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Petrol, diesel prices unchanged for 5 th day in a row	Millennium Post	8	Bureau	Neutral
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Petrol, diesel prices unchanged for 5th day in a row

NEW DELHI: Fuel prices remained unchanged on Saturday making it the fifth consecutive day when pump prices of petrol and diesel have remained static.

Fuel prices have gone for a longer pause after rising on 22 of the past 28 days. The oil marketing companies (OMC) began their daily price revision system from June 7 that kept the petrol and diesel prices to rise continuously by an average 50-60 paise per day.

In the national capital, petrol price on Saturday stood at Rs 80.43 per litre and diesel at Rs 80.53 a litre, same level as the last four days when OMCs went for a pause and kept the prices unchanged. IANS

Cong protests fuel price hike, calls it inhumane

TIMES NEWS NETWORK

Hyderabad: Congress on Saturday staged protests across Telangana against the fuel price hike, as part of a nationwide call made by the All India Congress Committee.

Lashing out at the Prime Minister Narendra Modi-led government, the opposition party said that an additional burden of ₹18 lakh crore has been imposed on consumers ever since the BJP came to power in 2014.

The leaders and supporters of the Congress party organised protests at mandal headquarters, municipalities and district headquarters all over the state. State Congress chief Uttam Kumar Reddy along with

NATIONWIDE CALL

former MP Konda Vishveshwar Reddy and other party members held a demonstration at Shamshabad before submitting a memorandum to the district officials and the local tehsildar. The memorandum was addressed to the President of India, Ramnath Kovind, and Union petroleum minister Dharmendra Pradhan.

“At a time when the people in the country are suffering with reduced income or lack of it due to coronavirus-forced lock downs, the Centre and state government are behaving in an inhuman manner by imposing higher taxes on petrol and diesel. The fuel prices are being increased continuously for the last 20 days despite a sharp decline in the international crude oil prices,” Uttam said.

Higher fuel taxes, fewer subsidies are good policy

SWAMINOMICS

SWAMINATHAN S ANKLESARIA AIYAR



“Never waste a crisis” is an old adage. The Covid crisis is a good time to enact painful reforms. Some reforms like the suspension of labour laws for three years by some states have caught the headlines, and been criticised, rightly, as half-baked. No investor will come if the change is limited to three years.

More rational and politically courageous is the abolition of once-sacred subsidies plus higher taxation of petroleum products. The central government raised the excise duty on diesel and petrol in March and May and increased the road cess to Rs 8/litre. State governments have raised their taxes too. Higher taxes could yield up to 1% of GDP, a fiscal godsend since the Covid-induced recession looks like cutting government revenue by 2-3% of GDP.

Economist Ajit Ranade says 70% of today’s consumer price of petrol and diesel is taxation, representing a prematurely high carbon tax. I disagree. Indian petrol at Rs 80/litre is still far cheaper than in Europe or Japan, though more expensive than in low-taxed USA. India is far more polluted than all of them. For breathable air we should raise fuel taxes to curb consumption and incentivise a switch to electric two-wheelers, and eventually electric cars. That will take time and technological change, but electric rickshaws are already spreading fast.

Earlier, attempts at big price changes often created a public backlash and forced a rollback. But finance minister P Chidambaram in the last UPA government came up with a ploy of raising prices a few paise at a time for long periods, to defuse both impact and protest. The BJP has adopted the same ploy, first to eliminate subsidies on petrol and diesel and now increasing taxes on the same.

When world prices rise, the Indian consumer price is raised too. But when world prices fall, Indian consumer prices fall only a bit, and most of the windfall is mopped up by higher government taxes. In June, consumer prices rose daily for 21 continuous days, a record. Without doubt consumers are hard hit, and the Congress is trying to raise a major protest. But most people seem to accept that sacrifices are needed in the current crisis.

For decades, subsidies on diesel, kerosene and cooking gas were viewed as politically untouchable. Even petrol was subsidised when world prices skyrocketed in the 2000s. But today all subsidies have been phased out. Kudos to the government.

The case for zero subsidies and high taxation is that petroleum fuels are mostly imported and emit toxic pol-



DUMP THE PUMP: Taxes will incentivise the switch to green, renewable fuel such as solar power

lutants and greenhouses gases. Taxes act as incentives to shift energy consumption — this will take time — to domestic, unpolluting energy sources like solar electricity.

Politicians have long subsidised diesel, saying farmers need it to run irrigation pumps. This made diesel up to 50% cheaper than petrol though the global price of diesel is higher. The subsidy encouraged an irrational shift from cheaper petrol cars to expensive diesel cars that emitted far more cancer-causing PM 2.5, wasting scarce capital while worsening health.

Today diesel pumps in almost all states have been replaced by electric pumps, ending the rationale for subsidising diesel. With the end of subsidies and rise in taxation, diesel in Delhi (though not in other states) is costlier than petrol, as in the US or Europe. Well done, Kejriwal.

The kerosene subsidy has also been quietly ended by phasing out subsidised state allocations. The original rationale for subsidised kerosene was that it was used in hurricane lanterns, the only form of lighting in non-electric areas comprising most of India. But today electricity has reached almost every village household. Kerosene was also used as cooking fuel by the middle classes, who do not really merit a subsidy. But their use of kerosene too diminished as they switched to LPG for cooking. The bulk of subsidised kerosene was diverted to adulterate diesel and petrol, and the adulterated mix corroded pumps and vehicle engines. Thus, the kerosene subsidy did more harm than good, and its end merits celebration.

The LPG subsidy was never warranted. It was a superior fuel used by relatively well-off city dwellers, not poor people. But middle-class subsidies win votes and so proliferated. Today, urban households are switching from LPG to piped natural gas. Subsidies for LPG have been replaced by direct cash transfers, in the process weeding out “ghost” consumers and save thousands of crores of wasted subsidy. What little subsidy remains seems to have been quietly phased out in recent months. In the long run, solar electricity should become progressively cheaper and replace natural gas for cooking as a zero-emission fuel. That’s the way to go.

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