

4.2. The development of the transport fuels market for the 2016-2017 period and the impact from the Excise Duty increase

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4.2.1. Introduction

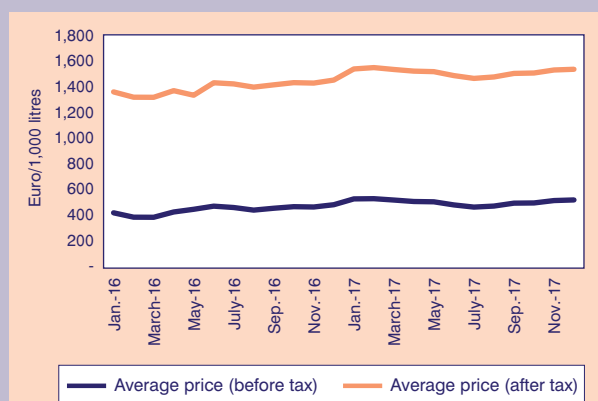
A main characteristic of the Greek liquid fuel market is that, despite the significant capacity of the Greek refineries, our country still depends mainly on imports of crude oil. Therefore, the domestic market acts as price recipient of the international oil market and any changes in international oil prices have a direct impact on our market. On the other hand, another important factor that affects the final consumer price of fuels in our country is fuel taxation, and mainly the Excise Duty and the VAT. Following the evolution of liquid fuel prices over the last two-year period, 2016-2017, there was a limited increase in international prices that led to an increase in domestic prices before taxes. Additionally, there was an increase of fuel Excise Duties, starting from January

2017. More specifically, the Excise Duty of unleaded petrol increased from 670 to 700 euro/1,000 litres, while of automotive diesel, it increased from 330 to 410 euros/1,000 litres. As a result, the final price of fuel increased for the consumer. This article aims at recording the price trend, the impact of taxation and the evolution of consumption of the main liquid transport fuels of the domestic market, and in particular unleaded petrol and automotive diesel, during the latest two-year period, 2016-2017. At the same time, it examines the status of Greece in relation to the other EU28 member states, in terms of prices and taxation on transport fuels.

4.2.2. Evolution of prices and taxes on liquid fuels

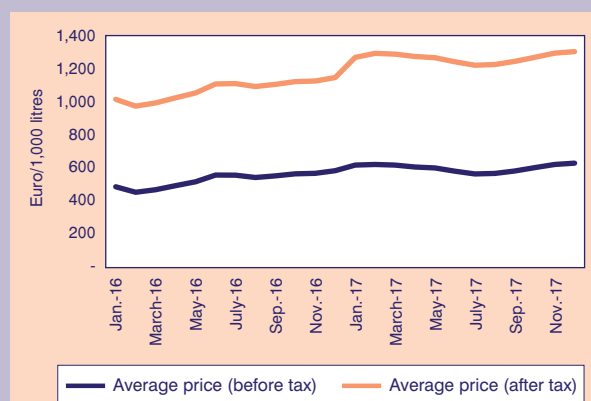
This paragraph records the evolution of prices of unleaded petrol and automotive diesel, on a monthly and annual basis, for 2016 and 2017. It also presents the tax share as a percentage of the annual average final price of fuels. In particular, monthly, as well as annual average prices, before and after taxes, are calculated in euro/1,000 litres. At the beginning, Figures 4.2.1 and 4.2.2 record the monthly evolution of prices, before and after tax, for unleaded petrol and automotive diesel, respectively. Regarding price trend, there is a limited upward trend for both be-

FIGURE 4.2.1
Monthly average price of unleaded petrol 2016-2017 (in euro/1,000 litres)



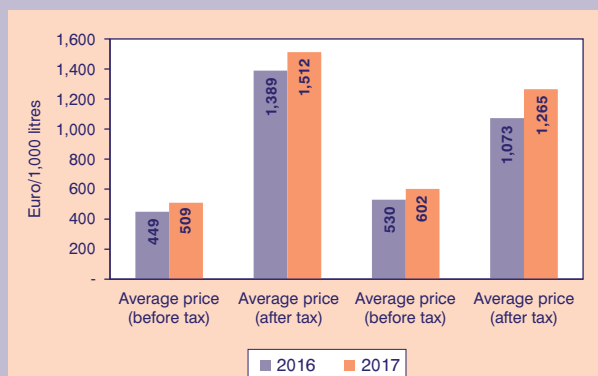
Source: Own processing of data from European Commission, Energy, Market Observatory & Statistics, *Oil Bulletin* <http://ec.europa.eu/energy/observatory/oil/bulletin_en.htm>.

