

## Targeted fuel subsidy in the works following hike of crude oil prices

**KUALA LUMPUR:** A targeted fuel subsidy will replace the current policy following the sharp rise of global crude oil prices, says Finance Minister Datuk Seri Tengku Zafrul Tengku Abdul Aziz.

If the current blanket subsidy programme is continued, he said, the government could be paying up to RM28bil in subsidies for petrol, diesel and liquefied petroleum gas (LPG) this year.

This is due to the Russian-Ukrainian war which has pushed crude oil prices to over US\$100 (RM418) a barrel, said Tengku Zafrul.

Meanwhile, crude oil prices have been rising significantly since 2021, costing US\$85 (RM356) per barrel in January 2022 compared with US\$55 (RM230) during the same month last year.

The Malaysian government has had to bear a 10-fold increase in the subsidy Bill from RM200mil in January 2021 to over RM2bil in January 2022, he said.

Russia's invasion of Ukraine has escalated crude oil prices to the highest level seen since 2014, and the subsidy will cost the government more than RM2.5bil a month, he said.



**Pay up:** The Russian-Ukrainian war has pushed oil prices over US\$100 per barrel, the highest level since 2014. — AZHAR MAHFOF/The Star

"If the global crude oil prices remain at over US\$100, the overall cost of subsidy for the whole of 2022 is expected to reach RM28bil compared with RM11bil in 2021.

"The current subsidy programme involves the same subsidised prices enjoyed by all, regardless of rich or poor.

"Furthermore, the high-income group will enjoy more subsidies

based on consumption levels which are higher compared with those with low incomes.

"Therefore, the government will review the fuel subsidy mechanism in order to implement a more targeted and focused aid and subsidy for the vulnerable and those really in need," Tengku Zafrul told the Dewan Rakyat during Question Time yesterday.

He also said the government cannot borrow money for operating expenses such as subsidies while the increase in subsidy cost must be offset by increased revenue and cost savings by the government.

Thus, the implementation of targeted subsidies is expected to optimise the government's financial resources as the savings obtained can be redistributed for more effective programmes that will in turn, contribute to the well-being of the people, said Tengku Zafrul.

He said consumers in Malaysia have continued to enjoy retail fuel prices of RM2.05 a litre for the RON95 but that the actual cost in March had reached RM3.70 a litre.

This meant that the government had to cover the difference of RM1.65 a litre.

"For example, every time we refuel with a value of RM100, or about 49 litres, the amount paid by the government is RM81 because the actual cost based on market price is RM181 for 49 litres of RON95," Tengku Zafrul said.

"This means the government subsidy is up to 45% of the total price.

"As for diesel, consumers only pay RM2.15 per litre while the actual cost has exceeded RM4 per litre."

he added.

The big gap between the retail price at the petrol station compared with the actual market price will also result in a higher risk of subsidy leakage caused by petroleum products being smuggled out of Malaysia to neighbouring countries, which have higher retail petrol prices, he added.

The RM2.05 per litre retail price of petrol in Malaysia is relatively low compared with oil-producing countries such as Saudi Arabia, where it is RM2.59 per litre, and also when compared with neighbouring countries such as Indonesia at RM3.74 per litre, Thailand at RM5.63 per litre and Singapore at RM9.16 per litre, said Tengku Zafrul.

Earlier, in reply to a question from Wong Hon Wai (PH-Bukit Bendera), he said the government is also currently in the process of reviewing how the targeted subsidy approach can be expanded to other subsidised products to focus on those really in need.



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