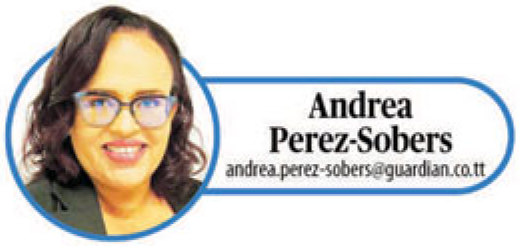
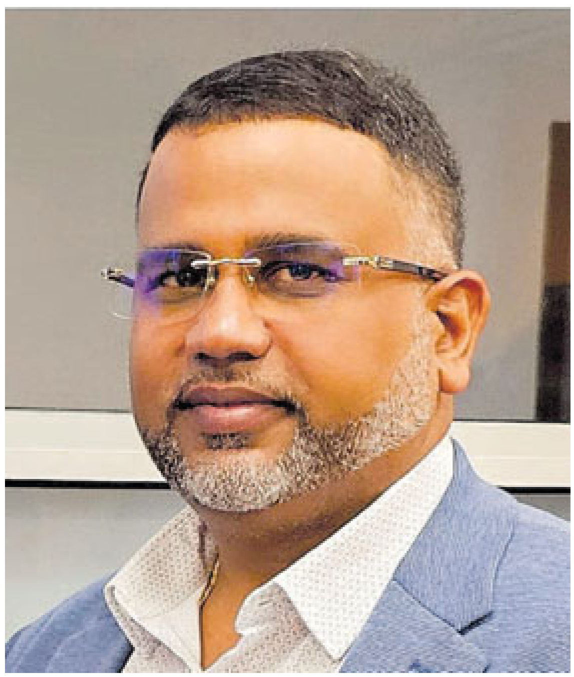
Gas station group calls for lower fuel prices

...consider broader fiscal picture, says other body

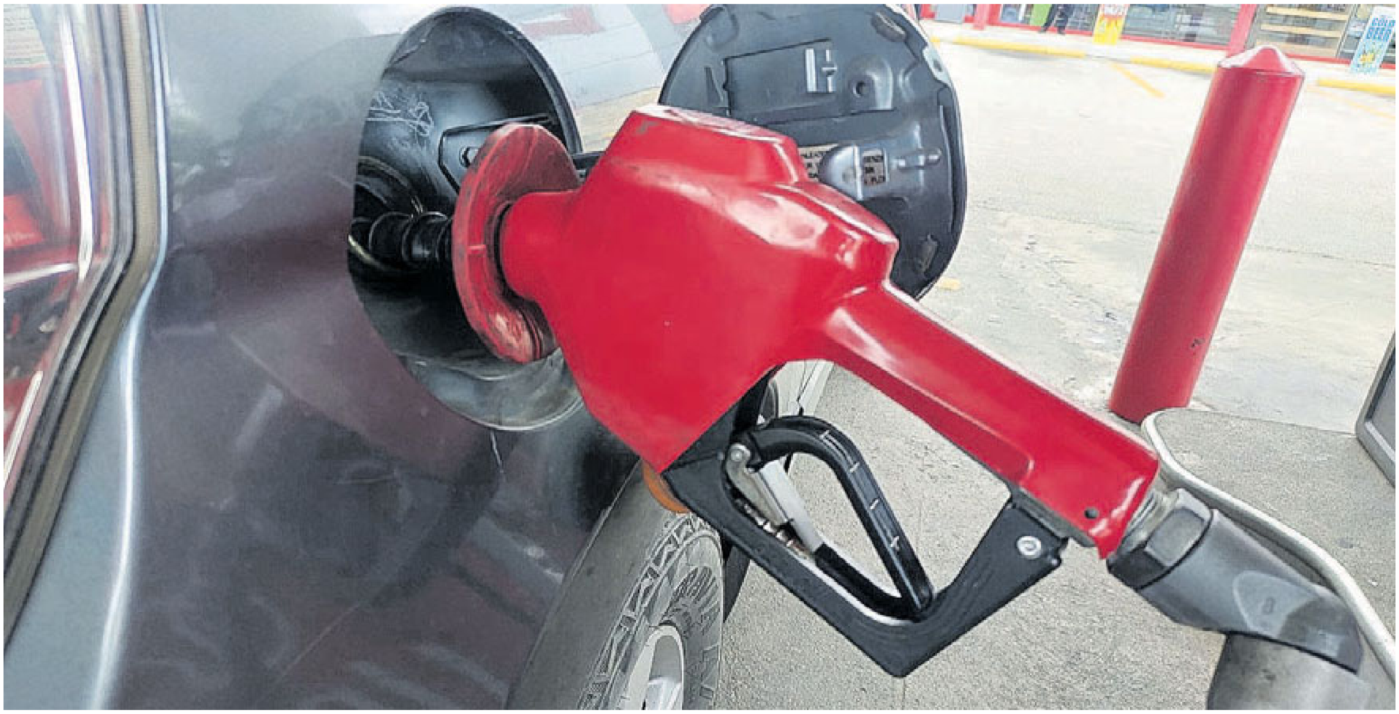




Reval Chattergoon, president of the Owners Dealers Association

Robin Narinesingh, president of the Petroleum Dealers Association

Kevin Ramnarine Former Energy Minister



As anticipation builds ahead of T&T's budget on Monday, debate continues over whether the Government should consider reducing fuel prices at the pump or revisit the long-promised liberalisation of the liquid petroleum fuels market first announced in 2021, by the last administration.