FIGURE 4.2.2
Monthly average price of automotive diesel 2016-2017 (in euro/1,000 litres)



Source: Own processing of data from European Commission, Energy, Market Observatory & Statistics, *Oil Bulletin* <http://ec.europa.eu/energy/observatory/oil/bulletin_en.htm>.

FIGURE 4.2.3
Annual average price of liquid transport fuels
2016-2017 (in euro/1,000 litres)

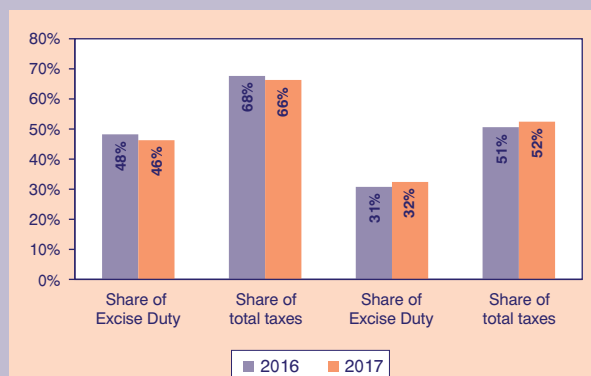


Source: Own processing of data from European Commission, Energy, Market Observatory & Statistics, *Oil Bulletin* <http://ec.europa.eu/energy/observatory/oil/bulletin_en.htm>.

fore and after tax prices, for the two categories of the fuels. A more general picture of the evolution of prices during the latest two years is presented in Figure 4.2.3, which shows the average annual prices of the two fuels. On an annual basis for the unleaded petrol, a 13.4% increase of the price before tax and an 8.8% increase of the final price are recorded between 2016 and 2017. Similarly, as regards automotive diesel, there was a more important increase on the average annual prices between 2016 and 2017. The price before taxes increased by 13.6%, while the final price increased by 18%.

From the figures above, we notice, first, the great difference between prices before and after tax for both fuels. This is clearer in the case of unleaded petrol, because of the higher Excise Duty. Another important observation from Figure 4.2.3 is that, due to the difference in taxation levels between the two types of fuel, even if the price of unleaded petrol before tax is lower than that of automotive diesel, the final prices of the fuels are exactly opposite. Regarding the taxes and other charges as a share of the final fuel prices, Figure 4.2.4 shows the percentage of the Excise Duty, as well as the percentage of total taxes and charges on the final price. As shown, for unleaded petrol, in 2016, the Excise Duty represented 48% of the final annual average price, while the total taxes covered 68% of the price. For 2017, the corresponding figures were 46% for the Excise Duty and 66% for the total tax share. We can see that, even if the Excise Duty increased by 4.5%, the share of taxes in the final price decreased, due to the simultaneous increase of the

FIGURE 4.2.4
Percentage of the tax share in the final prices
of liquid transport fuels, 2016-2017



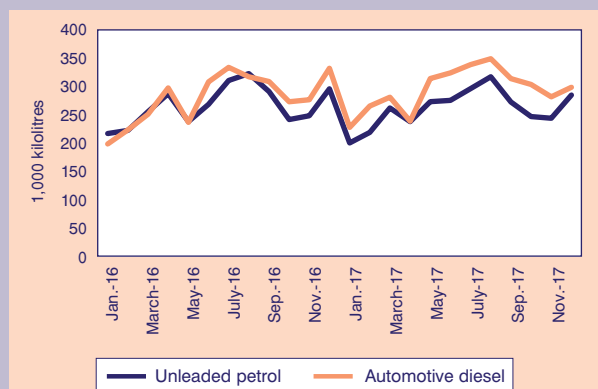
Source: Own processing of data from European Commission, Energy, Market Observatory & Statistics, *Oil Bulletin* <http://ec.europa.eu/energy/observatory/oil/bulletin_en.htm>.

price before tax. Regarding diesel, the share of the Excise Duty on the final prices increased from 31% in 2016 to 32% in 2017. Additionally, the share of total taxes covered 51% of the final price in 2016 and increased to 52% in 2017. In this case, the significant change in the Excise Duty, by 24.2%, had a stronger and clearer effect on the final price.

