



Fossil fuel taxes, cesses and impact on energy transition

Karthik Ganesan

Fellow, CEEW

IISD-IEEFA Webinar

10 March 2021

CEEW – Among Asia's leading policy research institutions



Energy Access



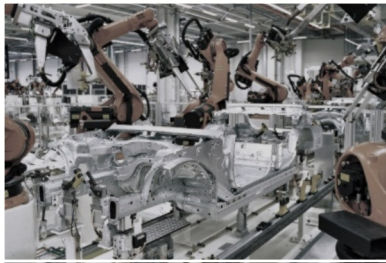
Renewables



Power Sector



Industrial Sustainability &
Competitiveness



Low-Carbon Pathways



Risks & Adaptation



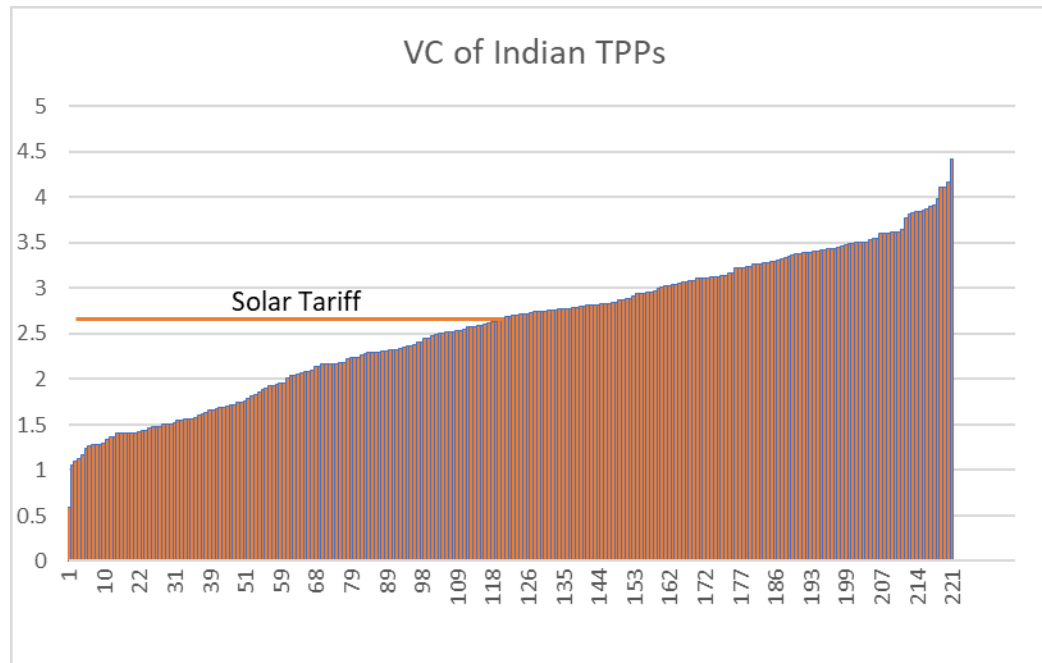
Technology, Finance & Trade



CEEW Centre for Energy Finance

Coal Cess and implications (power sector)

