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Abstract of Bachelor Thesis

Influence of Crude Oil Price upon Fuel Prices in the EU

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SUMMARY

Nowadays, the price of fuels is much discussed topic, due to frequent changes and fluctuations. This bachelor thesis aims to analyze the development of fuel prices, with a focus on the crude oil as the main factor affecting the price. The first, theoretical part describes the major and minor factors influencing the price of oil and the price of fuel. Analytical part applies these factors on the real historical prices of both petrol Super 95 and diesel. Using the regression analysis, it is shown, how the change in price of crude oil influences the price of fuels in the Czech Republic. Furthermore, it examines the difference between the final prices at petrol stations in the various countries of the European Union. Prices are subsequently cleaned from the taxes and it is evaluated, where the change in price of crude oil influences the final margin of the distributors, thus on the final price of the fuels, the most. It is found that high price of the fuels does not automatically mean a high margin of the petrol stations, it only means high rate of excise duty.

KEY WORDS

Crude oil, fuel prices, factors, influence, development, comparison, regression analysis

OBJECTIVES

This thesis focuses on the development of the prices of petrol and diesel in the countries of the EU, with the focus on crude oil as the main factor affecting the changes in prices. The objectives are to discover the reasons of the price changes and to determine the main factors affecting the price of crude oil and other factors that influence the price of fuels. It attempts to evaluate and compare the price development of unleaded petrol and diesel in the chosen countries of the EU and the Czech Republic.

METHODOLOGY

The theoretical part was done using the methods of synthesis, extraction, induction and deduction. Author tried to understand and explain the main terms about crude oil and fuels using these methods. There were briefly described the main and the secondary factors that influences the price of crude oil, such as organization OPEC, global economic cycle, and

others, and factors that influences the price of fuels, such as taxes determined in each country, competition between petrol station and so on.

In the analytical part, there were used comparative and descriptive methods. There was shown the real development of Brent crude oil price, which is traded at the London stock exchange. The methods were used to see the differences between the countries of the EU in the prices of unleaded petrol and diesel. Using the graphs, there were shown the real historical prices and described the main differences between the final prices at petrol stations. Prices were subsequently cleaned from the price of fuels at refineries and from the taxes and it was evaluated, where the change in price of crude oil more influences the final margin of the distribution, thus on the final price of the fuels. There was also used the method of regression analysis to show how the change in price of oil affects the final price of unleaded petrol and diesel in the Czech Republic.

CONCLUSION

There are many factors that influence the price of fuel on the market. But certainly, some of the factors affect the price more and some less. The final fuel price at the petrol stations, whether it is price of Super 95 or diesel, consists of the price of crude oil from the refineries, excise tax, value added tax and the margin of petrol stations and distributors.

As the regression analysis in this thesis shows, the final price of the fuels increases and decreases mostly due to the change in price of crude oil. However, it is not a parallel shift of both, price of crude oil and price of fuels. When the price of crude oil goes up, the price of fuels go also up, on the other side, when the price of crude oil decreases a little bit, the price at the petrol station either does not decrease at all, or reacts to this change with considerable delay. As it was shown at the regression equations, the change in price of crude oil influences the price of unleaded petrol more. When the price of crude oil increase by 1 euro per barrel the price of one liter of Super 95 increases more than the price one liter of diesel.

The differences between the countries of the EU are mainly caused by the different rates of the excise duty and by the different rate of VAT in each of the country. According to the comparison of the development of the prices in the chosen countries of the EU, it is clear, that in the country with a high rate of excise duty the price of Super 95 and diesel is also high. Italy is one of the countries with the highest price of Super 95 and it is a country with second

highest rate of excise duty on unleaded petrol, or the United Kingdom is a country with the highest rate of excise duty on diesel thus with the highest price of diesel.

The other differences between countries are due to the margins of the petrol stations. It is the smallest part of the final price, but they also change according to the change of crude oil price. As was shown in this thesis, when the price of oil increases, the price of fuel also increases and the margin stays the same, but when the price of oil is low, as it is at the moment, the margins increase and the final price of fuel decreases by smaller amount.

Over all, the price of crude oil significantly influences the price of fuels, because it influences every part which forms the final price. The only part, which is not influenced by the change in price of crude oil and does not change too much over the time, is the excise tax. It is only changed by the government of the certain country once in a while.

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