



THE PETROLEUM PRICE CRISIS

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ABSTRACT

This research paper will be highlighting the reasons behind the sudden rise in price in petroleum, diesel and other essential fossil fuels. The paper will be focussing on the change in the government policies and the international relationships of the country (India). The imposition of various types of taxes, the cut in supply of fossil fuels by other nations. The dominance of the public sector on the economy is also one of the major reason for the sudden increase in the rise in the prices.

1. INTRODUCTION

Fossil fuels have been a very important part of our daily life. We use fossil fuels for our daily work like cooking; these are used in the vehicles we use for transportation. Being such an important thing, the rise in the prices of fossil fuels have caused a large number of problems for the people. Especially the poor people as they are not able to afford these now. Not only the poor but it has also affected the middle class and the rich people as well as their expenses have increased leading to fewer saving.

SUDDEN INCREASE IN THE PRICES OF CRUDE OIL IN INTERNATIONAL MARKET

Crude oil is a naturally occurring petroleum product composed of hydrocarbon deposits and other organic materials. A type of fossil fuel, crude oil is refined to produce usable products including gasoline, diesel, and various other forms of petrochemicals. It is a nonrenewable resource, which means that it can't be replaced naturally at the rate we consume it and is, therefore, a limited resource.

As from the above information we can conclude that crude oil is the the main source for other fossil fuels, so rise in price of crude oil is on of the major reasons for rise in price of other fossil fuels.

During the outbreak of the COVID-19 pandemic, the prices of crude oil drastically dropped and went down to \$19 per barrel due to less demand but as soon as people started getting back to normal daily routine the demand increased and the price went up to \$77 per barrel in 2021.

REGRESSIVE TAXATION SYSTEM

The change in the tax policies in India has also been one of the reasons for the increase in the price of petroleum and other fossil fuels.

The imposition of excise duty charged by the central government of the country i.e. 33% makes a huge difference between the price at which the petroleum costs and the price at which it is sold.

Also many other taxes are imposed by the government such as VAT (value added tax) leads to increase in price of petroleum. Also these taxes differ from state to state and thus leading to different prices of petroleum in different regions of the country. For example, petrol price being lesser in Himachal Pradesh, people in Punjab living at the borders of Himachal Pradesh often buy petroleum from HP as the prices differ in both states, being less in HP.

UNFAVOURABLE TAXING SYSTEM

The taxing system in India has been very unfavourable from the last few years. The inappropriate taxing system is one of the major reasons why the prices are rising at an alarming rate in India.

In India, a number of taxes are imposed on petroleum before getting it ready for sale in the market due to which the price of petroleum eventually rises.

The government should try and bring petroleum under GST which will make a big difference in the prices of petroleum.

For example:

By imposing other taxes:

BASE PRICE	Rs.30
Dealer Commission	Rs.3.6
Transportation Price	Rs.3.8
Total price before Tax	Rs.37.4
Other taxes	Rs. 66.6
Selling Price	Rs.104

By Imposing GST:

Base Price	Rs.30
Dealer Commission	Rs.3.6
Transportation Price	Rs.3.8
Total price before Tax	Rs.37.4
GST	Rs.40
Selling Price	Rs.77.4

From the above table we can clearly see the differences between the prices after applying other taxes and after applying GST. So the government should bring petroleum under GST to control the rising prices.

2. CONCLUSION

In conclusion, we can say that there have been multiple reasons for the rise in price of petroleum in India. As already discussed the rise in price of the main source of petroleum i.e. crude oil has led to a big difference in prices, talking about the unfavourable taxation policies and the government not being much involved in the problems faced by the people. Also the excess imposition of taxes have led to a sudden rise in price of petroleum. The dominance of the public sector on the economy being a mixed economy have not shown any significant efforts in controlling these rising prices. The dealers have also been exploiting due to less number of refineries and no source of petroleum. The rise in the cost of transportation system has also been a major reason for the rising prices.

The government should try and improve the taxation systems and bring petroleum under GST to save it from other taxes which lead to a very big difference between the cost and the selling price of petroleum. The government should play an active role in the industries associated to petroleum to keep a check on them and ensure that there is no kind of exploitation or corruption.

Fossil fuels being a very important part of our daily life, they should be easily available to all the people living in the country.

3. REFERENCES

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