Diesel
The new number game in town

Centre for Science and Environment

New Delhi, January 25, 2012
Why are we here today? ..........................
Diesel car sales hit all time high

Overall car sales have galloped...

So have diesel cars: 4% to 40%…..

Explosive: In popular car models the share of diesel car is 70-75%

“In 2010-11 diesel cars were 34% higher than pervious year. Even at a moderate and flat growth rate of 20 per cent a year, the total diesel cars in 2020 will be double the size of the total car sales today. Can we afford this?”
Cheap diesel is pushing market towards bigger cars that guzzle more diesel

Petrol car sales higher in small car segment --
87% of petrol cars are below 1200 cc.
More than 40% of the diesel cars are above 1500 cc

Source: Based on market data
Recession? Where?
Even SUV segment shows high growth rate.
Naturally. It is so cheap to run diesel cars!

2009-10 to 2010-11:
Car engines below 1400 cc – 45% growth
1401 to 2000 cc – 4% growth
More than 2000 cc – 41% growth
The reason……under priced and under taxed diesel
Yawning gap between petrol and diesel prices

Source: Based on PPAC data
Oil marketing companies reported Rs 64,900 Crore under recovery from diesel, kerosene and LPG during the 1st half of the year (April-Sept 2011).

**Diesel accounted for the highest losses: 58%**

- **Domestic LPG**: 21%
- **PDS Kerosene**: 21%
- **Diesel**: 58%

*Source: Anon 2011, Industry Sales Review Report October 2011, PPAC, MOPNG, India*
Under taxed and under priced diesel

Diesel cost is not fully recovered
There is no under recovery in petrol

Differences in taxes and dealers’ commission on petrol and diesel: Wide gap

Source: based on PPAC data
Enormous revenue losses…….

With each litre of petrol replaced by diesel to run a car the excise earning of the government from a car drops seven times.

Use of diesel in cars has increased so much that the excise earnings from petrol and diesel has equaled.

This will only get worse. Within 2009-10 and 2010-11 diesel cars have increased by 34%.

If the new diesel car fleet to roll between 2009-2015 were to pay the same amount of excise as the petrol car fleet, the potential excise revenue from the lifetime fuel use can be as high as Rs 100,000 crore.

If recovery of the under-recovery is added it can be Rs 70,000 crore.
Therefore..................
Demand for higher tax on diesel cars get louder

The Hindu/New Delhi/October 21, 2011

Jaipal Reddy for additional duty on diesel-run passenger cars

Sujay Mehndia

NEW DELHI: With the Petroleum and Natural Gas Ministry proposing additional duty on diesel-run passenger vehicles and the Finance Ministry still taking a view on the issue, the situation seems to be drifting as for the first time in 15 years, the demand for petrol has dropped below that for diesel due to massive gap of Rs.26 a litre between petrol and diesel prices.

The continued rise in petrol prices and the high content of subsidy for diesel have led to a situation where demand for diesel cars has been growing at an amazing rate and that for petrol vehicles declining. Consumers are opting for vehicles that run on the much cheaper fuel as compared to petrol.

Petroleum and Natural Gas Minister S. Jaipal Reddy said his Ministry had already proposed to the Finance Ministry to impose duty on diesel-run passenger vehicles as 15 per cent of the total diesel consumption was by such vehicles. As a result of selling petroleum products — diesel, LPG and Kerosene — at subsidised rates, the oil marketing companies (OMCs) were incurring huge revenue loss. The estimated annualised loss on diesel alone stood at Rs.67,000 crore.

This has forced the Petroleum Ministry to seek a higher level of financial assistance for the OMCs from the Finance Ministry. For the first quarter of the current fiscal, it has sought Rs.15,000 crore to compensate the oil retailers for the revenue loss incurred. For 2011-12, the OMCs are projected to lose Rs.1.37 lakh crore at an average price of the Indian basket of crude oil at $110 a barrel.

According to the letter, petrol has already replaced diesel in many parts of the country. This trend is most obvious in the two-wheelers, where it is now the vehicle of choice for many young people. The demand for diesel has been on the decline for a long time, and the trend is now being reflected in the passenger vehicle segment as well.

