

# Gender and Fossil Fuel Subsidy Reform

Shruti Sharma,  
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# Gender and Fossil Fuel Subsidy Reform



- ❑ Fossil fuel subsidy reforms have gender differentiated impacts
  - ❑ removal of subsidies for lighting or cooking fuels can negatively affect women's lives
- ❑ Fossil fuel subsidy reform is a significant opportunity for clean energy access goals
  - ❑ when designed in a way to safeguard women's access to clean household energy fuels



# Gendered Impacts of LPG Subsidies in India



- ❑ Subsidized LPG sold as 14.2 kg cylinder and only sold by 3 public oil marketing companies (OMCs)
- ❑ LPG subsidies are India's biggest policy for addressing clean cooking and the single largest petroleum subsidy
- ❑ Since May 2020, subsidies support only LPG take-up (connection subsidies)
- ❑ Connection subsidy: called PMUY or Ujjwala; introduced in 2016
  - ❑ Up front costs like deposit for 1<sup>st</sup> cylinder, LPG cooking stove, equipment are subsidised along with an interest free loan



# Gendered Impacts of LPG Subsidies in India



Women using subsidized LPG experienced time savings, reduced drudgery and health benefits

- ❑ LPG usage saves women, on average, an hour per day due to reduced cooking and cleaning time
- ❑ LPG usage in combination with other fuels also reduces the drudgery of collecting and preparing biomass, typically undertaken by women and young girls
- ❑ Compared to biomass, LPG's 'smokeless' cooking did not create eye and lung diseases
- ❑ LPG usage correlates with women spending more time on other activities like leisure, spending time with children, watching TV or reading the newspaper
- ❑ LPG usage also empowered men to cook - more males were likely to cook if LPG is available
- ❑ Other spill over benefits: identity documentation for women



# Targeting LPG Subsidies in India



Several policies for targeting LPG subsidies have been introduced

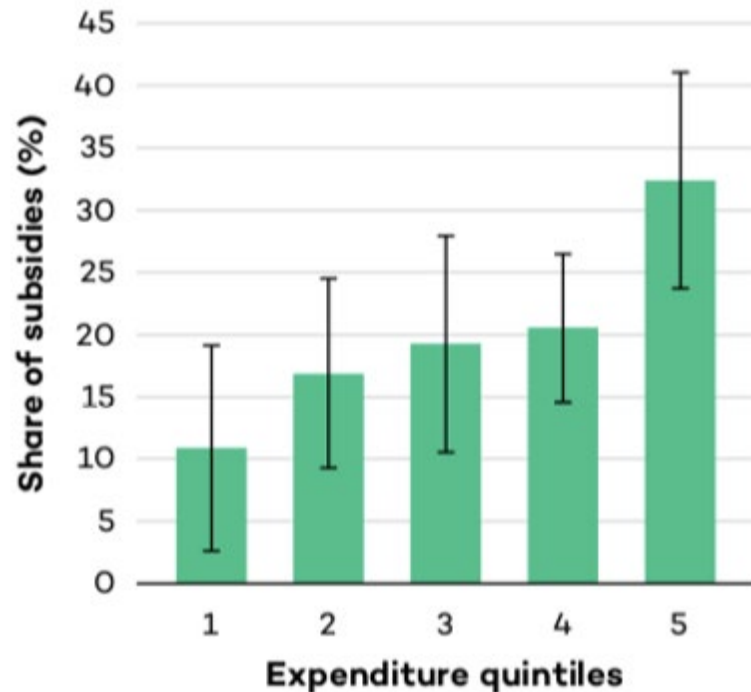
- ❑ Consumption subsidy: called DBTL or PAHAL, introduced in 2014
  - ❑ Consumers buy LPG cylinder at market price and subsidy transferred to consumers bank account
  
- ❑ Connection subsidy: called PMUY or Ujjwala; introduced in 2016
  - ❑ Up front costs like deposit for 1<sup>st</sup> cylinder, LPG cooking stove, equipment are subsidised along with an interest free loan
  
- ❑ Targeting in PAHAL and PMUY has limited benefits so far:
  - ❑ Income based targeting: subsidy only for households earning annually less than INR 1 million
  - ❑ Gender targeting: PMUY or connection subsidy only given to women from poor households
  - ❑ Voluntary opt-out: Give it up campaign where richer households give up consumption subsidy
  - ❑ Volumetric targeting: households have an annual limit of purchasing 12 subsidised cylinders