4.2.3. Evolution of the consumption of liquid transport fuels

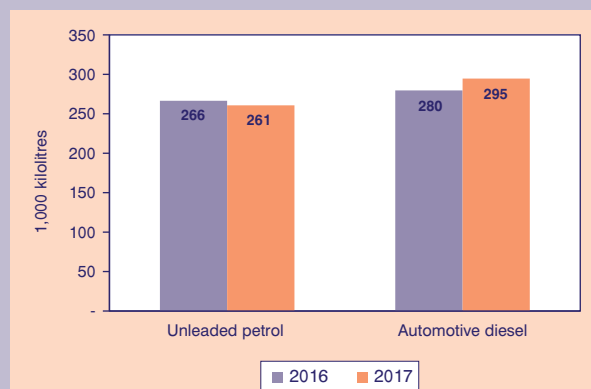
This section reports the monthly and annual consumption of unleaded petrol and automotive diesel for the period 2016-2017. First, Figure 4.2.5 records the monthly consumption of the two types of fuel. It can be seen that the consumption of the two fuels is roughly at the same level and follows similar trends. Additionally, Figure 4.2.6 presents the total annual consumption of the two fuels and shows that the consumption of unleaded petrol tends to be a little lower than that of diesel. In fact, in 2017, the consumption of unleaded petrol decreased by 2.2% compared to 2016, while the consumption of automotive diesel increased by 5.4%. It seems that even the increase in the final price of diesel in 2017, not only did not decrease its consumption, but it increased significantly. This shows that it was a result of other parameters apart from price, such as, for example, the increased sales of new vehicles during 2017, especially diesel cars. Nevertheless, the analysis of these parameters that affect diesel demand is out of the scope of this article.

FIGURE 4.2.5
Monthly consumption of transport fuels for 2016-2017 in thousands of kilolitres



Source: Processed data from the Independent Authority for Public Revenue (IAPR) and the General Accounting Office of the Ministry of Finance.

FIGURE 4.2.6
Annual consumption of transport fuels for 2016-2017 in thousands of kilolitres



Source: Processed data from the Independent Authority for Public Revenue (IAPR) and the General Accounting Office of the Ministry of Finance.

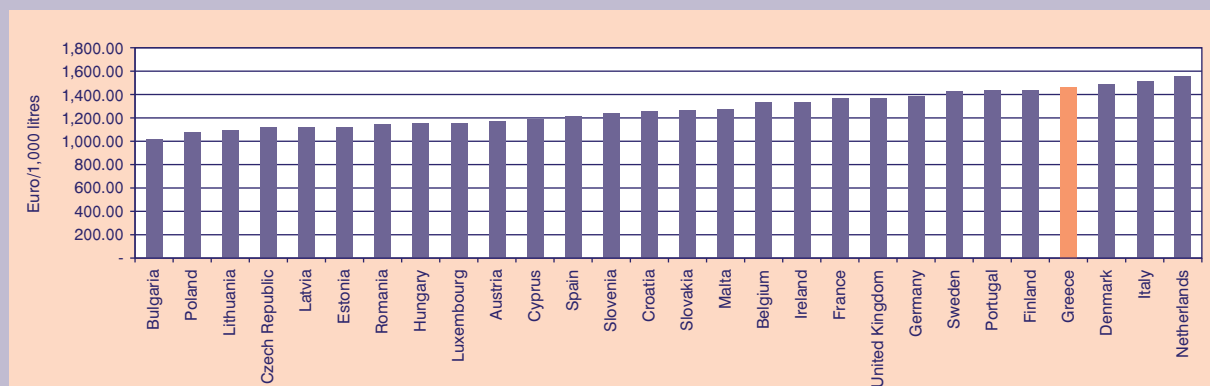
4.2.4. The status of Greece in relation to the other EU28 member states

Another interesting issue is the status of Greece in relation to the other EU countries, regarding both the level of final fuel prices, as well as the share of taxes in the final price. The typical prices of the last record for 2016 (19/12/2016) and 2017 (18/12/2017), for the EU28 member states, are presented below. At this point, we should note that these figures are only indicative, because they result from data on a specific day and do not show the average prices for the two-year period under examination. However, one can extract useful

conclusions from the comparison of the figures among different countries.

