

Concerns with Deregulation of Fuel Prices

What is the issue?

\n\n

\n

- Union Governments have regularly reiterated its commitment to deregulate the prices of petrol and diesel.

\n

- But the deregulation of fuel prices is being a hindrance to consumers benefiting from low global prices.

\n

\n\n

What is government's stand on fuel price deregulation?

\n\n

\n

- Deregulation meant that consumers would pay the actual price of petrol or diesel with no cushion against global price spikes, this happened in 2008 when prices touched nearly \$150 a barrel.

\n

- In June 2010 when petrol prices were freed government permitted oil marketing companies (OMCs) to revise prices based on international crude oil prices every fortnight.

\n

- From January 2013, diesel prices were raised by 50 paise per litre every month and fully deregulated in 2014.

\n

- In June 2017, OMCs began tweaking fuel prices every day in tandem with global trends.

\n

\n\n

How fuel pricing concerns the customers?

\n\n

\n

- As a corollary of deregulation consumers were to gain if global oil prices fell but this is not happening in practice.
\n
- Since November 2014, central excise duty on diesel and petrol has been steadily increased through over half-a-dozen revisions.
\n
- Since 2015-16, the Centre has been raising nearly Rs.2.5 lakh crore annually through these higher duties.
\n
- States also levy value added tax at rates as high as 40 per cent, the only reduction in excise duty was made last October a meagre Rs.2 per litre.
\n

\n\n

What are the reasons of higher pricing of fuel?

\n\n

- Budget 2018-19 abolished the Rs.6 per litre additional excise duty on petrol and diesel and cut the basic excise duty by Rs.2 per litre only to swap that with a road and infrastructure cess of Rs.8 per litre.
\n
- This move is taken to lower the subsidy burden and ease the pressure on India's fiscal deficit.
\n
- The petroleum ministry argues that taxes are being raised when prices are low in order to protect consumers when prices go up.
\n
- Government also justifies higher taxes on petrol and diesel given their impact on the environment.
\n

\n\n

\n\n

Source: Business Line

\n