Being petroleum-independent

Bottom Line: It is time for India to adopt stringent fuel efficiency standards and a zero-emissions vehicle programme

Managing The Demand For Petroleum Products

Expanding and diversifying energy supply is good, but if India is to reduce its energy import dependence, it must look towards first managing the demand for petroleum products.

Steps in the right direction

1. The UPA-2 administration formulated fuel efficiency standards for passenger vehicles that are now in effect. It also constituted the National Electric Mobility Mission Plan (NEMMP).
2. While well-intended, both these actions fell short in terms of ambition. India's 2022 fuel efficiency standards for passenger cars are nearly 20% less stringent than the European Union's standards.
3. The NEMMP primarily focused on hybrid electric vehicles, and most of the incentives under the NEMMP went towards subsidising mild hybrids instead of electric vehicles.
4. No wonder global manufacturers are rushing to deploy electric passenger cars in Europe while largely ignoring the Indian market.

Recent Changes

5. The share of bioethanol in petrol has risen to nearly 8% by volume under the 2018 National Policy on Biofuels. The government has encouraged multiple fuel pathways in the transport sector including natural gas.
6. Importantly, it has recognised the urgency for us to transition to electric vehicles. The Faster Adoption and Manufacturing of Electric Vehicles (FAME-II) scheme now focuses largely on electric vehicles.
7. The government has also provided several additional fiscal and non-fiscal incentives to encourage a transition to electric vehicles.

Way Forward:

Zero-emissions Vehicle (Zev) Programme

1. While these are steps in the right direction, there are many things that the government can and should do to reduce dependence on petroleum. First, the government should formulate a zero-emissions vehicle (ZEV) programme that would require vehicle manufacturers to produce a certain number of electric vehicles.

2. Such programmes are in effect in China, certain States in the U.S., British Columbia in Canada, and South Korea. At present, the electric mobility initiative in India is driven largely by new entrants in the two- and three-wheeler space. Market leaders have adopted a wait-and-watch attitude.
3. A ZEV programme would require all manufacturers to start producing electric vehicles across all market segments.
4. The government should also strengthen fuel efficiency requirements for new passenger cars and commercial vehicles. Two-wheelers, which consume nearly two-third of the petrol used in India, are not subject to any fuel efficiency standards.
5. A recent analysis by the International Council on Clean Transportation (ICCT) suggests that a standard requiring a 50% reduction in fuel consumption by new two-wheelers by 2030 will not only lead to internal combustion engine (ICE) efficiency improvements but also ensure that nearly 60% of all new two-wheelers sold in India are electrically driven.
6. Similar opportunities exist on the passenger vehicle and heavy-duty commercial vehicle fronts. Adopting stringent fuel efficiency standards and a ZEV programme by 2024 can result in India's petroleum demand peaking by 2030, in spite of tremendous projected growth in economic and vehicular activity.

Supporting E-vehicle regime

7. Consumers will save money at the pump due to more fuel-efficient ICE vehicles. Those who switch to electric vehicles will save even more as these consume less energy and electricity is cheaper compared to petrol and diesel.
8. The FAME scheme focuses on two- and three-wheelers, taxis, and buses. It should be extended not only to all passenger cars and commercial vehicles but also to agricultural tractors.
9. Extending fiscal incentives to all kinds of vehicles and stepping up investments in charging infrastructure are essential complementary policies.
10. By next year, the GST rates for all passenger vehicles could be made proportional to their fuel efficiency level, instead of the present system that relies on vehicle length and engine size.

As the economy recovers from the pandemic, the demand for petroleum products will rise, as will prices. But the government can save money for the consumer while enhancing long-term energy security by wielding the regulatory tools at its disposal.

A proper transfer policy needed

Bottom Line: Good governance and better administration of development is often offered as a plausible solution to conflict management. At the heart of this solution are public administrators. Civil servants, no matter how dedicated, innovative and efficient they may be, need the stability of tenure to govern well. Frequent transfers of public servants affect their morale and weaken administration.

