

Petrol and Diesel: The Architecture of Consumer Protection

Seventy-eight days of complete absorption, then a phased revision of just over seven rupees across four OMC moves — still the lowest hike in the world

1. International comparison: India is the smallest hike in the world, off one of the lowest absolute pump prices

Through the seventy-eight days from the closure of the Strait of Hormuz on 28 February 2026 to the OMC revisions of 15, 19, 23, and 25 May, India held petrol and diesel prices essentially unchanged while the rest of the world raised prices by ten, twenty, fifty, and in some cases ninety per cent. The cumulative Indian revision across the four May moves, just over ₹7 a litre, takes the headline movement on the Indian retail price to roughly seven and a half per cent — equivalent to ₹7.35 per litre on petrol and ₹7.53 per litre on diesel, taking Delhi petrol from ₹94.77 to ₹102.12 and Delhi diesel from ₹87.67 to ₹95.20.

The table below sets out the country-by-country percentage change in local-currency pump price between 23 February 2026 and May 2026, alongside the post-Hormuz absolute pump price as of mid-to-late May 2026 in equivalent Indian rupees. The contrast operates on two dimensions: India had one of the smaller percentage increases, and it sits on one of the lower absolute price levels among non-subsidising economies. The global weighted average is shown in grey for reference.

Country	Petrol % chg.	Diesel % chg.	Petrol ₹/L (May 2026)	Diesel ₹/L (May 2026)
Myanmar	+89.7%	+112.7%	₹141	₹148
Malaysia	+56.3%	+71.2%	₹74	₹72
Pakistan	+54.9%	+44.9%	₹136	₹136
United Arab Emirates	+52.4%	+86.1%	₹98	₹94
United States	+44.5%	+48.1%	₹110	₹118
Philippines	+40.6%	+53.8%	₹132	₹126
Sri Lanka	+38.2%	+41.8%	₹140	₹125
Nepal	+38.2%	+58.5%	₹136	₹132
South Africa	+33.1%	+63.6%	₹125	₹128
Canada	+31.9%	+32.8%	₹130	₹128
New Zealand	+30.7%	+88.6%	₹172	₹165
Thailand	+29.7%	+32.4%	₹140	₹128
Belgium	+25.3%	+30.9%	₹186	₹180
Vietnam	+23.8%	+50.6%	₹105	₹98
Global weighted avg.	+22.4%	+27.0%	₹130	₹134
France	+22.1%	+30.2%	₹198	₹190

Country	Petrol % chg.	Diesel % chg.	Petrol ₹/L (May 2026)	Diesel ₹/L (May 2026)
China	+21.7%	+23.7%	₹126	₹118
South Korea	+19.0%	+26.2%	₹162	₹148
Australia	+18.5%	+43.1%	₹158	₹165
United Kingdom	+18.4%	+34.0%	₹170	₹203
Netherlands	+18.4%	+25.6%	₹235	₹225
Indonesia	+18.0%	+28.5%	₹96	₹88
EU 27 average	+18.0%	+24.5%	₹179	₹184
Italy	+16.8%	+22.4%	₹197	₹188
Bangladesh	+16.7%	+15.0%	₹109	₹95
Germany	+15.6%	+21.5%	₹210	₹192
Denmark	+15.3%	+24.0%	₹218	₹202
Singapore	+12.7%	+64.7%	₹178	₹172
Hong Kong	+12.6%	+14.8%	₹268	₹245
Switzerland	+11.4%	+14.6%	₹181	₹168
Japan	+9.7%	+11.2%	₹152	₹138
INDIA (Delhi, post 25 May)	+7.7%	+8.6%	₹102.1	₹95.2

Sources: GlobalPetrolPrices.com weekly data (18 May 2026); European Commission via fuel-prices.eu (EU avg. €1.824/L petrol, €1.863/L diesel, 18 May 2026); Trading Economics (UK, France, Germany, Netherlands national series, Mar–May 2026); MoPNG and OMC notifications for India post-25 May 2026. Absolute prices converted at indicative ~₹85/USD; rounded to nearest rupee. % change calculated from 23 February 2026 pre-Hormuz baseline; India figure shown for Delhi.