As shown in Figures 4.2.7 and 4.2.8, the price of unleaded petrol in Greece at the end of 2016 and 2017, is one of the highest prices among EU28 countries. The price recorded for Greece on 19/12/2016 was 1,466 euro/1,000 litres, while the average price for EU28 was 1,353 euro/1,000 litres. Respectively, on 18/12/2017, the price of unleaded petrol in our country was 1,534 euro/1,000 litres, while the EU28 average was 1,363 euro/1,000 litres. On the contrary, the automotive diesel price for the end of 2016 in Greece is a little lower than the European average

FIGURE 4.2.7
Final price of unleaded petrol on 19/12/2016 (in euro/1,000 litres)



Source: European Commission, Energy, Market Observatory & Statistics, *Oil Bulletin* <http://ec.europa.eu/energy/observatory/oil/bulletin_en.htm>.

FIGURE 4.2.8
Final price of unleaded petrol on 18/12/2017 (in euro/1,000 litres)

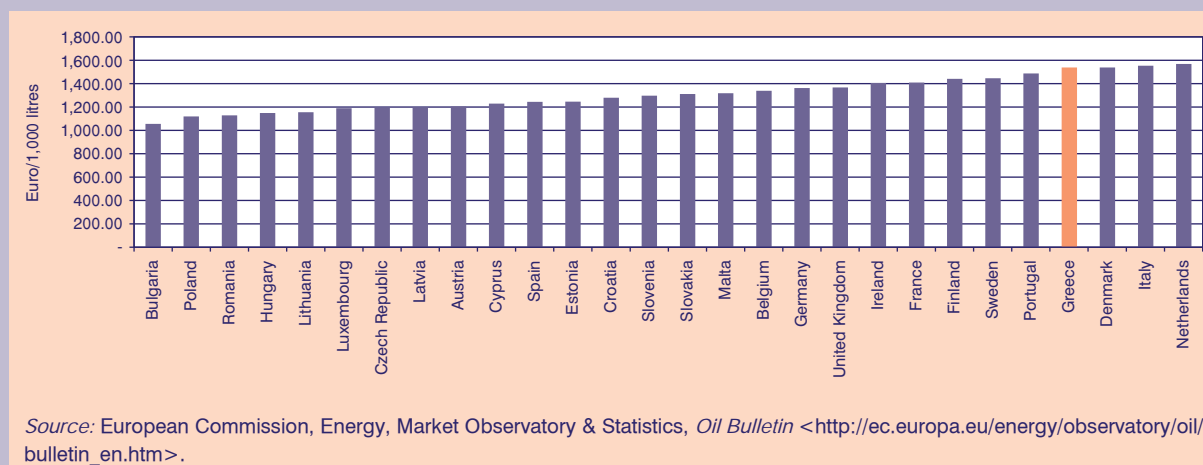
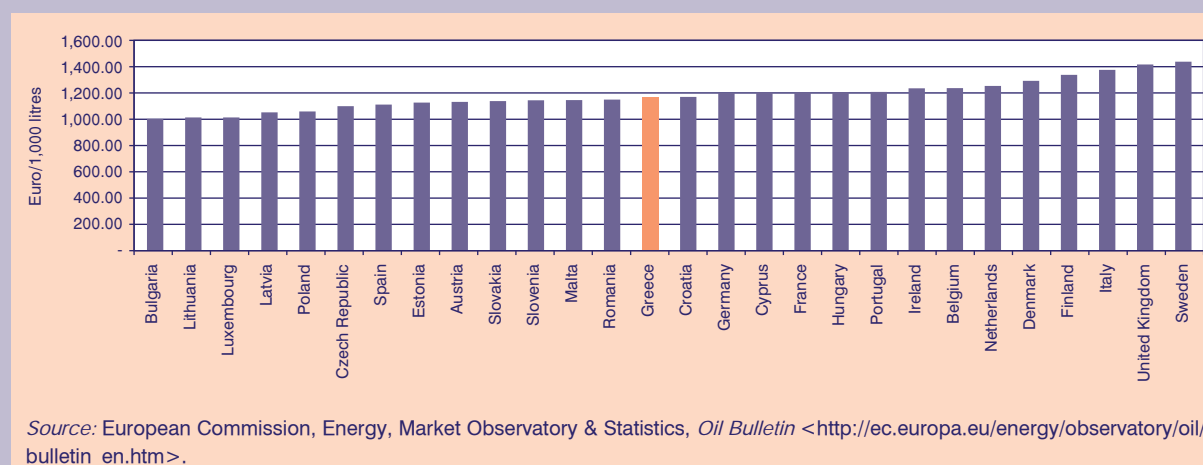


