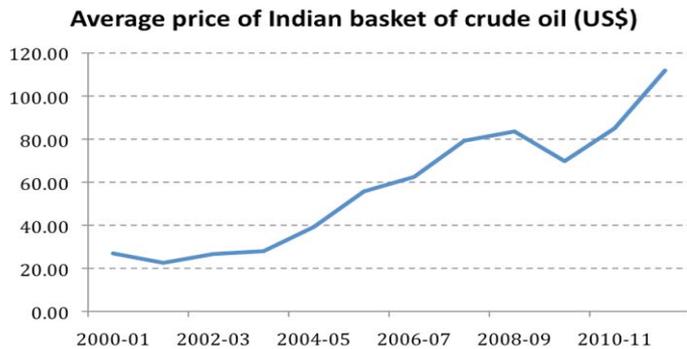


Vital Stats

Pricing of Petroleum Products

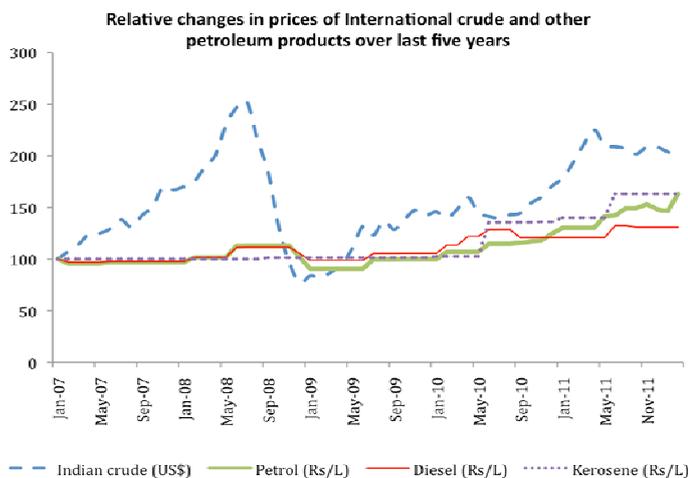
Government owned Oil Marketing Companies (OMCs) raised the price of petrol on 23rd May 2012. After the inclusion of local taxes, this amounted to a hike of Rs 7.54 per litre in Delhi. We present a snapshot of the petroleum import and pricing scenario in India.

International prices of crude oil have trended upwards since 2000-01



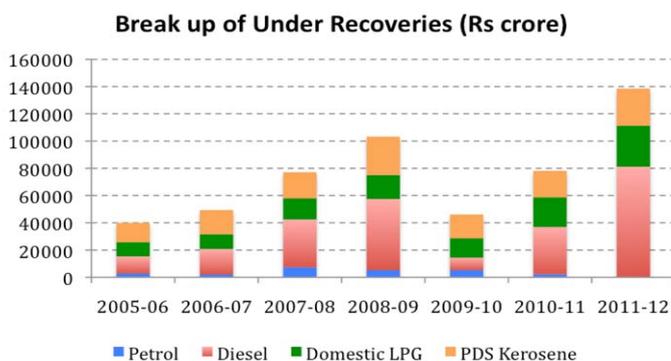
- India met 76 per cent of its total petroleum requirements in 2011-12 through imports. The global price of crude therefore has a large effect on the price of domestic petroleum.
- The price of the Indian basket of crude oil has been trending upwards for the past few years.
- The average price of the Indian crude in 2011-12 was US\$ 112, as compared to an average price of US\$ 70 in 2009-10 and US\$ 85 in 2010-11.

Petrol prices have seen larger relative increases since December 2010 than diesel prices



- While petrol prices were officially decontrolled in 2010, the prices of diesel, kerosene and domestic LPG are determined by the government. Their retail prices are currently set lower than the actual costs borne by OMCs.
- Prices of petroleum products have trended upwards in recent years. However, due to government moderation, OMCs have not been able to increase their prices enough to compensate for increased costs.
- Up till December 2010, diesel prices had experienced greater relative increases than petrol prices (from a January 2007 base). Since then, petrol prices have experienced larger relative increases than those of diesel.

