

Fossil-Fuel Subsidies: India in the Global Picture

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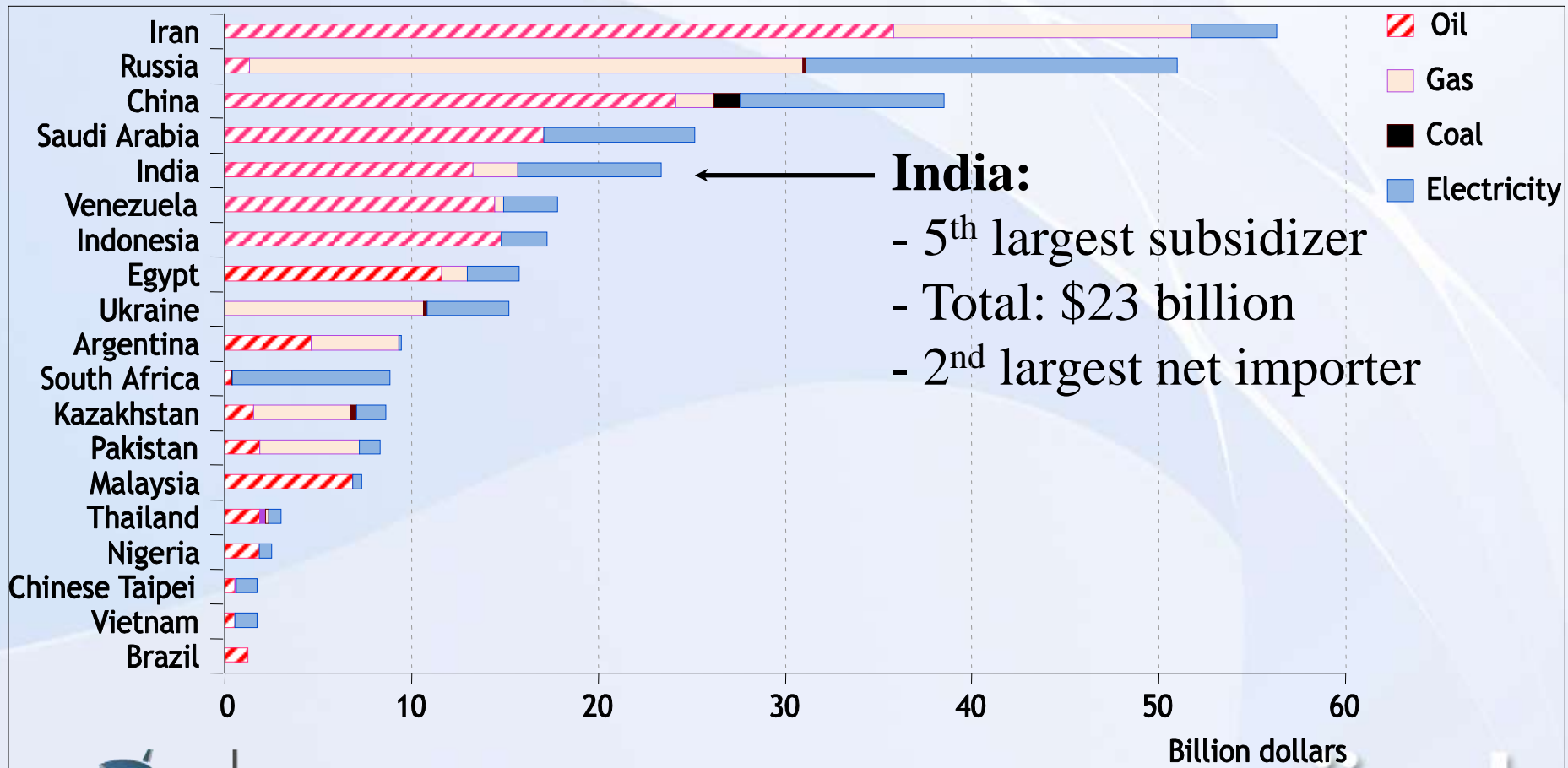
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In 2007, India was in Top 5 largest subsidizers

Source: IEA, World Energy Outlook 2008



In 2008, India's subsidies rose to \$41 bil, 3.4% GDP

Source: IEA, World Energy Outlook 2010

India	2007	2008	2009
Total subsidies	\$24.6 billion	\$41 billion	\$21.1 billion
Per capita	\$22	\$36	\$18
As share of GDP	2.2%	3.4%	1.7%
China	2007	2008	2009
Total subsidies	\$17.2 billion	\$45.4 billion	\$18.6 billion
Per capita	\$13	\$34	\$14
As share of GDP	0.5%	1.0%	0.4%
Indonesia	2007	2008	2009
Total subsidies	\$13.2 billion	\$17.9 billion	\$12.2 billion
Per capita	\$58	\$78	\$53
As share of GDP	3.0%	3.5%	2.3%



