
RESEARCH SUMMARY:

An Overview of Indian Electricity Sector Subsidies



A newly launched report by IISD explores electricity sector subsidy in India and finds major disparities in subsidy distribution. The analysis compares program subsidies across Oil & Gas, Coal, Transmission & Distribution, and Renewables from 2014 onward. Here are the major findings for the latest figures from 2016:

0.8%

DRE'S SHARE OF TOTAL
ELECTRICITY SECTOR
SUBSIDY IN INDIA (2016)

\$19.5 billion

INDIA'S ANNUAL SUBSIDY FOR
COAL, OIL & GAS, TRANSMISSION
& DISTRIBUTION

114 million

NUMBER OF SOLAR LAMPS
THAT CAN BE PURCHASED
WITH ANNUAL COAL SUBSIDIES

Transmission & Distribution (T&D), including electricity sector bailouts, overtook Oil & Gas (O&G) as the highest recipient of subsidy payments, in part due to the recent reforms in O&G subsidy structure. DRE solutions however receive almost negligible subsidy.

- » In India, subsidies are applied to all levels of utility operation, ranging from resource extraction to price support for lower consumer tariffs.
- » T&D (including sector bailout) received USD 24.0 billion in subsidy payments, while O&G subsidy levels fell to USD 6.8 billion. The least went to renewable energy (USD 1.4 billion).
- » DRE solutions, specifically, made up a mere USD 159 million (0.8% of total subsidy and just 11.2% of subsidies applied to all renewables).
- » O&G subsidies have fallen rapidly due to subsidy reform from USD 26.1 billion in 2014 to just USD 6.8 billion in 2016, representing a 74% decline.
- » On the other hand, growing renewables deployment has pushed subsidies for that sector from USD 431 million in 2014 to USD 1.4 billion in 2016, an increase of 230%.
- » Much of the subsidies—in particular support for T&D and O&G—are price support for artificially low consumer prices and tariffs and for electricity sector bailouts.

Current subsidy payments represent significant opportunity costs for India.

- » Reforming electricity subsidy to reduce overall payment and more effectively target renewables and DRE solutions can lead to lower emissions, stronger job creation, and increased welfare.
- » Annual subsidies provided for coal alone are enough to fund job training for more than 72 million Indians. Furthermore, DRE-based lighting solutions can create nine-times more jobs than solutions using conventional fuels.
- » Electricity generated from coal has the highest levels of carbon

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emission (0.98kg/kWh), followed by gas (0.3kg/kWh), and renewables (zero for solar and wind). The current subsidy structure invests most heavily in the dirtiest fuel sources.

- » If reallocated to healthcare the annual coal subsidy would increase per capita government healthcare spending by 40%.
- » DRE solutions are also more cost-effective—annual coal subsidies (USD 2.3 billion) could pay for almost 114 million solar lamps.

0.8%

DRE'S SHARE OF TOTAL ELECTRICITY SECTOR SUBSIDY IN INDIA (2016)

Share the Message

- » DRE solutions receive a negligible share of electricity subsidy in India.
- » Poor management, lack of real competition, and artificially low tariffs are major factors behind high subsidy levels.
- » Reallocation of subsidy could have major benefits for India's poor.

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