

OIL COMPANIES CUTTING PRICES



Issue

Oil companies have cut prices of petrol and Diesel on second consecutive day after a near six-month period.

Background

The price of barrel of Brent crude oil fell prompting the rate cuts. The earlier demand had skyrocketed the prices across the country.

Details

- Oil marketing companies have started to cut prices after keeping them constant for a period of 24 days. This was because of volatility that had escalated the prices.
- The elections for state assemblies in West Bengal, Assam, Tamil Nadu, Kerala and Puducherry has forced oil companies to keep oil prices constant.
- The central government has not reduced the hike in excise duty imposed on petrol and diesel that was done to boost revenue during pandemic.

Reason for fall in prices

- The demand for crude oil had allowed the prices to rise post October but fears of new Covid-19 restriction in Europe have made the prices to fall.
- Crude oil prices continued to grow as the OPEC+ nations decided to cut production despite crude oil prices reaching near pre-covid levels.

- Rising crude oil prices have increased oil output from USA, which had reduced its production after being hit by the pandemic.
- The move by India to reduce its oil supplies from Saudi Arabia may increase production in US, which has recently become second largest supplier of India.

NOTES

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