

INDIA'S ENERGY SUBSIDIES DOWN BY 36 PERCENT TO RS 1.51 LAKH CRORE IN FY 17

Relevant for: Indian Economy | Topic: Issues related to direct & indirect Farm Subsidies and MSP

KOCHI: India's total energy subsidies amounted to Rs 1,51,480 crore in financial year 2017, a 36 per cent decrease since FY14, according to a new report released Thursday.

The report released by the International Institute of [Sustainable Development](#) (IISD) and the Council on Energy, Environment and Water (CEEW) said, India's fossil-fuel subsidies fell sharply by nearly 70 per cent, from Rs 1,73,330 crore in FY14 to Rs 52,980 crore in FY17.

Between FY16 and 17, fossil-fuel subsidies declined by Rs 12,270 crore (USD 2 billion).

The decline was driven by lower world oil prices during this period and reforms to subsidies for consumption of petrol, diesel, [cooking gas](#) and kerosene, a release issued by IISD and CEEW said.

On the other hand, [renewable energy](#) subsidies increased six-fold since 2014, including a mammoth increase of INR 5,770 crore (USD 0.8 billion) from FY16 to 17, it said.

The report is an update of a comprehensive inventory of India's subsidies released last year.

Vibhuti Garg of IISD said a growing share of subsidies are dedicated to making India's energy mix cleaner.

Despite this, subsidies to oil, gas and coal were more than three times the value of subsidies to renewables and electric vehicles in India in FY17, he said.

"The government must redirect more subsidies to cleaner energy sources to achieve its goals of cutting [greenhouse gas](#) emissions and air pollution, as well as to exceed the 175 GW target for renewable power by 2022.

In FY17, support for coal alone (Rs 15,990 crore) exceeded that for renewable energy (Rs 15,000 crore)," Garg is quoted as saying the release.

Abhinav Soman of the CEEW said a concerted shift to public transportation, electric mobility and supporting renewable energy application beyond the generation of electricity, would reduce import dependency and the subsidy burden in the long run.

The IISD-CEEW report further found that coal subsidies (mining and power generation) amounted to Rs 15,990 crore (USD 2.4 billion) in FY17, a rise of Rs 1,150 crore (USD 116 million) between FY16 and FY17.

While relatively small, the change represented a shift from the previous three years, which had seen stable or declining support for coal.

The biggest coal subsidies were tax breaks that reduce the cost of coal to power plants.

The electricity sector saw the single largest increase in subsidy support between FY16 and 17 of Rs 20,800 crore (USD 3.3 billion).

These subsidies compensate electricity companies for keeping consumer prices below cost and accounted for half of India's energy subsidies in FY17 (Rs 72,439 Crore or USD 11.2 billion), the report said.

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