



Execution of Subsidy Programmes

The dismantling of the administered pricing mechanism (APM) in the petroleum sector was announced by the Government with effect from 1st April 2002. During the APM period, the subsidy on PDS Kerosene and domestic LPG and freight subsidy for far flung areas were met through an oil pool account mechanism. While dismantling the APM, it was decided by the Government that the aforesaid subsidies/under recoveries to the oil companies shall be met from the Government budget.

Accordingly, the following schemes were notified with a view to put in place a mechanism to provide to the oil companies from the Government budget- the post APM subsidy on PDS Kerosene and domestic LPG and freight subsidy for far-flung areas:

- PDS Kerosene and domestic LPG Subsidy Scheme, 2002 (Notified in Official Gazette vide No.P-20029/18/2001-PP dated 28.1.2003)
- Freight Subsidy (For Far-Flung Areas) Scheme, 2002 (Notified in Official Gazette vide No.P-20029/18/2001-PP dated 28.1.2003)

The other schemes under which subsidies are provided to the participating companies are as follows:

- Direct Benefit Transfer for LPG Consumer (DBTL)
- Natural Gas Subsidy Scheme

1. PDS Kerosene and Domestic LPG Subsidy Scheme, 2002.

The Government had approved the PDS Kerosene and Domestic LPG Subsidy Scheme, 2002 w.e.f. 01.04.2002 for administering the Post APM (Administered Pricing Mechanism) subsidy on PDS Kerosene and Domestic LPG.

The subsidy under the scheme is provided on sales made by participating companies of Kerosene under the Public Distribution System (PDS Kerosene) and LPG Cylinders for Domestic Use (Domestic LPG). The quantity of PDS Kerosene on which subsidy is allowed for each states are limited to the allocations made by the Ministry of Petroleum And Natural Gas subject to actual quantities sold.

Indian Oil Corporation Limited (IOCL), Hindustan Petroleum Corporation Limited (HPCL), Bharat Petroleum Corporation Limited (BPCL) and IBP Company Limited (IBP) (now merged with IOCL) are allowed to participate in the scheme.

Determination of the amount of subsidy



The subsidy on PDS Kerosene and Domestic LPG are met from the budgetary Grants of Ministry of Petroleum and Natural Gas.

The amount of subsidy per selling unit is equal to the difference between the cost price and the issue price per selling unit and is computed ex -depot price for PDS Kerosene and ex -bottling plant for Domestic LPG. The amount of subsidy per selling unit for a given depot/bottling plant for the year 2002-03 was based on the issue price of the product and the cost price as on 01.04.2002. Subsidy per selling unit allowed for any depot/bottling plant effective 01.04.2002 remained unchanged for the financial year 2002-03.

The subsidy was initially contemplated to be phased out in 3-5 years. Now the Government has extended the scheme up to 31.3.2014. The subsidy was paid at 100% level for the year 2002-03, at 2/3rd level for the year 2003-04 and at 1/3rd level since 2004-05 onwards.

Impact of Subsidy

The average subsidy per selling unit on Domestic LPG & PDS Kerosene works out as under:-

Year	Domestic LPG (Rs/Cyl)	PDS SKO (Rs/Ltr)
2002-03	67.75	2.45
2003-04 (At 2/3rd level)	45.17	1.63
2004-05 onwards (at 1/3rd level)	22.58	0.82

The subsidy scheme has not been extended beyond 2014-15 by MOP&NG. It is discontinued w.e.f. 1st April 2015.

The budgetary provision for payment of subsidy claims under the PDS Kerosene and Domestic LPG Subsidy Scheme, 2002 and the actual payments released from the Union Budget, during 2007- 08 to 2014-15 are as under:

Year	Rs/Crores	
	Budgetary Allocation	Actual payments released during the year
2007-08	2700.00	2640.60
2008-09	2700.00	2688.42
2009-10	2770.00	2769.98
2010-11	2900.00	2905.00
2011-12	3000.00	3000.00
2012-13	2730.00	2731.00
2013-14	2580.00	2580.00
2014-15	0.00	0.00



2. Freight Subsidy (For Far Flung Areas) Scheme 2002

The freight subsidy for supplies and sales of products in the far-flung areas is provided for Kerosene under Public Distribution System (PDS Kerosene) and Liquefied Petroleum Gas for domestic use (domestic LPG). The quantity of PDS Kerosene on which subsidy is allowed for each state are limited to the allocations made by the Ministry of Petroleum & Natural Gas subject to actual quantities sold.

The freight subsidy on supplies on sales of PDS Kerosene and Domestic LPG covers a part of the freight cost in the eligible areas up to the wholesale dealers locations in case of PDS Kerosene and up to the LPG distributor location, including extension counters, in case of domestic LPG.