FIGURE 4.2.9
Final price of automotive diesel on 19/12/2016 (in euro/1,000 litres)



(Figure 4.2.9). In particular, the price on 19/12/2016 was 1,161 euro/1,000 litres in Greece and the corresponding average of EU28 was 1,216 euro/1,000 litres. However, the increase in the Excise Duty of diesel since January 2017 resulted in a significant increase in the final fuel price compared to other European countries and led Greece to the highest price levels (Figure 4.2.10). More specifically, on 18/12/2017, the final price for our country was 1,303 euro/1,000 litres, while the average for EU28 member state was 1,250 euro/1,000 litres.

The following figures present the position of Greece among the EU28 member states, regarding the share of total taxes and charges on the final price of the fuels. As shown in Figures 4.2.11 and 4.2.12, Greece had one of the highest rates of taxation con-

cerning unleaded petrol at the end of 2016. Thus, on 19/12/2016 the share of total taxes and charges on the final price in Greece was 65.7%, while the average for EU28 countries was 63.4%. In 2017, the Excise Duty of fuels increased and Greece's position worsened in relation to the rest of the EU. More specifically, while the tax share of the price of unleaded petrol in Greece remained almost stable at 65.8%, the average share for the EU28 fell to 62.7%. On the other hand, regarding automotive diesel, at the end of 2016, our country had one of the lowest shares of taxation on the final price. Thus, on 19/12/2016 (Figure 4.2.13), taxes and charges covered 48.7% of the final price in Greece, while the average for the EU28 was 57.4%. Upon the increase of the Excise Duty for fuel in Greece since January 2017, the status of our country has worsened. Nevertheless, it remained at a

FIGURE 4.2.10
Final price of automotive diesel on 18/12/2017 (in euro/1,000 litres)

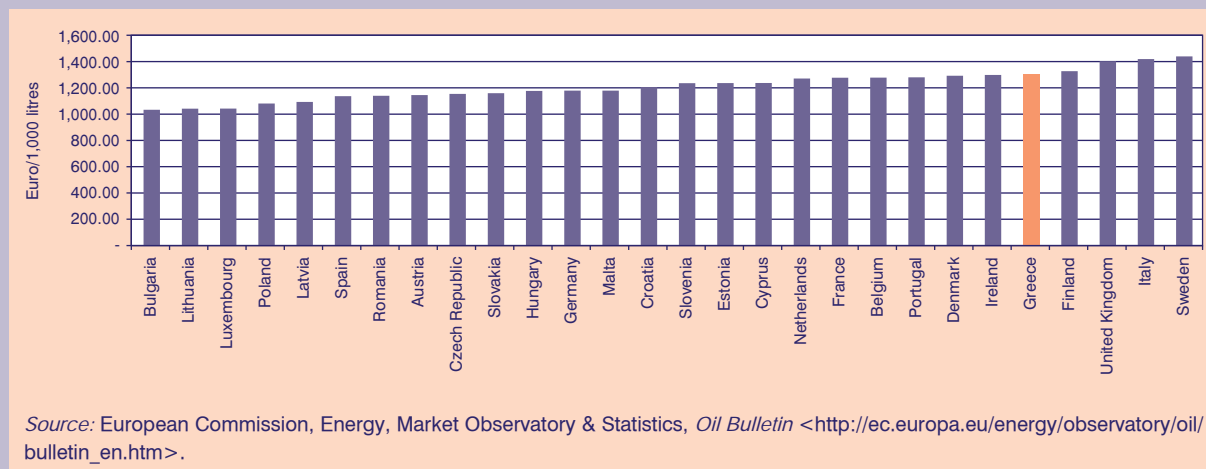


FIGURE 4.2.11
Percentage of the tax share in the final prices of unleaded petrol on 19/12/2016

