

Managing Ujjwala in the times of volatile fuel prices

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While petrol and diesel prices are breathing fire and have become a subject of daily news, the LPG front is quiet. The price increase of ₹15-20 per litre on transport fuels over the last few months is a subject of intense conversation, but the increase of cylinder prices from ₹650 to ₹820 (14.2 kg) is not, because the increase is absorbed fully by the central government through a subsidy of ₹320 per cylinder. Transport fuels are bringing windfalls to the Centre and state finances as they include high taxes on a percentage basis: the higher the import price, more the taxes. However, LPG subsidy is eating away these gains from the central government, where 50 million additional households have been added since May 2016 through the Ujjwala scheme, an initiative aimed to give LPG connections to the poor without the connection charge (\$25). It is described by some international experts as the largest transition programme ever in the world, that enabled women to shift to modern fuels from solid biomass viz wood, crop residues and animal dung that required drudgery, hardship and health risks. A *National Geographic* documentary has been made about the Ujjwala scheme.

How do we ensure the good intentions of giving affordable clean fuels to poor women while managing subsidy burden? Ujjwala customers are poorer than the regular LPG (non-Ujjwala) customers. At 55.6 million, they are 20 per cent of consumers. Both the groups get the same amount of subsidy through Direct Bank Account Transfer (DBT). In the short-term, it may be good to distinguish these two types of consumers. For example, keeping subsidy fixed at a generous level of ₹200 per cylinder for regular consumers — which also include poor and middle class consumers — can save approximately ₹150 billion a year as we pass on the remaining price increase. Changing to fixed subsidy system rather than price (₹500) ensures fiscal clarity.

In the long-term of say 15 to 20 years, we need to take steps to gradually move away from the cylinder-based delivery system. The system requires us to import fuel from abroad in ships, put up pipelines, manufacture a large number of required cylinders, bottle gas in them and transport them all over through trucks, tempos and bicycles. Expanding port facility, storage, road space, in addition to required number of distributors and cylinder may require huge additional investments. Millions of cylinders transported all over India every month can hardly be the only vision or solution of tomorrow, given the safety risk, extensive transport, congestion, energy consumption and emissions they may cause on our already crowded roads. The subsidy will even increase further if the recently taken cabinet decision approving second phase of Ujjwala is implemented, which will add another 30 million households by 2020. What incentives distributors will need to reach sparse villages and what would it cost?

A practical approach would be a multimodal strategy that considers energy in various modes and forms. For example, selected

megacities and cities close to the gas pipeline infrastructure can be lured to piped natural gas (PNG) for which the government has already started taking steps. PNG is the most suitable urban solution. Using the pipeline network to deliver gas could reduce cylinder transportation on congested roads of at least megacities. A campaign to promote and even mandate PNG in some of the localities in the megacities will improve the profitability of the PNG delivery firms, who legitimately complain that their business is viable only if the consumer density improves significantly. This campaign can be about cleaner, cheaper, safer and environmentally friendly cooking fuel always at the doorstep and does not await delivery. Private investment in the PNG system would come only with higher and profitable demand. Resident welfare associations can be incentivised to have PNG connection to make their societies “cylinder-free” so that the cylinders can be used by people away from densely populated cities. Currently, there are only 3.2 million PNG connections with 95 per cent of them in Gujarat, Maharashtra and Delhi. However, both PNG and LPG are imported fuels or derived from imported fuels to a great extent.

Simultaneously, the Government of India also has a Saubhagya scheme to supply electricity to all villages and households possibly through grid and mini grids powered by locally available renewable energy.

Electricity can be used for cooking through many appliances ranging from electric hot plates, induction cookers, microwave ovens, rice cookers etc. With the current expansion and strengthening of electrification, electricity is or soon will be a readily available energy source in many more houses than the LPG. No doubt, as India grows, the reliability of electricity supply as well as the power connectivity that provides high voltage power would

have to be ensured. That has to be done in any case to meet the electricity demand beyond “light, fan, mobile charge and TV” and expand towards productive uses for home-based or small industries, agriculture and other activities for livelihoods. A serious analysis of how and where Ujjawala can meet Saubhagya is needed.

Recently, the efforts on renewable energy — solar and wind — have been stepped up. The prime minister has also given a challenge to introduce electric cooking through solar panels. They can also contribute to the range of solutions based on electricity whether they are connected with grid or through mini and micro grids for clusters of villages.

These multiple solutions may help many other businesses to flourish — for example renewable energy through solar panels, electric appliances and piped gas — if similar incentives are given to them. A flat subsidy for regular customers will ensure fiscal predictability and prompt consumers to choose long-term solutions leading to reduced fossil fuel dependence and subsidy burden.

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