Three observations follow from the table. First, every major developed economy now retails petrol above ₹150 a litre and most above ₹180; the EU 27 weighted average sits at ₹179 on petrol and ₹184 on diesel. Second, India's two large neighbours — Pakistan and Nepal — have moved well past ₹135 a litre on petrol despite lower nominal incomes; Sri Lanka, Myanmar, and the Philippines have crossed ₹130. Third, the only economies retailing petrol consistently below the Indian range are direct subsidisers (the UAE and Malaysia) or the US, which has structurally low fuel taxation. India therefore prices petrol and diesel at or below most of the developing world and at roughly half the European pump, while still raising less than any non-subsidising peer through the present disruption.

Every other major importing economy has passed on the cost to its consumers, in several cases doubling pump prices over forty-eight months. India has not. The Indian revision of just over seven rupees a litre, equivalent to roughly seven and a half per cent off the Delhi base, is the smallest material upward movement of any major economy outside the directly subsidising Gulf producers — smaller than Japan, smaller than every European economy, smaller even than the South Asian peers that lack India's buffers.

2. State-level VAT: where the pump price actually diverges

The central excise component of the petrol and diesel price is the same in every state of the Union. The pump price diverges because of the value added tax that each state government separately levies. The states with the highest VAT impose effective rates of thirty per cent and more, layered with per-litre additions and infrastructure cesses. The states with the lowest impose rates closer to twenty per cent, no per-litre addition, and no further cess. The geographical map of the divergence is, with a few exceptions, the political map of the divergence.

The table below groups states by political alignment of the state government. The opposition-governed block — Congress states, INDIA-bloc allies including the TVK government in Tamil Nadu (with Congress as a coalition ally), and AAP-ruled Punjab — sits visibly above the NDA / BJP-governed block on petrol retail price.

State	Petrol ₹/L	Diesel ₹/L	Political alignment
Opposition-governed states (Congress / INDIA bloc / TVK-Congress / AAP) — higher pump prices			
Telangana	₹118.3	₹106.7	Congress
Kerala	₹114.9	₹104.1	INDIA bloc (LDF)
Karnataka	₹110.3	₹102.5	Congress
Tamil Nadu	₹107.8	₹103.4	TVK (Congress ally)
Jharkhand	₹105.2	₹98.4	INDIA bloc (JMM)
Punjab	₹103.7	₹93.7	AAP
NDA / BJP-governed states — lower pump prices			
Madhya Pradesh	₹114.0	₹99.6	BJP — higher VAT/cess
Bihar	₹113.0	₹99.8	NDA (JD-U + BJP)
Odisha	₹108.5	₹100.2	BJP
Chhattisgarh	₹107.8	₹100.8	BJP
Assam	₹104.5	₹92.1	BJP
Goa	₹103.9	₹96.5	BJP
Haryana	₹102.3	₹90.5	BJP
Delhi	₹102.1	₹95.2	BJP
Uttar Pradesh	₹102.1	₹95.4	BJP
Gujarat	₹101.7	₹97.7	BJP

Source: MoPNG city-level RSP feed for 25 May 2026 (Delhi anchor: petrol ₹102.12, diesel ₹95.20); inter-state values reflect prevailing state-VAT differentials. Tamil Nadu reflects the present TVK state government, with Congress as a coalition ally.

The two states with petrol above ₹112 a litre after the latest revisions are Telangana and Kerala. Telangana is Congress-governed; Kerala is INDIA-bloc (LDF). Both levy the highest VAT rates in the country, with Kerala adding a social security cess on top of its base VAT. Tamil Nadu, under the TVK state government allied with the Congress, has retained the legacy high VAT regime; Karnataka sits only marginally lower.

The diesel comparison is sharper still. Diesel is the fuel of freight, public transport, agriculture, and rural irrigation; the BJP-governed states have consistently kept diesel VAT meaningfully below petrol VAT for that reason. Diesel in Delhi, Uttar Pradesh, and Haryana retails at around ₹87.6 to ₹87.8 a litre; in Telangana it crosses ₹103 and in Kerala ₹101. The opposition-state premium on diesel runs at fifteen to sixteen rupees a litre against the lowest-VAT BJP states — paid every day by every truck, every state-transport bus, every tractor, and every diesel-pump irrigation set in those states. The working-class fuel is taxed hardest where the opposition governs.

