



Government Slashes Excise Duty on Petrol and Diesel to Shield Consumers and OMCs from Global Oil Shock

Retail Pump Prices Remain Stable; OMC Under-Recovery Partially Offset

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The Government of India has reduced excise duty by Rs 10 per litre on both petrol and diesel with immediate effect. This decision has been taken in response to the steep and rapid rise in international crude oil prices, which have surged from approximately USD 70 per barrel to around USD 122 per barrel over the past month — an increase of nearly 75 per cent in under four weeks, driven by the ongoing conflict in West Asia and associated disruptions to global energy supply chains.

Retail pump prices of petrol and diesel will not change. The excise reduction is not being passed on as a price cut at the pump. Instead, it directly reduces the under-recoveries being absorbed by public sector oil marketing companies (OMCs) — Indian Oil Corporation, Bharat Petroleum Corporation and Hindustan Petroleum Corporation — who have continued to supply fuel to Indian consumers at prices well below their cost of supply. At current international crude prices, under-recoveries stand at approximately Rs 26 per litre on petrol and Rs 81.90 per litre on diesel. The combined daily under-recovery being absorbed by OMCs is approximately Rs 2,400 crore. The excise reduction offsets Rs 10 per litre of these losses, ensuring OMCs can continue to supply fuel without disruption while keeping retail prices unchanged.

The contrast with global fuel markets is instructive. Fuel prices have risen by 30 to 50 per cent across South and South-East Asian countries, 30 per cent in North America, and 20 per cent in Europe since the onset of the current crisis. India has held the line. That stability carries a fiscal cost, and the Government has chosen to bear it.

The Minister for Petroleum and Natural Gas, Shri Hardeep Singh Puri, stated:

“The Government had two choices: either increase prices drastically for citizens of Bharat as all other nations have done, or bear the brunt on its finances so that the Indian citizen is insulated from international volatility. Honourable Prime Minister Shri Narendra Modi Ji decided to take a hit on Government finances to safeguard the Indian citizen. The Government has taken a substantial impact on its taxation revenues to reduce the high losses being faced by oil marketing companies at this time of sky-high international prices.”

Alongside the excise reduction, the Government has simultaneously introduced an export levy on diesel. At a time when international diesel prices have surged sharply, the levy is designed to disincentivise exports and ensure that refinery output is directed first towards meeting domestic demand. Keeping Indian

pumps fully supplied takes precedence over export opportunities, however commercially attractive those may be at current global prices.

This decision is consistent with the approach adopted since the Russia-Ukraine conflict of 2022, when OMCs absorbed sustained losses and the Government cut central taxes to shield households and businesses from global price volatility. The same principle governs today's intervention: India's citizens and industry should not bear the cost of disruptions they did not cause. The Government will continue to monitor the evolving global energy situation and take all measures necessary to maintain supply stability and price protection for Indian consumers.

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