



Diesel

The new number game in town



Centre for Science and
Environment

New Delhi, January 25, 2012



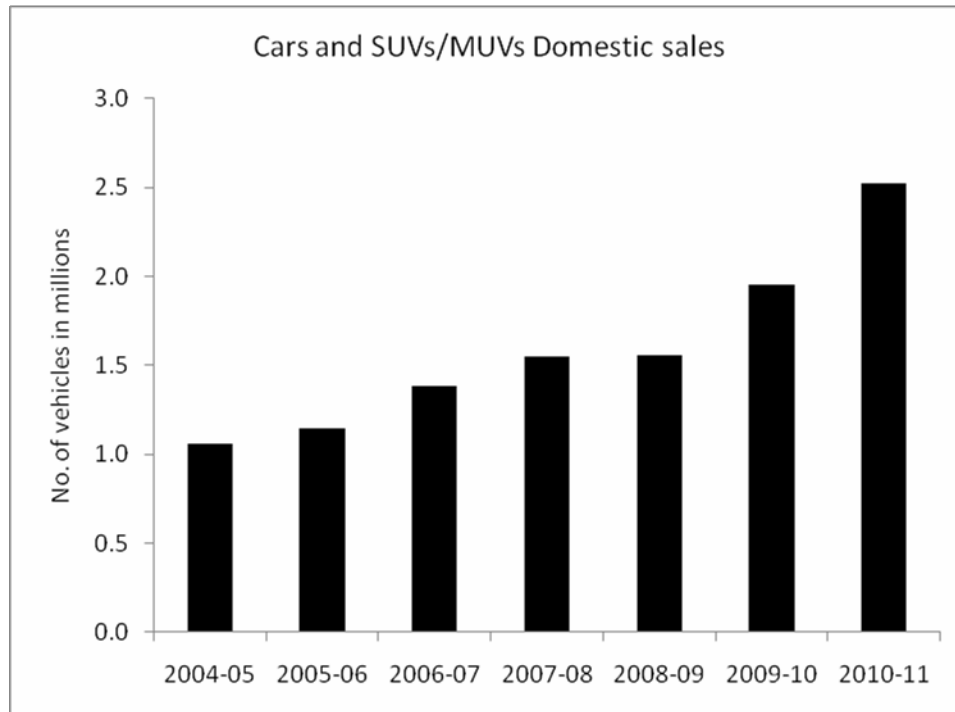
Why are we here today?



Diesel car sales hit all time high

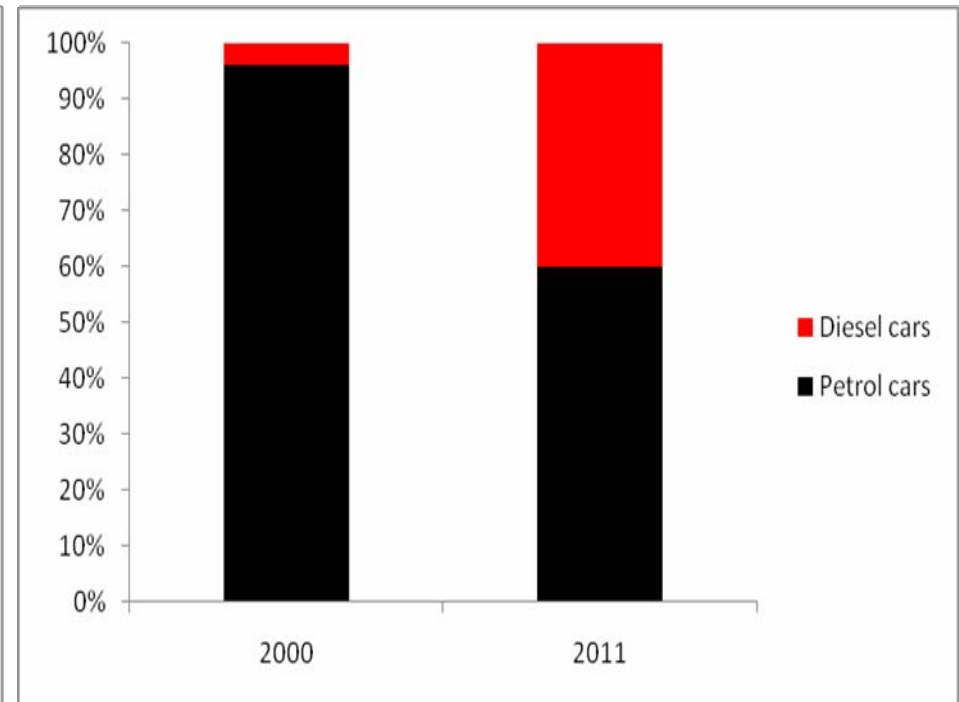


Overall car sales have galloped...



Source: Based on SIAM data

So have diesel cars: 4% to 40%.....