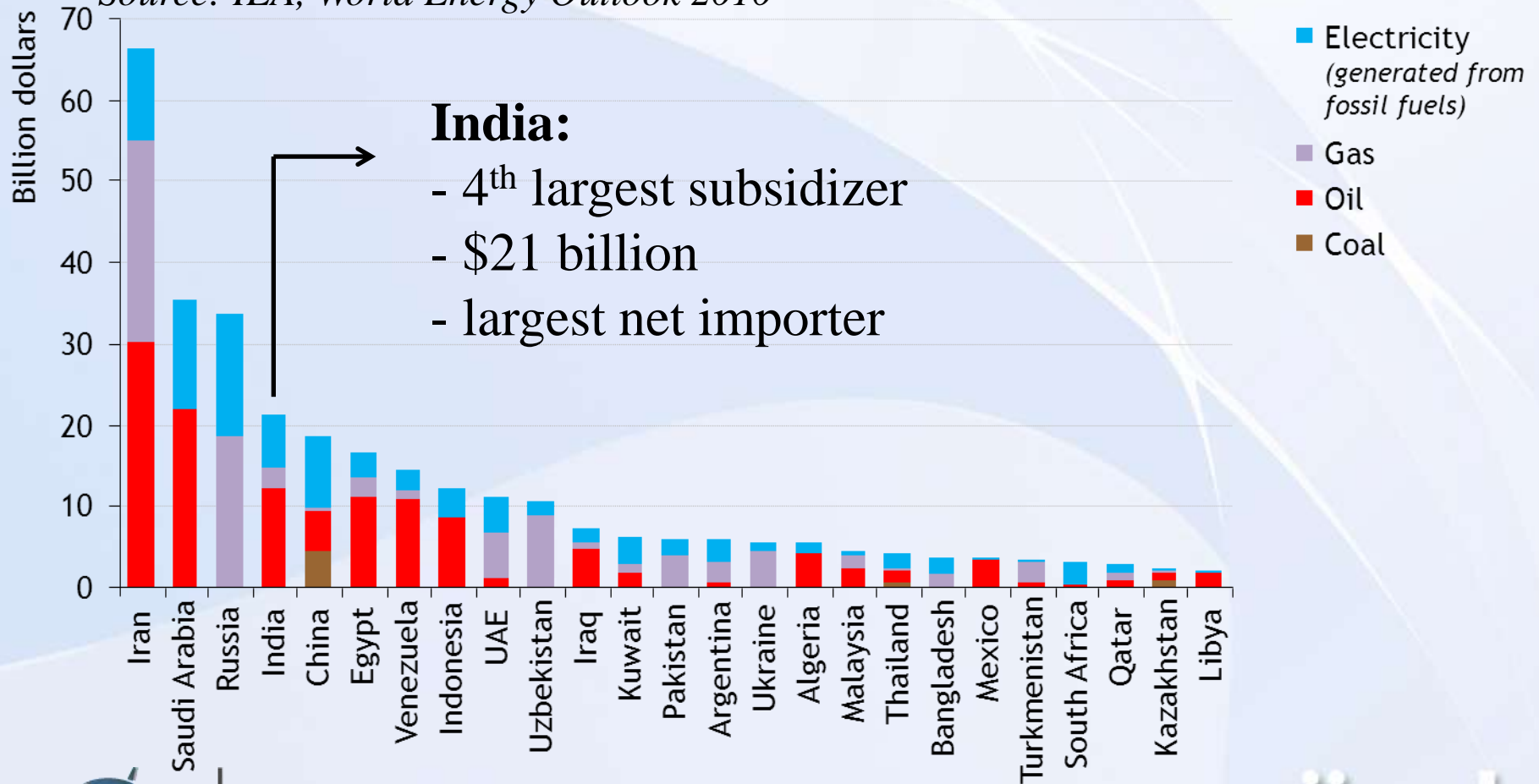
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In 2009, India overtakes China to Top 4

Source: IEA, World Energy Outlook 2010



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G-20 Commitment



To rationalize and phase out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption (G-20 Leaders, Pittsburgh, 2009)

G-20 members submitted national implementation strategies and timelines at their Toronto Summit, June 2010.



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India's submission to the G-20, June 2010

India	<ul style="list-style-type: none">• Identified 4 subsidies: Kerosene PDS, LPG, freight subsidy for far flung areas (Kerosene PDS & LPG), Natural Gas• Excluded: subsidies for production, refining, and infrastructure• Proposes to work out implementation strategies and timetables based on the recommendation of the Empowered Group of Ministers.
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India's progress in 2010 (reported by the IEA):

- Gasoline prices are market-driven
- Price increases for diesel, kerosene and LPG
- Intention to make diesel prices market-driven
- Natural gas price increases and
- Intention to bring coal prices in line with import parity



How does India's submission compare to other G-20 members?

Australia Brazil France Japan Saudi Arabia South Africa U.K.	No inefficient fossil fuel subsidies
Canada China	Phasing out one subsidy for producers
Germany	Phasing out coal subsidies as part of EU State Aid rules
U.S.	Phasing out \$39 billion of production subsidies over 10 years
Indonesia Mexico	Continuing to gradually reduce fuel-price subsidies



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APEC is following the G-20's lead



To rationalize and phase out over the medium term fossil fuel subsidies that encourage wasteful consumption (APEC Leaders, Singapore, 2009)

APEC's Energy Working Group will lead the work:

- IEA to publish data on APEC subsidies
- Develop lessons learned case studies and best practice for reform



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What can India gain from international forums?

- Reform should be specific to national circumstances, for national benefit
- But some lessons can be shared
 - E.g. Bolivia: what NOT to do.
 - Poorly planned and communicated
 - Prices increased too high, too soon
 - Inadequate compensation measures
 - No regulation to change pricing mechanism (hence, policy reversal)
- Can gain technical and financial assistance through cooperation programs: e.g. OECD countries like UK, Denmark, Norway, Switzerland



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For more information:

- World Energy Outlook 2010, Chs 19 & 20
- Joint reports by IEA, OECD, OPEC and World Bank
- GSI: Research reports, policy briefs, news

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