



## **TERI in association with IISD conducts a Civil Society workshop on ‘Reforming Energy Subsidies in India’**

*NGOs, corporates get together to discuss energy subsidies and its unintended consequences on the economy*

**New Delhi 26, March 2012:** In an effort to improve public awareness on the options and impacts of energy subsidy reforms in India, **The Energy and Resources Institute (TERI)** in collaboration with the **International Institute for Sustainable Development’s Global Subsidies Initiative (GSI)** convened a one-day workshop for the civil society to assess government’s strategies for reforming fuel subsidies. NGOs, corporates, Civil Society Organisations (CSOs) took active participation in the workshop.

The workshop connected CSOs who have worked on the issue of fuel subsidies, provided a forum to share information on the nature, scale and impacts of fuel subsidies; highlighted core concerns related to fuel subsidies and options for their reform; and identified strategies for supporting fuel-subsidy reform.

India has historically subsidised energy with the objective of protecting its consumers from international price volatility and providing energy access for its citizens, especially the poor. However, energy subsidies place a heavy burden on government budgets, while often, failing to reach their targeted beneficiaries.

According to the figures released by the International Energy Agency (IEA), **India spent more than US\$22 billion subsidising fossil-fuels in 2010, of which \$16 billion was spent on oil products.** While India has made some progress towards liberalising prices of gasoline, subsidies remain for diesel, kerosene and LPG. These subsidies have significant economic, environmental and social impacts.

At the same time, however, poor households; especially those in urban areas depend on subsidies for affordable energy. For these people, expenditure on energy takes up a larger portion of their budget than it does for the wealthy. Energy price rise and possible inflation can put poor households under severe financial stress.

Stakeholders mulled over various opportunities and barriers to reforming petroleum product and electricity subsidies during the workshop. The workshop drew references from the recently published ‘Citizens’ Guide to Energy Subsidies in India’.

**The Citizen’s Guide – To Energy Subsidary in India,** focuses on the scale and impacts of energy subsidies in India. In addition to forming a large part of government expenditure in India, subsidies for energy have a tremendous impact on the lives of citizens. At the most immediate level, these subsidies affect how much people pay for energy. But digging deeper reveals that they have a profound effect on the environments in which people live and the economies in which they earn their living.

In India, the petroleum products and electricity products are retailed at prices that are often kept artificially low compared to market rates. While subsidies on both electricity and petroleum products are provided in the form of lower prices for the final product, the methods of subsidy delivery and the amount of the subsidy itself varies widely across the different products.

Removing, reducing or restructuring such energy subsidies is helpful for the environment and the economy at the same time. Potential social costs in terms of employment in the conventional energy industry or reduced access to energy could be addressed by re-directing the money formerly spent on subsidies to income support, health, environment, education or regional development programmes.

The workshop was an opportunity to engage civil-society in a vigorous debate on the risks and benefits of reforming energy subsidies.

### **About The Energy and Resources Institute (TERI):**

From microbiology to global climate change, from smoke-filled rural kitchens to plush corporate boardrooms, from schoolchildren to heads of state no sphere of human endeavour is unfamiliar to TERI. Headed by world-renowned economist and Head of the Nobel Prize winning UN Climate panel, Dr R K Pachauri, TERI is best described as an independent, not-for-profit research institute focused on energy, environment, and sustainable development and devoted to efficient and sustainable use of natural resources. A dynamic and flexible organization established in 1974, all activities in TERI move from formulating local and national level strategies to suggesting global solutions to critical energy and environment-related issues. Headquartered in New Delhi, TERI has established regional offices in Mumbai, Bangalore, Goa, Guwahati and Mukhteshwar in the Himalayas and International centres in Japan, Malaysia, the United Arab Emirates, Washington DC, London and Utrecht, the Netherlands.

### **About GSI:**

Established in 2005 by the International Institute for Sustainable Development, the Global Subsidies Initiative is dedicated to analysing subsidies - transfers of public money to private interests - and how they support or undermine efforts to achieve sustainable development. The GSI's goal is to encourage individual governments to undertake unilateral reforms on subsidy policy where these would deliver clear economic, environmental and social benefits and to generate a consensus in the World Trade Organization and in other forums on the need to take resolute, ongoing and systematic action to reduce or eliminate subsidies that are both trade-distorting and undermine sustainable development.

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