

Petrol prices not solely set by crude oil prices

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KINIBIZ Petrol prices at the pump have gone up by 10 sen to RM2.15 per litre for RON95 and 20 sen to RM2.55 for RON97 for the month of July 2015. This is despite the price of Brent crude oil per barrel trending downwards for the month of June 2015 versus May 2015.

However, retail petrol prices have gone up because the price of Brent per barrel is only one component out of several which go into the calculation of the Mean of Platts Singapore (MOPS) benchmark price which is used under Malaysia's managed float system which came into place on Dec 1, 2014.

From then onwards, retail petrol prices are set based on a month-to-month basis based on an average of MOPS prices plus a fixed margin for oil companies and retailers.

Performance Management and Delivery Unit (Pemandu) associate director Kelvin Tan explained "the Malaysian pump price floats in the sense that it is unsubsidised. Whereas in international markets pump prices can fluctuate even on a daily basis, the Malaysian pump price floats on a lagged basis, so that the current price reflects the average spot price of the previous month". This means that July's pump prices will be based on June average prices.

"Also, pump prices are not solely based on crude oil prices. Rather, they are based on a reference price called 'Mean of Platts Singapore' (MOPS). MOPS does not just take into account crude oil prices, but also certain refining, logistics and other costs as reflected in the marketplace," explained Tan.

Therefore, while MOPS prices might track crude prices, it will not track it exactly because of the other cost components. The two will usually move in a similar direction to each other, but not necessarily on an identical path.

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