

Workshop and Report Release

on

"Converging the Divergence Between Diesel and Petrol Prices"

30th August, 2017, Belvedere Hall, 20th Floor,
Hotel Le Meridien, New Delhi

Guest of Honour



Shri Dharmendra Pradhan
Hon'ble Minister of Petroleum & Natural Gas
Government of India



SHAKTI
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Purpose of the Workshop

The petrol and diesel prices reflect the cost of supply. However, there is still a significant difference between sale price of diesel and that of petrol, due to differential rates of excise tax imposed by Central Government, which is further accentuated by difference in the VAT rates imposed on diesel and petrol by the states. Rationalization of taxes would bring many benefits.

Need to Understand Impact on Stakeholders

Any change in policy affects different stakeholders differently. A clear upfront understanding of such impacts on stakeholders helps to facilitate policy reforms. IRADe's study has analyzed the impacts on various stakeholders if the price distortions were to be eliminated through revenue neutral policy level interventions. The impact of rationalizing diesel price on the following stake holders is assessed:

- Central and State government finances
- Farmers
- Truckers and consumers
- Car manufacturers, and
- Bus operators and passengers

The **purpose** of this workshop is to discuss the findings of the study with various stake holders, to understand their concerns, and to define a road map for reforms. The participants will include Government officials from relevant Ministries like Ministry of Finance, Ministry of Petroleum and Natural Gas, State finance persons, Oil Marketing Companies, private sector participants from Automobile, Trucking, Agriculture, State transport and other allied sectors.

Background

The Indian Government has in the past, controlled prices of a number of petroleum products such as diesel, petrol, liquefied petroleum gas (LPG) and kerosene. Consumers are charged a low price and the difference in the sales realization of the Oil Marketing Companies (OMCs) and their cost of supply (under recoveries), were financed by contributions from the government, upstream oil companies and oil marketing companies. The under recoveries were large as the government fixed the sale prices quite low compared to cost of supply.

Following the report of the (*Parikh Committee, 2010*), petrol price was freed and has been market determined. Diesel price was however not liberalized due to concern for inflation caused by increase in diesel price.

Following this, **IRADe** did a study supported by **Shakti Sustainable Energy Foundation** and **Ministry of Finance**, which showed that, while increasing diesel price lead to a small increase in inflation in the short run, over the medium term it became higher, and the GDP much lower if the diesel price was not reformed. Also, the impact of higher diesel price on consumers would be less than half a percent of their level of consumption.

In the past the price difference between petrol and diesel became as high as Rs.25 per litre. This led to automobile buyers switching over to diesel cars, which led to abnormal growth in diesel consumption and the OMCs were forced to import diesel.

The NDA Government has freed diesel price and now both diesel and petrol price reflect the cost of supply. However, there is still a significant difference between price of diesel and petrol.

Why Rationalize Diesel and Petrol Prices?

The difference in the price of diesel and petrol encourages use of diesel vehicles and provides no incentive for its reduced consumption. It leads to huge increase in the number of diesel vehicles. If such price distortions are eliminated the use of diesel and petrol would be more optimal.

When fuel oil price was market determined but diesel price was not, we had an anomalous situation where diesel was used in place of fuel oil because it was cheaper. Internationally fuel oil is the cheaper fuel.

The grades of diesel now available in India compared to petrol produce much higher particulate matter and other pollutants that cause high carcinogenic emissions, leading to health issues such as asthma and lung diseases and environmental issues such as air pollution. Rational diesel and petrol prices will reduce use of diesel which will in turn reduce cost of refining. Diesel constitutes a large fraction of India's consumption of petroleum products, that has forced the refineries to use hydro-cracking to increase production for high diesel demand.

Based on the understanding of these impacts a road map towards a rational pricing policy for the country will be identified.

About IRADe

IRADe is an independent advanced research institute which conducts research and policy analysis and engages stakeholders such as government, non-governmental organizations, corporations, academic and financial institutions. IRADe research covers energy, climate change, urban development, poverty, gender-equity, agriculture and food security. IRADe's focus is effective action through multi-disciplinary and multi-stakeholder research to arrive at implementable solutions for sustainable development and policy research that accounts for the effectiveness of governance of techno-economic and socio-cultural issues. IRADe was established under the Society's Act, in 2002 at New Delhi. It is certified as a Research & Development Organization by the Department of Scientific and Industrial Research (DSIR), Ministry of Science and Technology (MoST). It has also been selected as a Centre of Excellence by the Ministry of Housing and Urban Development for urban development and climate change. In addition, it provides expertise to other ministries, national and international institutions and partners with other reputed organizations.