Source: Based on market data

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

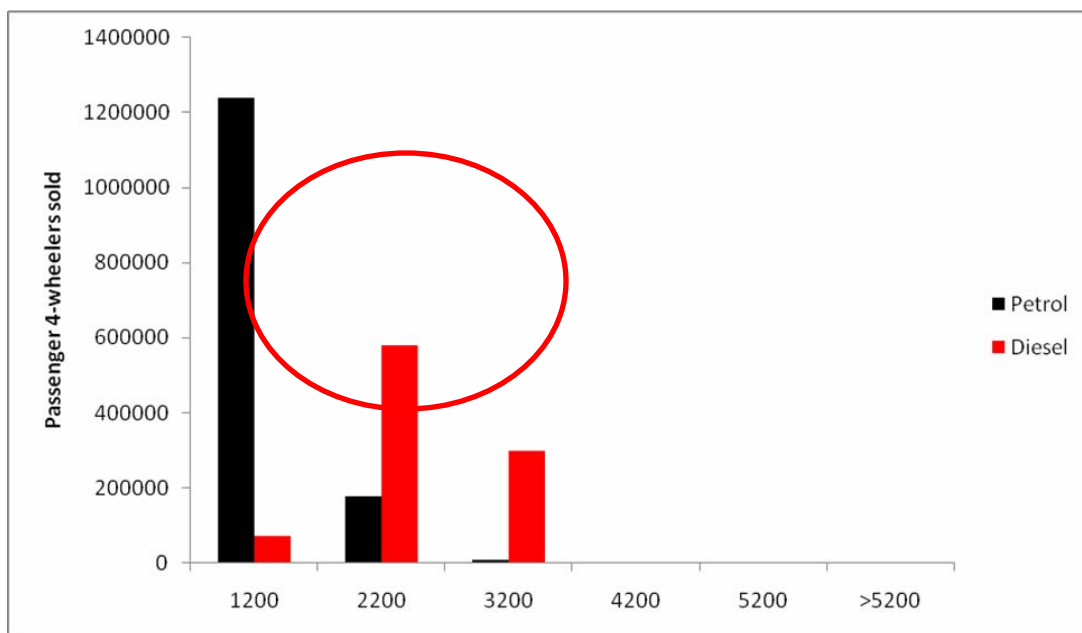
“In 2010-11 diesel cars were 34% higher than pervious year. Even at a moderate and flat growth rate of 20 per cent a year, **the total diesel cars in 2020 will be double the size of the total car sales today.** Can we afford this?” ³



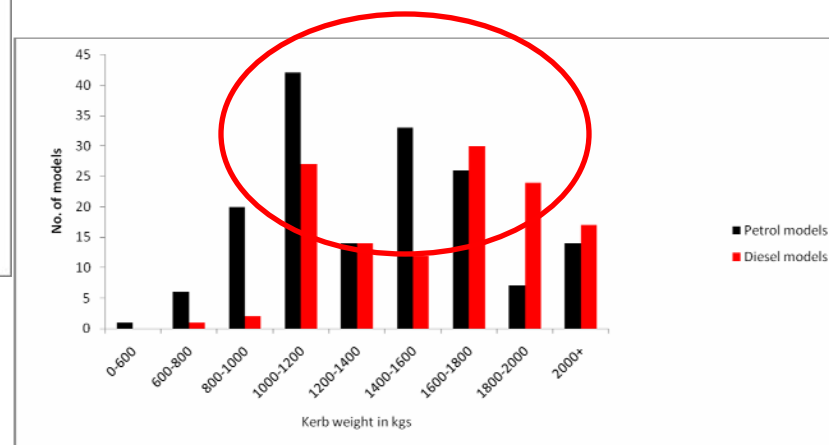
Cheap diesel is pushing market towards bigger cars that guzzle more diesel



