From Carbon Subsidy to Carbon Tax


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Ministry of Finance
India
Facts about India…

• 2.4% of the world surface area
• Supports ~17.5% of the world population
• Largest proportion of global poor (30%)
• 304 million population without access to electricity
• 1.77 million people are houseless
• 92 million without access to safe drinking water
Fossil Fuel Subsidy

- Diesel
- Petrol
- Kerosene
- LPG

Reform: Targeted Subsidies

Phased Out
## Domestic petroleum tax in major countries (dollars per litre)

<table>
<thead>
<tr>
<th>Country</th>
<th>Diesel</th>
<th>Petrol</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Jun-2014</td>
<td>Jan-2016</td>
</tr>
<tr>
<td>France</td>
<td>0.60</td>
<td>0.74</td>
</tr>
<tr>
<td>Germany</td>
<td>0.64</td>
<td>0.68</td>
</tr>
<tr>
<td>Italy</td>
<td>0.84</td>
<td>0.91</td>
</tr>
<tr>
<td>UK</td>
<td>0.98</td>
<td>1.08</td>
</tr>
<tr>
<td>Japan</td>
<td>0.39</td>
<td>0.34</td>
</tr>
<tr>
<td>Canada</td>
<td>0.29</td>
<td>0.21</td>
</tr>
<tr>
<td>USA</td>
<td>0.13</td>
<td>0.14</td>
</tr>
<tr>
<td>India</td>
<td>0.00</td>
<td>0.38</td>
</tr>
</tbody>
</table>
Excise duty on diesel (Rs/Liter)

under-recoveries unbranded Branded

Decontrol
Excise duty on Petrol (Rs/Liter)

- Under-recoveries
- Unbranded Petrol
- Branded Petrol

decontrol
Implicit Carbon Tax from Increasing Excise duty on Diesel (US$/tCO2)

- Unbranded Diesel
- Branded Diesel

Data points:
- Jan 2 - 2015
- Jan 6 - 2015
- Mar 3 - 2015
- Nov 7 - 2015
- Dec 17 - 2015
- Jan 2 - 2016
- Jan 15 - 2016
Implicit Carbon Tax from Increasing Excise duty on Petrol (US$/tCO2)
CO2 Emission Reduction from Petrol and Diesel Pricing Measures in 2015

- Diesel: -11.0 million tonnes
- Petrol: -0.8 million tonnes
India’s Green Initiative

Coal Cess (Rs per tonne)

Since June 2010 | Budget 2014-15 | Budget 2015-16 | Budget 2016-17
--- | --- | --- | ---
50 | 100 | 200 | 400
India’s Green Initiative

• International Solar Alliance (ISA)
  – The ISA will provide a special platform for mutual cooperation among 121 solar-resource-rich countries lying fully or partially between the Tropic of Cancer and Tropic of Capricorn
  – INDC
    • 40 percent cumulative electric power installed capacity from non-fossil fuel-based energy resources by 2030
Key Takeaways....

• India has cut subsidies and increased taxes on fossil fuels—carbon subsidy to carbon taxes

• Boost to renewable energy

• Need for clean coal technology
Thank You