

## **Subsidies to renewables drop 35% as oil and gas subsidies go up 65%, next months to define future trends in India's energy sector—report**

New Delhi, April 16 – India's renewable energy subsidies fell 35% from FY17 to FY19, while its oil and gas subsidies increased by 65%<sup>1</sup> according to a new study entitled [Mapping India's Energy Subsidies 2020](#), released today by the International Institute for Sustainable Development (IISD) and the Council on Energy, Environment and Water (CEEW). How the government tackles the COVID-19 crisis and economic recovery will be crucial to determining future trends in the energy sector, experts say.

The study emphasizes that the health and economic crisis caused by COVID-19 will influence subsidy expenditure. The crash in world oil prices and the government's economic stimulus packages will be key factors shaping the energy sector in the upcoming months.

“Rising oil prices and initiatives to promote clean cooking were the main drivers of growing support to fossil fuels since FY2017,” said study co-author Vibhuti Garg of IISD. “After the COVID-19 crisis, petroleum product subsidies will undoubtedly fall significantly in 2020 and other energy markets will be shaken. Fossil fuels are already being taxed more to help plug holes in revenue. Government stimulus needs to first help people cope, but stimulus for the energy sector must avoid new fossil fuel subsidies that lock in air pollution and greenhouse gas emissions for years to come.”

The authors of the report note that there were already signs that support for renewable energy would increase again, but with the shocks from COVID-19 it is now critical to stay on track.

“Policy decisions such as the solar safeguard duty and tariff caps on auctions meant that there was a slow-down in new capacity addition and as a result lower state subsidy outgo as well,” adds Karthik Ganesan, CEEW. “Before the current crisis, a number of new, large clean energy subsidies were announced, like KUSUM, Phase 2 of Rooftop Solar, and FAME-II. Resources post-Covid-19 will see an unprecedented crunch. It presents a good opportunity for the government to rein in specific fossil fuel subsidies while creating more fiscal room for promoting renewables and other welfare schemes.”

According to the report, in the last six years, India has shifted significant public resources toward clean energy. Since 2014, fossil fuel subsidies have fallen by more than half, while subsidies for renewable energy and electric vehicles have increased more than three and a half times. Experts believe the long-term ambitions can still be maintained.

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<sup>1</sup> India's subsidies to renewable energy have gone from a high of INR 15,313 crore in FY2017 to INR 9,930 crore in FY2019. At the same time, government subsidies for oil and gas went up from INR 40,762 crore in FY2017 to INR 67,679 crore in FY2019.

The report flags that coal subsidies are one opportunity for reform.

Estimated at INR 15,456 crore in FY2019, they have remained largely unchanged for the past six years. The researchers emphasize that the combined costs of subsidies and the social impacts of coal—such as premature loss of life and lost work days from air pollution and greenhouse gas emissions (GHGs)—significantly outweigh government revenues from coal taxes and surcharges paid to Indian Railways.

Another focus for reform highlighted by the study is the large share of subsidies going to electricity transmission and distribution. Government support for this sector amounting to INR 79,671 in FY2019 and should be better targeted to providing help to those who need it most. The experts underline that, to date, large bailouts for the sector have been ineffective at reducing the magnitude of these subsidies.

This report further finds that one of the smallest recipients for subsidies was the electric vehicles sector. Although subsidies for electric cars have grown over 11 times since FY2017, researchers note that continuing to raise ambition on clean transport will be important to meet India's targets for 30% of new vehicle sales to be electric by 2030.

“Over the past few years, India has stood out for its incredible steps forward with renewable energy deployment,” said Christopher Beaton of IISD. “There are uncertain times ahead, and the first priority has to be health and helping people meet their essential needs. At the same time, we can't lose sight of ambition for a clean energy transition. The recent INR 8 hike in excise duty for petrol and diesel is one example of how these two things can be aligned. Fossil fuel subsidy reforms could free up more resources for social welfare and inclusive economic recovery.”

#### *Notes to editors*

- Interactive database and graphs to embed can be found [here](#)
- Infographics can be found [here](#)
- Launch webinar: April 16 2020, 15:00-16:00 IST, registration link can be found [here](#)

### **About Council on Energy, Environment and Water**

The Council on Energy, Environment and Water (CEEW) is one of South Asia's leading not-for-profit policy research institutions. The Council uses data, integrated analysis, and strategic outreach to explain – and change – the use, reuse, and misuse of resources. It prides itself on the independence of its high-quality research, develops partnerships with public and private institutions, and engages with the wider public. In 2020, CEEW once again featured extensively across nine categories in the 2019 Global Go To Think Tank Index Report. The Council has also been consistently ranked among the world's top climate change think tanks. Follow us on Twitter [@CEEWIndia](https://twitter.com/CEEWIndia) for the latest updates.

### **About Global Subsidies Initiative (GSI)**

The IISD Global Subsidies Initiative (GSI) supports international processes, national governments and civil society organizations to align subsidies with sustainable development. For more information, please contact: Paulina Resich, [presich@iisd.org](mailto:presich@iisd.org)

### **About the International Institute for Sustainable Development**

The International Institute for Sustainable Development (IISD) is an independent think tank that delivers the knowledge to act. Our mission is to promote human development and environmental sustainability. Our big-picture view allows us to address the root causes of some of the greatest challenges facing our planet today—ecological destruction, social exclusion, unfair laws and economic and social rules, a changing climate. With offices in Winnipeg, Geneva, Ottawa and Toronto our work impacts lives in nearly 100 countries. For more information, please contact: Paulina Resich, [presich@iisd.org](mailto:presich@iisd.org)

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