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



More diesel car models in the larger and heavier classes

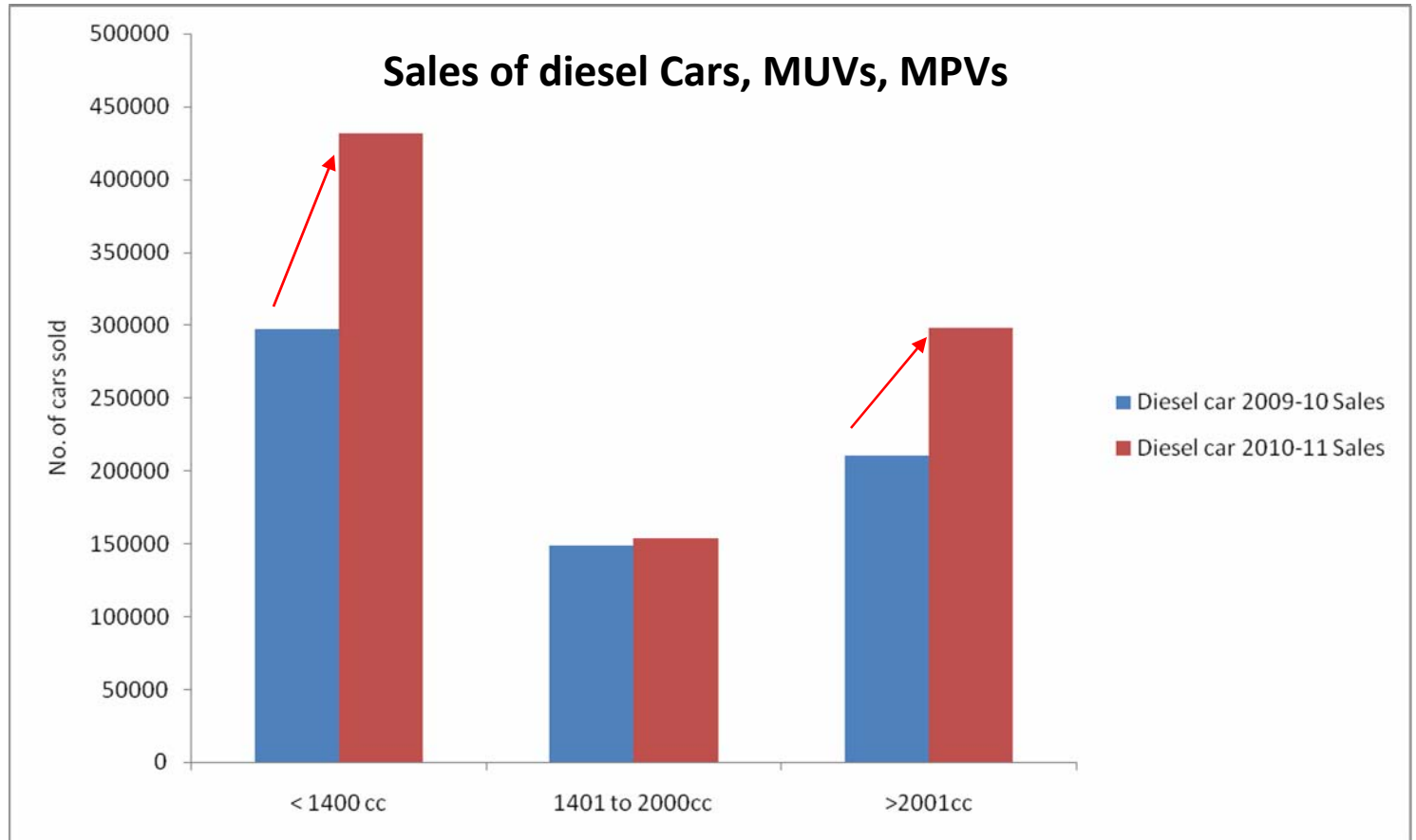


Source: Based on market data



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

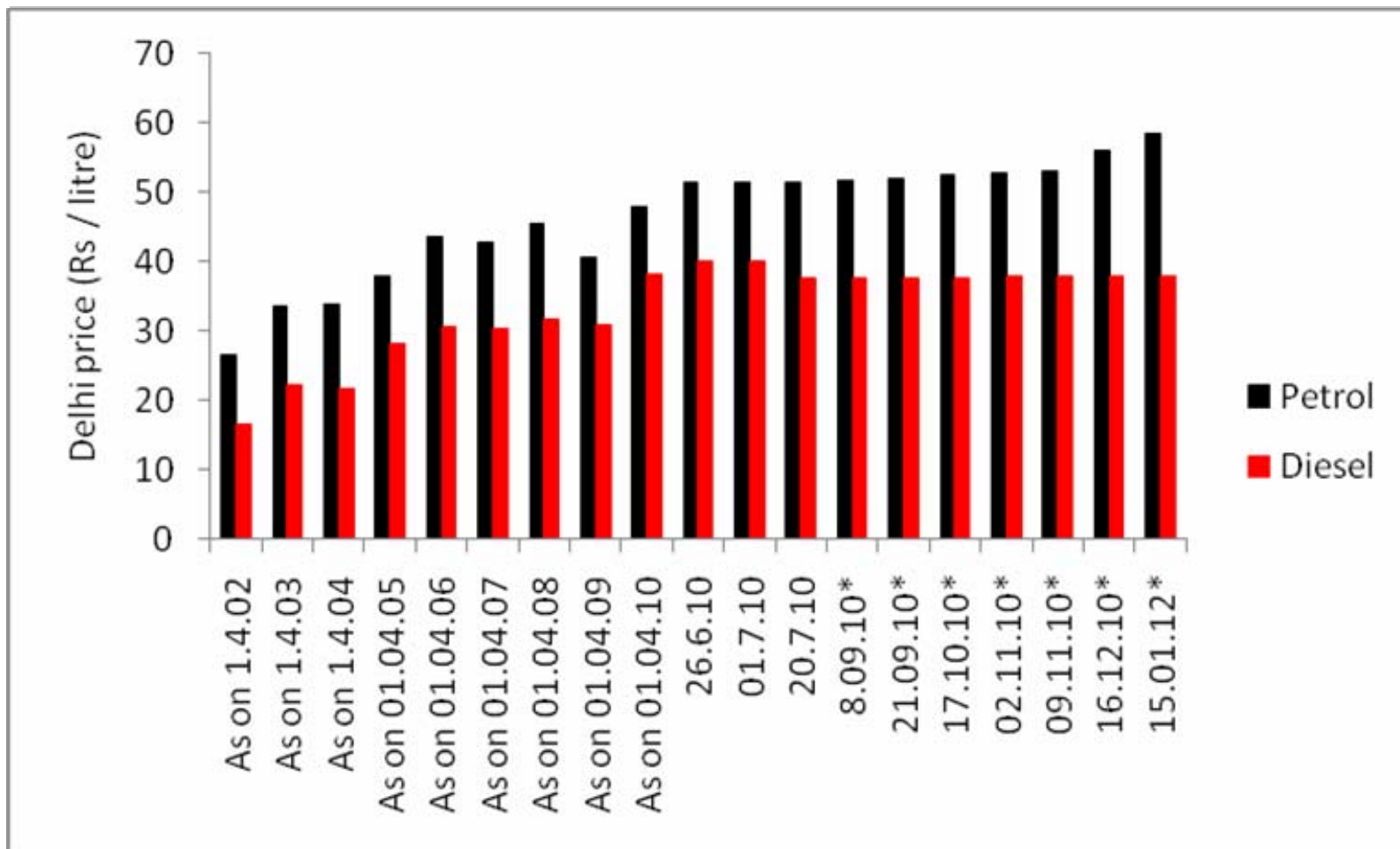
More than 2000 cc – 41% growth



The reason.....under priced and under taxed diesel



Yawning gap between petrol and diesel prices



Source; Based on PPAC data

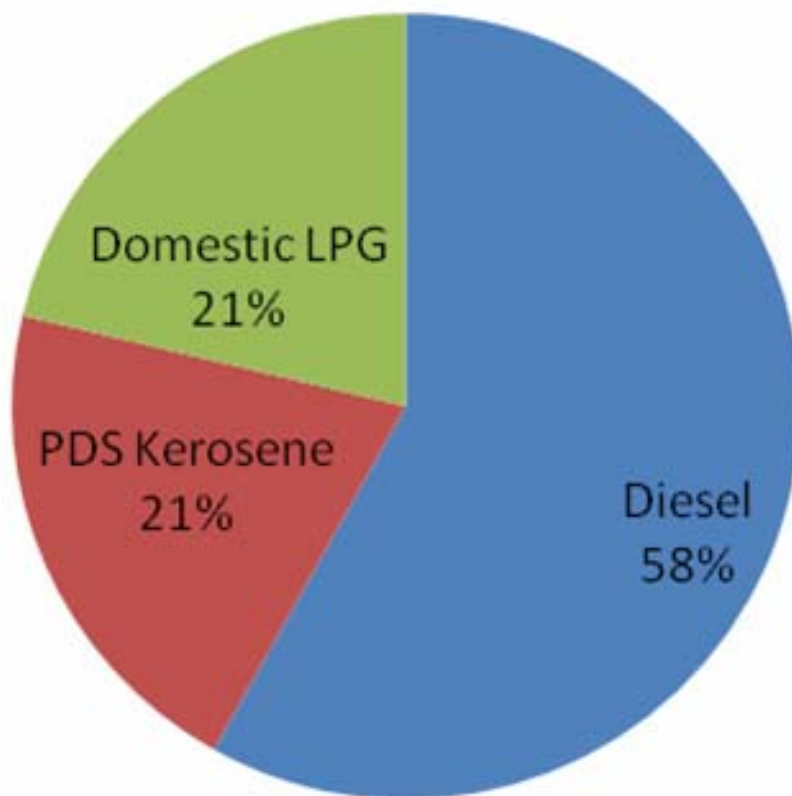


Diesel is responsible for maximum under recovery



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%



