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OPINION, P6

KARTHIK GANESAN

Pushing LPG uptake by the poor calls for meaningful subsidies

LPG FOR THE POOR

WITH THE GST COMPENSATION CESS SET TO CEASE SOON, THE CENTRE SHOULD THINK OF REPURPOSING IT TO REINSTATE FINANCIAL SUPPORT FOR LPG CONSUMPTION BY THE POOREST

Badly needing a **targeted subsidy**

KARTHIK GANESAN
Fellow and director, Council on Energy, Environment and Water (CEEW)

WITH THE LATEST hike this week, LPG prices in the national capital breached the four-digit mark of ₹1,000, an important psychological barrier for customers. These successive hikes come at a time when LPG cylinders are already at historically high price-points. The growth in LPG consumption in the household segment, which averaged ~7.5% in the previous five years, dropped to a low of 1.5% in the last financial year. LPG remains the main source of clean cooking in India, given the low penetration of natural gas and electricity-based cooking, barring a few urban centres.

LPG making inroads into the Indian kitchen since its introduction in the 1960s has been slow, on account of its high price and the tight control on its availability and marketing. In 2011, less than a third of Indian households were using LPG as their primary cooking fuel. The India Residential Energy Consumption Survey (IRES) from 2020, conducted by the Council on Energy, Environment and Water (CEEW), suggests that in 2020, that figure has climbed up to nearly 71%, after decades of sustained support to help improve adoption. LPG had a healthy universal subsidy provision up until April 2020. The subsequent withdrawal of the subsidy and the pandemic-induced economic slowdown that hit household incomes have now made LPG unaffordable for a large section of our population. It has certainly lost its sheen, especially for new consumers added under the Pradhan Mantri Ujjwala Yojana(PMUY), who were yet to experience the health benefits that accrue from the sustained use of LPG.

Reinstating the subsidy, especially as a universal one is inefficient, and is certainly beyond the means of the current government's finances. One often hears that market prices for petroleum products in India are high on account of high levels of taxation, and that subsidies merely offset the taxes levied on crude. However, LPG is unique in that we import nearly 60% of our consumption directly in the product form, at international prices. It is worth mentioning that for over two-thirds of the last seven-year period, subsidised LPG price was at a discount as compared to international prices. Tragically, it is during the Covid-19 pandemic period that retail prices have been at a premium to international LPG prices. Given that there is no clear alternative to LPG in the short-medium term, every effort must be made to incentivise lower-income households to shift to its use by increasing awareness of the economic and health burden of using solid fuels. Increasing the distributor base in the rural areas to make LPG more accessible and CSR programmes to give a first-hand experience to new adopters are very important steps needed to woo the hesitant consumer. However, at the core of the efforts, a targeted subsidy to enable consumption, is a must.

Between 2002 and 2021, ~₹20,000 cr was spent annually (in constant 2011-12 terms) to support non-PMUY consumers—the early adopters, city dwellers and higher-income groups in rural areas. However, only ₹3,500 crore per year has been spent in the last five years to support PMUY beneficiaries

The country must not blink at this prospect of supporting its poor and vulnerable sections. Bringing down LPG costs to affordable levels for the PMUY consumers could come at a cost of ~₹33,000 crore a year, if current market prices for LPG persist. With payouts to the states, from the GST compensation cess, well in excess of ₹1,00,000 crore a year, winding down this June, it is an opportune time for the Centre to repurpose the cess and reinstate financial support that targets the poorest. It is an eye-watering level of support, but it is merely making up for decades of ignoring their needs and subjecting them, and indeed much of the country, to the harmful impacts of solid fuel use. Consider this compelling case for pulling all-stops to finance the consumption of clean fuels by the poor. Between 2002 and 2021, ~₹20,000 crore has been spent each year (in constant 2011-12 rupee) in supporting the non-PMUY LPG consumer in India. These are the early adopters, city dwellers and higher-income groups in rural areas. However, only ₹3,500 crore (in constant 2011-12 rupee) per year has been spent in the last five years, in supporting the poorest consumers (PMUY beneficiaries). Now, there are no signs of a subsidy being reinstated.

The poor, who are disproportionately impacted by prolonged usage of solid fuels must surely be asking, *'apna time kab aayega'* (when will our time come)? We must, therefore, ask the question: Is it not time to make up for all these years of inaction, when the needs of the poorest consumers were not prioritised, and the Indian state continued to prop up early adopters who have harvested the health and economic benefits of consuming LPG over decades? Many pundits, in their assessment of the outcome of the 2019 elections, attributed the pace and scale of deployment of the PMUY scheme, as one of the main reasons the rural population gave a vote of confidence to PM Modi's government. Reminders of the scheme dot the urban landscape even to this day. Ujjwala is a powerful brand in itself, and a popular one at that. Letting it die slowly is sending a strong signal and makes a mockery of the administrative efforts that were made in rolling it out in the first place.

