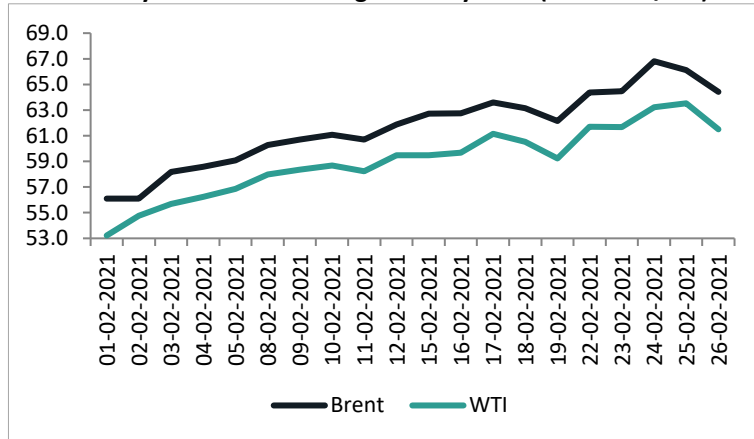


Oil Monitor

March 1, 2021 | Industry Research

Crude oil prices during February 2021

Chart 1: Daily Prices of Oil during February 2021 (Unit: USD/bbl)



Source: Bloomberg, ICE

The price of Brent Crude and WTI have been recovering and have increased sharply by 11.6% and 13.4% during February, 2021 as against the price prevailing during January 2021 and has also increased by 11.3% and 17.4% as against the price prevailing during the same month in the previous financial year.

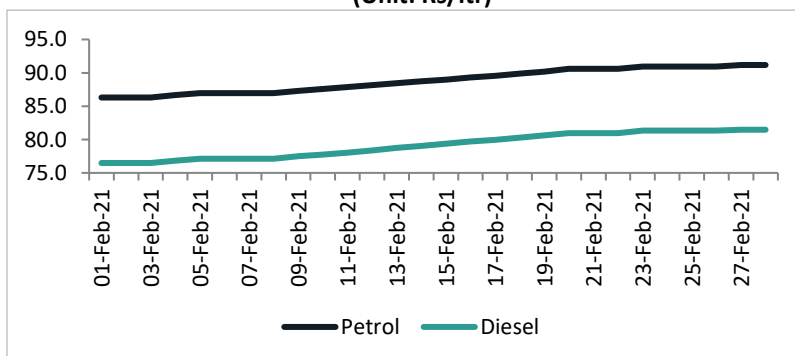
In the previous financial year, crude oil prices were on a downward trajectory since the start of CY20 due to the advent of COVID-19 in China and was falling further in February 20 due to its spread in other countries from its epicentre.

Oil prices have been on a rise due to restrained U.S. oil production and deployment of vaccination drives across economies. Brent Crude oil price has breached the USD 60/bbl mark after 13 months during February 2021. Oil prices were also impacted and have increased due to the winter storm in Texas (the largest oil producing state in the US) which led to US crude production to drop by more than 10% (or by 1 mb/d), while refining activities too suffered because of the freeze. Operations and facilities in the state have now resumed but not fully.

Oil prices also increased due to the additional output cuts undertaken by Saudi Arabia in February followed by reductions followed/assumed by other members of the Organization of the Petroleum Exporting Countries and its allies.

The y-o-y recovery denotes that crude oil prices have risen and recovered from its initial pandemic days and is nearing its pre-COVID range.

Chart 2: Daily Prices of Petrol and Diesel during February 2021 (Unit: Rs/ltr)



Source: PPAC

Prices of Petrol and Diesel have reached an all-time high during February 2021. The current high price of petrol and diesel can be ascribed to the high taxes levied by the government coupled with an increase in crude oil price

In the month of February, prices of petrol and diesel have increased to an all-time high amid the firming of crude oil prices.

By the end of the month, petrol and diesel price have increased by Rs 4.9/litre and Rs. 5/litre each respectively. Petrol price now is retailing at Rs 91.2 in Delhi, in Rs. 97.6 in Mumbai, Rs. 93.1 in Chennai and Rs. 91.4 in Kolkata, per litre, respectively. Current price of diesel in Delhi, Mumbai, Chennai and Kolkata, is Rs 81.5, Rs 88.6, Rs 86.5 and Rs 84.4 per litre, respectively.

Note: Oil firms consider the trade parity pricing which is based on the prevailing prices in the international markets. Retail prices of petrol and diesel in India are linked to their prices in the global markets and not crude oil. The prices of petrol and diesel are broadly determined by crude oil and forex rates. However, the retail rates vary from state to state due to local taxes.

Table 1: Price build-up of Petrol and Diesel at Delhi (Unit: Rs/ltr)

As on 01.03.2021	Petrol	Diesel
Price Charged to Dealers (excluding Excise Duty and VAT)	33.5	35.2
Excise Duty	32.9	31.8
Dealer Commission	3.7	2.5
VAT (includes VAT on dealer commission)	21.	11.9
Retail Selling Price	91.2	81.5

Source: IOCL

As per the latest available data on price build of petrol and diesel) the government is able to collect around 161% taxes, (Excise Duty and VAT) on the base price of petrol and 124% in the case of diesel (as on 1st March 2021).

Taxes now make up around 59% of the retail price of petrol 54% of the retail price of diesel (as on 1st March 2021).

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