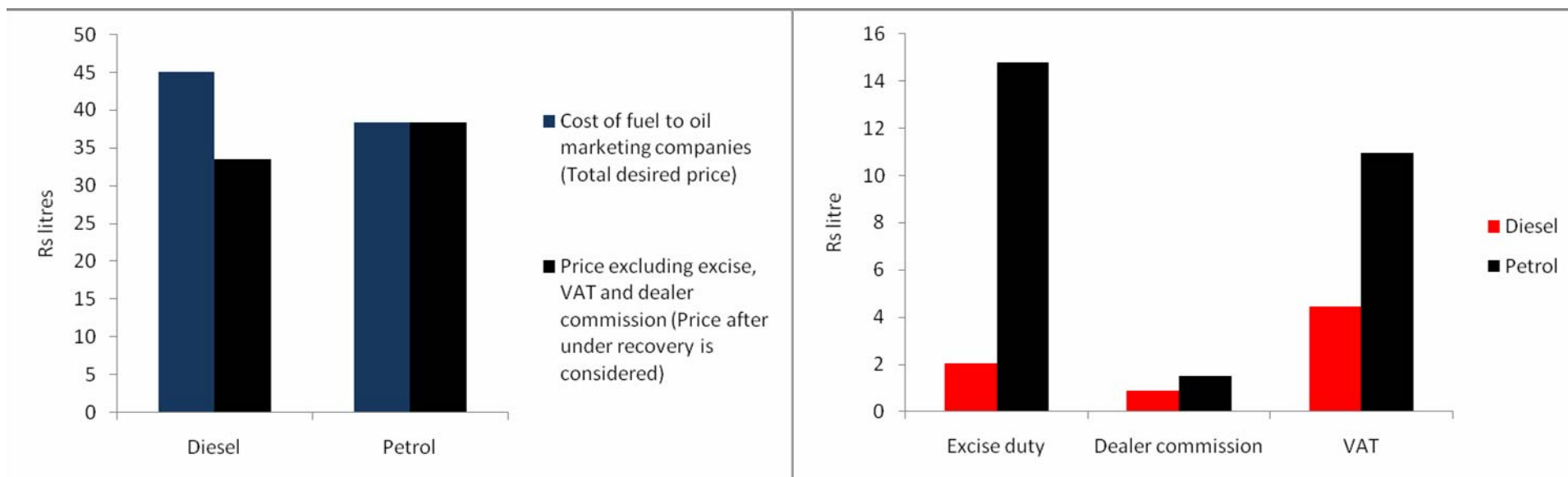


Under taxed and under priced diesel



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





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



Make diesel cars more expensive in budget: Petro writes to Finance

PRIYADARSHI SIDDHANTA
NEW DELHI, JANUARY 14

THE 2012-13 budget is likely to make diesel cars more expensive. Unable to move to a market-linked pricing regime by diesel due to political compulsions, the government is considering the simpler way of levying additional duty on diesel cars.

