

Come clean on fuel subsidies, Finance Ministry urged



Umno Youth wonders if the RM3 billion allocation for fuel subsidies would be enough, as PKR's Rafizi Ramli has said RM1.4 billion has already been spent.

By Robin Augustin

PETALING JAYA: Umno Youth has urged the Finance Ministry to clarify how much Putrajaya has spent on fuel subsidies after PKR's Rafizi Ramli said the government had already forked out RM1.4 billion to maintain the price of RON95 and diesel.



Shahril Hamdan

Umno Youth vice-chief Shahril Hamdan noted that Finance Minister Lim Guan Eng had previously said that RM3 billion had been set aside for fuel subsidies until the end of the year.

However, Rafizi's figure of RM1.4 billion which has already been spent amounted to nearly half the RM3 billion allocation.

Shahril urged the Finance Ministry to respond quickly and “come clean” on how much it has spent so far.

“If the RM3 billion is insufficient, will they spend more to subsidise fuel, or raise prices?” he said.

Firdaos Rosli, an economist with the Institute of Strategic and International Studies, said he believed the government would be able to afford the fuel subsidies for the next six months.

The 2018 Budget was based on crude oil prices of US\$55 a barrel, but the current price was US\$72 a barrel.

However, continuing with the current subsidy mechanism may affect growth in the coming years.

“Fuel prices change on a daily basis, so the government will have to actively intervene to maintain prices. The question is at what price should the government stabilise the price after Jan 1 and how long will it be feasible to maintain that price?”

Firdaos said that he believed fuel prices should be dictated by market forces.

However, if the government was intent on subsidising fuel, “you will need a new mechanism to ensure those who need the subsidies actually get it. A blanket subsidy like the one you have now means the government is also subsidising the rich.”

After the general election, the price of RON95 and diesel was set at RM2.20 and RM2.18 respectively, while the price of RON97 is set by the weekly float price mechanism.