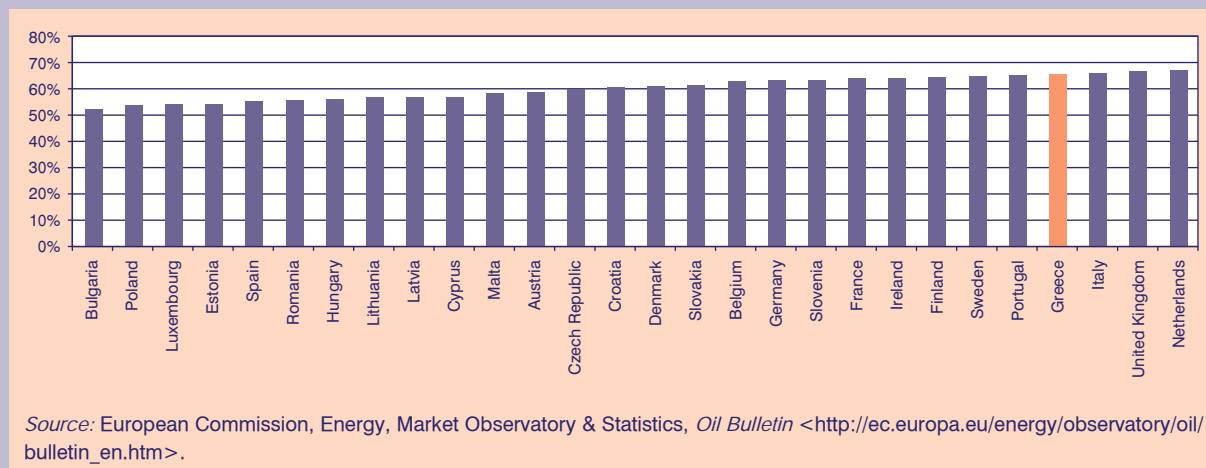


FIGURE 4.2.12
Percentage of the tax share in the final prices of unleaded petrol on 18/12/2017

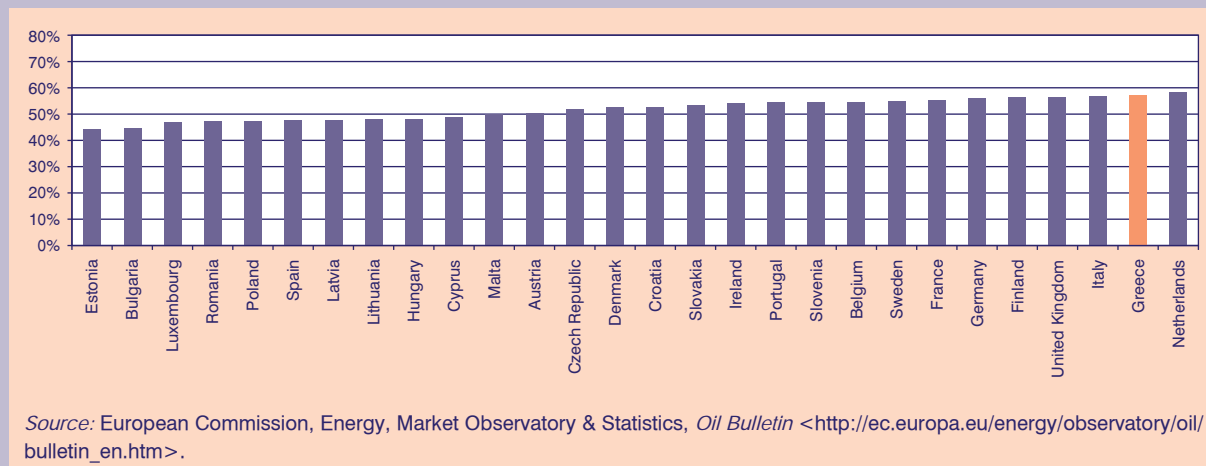
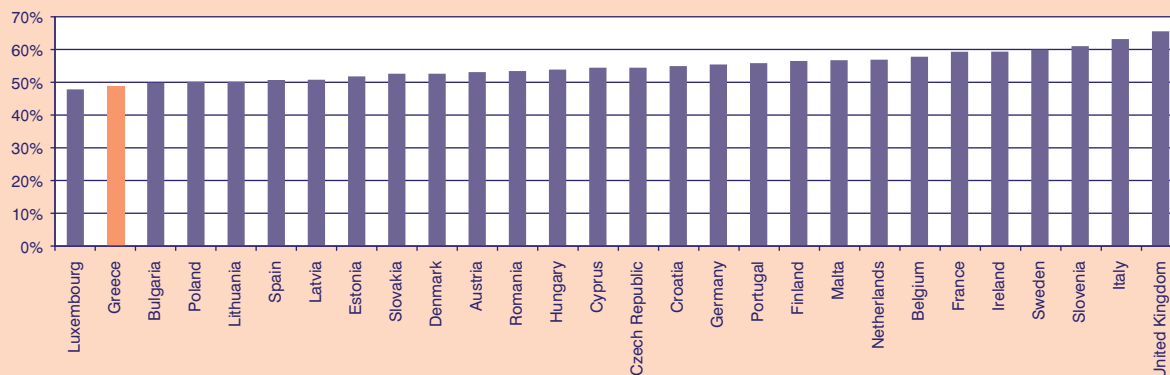
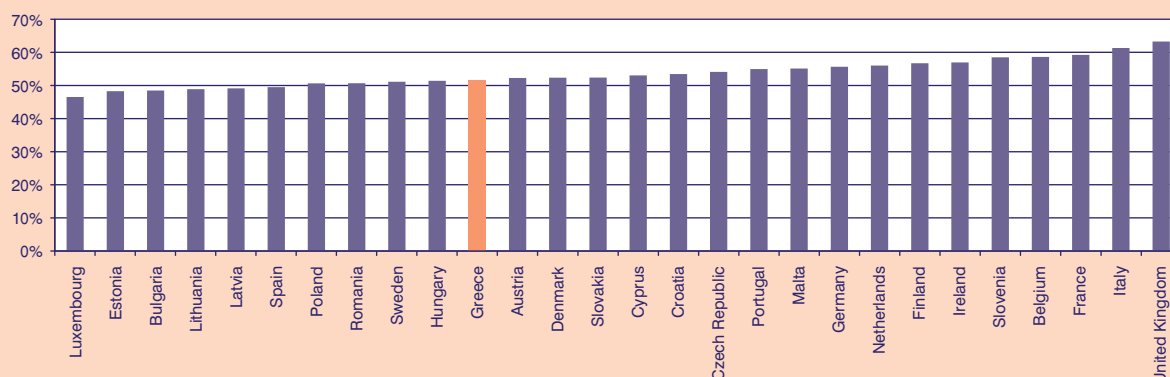