The petroleum ministry has sent a proposal to the finance ministry to raise extra duty on diesel cars to partially fund the losses of state-owned oil companies on selling diesel at below-market price. This will also prevent the

10 per cent extra duty to be imposed on diesel cars in new Budget

Anuradha Shukla January 14, 2012

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," a senior finance ministry official told *Mail Today*.

The Hindu/New Delhi/October 21, 2011

Jaipal Reddy for additional duty on diesel-run passenger cars

Sujay Mehdudia

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.1.22 lakh crore at an average price of the Indian basket of crude oil at \$110 a barrel.

According to the latest by the Petroleum

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

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 car

10 per cent by industry, and 6 per cent by the railways, the CSF

It is reported that the addition of cars to

THE HINDU • SUNDAY, SEPTEMBER 18, 2011

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 the prices of petrol and

the sale of diesel versions of its popular models, like the Swift and Ritz hatchbacks or SX4 sedan, skyrocketing. Today the

already fast approaching dangerous heights not only in big cities but also in the smaller cities and towns of India. India is diesel-



But.....



Discordant note...

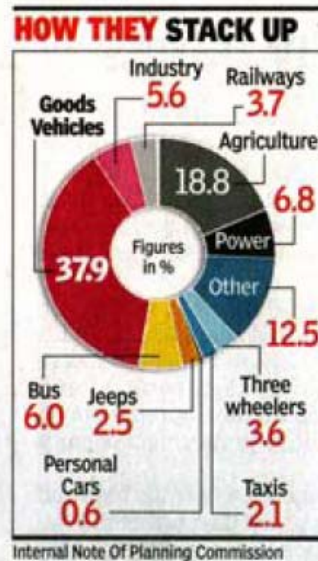


Personal cars account for 0.6% of India's diesel consumption

Pankaj Doval | TNN

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%.



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.

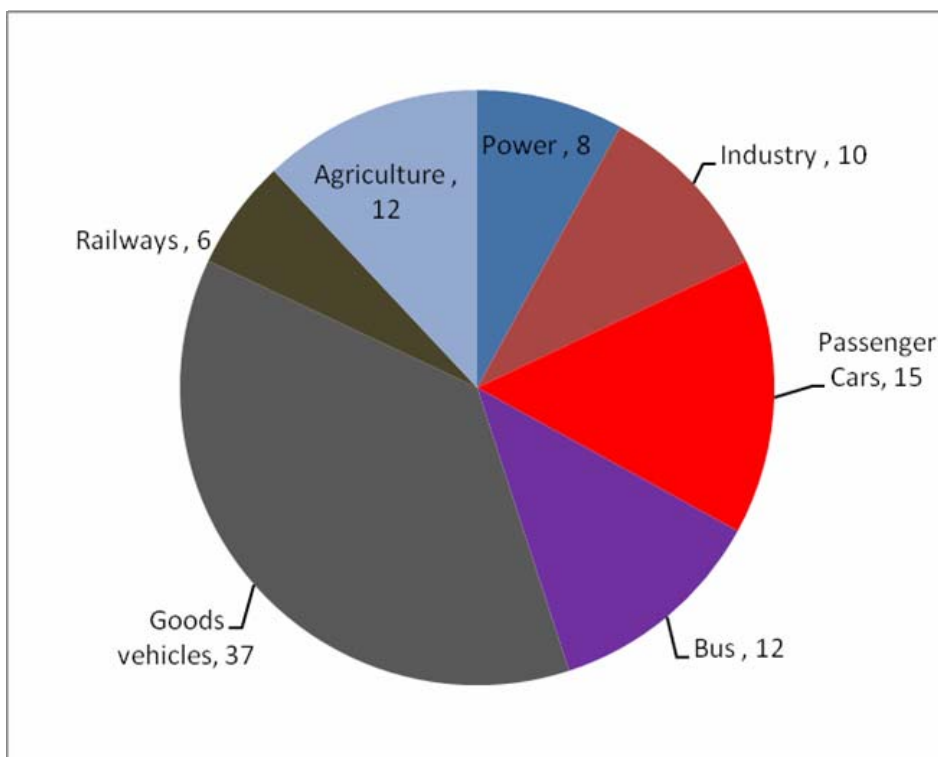
Currently, small cars in India attract an excise duty of 10% while big cars are taxed at 22%. Ahead of the budget, there is speculation that the government may hike the excise duty on diesel cars to "make up for the subsidy" their owners receive on account of the lower price of the fuel. The Delhi government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