Rising share of diesel vehicles

Special Correspondent

NEW DELHI: The Centre for Science and Environment had recently pointed out that continued heavy subsidisation of diesel had resulted in people shifting to new car sales in India; the figure is expected to touch 50 per cent soon. It is even more worrying that in the compact car segment — that are more numerous and popular — diesel cars are already half of all cars.

10 per cent by industry, and 6 per cent by the CSP.

It’s a report have r addi cto

Petrol-diesel cost gap widens; environment pays the price

30 per cent of cars sold last year were with diesel engines

Sandeep Joshi

NEW DELHI: The growing gap between oil prices and diesel is making it unattractive for car buyers to opt for petrol cars.

The price difference between petrol and diesel has already approached danger zone heights and is not limited to big cities but also in smaller cities and towns in India. The diesel engine is considered to be a more efficient and cleaner engine compared to petrol,

If you are planning to buy a diesel car any time after March, chances are that you will have to shell out more money for your purchase.

Taking a cue from the Parliamentary Standing Committee on Petroleum and Natural Gas, the Centre has proposed to levy 10 per cent additional duty on passenger diesel cars in the Budget. As per the recommendation of the Parliamentary Standing Committee, the Finance Ministry has proposed to levy up to 10 per cent duty on diesel passenger cars. This was under consideration for a long time,
But............
Personal cars account for 0.6% of India’s diesel consumption

New Delhi: They may be branded as villains by the environmental lobby, but personal cars consume a paltry 0.6% of the diesel consumed in the country, an internal Planning Commission note said.

The note shows that personal cars are the lowest consumers of diesel, a far cry from the charges that they benefit the most from the subsidy that the government accords to the fuel. According to the note, goods vehicles consume the maximum 37.9% while agriculture accounts for 18.8%. Buses, another crucial consumer of the fuel, account for 6%.

HOW THEY STACK UP

Internal Note Of Planning Commission

attributes a higher percentage to passenger cars, it does not divide it in sub-segments like taxis, jeeps/multi-utility vehicles etc. The Planning Commission note pegs the usage by taxis at 2.1% and jeeps/MUVs at 2.5%. Three-wheelers account for 3.6%, power 6.8%, railways 3.7%, industry 5.6% and others 12.5%. The note says that the share of transport sector (private and public) in diesel consumption has come down to 56% in 2010-11 from 59% in the previous two years. The fall in consumption of the fuel is being attributed to the rising refinement of diesel engines and the high fuel efficiency they offer.

The report yet to be made overall usage of diesel by personal cars is so low, at less than 1%, where is the argument to tax them higher. The fact is that personal diesel cars are not the major beneficiaries of the government subsidy, as is made out to be,” says Vishnu Mathur, director-general of SIAM.

Currently, small cars in India attract an excise duty of 10% while big cars are taxed at 22%. Ahead of the budget, there is speculation that the government may hike the excise duty on diesel cars to “make up for the subsidy” their owners receive on account of the lower price of the fuel. The Delhi government already imposes extra registration tax on diesel vehicles.
The new number game.....

PPAC/Kirit Parikh Committee
Sector-wise diesel consumption

Working Group on Petroleum (WGP)/ SIAM
Sector-wise diesel consumption
A wide difference..........

Comparison of the data of the SIAM/WGP and PPAC (in %)

<table>
<thead>
<tr>
<th></th>
<th>SIAM/WGP</th>
<th>PPAC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power</td>
<td>6.8</td>
<td>8</td>
</tr>
<tr>
<td>Industry</td>
<td>5.6</td>
<td>10</td>
</tr>
<tr>
<td>Total Transport (Including railways)</td>
<td>56.4</td>
<td>70</td>
</tr>
<tr>
<td>Cars</td>
<td>0.6</td>
<td>15</td>
</tr>
<tr>
<td>Jeep &amp; MUVs</td>
<td>2.5</td>
<td>-</td>
</tr>
<tr>
<td>Taxi</td>
<td>2.1</td>
<td>-</td>
</tr>
<tr>
<td>Three-wheelers</td>
<td>3.6</td>
<td>-</td>
</tr>
<tr>
<td>Bus</td>
<td>6.0</td>
<td>12</td>
</tr>
<tr>
<td>Goods vehicles</td>
<td>37.9</td>
<td>37</td>
</tr>
<tr>
<td>Railways</td>
<td>3.7</td>
<td>6</td>
</tr>
<tr>
<td>Agriculture</td>
<td>18.8</td>
<td>12</td>
</tr>
<tr>
<td>Others</td>
<td>12.5</td>
<td>-</td>
</tr>
</tbody>
</table>