During that budget presentation, then minister of finance, Colm Imbert, highlighted the policy shift aimed to bring T&T in line with international practice by allowing market forces to determine retail fuel prices.

Under the framework that was proposed by Imbert, fixed retail margins for all liquid petroleum products would have been removed, allowing gas station operators and fuel dealers to set their own margins.

While wholesale margins were to remain temporarily fixed, the last administration indicated that a modest tax would be introduced to offset any surplus profits arising from low global oil prices.

"Importantly, prices at the pump would now move up or down in response to international market trends. Adjustments would be guided by prices published in the Platts Oilgram Price Report, a widely recognised benchmark for global petroleum product prices," Imbert said back then.

He indicated that LPG (cooking gas) would remain subsidised to protect vulnerable households.

In that budget presentation, Imbert fuel liberalisation would have reshaped the downstream petroleum landscape and National Petroleum (NP)-owned gas stations were to be offered for sale to the private sector, with first preference given to existing dealers and concessionaires.

Speaking to the Business Guardian on Tuesday, Owner Dealers Association president Reval Chatergoon said for motorists and business operators, fuel prices remain one of the most visible indicators of economic management. But behind the pump price lies a complex network of subsidies, transfers, and operational inefficiencies that continue to define the country's retail fuel industry, he said

At present, he outlined that super, premium, and diesel are priced at $6.97, $7.75, and $4.41 per litre, respectively. These rates have remained unchanged since the last upward adjustment on September 26, 2022, when Imbert presented the 2023 budget. Fuel prices have remained stable even as international oil prices have softened significantly. According to Bloomberg data, West Texas Intermediate crude currently trades around US$62per barrel, while Brent crude is approximately US$66.

"By contrast, in 2018, then Finance Minister Colm Imbert had indicated that at an oil price of US$73 per barrel, the unsubsidised cost of super and diesel should be $5.47 and $4.93 per litre respectively. Based on today's lower oil prices, there is therefore fiscal room, at least on paper, for the Government to reconsider the existing pump prices," he detailed.

For Chatergoon, any measure that increases citizens' disposable income should be supported.

Lower fuel prices, he believes, would ease the burden on households and potentially stimulate economic activity.

"Reduced monthly spending on fuel could translate into higher spending on essentials such as food, education, healthcare and home improvement, feeding directly into consumer demand."

The argument is not without merit, he said transportation costs form a critical input across almost every sector of the economy. A reduction in pump prices could, in theory, lower distribution costs for goods and services, particularly in manufacturing, logistics and retail. It could also provide relief to small entrepreneurs and commuters who face the cumulative effect of rising living costs.

However, Chatergoon noted fiscal prudence complicates this equation, as T&T continues to operate within a tight revenue environment, and fuel subsidies, though much reduced compared to a decade ago, still represent a significant expenditure item for the state.

He said the real challenge is striking a balance between maintaining social relief and ensuring the sustainability of the national budget.

"The country has faced persistent deficits in recent years, and lowering fuel prices without compensating for revenue measures could widen that gap."

Industry accountability?

While public debate tends to focus on consumer prices, Chatergoon believes that equal attention must be paid to how the local fuel distribution system operates. The retail fuel industry, he argues, has long suffered from limited consultation, poor oversight and opaque financial management.

One of his key concerns is the lack of transparency in how fuel subsidies and transfers are structured and disbursed.

The system, as it stands, does not clearly delineate between subsidies intended for fuel pricing and other forms of transfers to state-owned entities. This, he warns, blurs accountability and makes it difficult to determine who ultimately benefits from state funding.

He also questioned the rationale for distributors claiming subsidies when the State already bears the full cost of imported fuel through Paria Fuel Trading Company.

The issue, he suggests, is not only financial but structural, reflecting a wider pattern of inefficiency that has plagued the downstream fuel industry for years.

For the 12-month period ended September 30, 2023, Paria Fuel Trading reported $10.6 billion in revenue and for the previous financial year it recorded $14.1 billion.

What is certain, he says, is that greater oversight and accountability are needed to ensure that subsidies serve their intended purpose rather than perpetuating inefficiencies within state entities.

Different views on adjustment

The call for a fuel price review is not unanimous. Petroleum Dealers' Association president Robin Narinesingh believes that while price relief is desirable, it must be considered within the broader fiscal picture.

With the country still recovering from years of economic strain and a potential budget deficit of $9.67 billion for fiscal 2025 with a loss of $556.7 million in revenue, he cautions that reducing prices could undermine Government's ability to fund essential services such as infrastructure repair, education, and healthcare.

He argued that targetted relief, rather than across-the-board price cuts, would be more effective. Sectors such as agriculture, fisheries, and small manufacturing, which rely heavily on fuel for productivity rather than consumption, could be prioritised through special allowances or rebates.

Narinesingh also highlights a long-standing issue of neglect faced by the downstream petroleum sector, which he describes as one of the most critical yet overlooked components of the national economy.

Fuel distribution underpins transportation, logistics, and everyday mobility, and any instability in the sector would have far-reaching consequences for both businesses and the public, he said.

A measured approach

Former energy minister Kevin Ramnarine offers a more cautious perspective.

At current international oil prices, he believes the subsidy liability remains manageable, and as such, there is no immediate need to adjust pump prices. However, he notes that the situation could change quickly depending on global market movements.