Fossil fuel taxes, cesses and impact on energy transition

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IISD-IEEFA Webinar
10 March 2021
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Energy Access

Renewables

Power Sector

Industrial Sustainability & Competitiveness

Low-Carbon Pathways

Risks & Adaptation

Technology, Finance & Trade

CEEW Centre for Energy Finance
Coal Cess and implications (power sector)

- Grown from 50 INR/ Ton to 400 INR / Ton
  - ~INR 30,000 Crore a year in collections at current levels of consumption
  - 30% of ROM price
  - 15% of delivered coal price

- Losses of utilities ~ 61,000 Crore (FY19)

Source: CEEW Analysis of CIL Data, MERIT India
What has happened to the cess on coal?

- Many transformations in its avatars and end uses
- Not available anymore for clean energy or environment uses
- Of the 84,000 Crore collected until FY18, only 29,000 Crore transferred to NCEEF and only half actually was used in financing
- Some signature RE projects (like the Intra state Green Corridors) were to benefit but details are unclear
  - No more than 17,000 Crore sanctioned to MNRE from NCEEF
Taxation on petroleum products

Crude Indian Basket

Source: PPAC
Little to no impact of taxation on demand

Petrol and Diesel Sales

Source: PPAC Compilation
Utilisation of taxes and cesses

• The 2020 report from the Comptroller Auditor General finds
  
  – Cess on Crude Oil to the tune of 1,25,000 Crore has not been transferred to OIDB
  – Short crediting of GST CC to the appropriate fund to the tune of 46,000 Crore
  – Significant sums of money (10,000 Crore) from the Road and Infrastructure Cess were not utilised for purposes they were meant for

*The main pathway to the energy transition from taxation is by utilising collected resources to provide clean energy alternatives to consumers. In India, that not been the case with major taxes and cesses.*
OT dependence - states weaning off, centre more dependent

### IS OIL A CASH COW FOR CENTRE AND STATES?

#### CENTRE

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<tr>
<td>GTR share in GDP</td>
<td>9.96</td>
<td>10.55</td>
<td>11.14</td>
<td>11.23</td>
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<td>Oil excise share in GDP</td>
<td>0.79</td>
<td>1.29</td>
<td>1.58</td>
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<td>Oil excise share in GTR</td>
<td>7.95</td>
<td>12.23</td>
<td>14.16</td>
<td>11.98</td>
<td>10.29</td>
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<tr>
<td>All central oil taxes in GDP</td>
<td>1.01</td>
<td>1.51</td>
<td>1.77</td>
<td>1.61</td>
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<td>All central oil taxes in GTR</td>
<td>10.12</td>
<td>14.35</td>
<td>15.91</td>
<td>14.38</td>
<td>13.46</td>
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#### STATES

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<tr>
<td>OTR share in GDP</td>
<td>6.24</td>
<td>6.38</td>
<td>6.14</td>
<td>6.61</td>
<td>6.43</td>
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<td>Oil VAT share in GDP</td>
<td>1.10</td>
<td>1.04</td>
<td>1.08</td>
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<td>1.06</td>
<td>0.99</td>
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<tr>
<td>Oil VAT share in OTR</td>
<td>17.56</td>
<td>16.25</td>
<td>17.55</td>
<td>16.46</td>
<td>16.54</td>
<td>14.93</td>
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<td>All state oil taxes in GDP</td>
<td>1.28</td>
<td>1.16</td>
<td>1.23</td>
<td>1.21</td>
<td>1.20</td>
<td>1.09</td>
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<tr>
<td>All state oil taxes in OTR</td>
<td>20.51</td>
<td>18.18</td>
<td>19.98</td>
<td>18.32</td>
<td>18.68</td>
<td>16.49</td>
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All figures in per cent; All central oil taxes include only indirect taxes. 
GTR: Gross Tax Revenue. OTR: Own Tax Revenue. GDP: Gross Domestic Product

Source: Govt
EV transition includes trade-offs, the impacts of which can be staved off through prescient planning.

**TRADE-OFFS**

- **INR 90,174 crore**
  - of value-add loss in the oil production sector
- **INR 98,027 crore**
  - of value-add loss in the ICE powertrain activity
- **1.6 lakh jobs**
  - lost in oil production and ICE powertrain manufacturing activity
- **INR 1.1 lakh crore**
  - of loss in central and state government revenue from sale of petrol and diesel

**but...**

**Ways to tackle them**

Further increase in value-addition and employment from:

- Battery recycling
- Construction of giga-factories
- Distribution and sale of electricity

Installation and operation of EV charging infrastructure

Telematics products and services

Abating impact on government revenues via:

- Pre-emptive action to diversify sources of revenue for central and state governments.
If EVs garner a share of 30% of new vehicle sales in 2030, it would result in a slew of gains:

- 16 MtCO₂ of GHG emissions reduced
- 17% of PM and NOₓ, 18% of CO emissions reduced
- INR 1.1 lakh crore worth of savings with 15% reduction in crude oil import bill
- INR 2.1 lakh crore of value-add generated in EV powertrain, battery and charger manufacturing sector
- 1.2 lakh jobs created in EV powertrain, battery and charger manufacturing and electricity generation sector
- 9% to 20% lower TCO for EV users compared to ICE vehicles in the case of 2W, 3W, 4W, and buses

Multiplier effect of people spending saved money on other goods and services

Source: CEEW analysis
Thank you
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