Concerns with Deregulation of Fuel Prices

What is the issue?

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- Union Governments have regularly reiterated its commitment to deregulate the prices of petrol and diesel.
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- But the deregulation of fuel prices is being a hindrance to consumers benefiting from low global prices.
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What is government’s stand on fuel price deregulation?

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- 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.
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- 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.
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- From January 2013, diesel prices were raised by 50 paise per litre every month and fully deregulated in 2014.
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- In June 2017, OMCs began tweaking fuel prices every day in tandem with global trends.
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How fuel pricing concerns the customers?

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- As a corollary of deregulation consumers were to gain if global oil prices fell but this is not happening in practice.
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- Since November 2014, central excise duty on diesel and petrol has been steadily increased through over half-a-dozen revisions.
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- Since 2015-16, the Centre has been raising nearly Rs.2.5 lakh crore annually through these higher duties.
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- 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.
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What are the reasons of higher pricing of fuel?

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- 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.
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- This move is taken to lower the subsidy burden and ease the pressure on India’s fiscal deficit.
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- The petroleum ministry argues that taxes are being raised when prices are low in order to protect consumers when prices go up.
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- Government also justifies higher taxes on petrol and diesel given their impact on the environment.
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Source: Business Line

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