Under recoveries for diesel have risen substantially



- The difference between the procurement costs for diesel, domestic LPG and kerosene and their selling price represents under recoveries for OMCs. Under recoveries have been rising due to the inability to pass on the increasing international prices of oil to consumers.
- The OMCs incurred total under recoveries of Rs 138,541 crore in 2011-12. The government will share Rs 83,500 crore of this amount.
- Diesel is currently priced 45 per cent cheaper than petrol. For the last few years, diesel has accounted for more than half of the total under recovered amount.

Taxes on petrol are higher than those on diesel

Retail Selling Price for Petrol and Diesel (Rs/litre)

	Petrol	Diesel
Price paid by OMCs to refineries	42.57	44.81
Premium paid for BS-IV grade	0.42 ^a	0.04
Freight delivery charges	0.87 ^b	0.87
Marketing costs and margins	1.5 ^a	1.40
Cost to OMCs	45.36	47.11
Price charged to dealer	44.70	33.47
(Under) Over recovery	(0.66)	(13.64)
Specific Excise duty	14.78	2.06
Dealer Commission	1.50	0.91
Delhi VAT	12.20	4.46
Retail Selling Price at Delhi	73.18	40.90

^a Assumed to be unchanged from 1st October 2011 (as given in the Standing Committee Report)

^b Assumed to be the same as for diesel (Standing Committee Report indicates similar costs for petrol and diesel)

- After the recent price hike, the retail price of petrol in Delhi includes an estimated under recovery of around Rs 0.66 per litre. The corresponding under recovery for diesel is Rs 13.64 per litre.
- Different states implement different rates of sales tax or VAT on petrol and diesel. The central government imposes a customs duty and an excise duty on petrol and diesel.
- In Delhi, excise duty and state VAT together account for around 37 per cent of the retail price of petrol. In contrast, excise duty and VAT together account for around 16 per cent of the retail price of diesel.

There is significant variation across states on the VAT rate on petrol

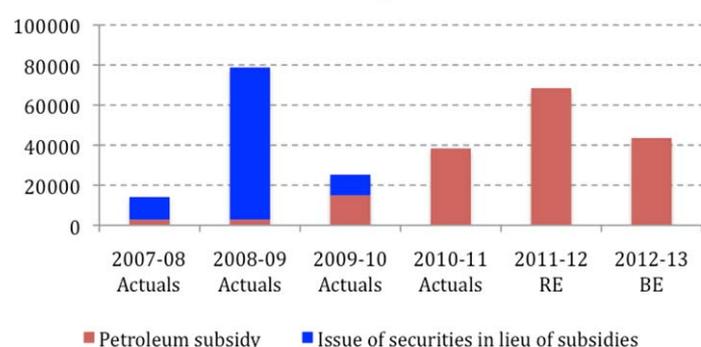
Table 3: Rates of VAT across states on petrol

States	
<20	Orissa
≥20 & <25	Bihar, Nagaland, Haryana, Sikkim, Meghalaya, Goa, Jharkhand, Manipur, Tripura, Arunachal Pradesh, Delhi, Mizoram
≥25 & <30	Rajasthan, Maharashtra, Assam, Tamil Nadu, West Bengal, Uttar Pradesh, Kerala, Gujarat, Jammu & Kashmir, Chhattisgarh, Uttarakhand, Himachal Pradesh
≥30	Andhra Pradesh, Punjab, Karnataka, Madhya Pradesh

- Andhra Pradesh currently has the highest rate of sales tax/VAT imposed on petrol at 33 per cent.
- Orissa has the lowest rate at 19.18 per cent.
- After the hike in the petrol price, Kerala and Uttarakhand have announced that they will not impose sales tax on the increment in the price.

Petroleum subsidy in the Union Budget

Petroleum Subsidies in the Union Budget (Rs crore)



- The Union Budget provides for subsidies for petroleum products that are sold below cost by OMCs.
- Prior to 2010-11, the government had issued securities to oil companies in lieu of cash subsidies.
- The Budget Estimates for 2012-13 forecast a petroleum subsidy of Rs 43,580 crore. This is lower than the previous year's Revised Estimates at Rs 68,481 crore.

Notes

- All data from Petroleum Planning and Analysis Cell; Planning Commission; and the Standing Committee on Petroleum and Natural Gas (Report on Challenges of Under Recoveries of Petroleum Products dated 21st December 2011).

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