

## Reasons for hike in fuel prices

Click [here](#) to know more about hike in fuel prices

\n\n

### What has been the trend in fuel prices?

\n\n

\n

- On March 2014, the Brent crude price was \$ 108.6 per barrel, and petrol cost Rs 73.16 a litre in Delhi.

\n

- On September 11, 2017, Brent crude was trading at \$ 54.2 per barrel but the price of petrol in Delhi was nearly the same as 42 months ago, at Rs 70.30 per litre.

\n

- Ever since dynamic daily pricing model was implemented, the price of petrol has gone up from Rs 63.09 to Rs 70.39 an increase of 11.6%.

\n

- Diesel prices have surged similarly, and the trend has been identical in other cities.

\n

- During this period the Indian basket of crude has gone up 12.5 per cent.

\n

\n\n

### What is the fuel pricing mechanism?

\n\n

\n

- The Indian basket of crude oil represents a derived basket comprising Sour Grade (Oman and Dubai average) and Sweet Grade (UK based) of crude oil processed in Indian refineries.

\n

- Prices of petrol and diesel have been made market-determined effective June 2010 and October 2014 respectively.

\n

- Since then, the Public Sector Oil Marketing Companies (OMCs) are

supposed to take appropriate decisions on the pricing of petrol and diesel.

\n

- It must be in line with international product prices and other market conditions such as exchange rate and the demand-supply situation, among others.

\n

- From June 2017 dynamic daily pricing is being followed.

\n

\n\n

## **What are the determining factors of fuel costs?**

\n\n

\n

- **Market factors** -The price is determined by the movement of crude oil price (the main raw material), the rupee/dollar exchange rate and demand-supply situation in the market.

\n

- **Excise duty**-There was a series of excise duty hikes in the second half of 2015 and the initial months of 2016 on both petrol and diesel to help shore up finances.

\n

- This has helped the Centre realise higher central excise duties will fetch higher revenues.

\n

- **Oil companies** -Oil companies have the pricing freedom and Government has no business interfering in the day-to-day affairs of the companies.

\n

- At many instance companies buy crude oil at high price and they sell it for low price due to market trends, to match this losses they hike the prices.

\n

\n\n

\n\n

**Source: Indian Express**

\n