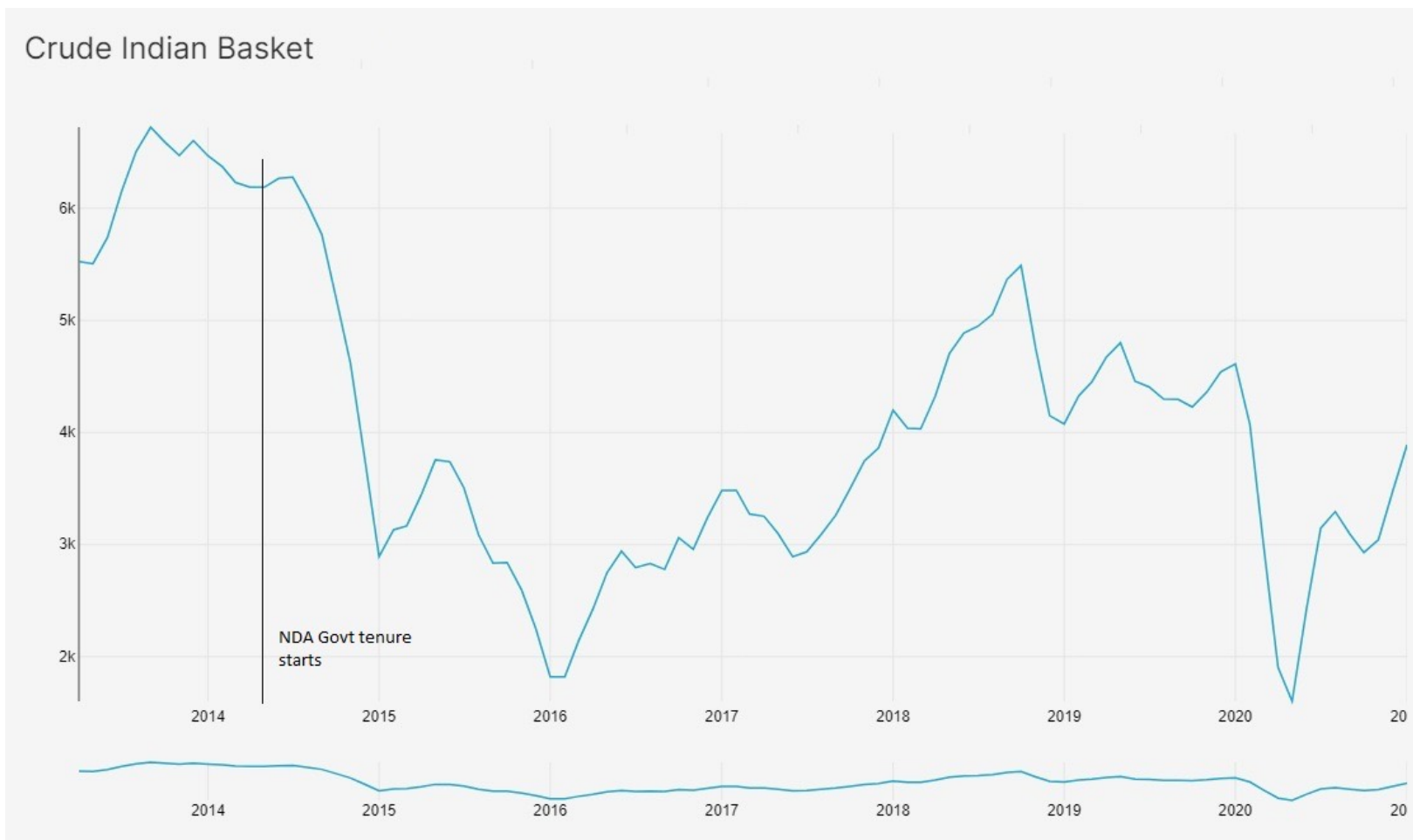
- Grown from 50 INR/ Ton to 400 INR / Ton
 - ~INR 30,000 Crore a year in collections at current levels of consumption
 - 30% of ROM price
 - 15% of delivered coal price
- Losses of utilities ~ 61,000 Crore (FY19)



What has happened to the cess on coal ?

