Lecture 9 summary: Energy Policy and Governance

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Energy policy and governance is an inter-sector issue. Mr. Rakesh Kacker's speech addresses 6 principles as follows.

1. Resource assessment

   At present, recoverable reserve estimation is not available in public domain in India, particularly, quantum of recoverable coal reserves is doubtful. Periodic correction for economic and environmental reasons is necessary and current reserve estimation is not useful for planning or deciding linkages.

2. Role of private sector

   The roles of private sector and mode of selection vary considerably across energy sectors. Ideally, all sectors should use competitive bidding and terms of operation should also be similar. Revenue share vs cost recovery is another common issue.

3. Single regulator

   Many countries have one regulator for all energy sectors but not India. Till this happens the role of the regulator should be uniform across sectors. Power sector regulation is most advanced with coal the most behind. It's not rational to trust regulator in one sector but not another.

4. Pricing

   Pricing is the most difficult and important issue. In Indian, import dependence is rising and with it the exposure to external price develops. Consumer price should be linked to import parity prices while production prices should be close to cost of production. In addition, it is imperative that all suppliers of energy goods and services get fully compensated by prices or subsidies.

5. Taxation

   Government should uniform treatment for all in direct taxation and use indirect taxation for inefficient and large vehicles/farm equipment. Efficient appliance should have zero taxation.

6. Subsidies

   Subsidies should be open and linked to performance rather than capital investment. On consumer side subsidies should be given as direct cash transfer and not bundled with goods.

In terms of use of principles, administrative and legal measures as well as demand side management – consumer education and support count.