What is the “other” category that uses more diesel than power and industry together?
Compared to PPAC – share of all key sectors decline
Strange puzzle……
Overall diesel use increase .. But road transport sector use remains the same

Total diesel consumption in the country:
PPAC: 51,700 TMT (2008)
SIAM/WGP: 63,001 TMT (2011)
-- 20% increase

Total road transport diesel consumption:
-- PPAC: 33,088 TMT
-- SIAM/WGP: 33,254 TMT
Almost same….

-- SIAM/WPG claims diesel passenger three-wheelers use six times more diesel than cars. But an average of 130,000 three-wheelers are sold annually against 700,000 diesel cars. In 20010-11 800,000 diesel cars were sold
It is still not possible to hide dieselisation of car and SUV segment!

WPG/SIAM says

Cars and SUVs use only 5.2% of total diesel consumption in the country = 3276 TMT

But what is the extent of dieselisation in the car segment alone?

• Petrol cars use a third of total petrol which is 4272 TMT (the rest is used by two/three-wheelers)
• Diesel cars use 3276 TMT

Thus, 40% of total fuel used in car segment is diesel!
We cannot afford dieselisation .............
Diesel related air pollution is high in Indian cities…….

Diesel cars are legally allowed to emit three time more NOx and several times more particulates than petrol cars…….
Toxic risks

**NOx**
- Petrol cars (> 1400cc)
- Diesel cars (< 1600cc)

**PM**
- Petrol cars (> 1400cc)
- Diesel cars (< 1600cc)

Toxic risk is high

Source ARAI
Unacceptable time lag
-- Bharat Stage III more than 10 years behind Europe
-- Bharat stage IV six years behind

Diesel car emission norm trajectory and India’s position

Source: Compiled from European Commission, MORTH, India, Diesel Net
Dieselisation will also make us energy insecure….climate insecure

- The estimates from the India assessment of the International Council on Clean Transportation show that increase in average weight of the Indian car fleet and increased dieselization of cars can lead to a cumulative loss of 6.5 mtoe of energy between 2010 and 2020. This equals fuel use of all four wheeled passenger vehicles in 2006 that was around 6.6 mtoe.

- This defeats the objective of improving India’s energy security.

- Auto industry’s claim of greater fuel efficiency and lesser carbon emissions from diesel cars is unacceptable as diesel fuel has higher carbon content than petrol. If more cheap diesel is burnt more heat trapping CO2 will escape.

- Black carbon emissions from diesel cars can trap several times more heat and cause warming.
Other governments are taking active fiscal measures

-- **Brazil**: Diesel cars are banned because of the policy to keep taxes lower on diesel.

-- **Denmark**: Diesel cars are taxed higher to offset the lower prices of diesel fuel.

-- **China**: taxes do not differentiate between petrol and diesel.

-- **Sri Lanka**: While total tax burden on petrol car is 244% on diesel car it is 436.90%

-- **Europe**: Diesel cars sales have increased and so have levels of NOx and fine particles. Made quick transition to clean diesel.

-- **European Commission** has calculated the difference in lifetime pollution costs of Euro IV diesel car and petrol car. Total pollution cost of a Euro IV diesel car is 1195 Euros vis a vis 846 Euros for a petrol car. This negates the marginal greenhouse gas reduction benefit of diesel car and it costs higher to the society.
The Union Budget for 2012-13 must impose:

• **Additional duty on diesel cars must equalise the excise duty burden on diesel cars and petrol cars.** Kirit Parikh proposal of Rs 81,000 can be the equaliser for the small car segment. But this amount should be doubled for bigger cars for equitable sharing of burden.

• **Use the additional revenue to fund production of clean diesel** with 10 ppm sulphur to allow quick transition to Euro V/VI emissions standards.

• **Further lower taxes on buses** to help strengthen public transport and control car growth.

**Check dieselisation. Protect public health**
Thank You