

Need of Fuel Subsidy

The subsidy on petroleum products in India are primarily intended to benefit the consumers through reduced prices and are thus essentially consumer subsidies. But instead of catering specifically to the below poverty line, the subsidy largely facilitated in saving the fuel cost for the relatively affluent and a burgeoning urban middle class.

The absence of quantity rationing in LPG consumption further led to unabated increase in its consumption in urban areas. LPG is also used as an automobile fuel but that is not subsidized. Hence LPG cylinders designated for household use often gets diverted for automobile use resulting in safety hazard.

The policy of giving kerosene at subsidized prices under 'PDS to all consumers regardless of their economic status resulted in wastage, leakage, adulteration and inefficiency. The biggest use of PDS kerosene has been for the adulteration of diesel resulting in more pollution and GHG emission.

Moreover, the lion's share of the rural poor and more than 20 per cent of the urban poor, who are dependent on direct burning of fuel wood or biomass for cooking, remains largely untouched by the supply of subsidized domestic LPG, a cleaner fuel for cooking. The subsidy scheme thus largely failed to expedite the access of rural population to this relatively cleaner form of energy for cooking and in the process failed to eliminate their energy poverty.

It is evident from the points raised above that in India there is a strong case for doing away with universal price subsidies on domestic LPG and kerosene and targeting it especially for the rural poor.