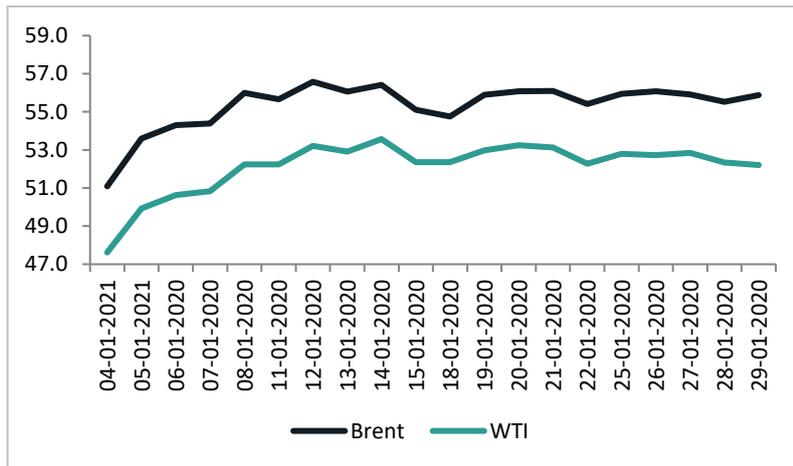


# Oil Monitor

February 2<sup>nd</sup>, 2021 | Industry Research

Crude oil prices during January 2021

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



Source: Bloomberg, ICE

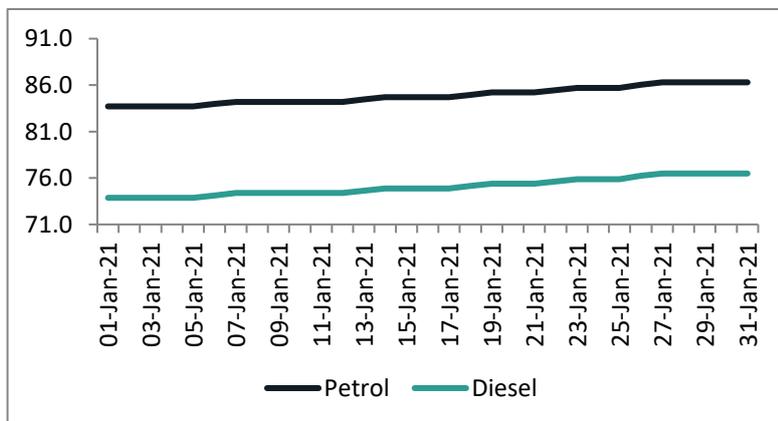
The price of Brent Crude and WTI have been recovering and have increased sharply by 10.1% and 10.9% during January, 2021 as against the price prevailing during December 2020 but in hindsight it has declined by 12.9% and 9.5% as against the price prevailing during the same month in the previous financial year.

At the start of the month, oil prices rose as the OPEC+ group managed to broker another deal for the month of February and March. The cartel had agreed to slightly ease their deep oil output cuts suggesting recovery in demand going forward.

Restrained U.S. shale production and deployment of vaccination drives have managed to keep prices elevated almost throughout the month as Brent Crude oil price has been above the USD 50/bbl limit during January 2021. However recovery in consumption remains uncertain.

Increase in COVID cases in the US and lockdowns in the UK which puts restrictions on movement (demand negative), has kept crude prices in check and not increase to a certain limit.

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



Source: PPAC

In the month of January, prices of petrol and diesel had increased to an all-time high amid the firming of crude oil prices. By the end of the month, petrol and diesel price had increased by Rs 2.6/litre each.

Petrol price is Rs 86.3 in Delhi and in Mumbai, Chennai and Kolkata, prices are unchanged at Rs 92.9, Rs 88.8 and Rs 87.7 per litre, respectively. Current price of diesel in Delhi, Mumbai, Chennai and Kolkata, is Rs 76.5, Rs 83.3, Rs 81.7 and Rs 80.1 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 01.02.2021	Petrol	Diesel
Price Charged to Dealers (excluding Excise Duty and VAT)	33.0	30.9
Excise Duty	33.0	31.8
Dealer Commission	3.7	2.5
VAT (includes VAT on dealer commission)	19.9	11.2
Retail Selling Price	86.3	76.5

As per the latest available data on price build of petrol and diesel) the government is able to collect around 160% taxes, (Excise Duty and VAT) on the base price of petrol and 139% in the case of diesel (as on 1st February 2021).

Taxes now make up around 61% of the retail price of petrol 56% of the retail price of diesel (as on 1st February 2020).

Source: IOCL

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