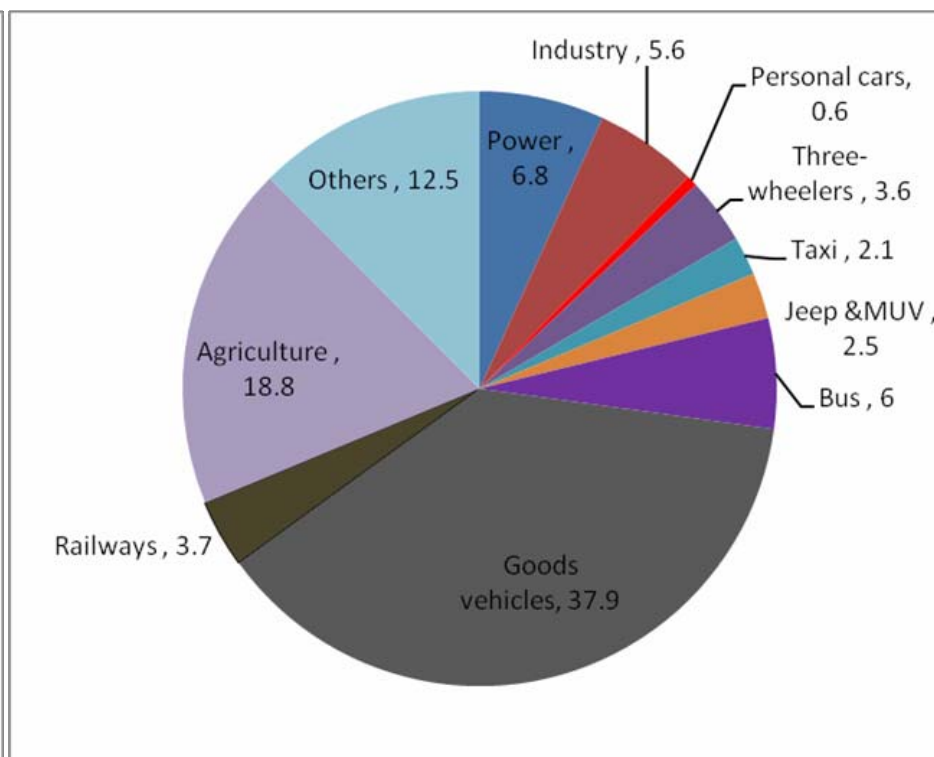
The new number game.....



**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 %)

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

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

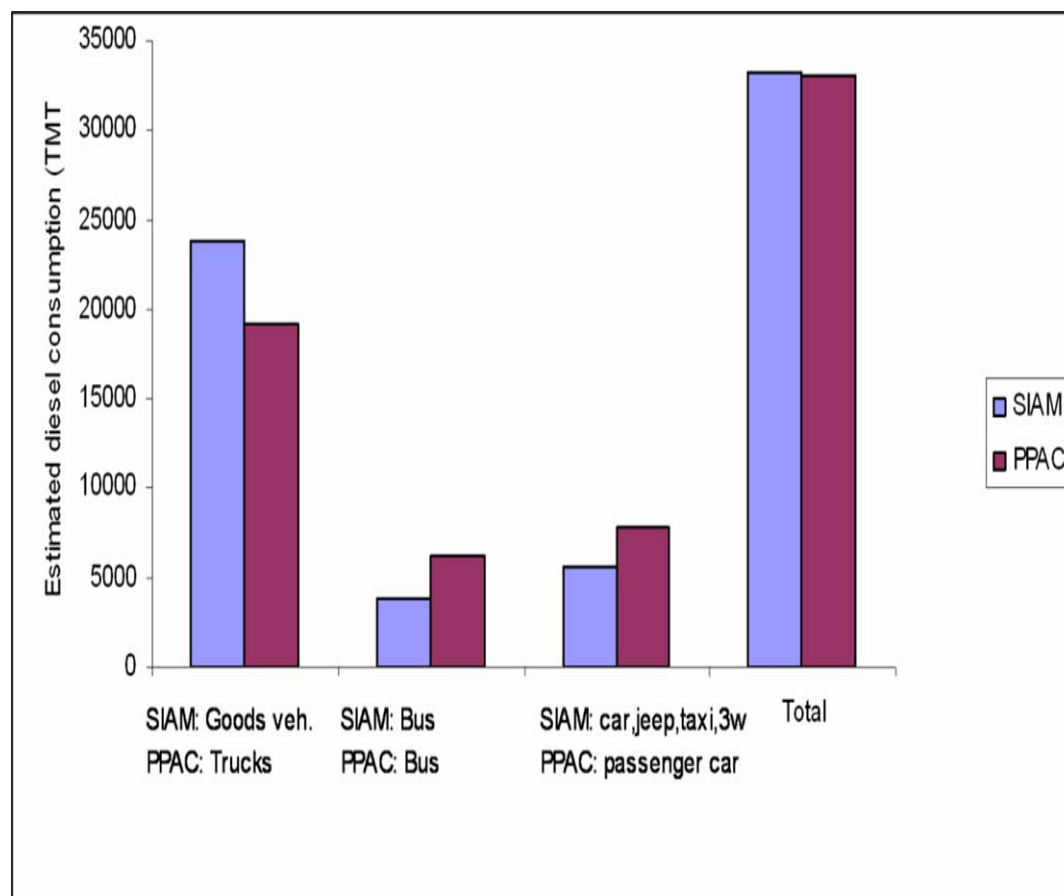
-- SIAM/WGP: 33,254 TMT

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!