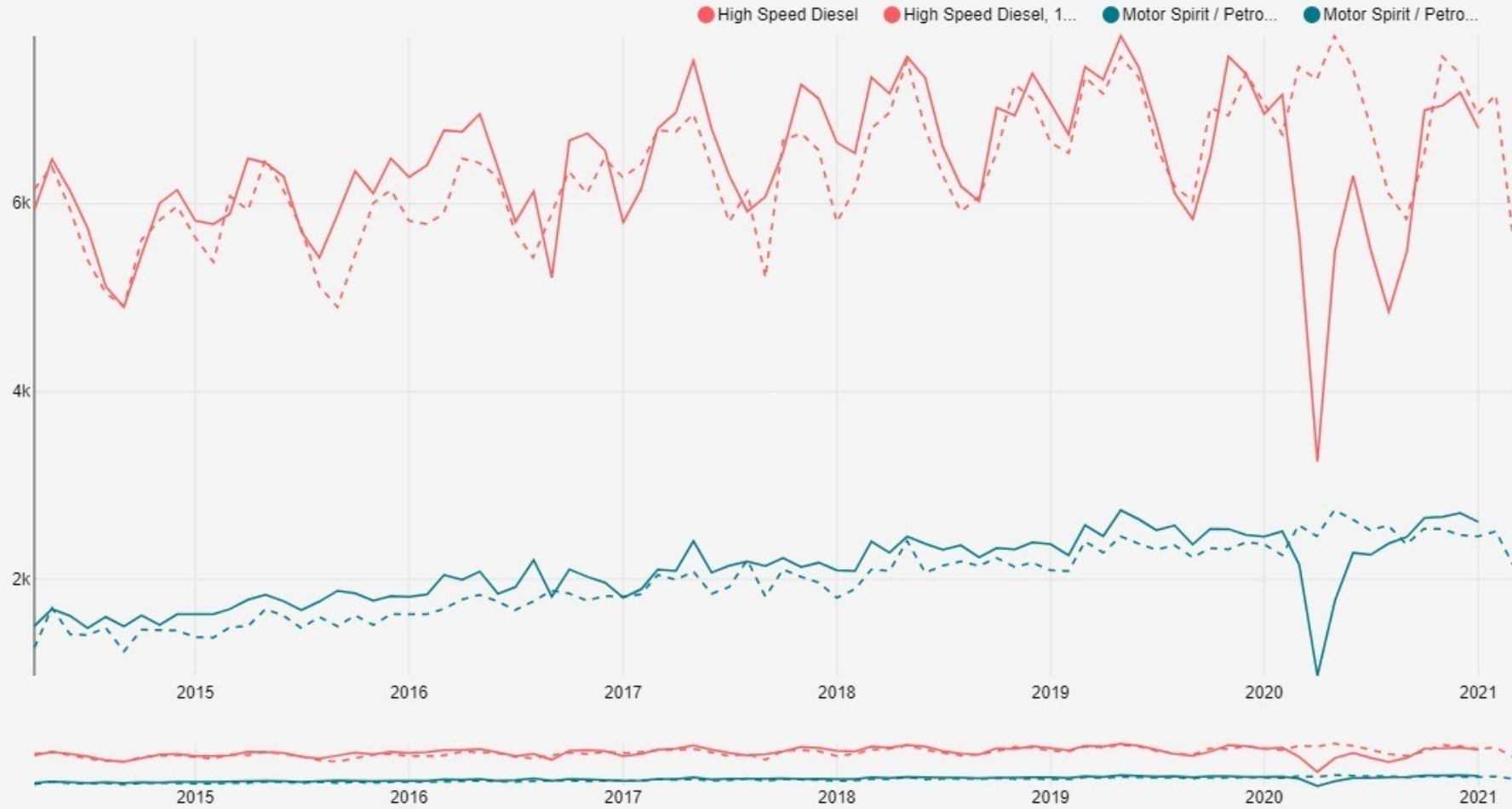
- Many transformations in its avatars and end uses
- Not available anymore for clean energy or environment uses
- Of the 84,000 Crore collected until FY18, only 29,000 Crore transferred to NCEEF and only half actually was used in financing
- Some signature RE projects (like the Intra state Green Corridors) were to benefit but details are unclear
 - No more than 17,000 Crore sanctioned to MNRE from NCEEF

Taxation on petroleum products



Little to no impact of taxation on demand

Petrol and Diesel Sales



Utilisation of taxes and cesses

- The 2020 report from the Comptroller Auditor General finds
 - Cess on Crude Oil to the tune of 1,25,000 Crore has not been transferred to OIDB
 - Short crediting of GST CC to the appropriate fund to the tune of 46,000 Crore
 - Significant sums of money (10,000 Crore) from the Road and Infrastructure Cess were not utilised for purposes they were meant for

The main pathway to the energy transition from taxation is by utilising collected resources to provide clean energy alternatives to consumers. In India, that not been the case with major taxes and cesses.

OT dependence - states weaning off, centre more dependent

IS OIL A CASH COW FOR CENTRE AND STATES?

CENTRE	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
GTR share in GDP	9.96	10.55	11.14	11.23	11.01	9.90
Oil excise share in GDP	0.79	1.29	1.58	1.35	1.13	1.10
Oil excise share in GTR	7.95	12.23	14.16	11.98	10.29	11.09
All central oil taxes in GDP	1.01	1.51	1.77	1.61	1.48	1.41
All central oil taxes in GTR	10.12	14.35	15.91	14.38	13.46	14.28
STATES						
OTR share in GDP	6.24	6.38	6.14	6.61	6.43	6.60
Oil VAT share in GDP	1.10	1.04	1.08	1.09	1.06	0.99
Oil VAT share in OTR	17.56	16.25	17.55	16.46	16.54	14.93
All state oil taxes in GDP	1.28	1.16	1.23	1.21	1.20	1.09
All state oil taxes in OTR	20.51	18.18	19.98	18.32	18.68	16.49

All figures in per cent; All central oil taxes include only indirect taxes
 GTR: Gross Tax Revenue. OTR: Own Tax Revenue. GDP: Gross Domestic Product

Source: Govt

EV transition includes trade-offs, the impacts of which can be staved off through prescient planning

TRADE-OFFS

INR 90,174 crore

of value-add loss in the oil production sector



INR 98,027 crore

of value-add loss in the ICE powertrain activity



1.6 lakh jobs

lost in oil production and ICE powertrain manufacturing activity



INR 1.1 lakh crore

of loss in central and state government revenue from sale of petrol and diesel



but...