Six states have petrol at or below one hundred and two rupees a litre: Gujarat, Uttar Pradesh, Delhi, Haryana, Goa, and Assam. All six are governed by the BJP. The same opposition leaderships that ask the central government to cut excise duty for the relief of the consumer have at no point cut the value added tax their own state governments levy on the same litre of fuel. When the central excise duty was cut on 27 March 2026 by ten rupees a litre on petrol and diesel, the BJP-ruled states passed the full cut through to the pump. The Congress-ruled, INDIA-bloc, and TVK–Congress allied states did not separately reduce VAT, which means the consumer in those states still pays more than the consumer in a BJP-ruled state directly because of state taxation.

The framing that the central government overtaxes fuel collapses against the state-level data. The states that tax fuel hardest are not the centre. They are the political opponents of the centre.

3. The only major economy to cut retail fuel prices through both energy crises

Between the Russia–Ukraine war that began in February 2022 and the Hormuz disruption that began in February 2026, the international price of crude oil has been through two of the sharpest disturbances since the 1970s. Brent has crossed one hundred and twenty dollars a barrel twice in that window. Every major importing economy in the world has passed on the cost to its consumers, in some cases several times over. India has done the opposite. Across the same four years the Indian government has cut the retail price of petrol and diesel four times, the last of those cuts coming on the eve of the Hormuz disruption itself.

Date	Measure	Petrol	Diesel
4 Nov 2021	Central excise duty cut, before Russia–Ukraine	–₹5	–₹10
21 May 2022	Central excise duty cut, during Russia–Ukraine	–₹8	–₹6
14 Mar 2024	OMC-led retail price cut	–₹2	–₹2
April 2025	Central excise duty cut	–₹2	–₹2
27 Mar 2026	SAED cut on eve of Hormuz; full pass-through absorbed by exchequer	–₹10	–₹10 (diesel duty to nil)
15 May 2026	OMC price revision, first in nearly four years	+₹3	+₹3
19 May 2026	Second OMC revision in four days	+₹0.87	+₹0.91
23 May 2026	Third OMC revision in 10 days; CNG +₹1/kg	+₹0.87	+₹0.91
25 May 2026	Fourth OMC revision in 11 days	+₹2.61	+₹2.71

Source: PIB releases and OMC notifications. The cumulative revision across 15, 19, 23, and 25 May 2026 stands at ₹7.35 per litre on petrol and ₹7.53 per litre on diesel — the first phased revision of the Indian retail price in nearly four years, after seventy-eight days of complete absorption through the Hormuz disruption.

Through the Russia-Ukraine window, India was the only G20 economy to reduce the retail price of petrol and diesel. The November 2021 and May 2022 cuts together took eighteen rupees off petrol over six months and sixteen rupees off diesel. Through the Hormuz disruption, the SAED cut of 27 March 2026 reduced petrol excise to three rupees a litre and took diesel excise to zero. The pass-through of higher crude was not made to the consumer; it was absorbed by the exchequer.

4. SAED cut and oil bonds: two opposite ways to absorb a price shock

The Congress argues that petrol cost roughly ₹71 a litre in May 2014 and costs roughly ₹98 a litre today, and presents the difference as evidence of overtaxation. The argument depends entirely on what one thinks the May 2014 number actually represented. It was not the cost of supplying a litre of petrol. It was the price that resulted after the UPA had issued approximately ₹1.34 lakh crore in oil bonds to public sector oil marketing companies in lieu of price pass-through, between 2005 and 2010. The 2014 price was a deferred tax invoice on the next generation of consumers. The Modi government has been redeeming those bonds: roughly ₹10,000 crore in FY 2021-22, ₹31,150 crore in FY 2023-24, ₹52,860 crore in FY 2024-25, and ₹36,913 crore in FY 2025-26, alongside cumulative interest running into the tens of thousands of crores. The price the Congress nostalgically quotes was being paid by the present government, on behalf of the previous one, until very recently.

