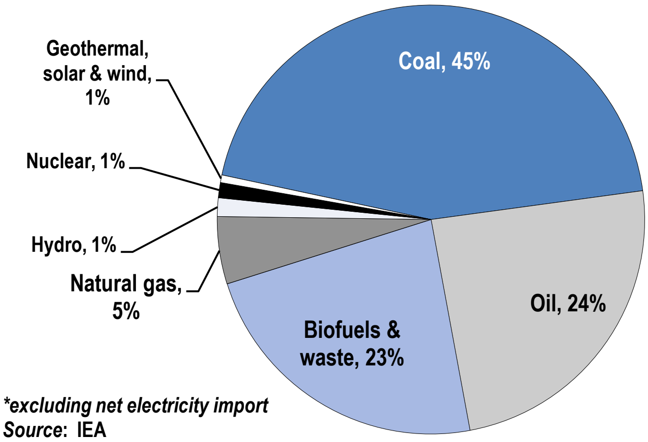
India

The OECD Inventory of Support Measures for Fossil Fuels identifies, documents and estimates direct budgetary support and tax expenditures supporting the production or consumption of fossil fuels in OECD countries and eight large partner economies (Argentina, Brazil, Colombia, the People's Republic of China, India, Indonesia, the Russian Federation, and South Africa).

Energy resources and market structure

India is one of the world's fastest growing energy markets. It is the world's second-largest coal producer, but must import additional quantities to meet its coal demand. India also had proven oil reserves of 5.4 billion barrels in 2016. Most crude oil and natural gas reserves are located along the country's western continental shelf.

Total Primary Energy Supply* in 2015



**excluding net electricity import*
Source: IEA

Coal India Ltd. (CIL) has a virtual monopoly on coal extraction in the country, accounting for about 95% of the total. Market reforms, however, are being implemented to bring more private actors into the sector. State-owned companies also command a large share of the market in all segments of the oil and gas sector. In the past, the regulated pricing of petroleum products has discouraged the entry of private companies into the downstream segment. However, in 2002, the Government liberalised the petroleum sector by allowing private sector in retail. This act was followed in 2007 with the establishment of an independent domestic regulator (PNGRB) to regulate the Indian midstream and downstream sectors.

The growth in domestic crude-oil production has not been fast enough to meet surging domestic demand and as a result India relies heavily on oil imports, mostly from the Middle East. To alleviate this reliance, the Government has been enacting policy changes towards encouraging domestic exploration and extraction of crude oil resources. In Feb 2016, the Government announced the launch of the Hydrocarbon Exploration and Licensing Policy (HELP), an open acreage licensing policy permitting investors to select exploration blocks without waiting for a formal bid round. Under HELP, operators will have the freedom to market and set the price for the oil and gas produced.

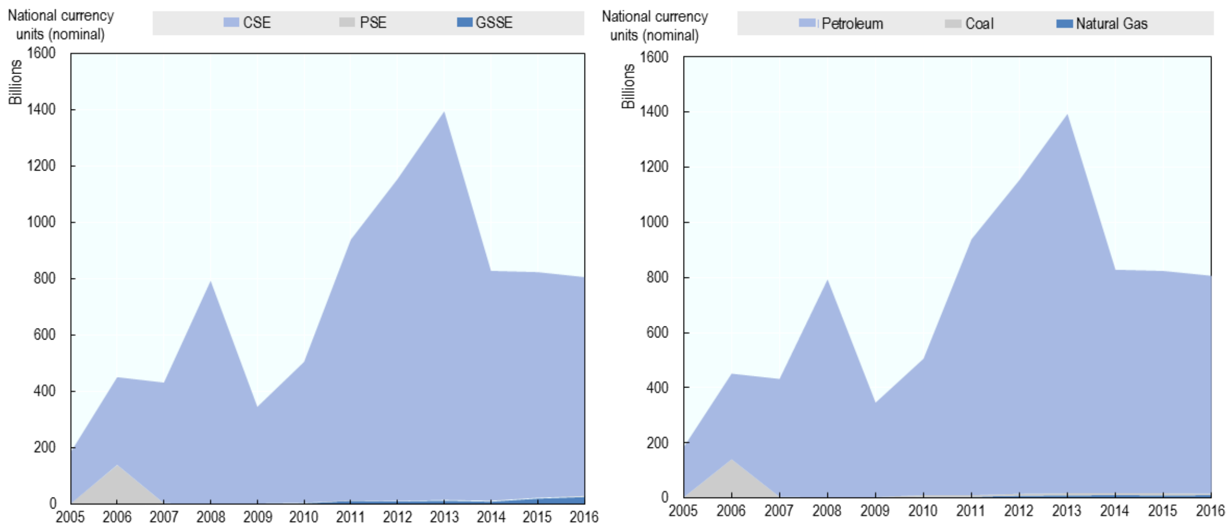
The Indian electricity system suffers from a lack of investment and intermittent fuel shortages, leading to frequent blackouts. Recognising this, the Government passed the 2003 Electricity Act to consolidate previous laws relating to the electricity market and for implementing guidelines conducive to the development of the electricity industry, mainly through open competition and electricity tariff rationalisation. As of January 2018, the Government reports that 1,285 villages (39,097,989 Households) are still awaiting electrification, representing around 22% of the country's households.