Ways to tackle them

Further increase in value-addition and employment from:

Battery recycling

Installation and operation of EV charging infrastructure

Construction of giga-factories

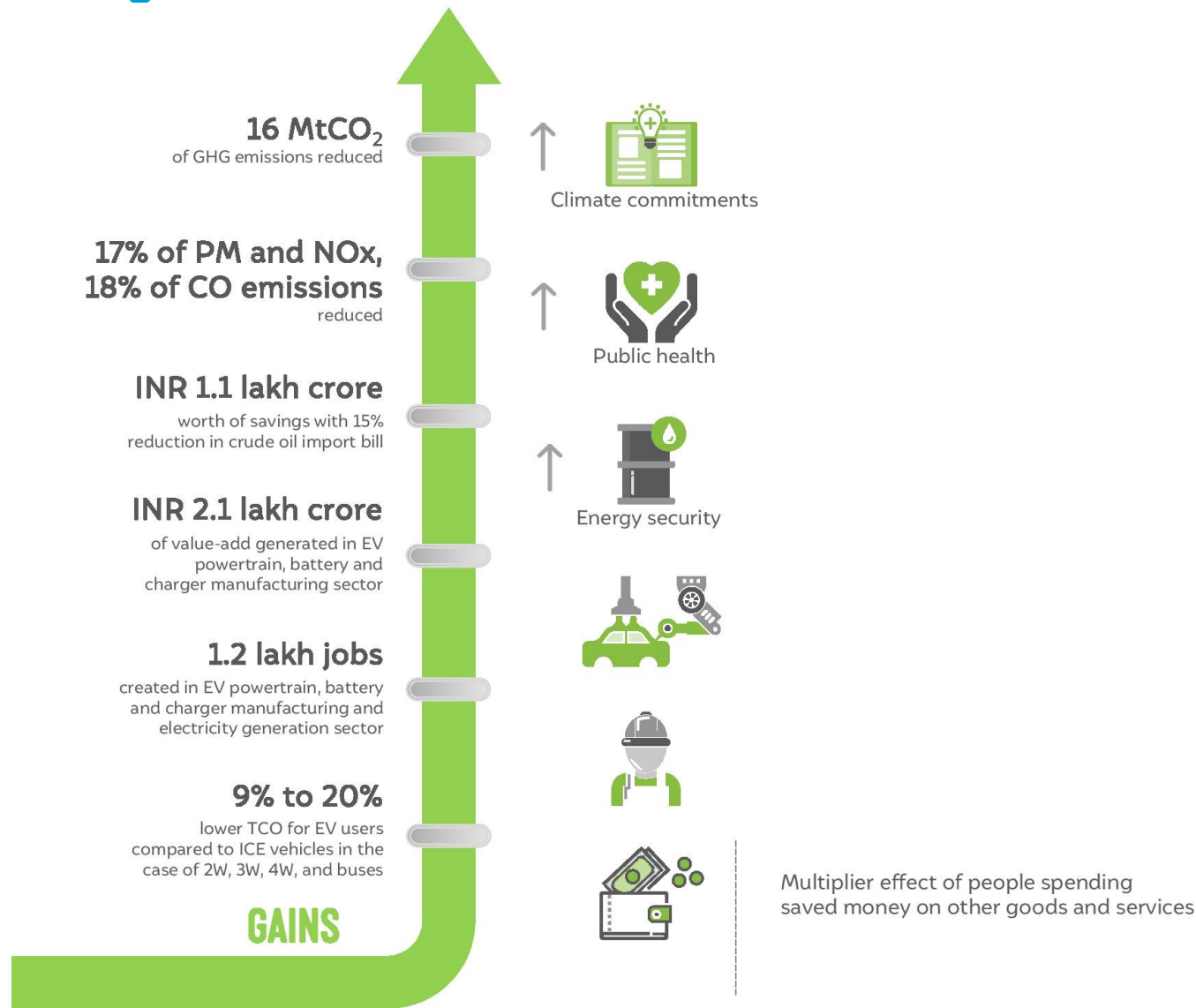
Telematics products and services

Distribution and sale of electricity

Abating impact on government revenues via:

Pre-emptive action to diversify sources of revenue for central and state governments

If EVs garner a share of 30% of new vehicle sales in 2030, it would result in a slew of gains



Thank you

ceew.in | @CEEWIndia