IRADe's outreach and partners

IRADe networks with the government, ministries/departments, international organizations, public and private sectors, academic experts, NGOs, and consultants to work on projects awarded by them. IRADe provides decision support to eleven ministries that include Petroleum & Natural Gas MoPNG, MoEFCC, MoHUD, MNRE, Niti Aayog MoP, MEA, MoES, DST, CSO under MoSPI, TIFAC, etc. for many national level projects. At the international level, IRADe has worked with bilateral and multilateral organization like World Bank, ADB, USAID, UNDP, USEPA, WISION Germany; GIZ, Rockefeller Foundation, IIASA, Austria, British High Commission, Centre for Clean Air Policy, USA, IISD, South South North Trust (SSNT) etc.

IRADe has partnered with academic, private sectors, multinational organizations, think tanks and NGOs. These include Shakti Foundation, ICSSR, SEWA, Petroleum Federation of India, Pricewater House Coopers, ICF International, Rockefeller Foundation, ISET, Center for Clean Air Policy (CCAP), ICRIER, InsPIRE Network for environment, Stanford University and Sir Dorabji Tata Trust among others. IRADe has also developed strategic partnerships and is part of global networks like the USAID's Low Emissions Asian Development (LEAD) program – ASIA-LEDS, ENERGIA-, Netherlands; Global Clean Cook Stoves Forum, UN Foundation; ACCCRN, GTWG-DST, CANSA etc.

Draft Agenda
30th August, 2017 at Belvedere Hall, 20th Floor, Hotel Le Meridien, New Delhi

Time	Session Details
10:00 - 10.30	Registration and Welcome tea
10.30 -11:00	<p>Presentation Session: Impacts of diesel and petrol price rationalization</p> <p>Chair by Dr. R. K. Malhotra, Director General, Federation of Indian Petroleum Industry</p> <p>Co-chair by Dr. Basudev Mohanty, Member, Petroleum & Natural Gas Regulatory Board</p> <p>Presentation by:</p> <ul style="list-style-type: none"> Dr. Probal Ghosh, Head-Modelling, IRADe Dr. Ashutosh Sharma, Senior Research Analyst, IRADe
11:00 - 11:30	<p>Panel Discussion –</p> <p>Chair by Dr. Kirit Parikh, Chairman, IRADe</p> <ul style="list-style-type: none"> • Oil Marketing Companies: <ul style="list-style-type: none"> ○ Representatives from Petroleum Industries • State Finances: <ul style="list-style-type: none"> ○ Mr. Chittranjan Dash, Director, DoE, Ministry of Finance ○ Mr. Ajay Shankar, Fmr. Secretary DIPP, Ministry of Commerce & Industry • Trucking Sector: <ul style="list-style-type: none"> ○ Shri Harish Sabharwal, Secretary, Delhi Contract Bus Association.
11:30 - 12:00	<p><i>Book Release Intervention subject to Minister's Arrival Time.</i></p> <p>Inaugural Session: Price differentials between of petroleum products and its impacts</p> <p>Address by Dr. Kirit Parikh, Chairman, Integrated Research and Action for Development (IRADe)</p> <p>Address by Mr. Krishan Dhawan, Chief Executive Officer, Shakti Sustainable Energy Foundation</p> <p>Chair and Inaugural Address: Shri Dharmendra Pradhan, Hon'ble Minister MoPNG</p> <p>Key Note Address: Shri K.D. Tripathi, Secretary, Ministry of Petroleum and Natural Gas</p> <p>Closing Remarks by Dr. Jyoti Parikh, Executive Director, IRADe</p>
12:00 - 13:30	<ul style="list-style-type: none"> • Buses Sector: <ul style="list-style-type: none"> ○ Smt. Aradhana Shukla, Principal Secretary, Transport Department, Government of Uttar Pradesh • Cars Sector: <ul style="list-style-type: none"> ○ Mr. Sugato Sen, Deputy Director General, Society of Indian Automobile Manufacturers • Agriculture Sector: <ul style="list-style-type: none"> ○ Dr. J. P. Mishra, Adviser, Agriculture, Niti Aayog ○ Dr. Ashok Gulati, Professor, ICRIER • Open Discussion
13.30 - 13.35	Vote of Thanks – Dr. Jyoti Parikh , Executive Director, IRADe
13:35	Lunch and Networking