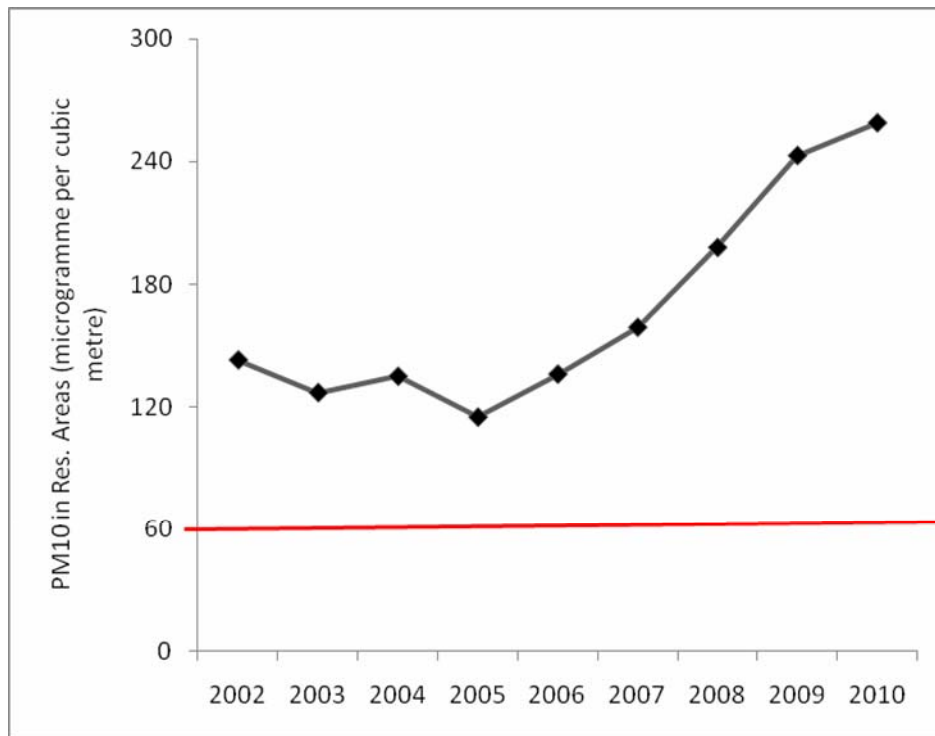
We cannot afford dieselisation



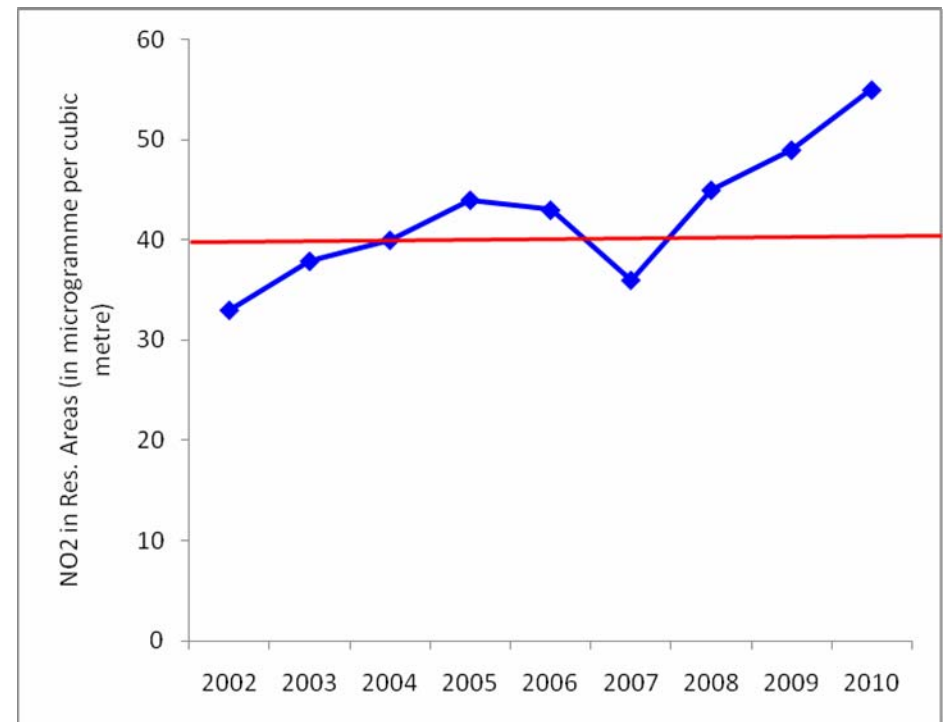
Diesel related air pollution is high in Indian cities.....



PM10 levels Delhi



NO2 levels Delhi



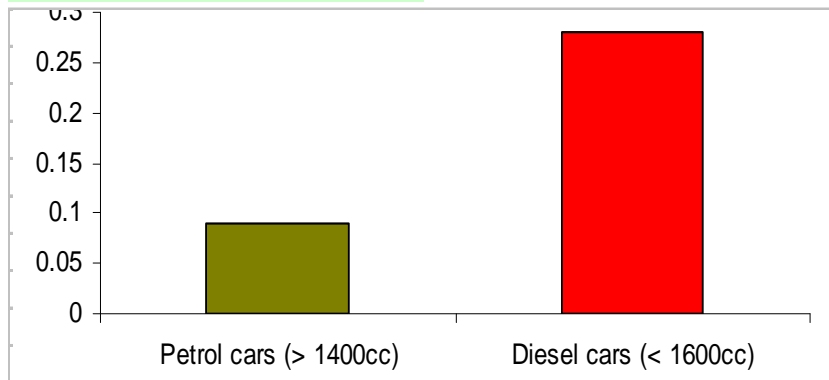
Source :CSE analysis of CPCB air quality data

