. 30,000 crore in 2009-10.

4. We will keep the views expressed by Hon’ble members in mind and we will respond suitably in case there is a decline in international prices of crude oil. At the same time, I would appeal to State Governments to do their bit by revising downwards the sales tax imposed on Petrol and Diesel”.

