**EVEN AS PRICES OF CRUDE FALL, INDIAN GOVERNMENT IS NOT ABLE TO CONTROL FUEL PRICES FROM RISING – HERE’S WHY**

Fuel price decontrol:

The key beneficiary in the subversion of fuel price decontrol is the Indian government – the consumer, on the other hand? Not so much.

Crude prices have been following a slippery trend as prices have been falling steeply. According to fuel price decontrol, on paper, retail prices of petrol and diesel in India are linked to global crude prices. Since the price of crude is falling, end product prices must come down as well, and vice-versa; in theory, this sounds good. Is this happening in the country? No.

Automotive fuel prices were hiked for six days in a row, starting from June 8, 2020. Even after an 82-day hiatus, petrol prices are on a steady increase, despite crude prices falling steeply. This is in contrast to oil benchmarks heading for their first weekly declines, with Brent and US Crude Index dropping approximately ten percent.

Reasons behind the split in the graph:

In India, fuel price decontrol seems to be a one-way street – rising global prices deplete the wallets of every wage-worker in the country if they have to match the demand, but depleting prices on the other hand leads to the government levying a varying range of taxes to ensure that it rakes in extra revenue.

In reality, the consumer should have benefited from the lower fuel prices, but they are either short-changed for money, or are forced to pay the previously high price for the lower-priced fuel. When it comes to subverting price decontrol, the clear winner is the government. The consumer and fuel retailers are left behind to trail along, playing catch up with the petrol market.

The way decontrol should work:

Fuel price decontrol is a step-by-step process. It is when the fuel market prices are determined by privately-owned fuel retail organizations (such as HPCL, BPCL, and Indian Oil), depending upon their calculations of their costs and profit margin. This is a factor of the price that from their source of input resources whose price benchmarks are derived from the global crude prices.

The government freed up Aviation Transport Fuel (ATF) prices in 2002, petroleum in the year 2010, and diesel in the month of October 2014. Prior to that, the government intervened in price fixing of fuel, thereby limiting the fuel seller’s freedom of input. While some fuels such as domestic LPG and kerosene are under price control, most fuels that reflect the price movements of the Indian basket of crude oil are decontrolled by the government.

Political voices against price hikes:

Leader of the Congress, Rahul Gandhi, had questioned about the government’s listening capability when it came to reduction of fuel prices. “It is good that prices have fallen in this disaster – when will this government listen?”, he poked his opposition via a tweet dated the 21st of April, 2020, well into the beginning of the COVID-19 pandemic.

Similarly, chief spokesperson of the same party, Randeep Surjewala, had stated the obvious regarding the government’s silence about fuel prices, despite crude barrel prices plummeting below zero dollars per.

Tamil Nadu’s Amma Makkal Munnetra Kazhagam founder, T.T.V. Dhinakaran, condemned the decision taken by the State Government to increase the prices of fuel before the Central Government could take any action, in order to protect their revenue. In a series of tweets, he explained why the decision would hit the poor and the middle-class hard at a time when prices of essential commodities were on the rise. He had also urged the government to roll the hike back.

Hidden behind excessive taxing:

Another reason for the steady maintenance of petrol prices across the market, despite repeated plunging of crude oil prices, is the deprecation of the value of the Indian Rupee currency (INR).

As of June 5th, 2020, the INR hit the month’s lowest (May 15th to June 15th), with USD 1 equalling in value to INR 75.07. Within the next week, on the 11th of June, it had hit the month’s highest, standing at a tall INR 76.42 to equal the value of USD 1. This is a partial contribution to the steady holds for fuel prices, apart from excess excise duties imposed by the government.

On the 5th of May, 2020, the Centre announced one of the steepest hikes in excise duty for fuels, with an increase of INR 13 per litre for diesel and INR 10 per litre for petrol – in combination with the ever increasing rates of fuels, this cements the country as one among those wit the highest taxes on fuel.

Prior to the hikes of excise duties on fuels, the government was already collecting a massive 107% taxes on petrol, and 69% on diesel. This effectively cancels out the need to talk about the post-revision statistics (134% tax on petrol, 88% on diesel), as global taxes are only seen to be around 65% on petrol in Europe, 45% in Japan, and less than 20% in the United States.

With the second revision of excise duties in the month of May, the government is effectively collecting an enormous 260% tax on petrol, and 256% on diesel – all taxes included. In simpler terms, you are spending almost two and a half times on tax alone than you do on fuel, while your vehicle runs only on fuel.

In conclusion:

The government is the only entity benefiting from falling global crude prices, as they see this as a chance to fill up their coffers while the trends fall. OMCs and we, the consumers, lose out on this opportunity of a low price season on fuel, thereby being denied of any benefit from excess crude stocked up by the global market.

The prices of crude per barrel went below zero for the first time in history in the third and last weeks of April. Due to massive overproduction and minimal demand of oil, sellers had begun to pay buyers in order to avoid incurring the oncoming storage costs. This is a grim situation for the market, which they kept afloat by simply defying intuitive logic.

On the other hand, prices of ATF were impacted with a decrease seven consecutive times since February, when the airline and military industries began to see less and less utilization of their aircraft due to the pandemic. Airlines had begun curtailing flights due to low demand and other travel restrictions imposed by various governments across the world due to the COVID-19 outbreak.

Six days after the resumption of flights on May 25 on a curtailed schedule, the Centre announced a sharp 56% increase in ATF prices, negating any potential tangible benefits that could have been enjoyed by the airlines. Once again, while the aviation and fuel industries sink under taxes along with the consumers, the Central Government seems to enjoy their extra bit of revenue made off this unfortunate and unforeseeable pandemic.