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

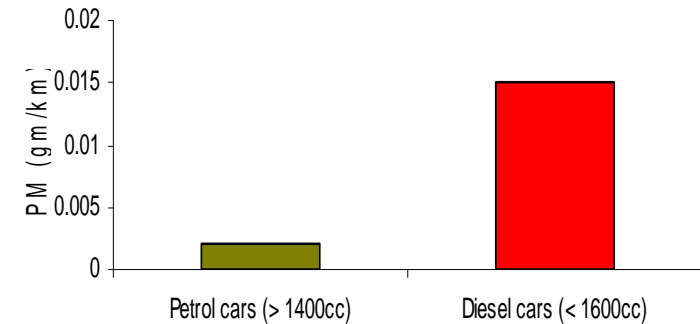


Toxic risks

NOx

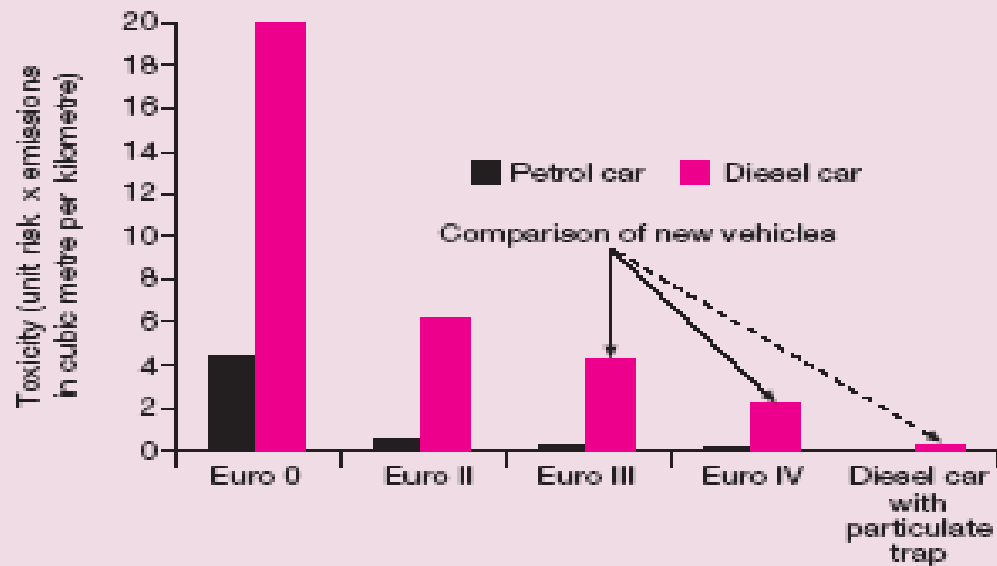


PM



Source ARAI

Toxic risk is high



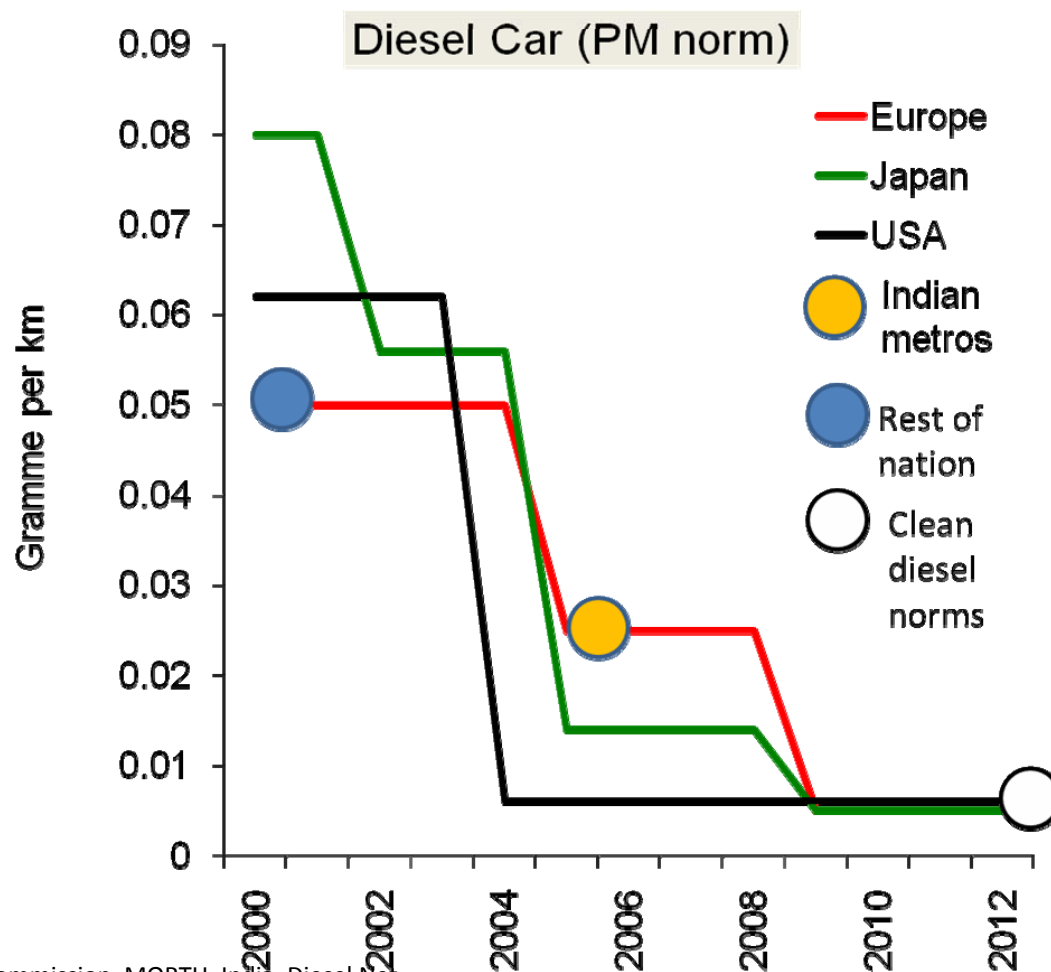


Unacceptable time lag

- 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.



Need decision this time....



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