The J&K example

1. Consider the case of Jammu and Kashmir. If the purpose of administering the region is to ensure peace and development, then it is unlikely to succeed till there is a proper transfer policy.
2. As it stands presently, officers are transferred too often. This denies them the opportunity to settle down into an official role. If officers keep arriving and leaving there is a deleterious impact on officer morale, leading to a reduction in efficiency and effectiveness.
3. The latter effect impacts development and governance and acts as a collective punishment to the population of that place. It has been a major reason for distrust, disconnect and alienation.

A National Problem

1. The issue of frequent transfers is not limited to J&K, of course, but is found across India. The database of the Department of Personnel and Training, Government of India, shows that the average posting spell of civil servants in India is only about 15 months. This is despite an increase in the median tenure since 2014 at the national level.
2. Ashok Khemka and Pradeep Kasni are two Haryana-based IAS officers whose cases symbolise this issue. Mr Khemka has been transferred more than 50 times in his career and Mr Kasni 65 times.

A major shortcoming

1. The undermining of transfer guidelines has been a major shortcoming of personnel administration in India. The Second Administrative Reforms Commission has highlighted it.
2. The Fifth Pay Commission had recommended that no premature transfer should be allowed and that there should be the fixation of a minimum tenure for each post.
3. The Hota Committee, which argued against frequent transfers, noted that “absence of a fixed tenure of officials is one of the most important reasons for

tardy implementation of government policies, for lack of accountability of officers, for the waste of public money because of inadequate supervision of programmes under implementation and for large-scale corruption."

Frequent Transfers and Civil services values

An oft-repeated argument used for transfers is that they are "in the interest of administration." However, they essentially weaken the administration. Transfers often reflect administrative favouritism and create divisions among civil servants. If they are done on a political basis, this impacts the neutrality of the civil services. The core values of the civil services — neutrality, impartiality and anonymity — cannot be maintained without an efficient transfer policy.

The excise duty-fiscal policy contradiction

Increase in excise duty

1. India is less poor now, having risen to the rank of an emerging market economy. Yet, COVID-19 has ushered in a cataclysm. As opposed to a Budget estimate of 3.5% for fiscal deficit, the revised estimates show a 2.7 times larger deficit of 9.5% for FY 2020-21.
2. Moreover, a comparison of the government's revised Budget estimates with the original Budget estimates reveals a fall in receipts from every source of taxation except excise.
3. The revised Budget shows a rise of ₹94,000 crores on account of excise duties alone. Presumably, the increase comes from the much-debated excise duty increases on petroleum and diesel.
4. As far as the Budget documents go, the excise duty rise will hardly compensate for the huge falls in other tax revenues.

Inflation, Unemployment and excise duty

1. Given the nature of the products on which the excise duty has gone up, prices of commodities will rise in general, directly or indirectly.
2. With annual output shrinking by an estimated 7.7%, it is straightforward to conclude that unemployment has risen significantly. The accompanying price rise will be the unemployed persons' worst nightmare. The result will be severe inequality.

New Philosophy: Debt-financed Fiscal Spending

1. The Economic Survey proposes a different viewpoint altogether. Debt-financed fiscal spending, according to them, could well be a driver of growth.

It can improve the standard of living of the entire population, without necessarily removing inequality.

2. The inequality, however, could well be benignant, for even though the rich will grow richer, the poor will escape out of poverty.
3. Economic survey shows that the debt-to-GDP ratio can be prevented from exploding if the rate of growth of GDP happens to be higher than the sovereign rate of interest.
4. According to the Economic Survey, India's average interest rate and growth rate over the last 25 years (leaving out FY 2020-21) has been 8.8% and 12.8% respectively. Hence, the condition is satisfied, so that debt financing of recession ought not to raise FRBM issues involving fear of future taxation to address past debts.
5. To some at least, the argument may sound like an excuse for not resorting to higher taxation of the rich to remove economic inequality.
6. The philosophy of the Economic Survey appears to be that expenditure causes growth, rather than distributional equality. With improved growth, standards of living will rise across the population, bringing affluence of a sort to the economically deprived even as it makes the rich grow richer.

This, of course, is not to support excise duty increases, for it goes against the very principle which emphasises maintainable debt and expenditure as the vehicle of development as opposed to increased tax burdens. Therefore, there appears to be a contradiction between the government's announced fiscal policy stance and the fiscal regime it is actually running.