Sustained support, in consuming merit goods like LPG, could precipitate behaviour change and wean households away from the reliance on solid fuels. This shift away could play an important role in achieving targets under the National Clean Air Plan as well, and help focus the efforts in reining in the egregious polluters. More importantly, the pursuit of clean cooking will have significant effects on health outcomes, especially that of women and children. To that end, the expenditure on clean cooking must be seen as supplementing and complementing the expenditure on core health programmes that focus on women and children's health, and on health and family welfare more broadly (a total budget in excess of ₹1 lakh crore in FY23 is earmarked for these ministries). Thus, it is important to ensure that budgetary allocations targeting health and well-being are reviewed, keeping in mind the interlinkages between indoor and ambient pollution and health outcomes. And, if needed, budgets must be further bolstered to help achieve the desired outcomes of a healthy and productive population that then truly puts us on the path to being *'atmanirbhar'*.

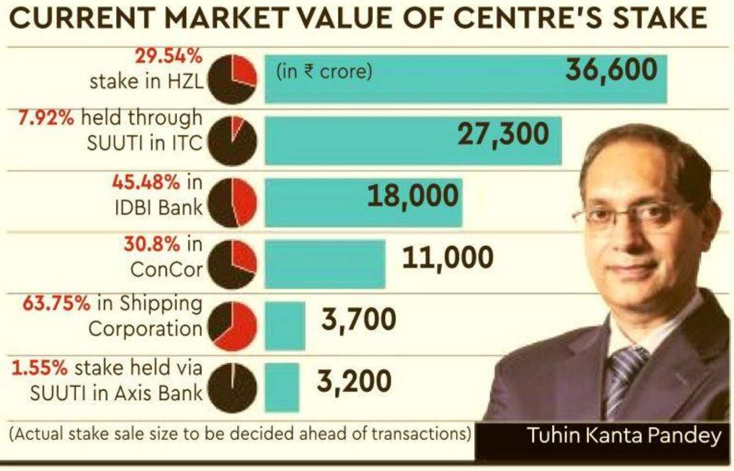
DIPAM SECY SAYS CABINET NOD TO BE SOUGHT SOON

HZL stake sale on the cards

Privatisation of Concor, IDBI; offloading part of SUUTI stakes in ITC and Axis top FY23 agenda

₹65,000 CRORE
Disinvestment target for FY23 excluding LIC IPO which fetched ₹20,516 cr

₹3,059 CRORE
Mobilised from 1.5% stake sale in ONGC



PRASANTA SAHU
New Delhi, May 20

WITH THE PRIVATISATION of BPCL now on the backburner, the sale of the residual stake in Hindustan Zinc Ltd (HZL) is likely to be the largest deal this year for the government in terms of revenue potential, Tuhin Kanta Pandey, secretary at the department of investment and public asset management (Dipam), told FE.

"The arbitration cases have been withdrawn and there are no pending issues with the disinvestment of the government's stake in HZL. It will go to the Cabinet soon," Pandey said, adding that the offer for sale (OFS) route may be adopted for the sale.

As per the Supreme Court order dated November 18, 2021, the Centre can sell its 29.54% residual stake in HZL in the open market in accordance with the Sebi rules. The stake is worth about ₹36,600 crore at the current market prices.

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The Financial Express
HZL stake sale on the cards
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HZL stake sale on the cards

The Centre and Vedanta (current promoter) had decided to end an arbitration concerning the second call option demanded by Vedanta in the residual stake sale.

Topping the government's disinvestment agenda will also be privatisation of IDBI Bank and Container Corporation and offloading a part of the indirectly-held stake in private-sector firm ITC, Pandey said. The government could also sell its stake held via the Specified Undertaking of the Unit Trust of India in Axis Bank at opportune times this year, besides trying to complete sale of Shipping Corporation of India (SCI), he added.

The LIC IPO has fetched the government ₹20,516 crore, a sum much less than it had targetted. This transaction was budgeted for last year, but the process spilled over to the current year. Without getting into whether the target of mobilising ₹65,000 crore via stake sale this year would be achieved, Pandey said: "Sometimes despite the best efforts, transactions don't happen. BPCL sale is not happening this year and that is the one which could have given us maximum revenues."

SUUTI's 7.92% stake in ITC is worth about ₹27,300 crore at present and 1.55% stake in Axis Bank is worth ₹3,200 crore at the current market prices. Excluding the LIC proceeds, the Centre has already raised ₹3,059 crore from 1.5% stake sale in state-run explorer ONGC.