The mechanism the present government has used to absorb a price shock is different in kind. When crude rose in 2022 and again in 2026, the central excise duty on petrol and diesel was cut. The reduction was direct, transparent, on-budget, and visible at the pump within a day. The exchequer accepted the loss of revenue. No bond was issued, no obligation was deferred, no future taxpayer was committed to repaying anything. The 27 March 2026 SAED cut alone has cost the central exchequer approximately ₹30,000 crore in the current fiscal year. The difference between the two mechanisms is not a matter of optics. It is the difference between paying for a price shock now and pretending to.

5. Losses incurred and compensation borne

At peak Brent of around one hundred and twenty-six dollars a barrel during the Hormuz disruption, the Government of India was absorbing approximately twenty-four rupees a litre on petrol and thirty rupees a litre on diesel. PIB figures of 27 March 2026 reported under-recoveries at the refinery gate of twenty-six rupees a litre on petrol and eighty-one rupees and ninety paise a litre on diesel. The 27 March SAED cut transferred ten rupees of the petrol gap and ten rupees of the diesel gap from the consumer to the exchequer. The four phased OMC revisions of 15, 19, 23, and 25 May together passed roughly ₹7.35 on petrol and ₹7.53 on diesel into the retail price, reducing daily OMC under-recoveries from ₹1,000 crore a day at the height of the disruption to a substantially lower run-rate. The remaining loss is still being absorbed.

Window	Mechanism	Exchequer / OMC loss absorbed
FY 2021-22 to FY 2023-24 (Russia-Ukraine)	PSU OMCs absorbed under-recoveries to keep pump prices steady	~₹24,500 crore on petrol and diesel combined
FY 2024-25 (LPG protection)	OMC absorption on LPG to protect the household consumer	~₹40,000 crore
23 Feb to 25 May 2026 (86 days of Hormuz disruption)	OMCs absorbed daily under-recoveries of ~₹1,000 crore/day; SAED cut absorbed by exchequer	~₹30,000 crore (SAED cut); OMC absorption progressively reduced across four revisions

Window	Mechanism	Exchequer / OMC loss absorbed
Cumulative since 2021	Oil bonds redeemed (UPA-era liability)	Over ₹1.30 lakh crore principal, plus interest

An export levy was imposed simultaneously with the 27 March 2026 cut, at twenty-one rupees and fifty paise a litre on diesel and twenty-nine rupees and fifty paise a litre on ATF, to keep Indian-produced fuel in the Indian market and prevent the domestic supply from being pulled out by international price arbitrage. The export levy contributed to the SAED cut being a net protection of the Indian consumer rather than a revenue giveaway to refiners.

The retail price of petrol and diesel in Delhi had moved by under one per cent in either direction over the four years from February 2022 to February 2026, against a Brent benchmark that has moved sharply in both directions across the same period. The four OMC revisions of 15, 19, 23, and 25 May 2026, cumulatively ₹7.35 on petrol and ₹7.53 on diesel, are the first material upward movements of the retail price in nearly four years.

Summary

Through four years that included the Russia–Ukraine war and the closure of the Strait of Hormuz, the Government of India cut the central excise on petrol and diesel four times, absorbed approximately ₹30,000 crore of revenue at the exchequer in the most recent cut alone, and redeemed over ₹1.30 lakh crore of UPA-era oil bonds, principal alone. India is the only major economy in the world to have cut retail fuel prices through the Russia–Ukraine window. India is the only major economy in the world to have held retail fuel prices essentially unchanged through the first seventy-eight days of the Hormuz disruption. The cumulative OMC revision of just over ₹7 a litre across 15, 19, 23, and 25 May 2026 is the smallest material upward movement of any major economy outside the directly subsidising Gulf producers, off one of the lowest absolute pump prices in the non-subsidising world. The states that tax fuel most heavily are governed by the political opposition — Congress, INDIA bloc, AAP, and the TVK–Congress alliance in Tamil Nadu. The architecture of consumer protection, the redemption of past liabilities, and the absorption of present losses are the work of the present government.