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Fuel prices set to rise as weak rupee bites

ISLAMABAD: Despite a reduction in international crude price, the government is likely to approve a substantial increase in the prices of major petroleum products for the month of June because of currency devaluation.

A senior government official told Dawn that the Oil and Gas Regulatory Authority (Ogra) on Thursday moved a summary to the government containing calculations on petroleum prices on the basis of existing rates of general sales tax and petroleum levy.

An official said that crude price had dropped by 7 per cent in the Arabian Gulf over the last month from $72 on April 28 to $67 per barrel on May 29 but the currency devaluation caused the major negative impact.

Based on import parity price of Pakistan State Oil (PSO) for purchase in May, Ogra has worked out about Rs8.99 per litre increase in the price of high speed diesel, Rs8.53 per litre in petrol, Rs1.69 per litre in kerosene and Rs1.68 per litre for the price of light diesel oil.

Up to Rs9 per litre increase proposed in petrol, diesel prices for next month

On approval, these would be the country's highest ever petroleum prices with international crude market at $67 per barrel — almost half of the 2008 highest record of $147 when retail prices stood below Rs80 per litre.

As such, the ex-depot rate of high speed diesel (HSD) has been calculated at Rs131.21 per litre from about Rs122.32, showing an increase of 7.34pc. Likewise, the ex-depot petrol price has been proposed to go up to Rs116.95 per litre from existing rate of Rs108.42 per litre, up 7.86pc.

The price of kerosene oil has been proposed to be set at Rs98.46 per litre instead of Rs96.77, showing an increase of 1.74pc. The ex-depot price of light diesel oil (LDO) has been worked out at Rs88.62 per litre instead of existing rate of Rs86.94pc litre, showing an increase of 1.93pc.

The government has already increased general sales tax on all petroleum products to standard rate of 17pc, except 12pc on petrol. Until January this year, the government was charging 0.5pc GST on LDO, 2pc on kerosene, 8pc on petrol and 13pc on HSD.

Besides the GST, the government has more than doubled the rate of petroleum levy on HSD in recent months to Rs18 per litre instead of Rs8 per litre, while levy on petrol had also been increased by 40pc to Rs14per litre instead of Rs10 per litre. The petroleum levy on kerosene oil and LDO remains unchanged at Rs6 and Rs3 per litre respectively.

Over the last two months, the government has started increasing petroleum levy rates to partially recoup a major revenue shortfall faced by the Federal Board of Revenue. Petroleum remains in the federal kitty unlike GST that goes to the divisible pool taxes and thus about 57pc cent share is grabbed by the provinces.

Petrol and HSD are two major products that generate most of revenue for the government because of their massive and yet growing consumption in the country. Petroleum prices have generally been on the rise since early 2017 except a couple of reductions. Over the last couple of weeks, the international benchmark Brent prices have been inching up and the government has been mopping up tax rates in run up to finalisation of an IMF assisted stabilisation programme.

The government has already announced to gradually increase electricity and gas rates over the next few months.

However, an official said the government was expected to pass on about half of price increase worked out by the Ogra because of upcoming Eidul Fitr even though its fiscal space was continuously contracting.

The Newspaper's Staff Reporter