The entitlement of subsidy under the scheme from 1st April 2002 is limited to the freight subsidy available in the eligible areas as on 31st March 2002 in respect of the transportation cost.

The following areas constitute the "far-flung areas" for the purpose of this scheme.

- i) North Eastern States including Sikkim, except the districts in which Digboi, Guwahati, Bongaigaon and Numaligarh refineries are located.
- ii) The States of Jammu & Kashmir excluding districts of Jammu & Kathua, Himachal Pradesh, Uttrakhand excluding the districts of Haridwar and Udham Singh Nagar;
- iii) Andaman & Nicobar Islands; and
- iv) Lakshadweep Islands.

Indian Oil Corporation Limited (IOCL), Hindustan Petroleum Corporation Limited (HPCL), Bharat Petroleum Corporation Limited (BPCL) and IBP Company Limited (IBP) (now merged with IOCL) are allowed to participate in the scheme.

The subsidy was initially contemplated to be phased out in 3-5 years. Now the Government has extended the scheme up to 31.3.2014. The subsidy was paid at 100% level for the year 2002-03, at 2/3rd level for the year 2003-04 and at 1/3rd level since 2004-05 onwards.

The budgetary provision for payment of subsidy claims under the Freight Subsidy (for far-flung areas) Scheme, 2002 and the actual payments released from the Union Budget, during the year 2007-08 to 2013-14 are as under:

Rs/Crores



Year	Budgetary Allocation	Actual payments released during the year
2007-08	30.00	28.27
2008-09	24.00	22.22
2009-10	24.00	21.95
2010-11	25.00	22.33
2011-12	23.00	23.00
2012-13	23.00	22.44
2013-14	21.00	21.00
2014-15	23.00	22.82

The freight subsidy scheme has not been extended beyond 2014-15 by MOP&NG. It is discontinued w.e.f. 1st April 2015.

3. Direct Benefit Transfer for LPG Consumer (DBTL)

Direct Benefit Transfer for LPG Consumer (DBTL) Scheme, 2013 was launched with effect from 1st June 2013. The objective of the scheme was to provide subsidy up to the capped number of LPG cylinders to domestic LPG consumers having LPG connection directly into their bank account on purchase of LPG subsidized cylinder (as per her/his entitlement) at market price.

The other major features apart from Direct Transfer of subsidy to eligible consumers were as follows:

- (i) One Time Permanent Cash Advance provided to each existing/ new Cash Transfer Compliant (CTC) consumer.
- (ii) The expenditure on project management for the districts where DBTL is launched to be reimbursed to OMCs subject to certain specified ceilings.

The scheme was launched in phased manner in various districts all over India. By Jan'14 DBTL Scheme, 2013 was launched in 291 districts. However, scheme was kept in abeyance vide MOP&NG letter dated 07.03.14 from 07.03.14.

A modified DBTL scheme was again launched with effect from 15th November 2014 in 54 districts of India which was called as PAHAL (DBTL) Scheme, 2014. This was extended to all Districts in the country on 01.01.2015 with few exceptions where OMCs were allowed to exclude some districts/parts of district or distributors from the scheme for reasons like connectivity issues etc.

The basic objectives, principles and features of the modified scheme remained the same but with a few improvements and changes.



The budgetary provision for DBTL and the actual payments released from the Union Budget, up to 2015-16 are as under:

Year	DBTL Subsidy		Project Management Expenses	
	Budget	Actual	Budget	Actual
2013-14	1377.00	1377.00	145.00	43.16
2014-15	2500.00	2500.00	1.00	0.00
2015-16	21140.00	21140.0	200.00	200.00

4. Natural Gas Subsidy

MOP&NG has formulated a scheme for administering subsidy related to sale of Natural Gas in the North East region of India. The scheme is known as the “Natural Gas Subsidy Scheme”. The participating companies currently under the scheme are Oil India Ltd and ONGC Ltd.

These participating companies sell natural gas from the nominated gas fields to the consumers at Administered Pricing Mechanism (APM) rate as decided by the Government from time to time. Customers to whom gas is sold are in Power Sector, Fertilizer Sector. Allocations of supply to the customers are given as per various orders of MOP&NG.

The participating companies are entitled to a subsidy from the Government for the sales made to the consumers at APM rate. The amount of subsidy shall be a difference between the producer price as applicable to the participating companies and the APM rate or the consumer price applicable to different categories of customers of the NE Region for the quantities of gas supplied.

Subsidy on natural gas is provided from the budgetary grant of MOP&NG.

The budgetary provision for Natural Gas Subsidy and the actual payments released from the Union Budget, up to 2015-16 are as under:

Rs/Crores

Year	Budget	Actual payments
2010-11	444.73	444.73
2011-12	458.00	458.00
2012-13	626.87	626.87
2013-14	625.00	625.00
2014-15	661.00	661.00
2015-16	660.00	660.00