Rising Oil Prices

What is the issue?

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International oil prices are heading higher with Brent crude oil futures trading at about $70 a barrel.

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What is the present trend?

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- Oil had been selling at below $45 in June.
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- It’s now selling at $70/barrel, making it a 55% rise in a matter of just months.
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- This is also a four-year high and a price increase of close to 6% since the start of 2018.
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- Early rise in prices were attributed to the supply decisions taken by oil producers like the OPEC members, which have suffered due to U.S. shale producers.
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- However the present rise seems more to be the result of a weakening of the U.S. dollar.
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Why has the dollar weakened?

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- The dollar has been gradually weakening against major global currencies since the beginning of last year.
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- This was given a further downward push, when U.S. Treasury Secretary commented in favour of a weak-dollar policy.

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- At WEF meet he noted that a weaker dollar would be good for American trade.
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How should India deal with this?

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- Consumers in India are already beginning to feel the pinch as petrol and diesel prices have hit multi-year highs.
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- However, the government should go back to its earlier policies of providing subsidies to ease the pain.
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- It should rather rationalise taxes on petrol and diesel to bring down retail prices.
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- This will help consumers without imposing an undue burden on the oil marketing companies.
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- Higher oil prices might also give hard time to government’s fiscal management.
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- So the government should think for the long term of making India self-reliant.
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- It should fasten its hydrocarbon exploration and licensing policy (HELP) to expedite oil discovery and production.
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- Simultaneously, it must also actively support Indian energy firms’ bids for overseas oilfields.
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Source: The Hindu

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