Reaction from FICCI on Oil Price Increase

NEW DELHI, June 25, 2010: Reacting to the oil price hike announced by the government, **Dr. Amit Mitra, Secretary General, FICCI** said *"FICCI supports in principle this phased decontrol of oil prices. The government has taken a very nuanced approach towards pricing of oil products. While petrol prices have been decontrolled and diesel prices would be market driven in due course, the government has continued with supporting subsidy in case of kerosene and LPG."*

"However, at the same time we would emphasize that oil prices play a critical role in the overall economy and some mechanism should be evolved for cushioning its impact in case of runaway rise in prices. The centre should consult with the state governments to put in place an appropriate mechanism for taxation on oil products that can act as a cushion in case of violent fluctuation in prices. A move from present ad-volorem taxation structure to a fixed taxation structure would help reduce the impact of an oil price increase. FICCI has also in the past suggested that taxes on oil products should be inversely related to international crude prices as this would soften the impact on the final consumers of any changes in prices", he added.

"*Further, while developed country consumers can afford to live with fully market driven oil prices an emerging country like India may find it difficult to handle it. Sharp fluctuations in oil prices will have an impact on overall inflation and can derail the growth process in the economy",* said Dr. Mitra.

Dr. Mitra also mentioned that "*the initiative taken by the government to set up strategic petroleum reserves at three centres across the country is welcome as it would help the government to minimize, at least in the short run, any impact of a spike in global crude prices. More such measures should be taken in the interest of the ultimate consumers*."

MEDIA DIVISION