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Cheaper Cylinders, Costlier Jet Fuel: How India Actually Prices Its Fuels

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ECONOMY

GS3

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Cheaper Cylinders, Costlier Jet Fuel: How India Actually Prices Its Fuels

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✓ Every fact web-verified against primary sources

Oil marketing companies revised fuel prices with effect from August 1, 2026, cutting commercial LPG cylinder prices by Rs 192, from Rs 2,930 to Rs 2,738 in Delhi, while raising aviation turbine fuel by Rs 5 a litre from Rs 110 to Rs 115, the second straight monthly commercial LPG reduction after a Rs 183.50 cut on 1 July.

THE REVISION

FUEL	CHANGE	DIRECTION
Commercial LPG (19 kg cylinder)	Rs 192 per cylinder, Delhi price Rs 2,930 to Rs 2,738	Reduced
Aviation Turbine Fuel (ATF)	Rs 5 per litre, from Rs 110 to Rs 115/litre	Increased
Domestic LPG (14.2 kg)	Unchanged at Rs 942 (Delhi)	No change

WHY TWO FUELS MOVED IN OPPOSITE DIRECTIONS

The apparent contradiction dissolves once the pricing mechanisms are separated. India does not price all petroleum products the same way, and the differences are the substance of this story.

FUEL	PRICING BASIS	REVISION CYCLE
Commercial LPG	Linked to the international Saudi Contract Price (CP) for propane and butane, plus exchange rate, freight and taxes	Revised on the 1st of each month
Aviation Turbine Fuel	Linked to international jet fuel benchmark prices, with an average of the preceding fortnight used	Revised on the 1st and 16th of each month
Domestic LPG (14.2 kg)	Administered pricing with subsidy support under PMUY for eligible households; revisions are less frequent and politically mediated	Irregular
Petrol and diesel	Nominally deregulated since 2010 (petrol) and 2014 (diesel), priced daily by OMCs; in practice revisions have often been infrequent	Daily in principle

The two fuels track **different international benchmarks**, on **different averaging windows**.

Commercial LPG follows the Saudi Contract Price for propane and butane; ATF follows jet fuel benchmarks. A softening in the LPG benchmark and a firming in the jet fuel benchmark over the same period can therefore produce exactly the divergence observed.

THE CRUDE CONTEXT

The revision comes against the backdrop of sustained disruption in the [Strait of Hormuz](#), which has kept crude and product prices volatile through July 2026. The commercial LPG cut is the **second straight monthly reduction**, following a Rs 183.50 cut on 1 July, and comes after a cumulative surge of roughly Rs 1,373 between February and June, when the Delhi price peaked around Rs 3,113.50. That [trajectory](#) is itself informative: it indicates the LPG-specific benchmark has eased substantially from its crisis peak even while broader energy-market stress persists, a reminder that “oil prices” is not a single number but a family of related but separately-determined product prices.

WHO IS AFFECTED

FUEL	PRINCIPAL USERS	ECONOMIC TRANSMISSION
Commercial LPG	Restaurants, hotels, catering, small manufacturing units	A direct input-cost reduction for the hospitality and food-service sector, described by industry as relief ahead of the festive season
ATF	Airlines	ATF constitutes a very large share of Indian airline operating costs, so an increase pressures either margins or fares
Domestic LPG	Households	Unchanged in this revision; the domestic cylinder is priced separately and is politically far more sensitive

The ATF point deserves emphasis for the exam: aviation turbine fuel typically accounts for a substantially larger share of operating costs for Indian carriers than for airlines in most comparable markets, principally because ATF in India attracts **central excise duty plus state VAT**, and it remains **outside the GST framework**. This is a recurring policy demand from the aviation sector and a standing GST Council agenda item.

THE GST EXCLUSION QUESTION

Five petroleum products remain outside GST: **crude oil, natural gas, petrol, diesel and aviation turbine fuel**. They continue to attract central excise duty and state VAT, meaning the tax paid on them cannot be claimed as input tax credit by businesses that consume them.

ARGUMENT FOR BRINGING ATF UNDER GST	ARGUMENT AGAINST
Would allow airlines to claim input tax credit, reducing effective cost	States derive substantial revenue from VAT on petroleum products and resist losing that base
Would end the wide inter-state price variation caused by differing VAT rates	GST rates would need to be set high to protect revenue, potentially limiting the benefit
Aligns treatment with most other business inputs	Any change requires GST Council consensus, where states hold a decisive share of the vote

UPSC RELEVANCE

GS Paper 3: Indian economy; infrastructure: energy; government budgeting; effects of liberalisation on the economy.

Prelims pointers:

- **Commercial LPG** is linked to the **Saudi Contract Price (CP)** for propane and butane, revised on the **1st of each month**.
- **ATF** is revised on the **1st and 16th** of each month, based on the preceding fortnight's average international benchmark.
- Petrol pricing was deregulated in **2010**, diesel in **2014**.
- Five petroleum products remain **outside GST**: crude oil, natural gas, petrol, diesel and ATF; they attract central excise plus state VAT.
- **PMUY** (Pradhan Mantri Ujjwala Yojana) supports domestic LPG access for eligible households.

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THE REVISION (EFFECTIVE 1 AUGUST 2026):

Commercial LPG (19 kg): down Rs 192, Delhi Rs 2,930 to Rs 2,738; second straight monthly cut after Rs 183.50 on 1 July.

ATF: up Rs 5 a litre, from Rs 110 to Rs 115.

Domestic LPG (14.2 kg) unchanged at Rs 942 in Delhi.

PRICING MECHANISMS:

Commercial LPG: Saudi Contract Price for propane and butane; revised on the 1st monthly.

ATF: international jet fuel benchmark, preceding fortnight's average; revised on the 1st and 16th.

Petrol deregulated 2010, diesel 2014.

THE GST GAP: CRUDE OIL, NATURAL GAS, PETROL, DIESEL AND ATF REMAIN OUTSIDE GST, ATTRACTING CENTRAL EXCISE PLUS STATE VAT, SO BUSINESSES CANNOT CLAIM INPUT TAX CREDIT ON THEM.

Sources: *Petroleum Planning and Analysis Cell, Ministry of Petroleum and Natural Gas, The Hindu*

Source: Cheaper Cylinders, Costlier Jet Fuel: How India Actually Prices Its Fuels — [Ujjiyari.com](https://ujjiyari.com) | Free UPSC & State PCS Current Affairs

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