FIGURE 4.2.13
Percentage of the tax share in the final prices of automotive diesel on 19/12/2016



Source: European Commission, Energy, Market Observatory & Statistics, *Oil Bulletin* <http://ec.europa.eu/energy/observatory/oil/bulletin_en.htm>.

FIGURE 4.2.14
Percentage of the tax share in the final prices of automotive diesel on 18/12/2017



Source: European Commission, Energy, Market Observatory & Statistics, *Oil Bulletin* <http://ec.europa.eu/energy/observatory/oil/bulletin_en.htm>.

relatively low level compared to the other European countries. More specifically, on 18/12/2017, the tax share in the final price increased to 51.7%, while the corresponding average for the EU28 member states fell to 56.6% (Figure 4.2.14)

4.2.5. Summary conclusions

In the context of this work, we attempt to record the key issues regarding the evolution of the market of transport fuels, namely the price and consumption of unleaded petrol and automotive diesel during the latest two-year period, 2016-2017. A main reason for this analysis was the increase of the Excise Duty of

fuels in January 2017 and its impact on final prices. We observe that there was a limited increase of fuel prices, both before and after tax, in 2017, compared to 2016. However, despite the increase in Excise Duty, the share of taxation on the final price did not change significantly, due to the simultaneous increase of the prices before tax. Additionally, the increase of prices did not have any particularly negative impact on consumption in 2017. In fact, the consumption of automotive diesel increased, despite the increase of its Excise Duty and the rise of the final price. This shows that there must be other parameters, apart from the price, such as the sales of new vehicles for example, which had a positive impact on demand. Finally, regarding the status of the country

in relation to the other EU member states, Greece remains one of the most expensive countries for unleaded petrol and also has one of the highest shares of taxation in the final price of fuel. On the contrary, regarding automotive diesel, and by the end of 2016,

both the total price of fuel and its taxation in Greece were at the lowest levels compared to the rest of Europe. However, the country's position has worsened since the significant increase of the Excise Duty of diesel.