Local fuel prices expected to rise, says ministry official

KUALA LUMPUR: Retail prices for petrol and diesel are expected to increase, following rising global crude oil prices and the strengthening of the United States dollar, said Finance Ministry strategic communications director Datuk Lokman Noor Adam.

He said the greenback's surge, coupled with higher global crude oil prices, would affect local fuel prices.

"A strong US dollar against the ringgit will result in rising costs for the purchase of crude oil, leading to an increase in fuel prices," he said yesterday.

He said the government had fixed the retail prices of the RON95 petrol and diesel on a managed float system starting Dec 1, 2014, which marked the removal of the fuel subsidy.

"The retail price for January last year was based on the average price in December 2014. The monthly average price is obtained by dividing total prices from Dec 1 to Dec 31. It is not determined based on global crude oil prices at month-end."

Lokman said the government's subsidies were rationalised to mitigate the financial burden of targeted groups, and not the well-off and foreigners living in the country.

Based on a study by the Finance Ministry, he said, the government spent 70 per cent of its oil subsidy for the rich and the remaining 30 per cent for the masses, leading to the decision to rationalise the fuel subsidy.

"The rich use more fuel as they drive bigger cars. For instance, those who drive a Perodua Kancil get about RM16.29 worth of fuel subsidy when they buy a full tank of the RON95 fuel, compared with those who drive a Toyota Camry, who enjoy RM48.87 worth of fuel subsidy, which is three time more."

Lokman explained that leakages resulted from the bulk subsidy system, which saw vehicles with foreign number plates filling up their tanks at a subsidised rate, and cases of subsidised fuel being smuggled out to neighbouring countries via land and sea.

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