Non-debt capital receipts to be mobilised via the disinvestment route is important for the government to keep the budget deficit in check.

The Centre may require to spend an extra ₹1.8 trillion in aggregate over the Budget Estimate on fertiliser and food subsidies in FY23, finance secretary TV Somanathan told FE recently, adding that the additional outgo could be offset by a steep jump in net tax receipts and higher disinvestment revenues. Somanathan said the government was hopeful of garnering budgeted ₹65,000 crore by way of disinvestment over and above ₹20,516 crore already mobilised through LIC IPO, which was not part of the budget estimate for this financial year.

A Cabinet note has been floated for inter-ministerial consultation on the land licensing fee (LLF) for industrial users of railway land, which will pave way for strategic disinvestment of state-run Container Corporation of India (ConCor). "The Cabinet will take up the LLF issue soon. Thereafter, expression of interest will be floated for ConCor," Pandey said. The Centre's proposed 30.8% stake sale in the multimodal logistics company was worth about ₹11,000 crore at the current market prices.

Expression of interest (EoI) for IDBI Bank and financial bids for SCI are likely to be invited soon. Currently, LIC (49.24%) and the government (45.48%) together hold 94.78% stake in IDBI Bank. The Centre's stake in IDBI Bank is worth about ₹18,000 crore. The proceeds from IDBI Bank will depend on how much it sells in the bank as LIC will also dilute stake in the lender.

Dipam is currently holding pre-EoI roadshows to gauge investors' interest as well as seeking regulatory relaxations with regard to post-acquisition stake reduction roadmap for the buyer to comply with norms.

BPCL's privatisation, which has been held up for over a year, has hit a dead-end, as potential investors have turned more sceptical of "the lack of pricing freedom" with state-owned fuel retailers, besides global shift for greener energy.

FROM THE FRONT PAGE

In November 2020, multiple bidders, including Vedanta, Apollo Global Management and Think Gas (I Squared Capital), had showed interest in the government's 52.98% stake in BPCL worth about ₹40,000 crore at the current market prices.

Oil Heads for 4th Weekly Gain

Oil headed for a fourth straight weekly gain as optimism about the outlook for demand eclipsed concerns about tighter monetary policy and an economic slowdown that have combined to roil wider financial markets. ▶▶ 6

West Texas Intermediate futures traded near $112/barrel ahead of US driving season

Oil Heads for Fourth Weekly Gain on Trot as Demand Soars

Bloomberg

Oil headed for a fourth straight weekly gain as optimism about the outlook for demand eclipsed concerns about tighter monetary policy and an economic slowdown that have combined to roil wider financial markets.

West Texas Intermediate futures traded near $112 a barrel, and are heading for the best run of weekly increases since mid-February. Prices has been pushed higher in recent days by higher demand for motor fuels as the summer driving season approaches in the US. Gasoline and diesel have surged to record levels, with auto club AAA forecasting nationwide travel will approach the highest since the pandemic.

Crude has surged almost 50% this year, also helped along by Russia's assault on Ukraine that sent shock waves through markets. While the US and UK have announced bans on Russian exports, flows to Asia have picked up. China is seeking to replenish strategic stockpiles with cheap Russian oil even as officials grapple to suppress Covid-19 outbreaks. India has also boosted purchases.

"Crude oil remains rangebound, caught between focusing on tight monetary policy driving an economic slowdown and a tightening global fuel-product market," said Ole Hansen, head of commodities strategy at Saxo Bank. "Tightness in global fuel products will underpin fuel prices, already at record levels around the world."

There were mixed signals from China on Friday. While banks cut a key interest rate for long-term loans by a record to bolster a slowing economy, Shanghai found the first cases of Covid-19 outside quarantine in six days. It raises questions on whether the easing of the city's lockdown will be impacted.

Oil's jump has also contributed to the fastest growth in inflation in decades.

Russia to halt gas flows to Finland from today

Russia's Gazprom has informed Finland that it will halt flows of natural gas from Saturday morning, Finnish state-owned gas wholesaler Gasum said on Friday. Gasum has refused to pay Gazprom Export in rubles as Russia has requested European countries to do.

Business Standard
Steel, railways and coal ministries in talks for fuel supply: Minister
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Steel, railways and coal ministries in talks for fuel supply: Minister

The steel ministry is in regular talks with other ministries, including the railways and coal, to ensure smooth supply of coal to steel manufacturers, Union minister Faggan Singh Kulaste said on Friday. Speaking to reporters at Assocham's Indian Metals Industry conference, minister of state for steel Kulaste said his ministry is taking all measures to maintain supply of coal for steel makers. "We are regularly speaking to various states and ministries especially railways and coal," he said. **PTI**