Energy prices and taxes

In India, the Government regulates energy prices to protect domestic consumers from international volatility. Coal prices are not aligned to international prices. The Ministry of Coal allocates coal supplies to priority sectors such as electricity generation. As prescribed by the 2003 Electricity Act, tariffs for electricity generation and transmission charged by companies owned by the Central Government are regulated by the Central Electricity Regulatory Commission, whereas those for generation, transmission and distribution charged within the state are determined by each state's Electricity Regulatory Commission.

Natural gas is priced according to the new domestic pricing guidelines, in effect since April 2014, which differ from the previously more restrictive Administrative Pricing Mechanism (APM) in that benchmark global gas rates are now taken into consideration.

Total support for fossil fuels in India by support indicator (left) and fuel type (right)*



Note: CSE=Consumer Support Estimate; PSE=Producer Support Estimate; GSSE=General Services Support Estimate

*The above charts are based on an arithmetic sum of the individual support measures identified in the Inventory. Because they focus on budgetary costs and revenue foregone, the estimates for partner economies do not reflect the totality of support provided by means of artificially lower domestic prices. Particular caution should therefore be exercised when comparing these estimates to those reported by the IEA for these countries.

Recent developments and trends in support

Most of the support for fossil fuels in India is targeted towards consumers in the form of direct transfers for the purchase of petroleum products such as kerosene and LPG. The support has decreased sharply since its peak in 2012 as a result of the reform process initiated by the Government in order to reduce fiscal deficits. The price of petrol and diesel has been de-regulated by the Government, progressively increasing prices until levels were achieved to eliminate subsidies in the second half of 2014. However, some support remains for other fuel types, mainly in the form of targeted LPG support for poor families. In 2014, the Government introduced direct benefit transfers (DBT) to support individual households purchasing LPG cylinders for cooking purposes. As part of its initiatives announced in May 2016 to tackle energy poverty, the Government will be providing LPG connections to 50 million Below Poverty Line (BPL) families, under the *Pradhan Mantri Ujjwala Yojana* scheme. As of January 2018, the Government reports that LPG connections have been provided to 33.15 million BPL families under the scheme.

Examples of Measures	
Compensation for under-recoveries incurred by downstream oil companies (2002-2016)	This policy cost INR 273 billion in 2014-15 but was reduced to INR 197 billion in 2016-17. The government has reformed its subsidies on petrol in 2010 and on diesel in 2014,, and is currently making efforts with respect to kerosene and LPG. In addition, world oil prices have fallen. As a result, under-recoveries have been significantly reduced and income support payments for OMCs have fallen accordingly.
Support to oil companies for transporting natural gas to the north-eastern region (2002-)	The price of natural gas in the region is pegged to USD 2.52/MBtu (around 60% of the APM price) to help finance the development of the region. Companies are then compensated for selling at a lower price.
DBT Subsidy on Domestic LPG and Permanent Cash Advance pertaining to DBTL (2014-)	Direct Benefit Transfer for LPG Consumer (DBTL) Scheme was launched with effect from 1st June 2013 to provide capped number of subsidised cylinders to domestic LPG consumers and transfer the subsidy amount directly to their bank account. This policy cost INR 38 billion in 2013-14 but increased to INR 160 billion and 121 billion in 2015-16 and 2016-17 respectively.