# Limited Impact of Targeting LPG Subsidies in India

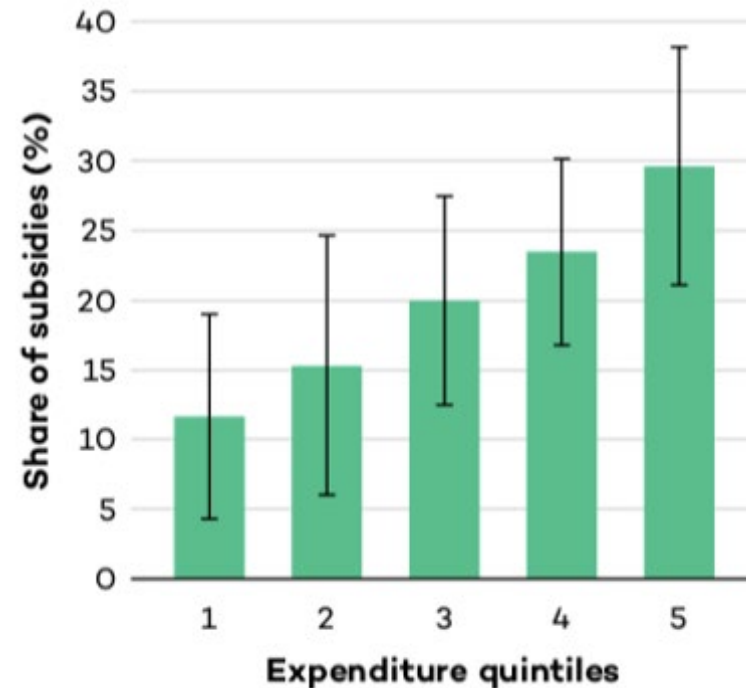


Yet overall targeting of LPG subsidies to the poorest has limited impact because LPG subsidies are not well targeted to the poorest

Share (%) of total LPG subsidies received by different rural expenditure quintiles



Share (%) of total LPG subsidies received by different urban expenditure quintiles



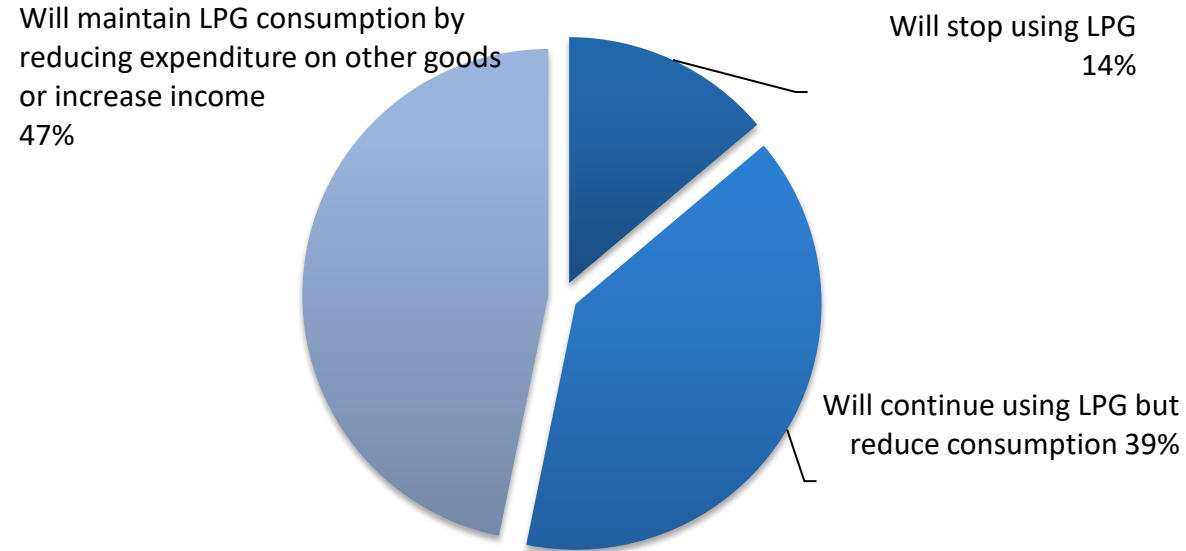
- ❑ Rural households: richest two quintiles received 54% of benefits but poorest two quintiles received 27%
- ❑ Urban households: richest two quintiles received 53% of benefits but poorest two quintiles received 28%

# Removing LPG Subsidies can Hurt the Poorest



Subsidy reform needs to be undertaken with care to avoid negative energy access impacts

**Coping mechanism of household if LPG subsidies are removed**



- ❑ If LPG subsidies are removed, most households would like to continue using LPG by either reducing consumption of other goods or fuel stacking
- ❑ Reducing of both consumption goods and LPG will have impacts on household welfare

# Review Design LPG Subsidy Policy



Subsidy reform should continue to safeguard women's access to clean energy

- ❑ PMUY or Ujjwala scheme focuses on women but only for up-take
  - ❑ Continued use through consumption subsidies is currently not available for poor households
  - ❑ Poor households are likely regressing back to cooking on biomass
- ❑ Redesigned consumption subsidies that only target women from poor households (or Ujjwala beneficiaries) are needed
- ❑ Not LPG subsidies alone: Improve education and alternative clean cooking options





# THANK YOU



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