



General Studies-2; Topic: Welfare schemes for vulnerable sections of the population by the Centre and States and the performance of these schemes

Balancing LPG subsidies and ensuring Clean Fuel

Introduction

- Subsidised LPG prices have increased by a massive 50% in this financial year.
- Critics argue, what would be the impact of this in sustaining the gains of the Pradhan Mantri Ujjwala Yojana (PMUY).
- The government can balance LPG subsidies and ensure clean fuel consumption in poorer households.

Pradhan Mantri Ujjwala Yojana (PMUY)

- Since 2016, PMUY has provided LPG connections to 80 million poor households to reduce women's drudgery and indoor air pollution.
- Providing an upfront connection subsidy of ₹1,600, PMUY helped expand LPG coverage to more than 85% of households.
- Multiple studies assessing PMUY concluded that while access has increased, many new beneficiaries are not consuming LPG in a sustained manner.
- Recent PMUY beneficiaries consumed only about half the LPG compared to long-standing regular consumers.
- The Comptroller and Auditor General (CAG), in its report on PMUY, had highlighted the risk of diversion of domestic cylinders for commercial use.

Limited uptake of LPG among poor households

- Limited uptake of LPG among poor households has two main reasons.
 - First, the effective price of LPG is not affordable for such households, despite the subsidy.
 - Second, many rural consumers have access to freely available biomass, making it difficult for LPG to displace it.

- Beyond causing indoor air pollution, biomass use for cooking contributes up to 30% to the ambient PM2.5 at the national level, more than the contribution of transport, crop residue or coal burning.
- Large segments of people in various States still depended on kerosene for cooking and household lighting.

Recent hike in LPG prices

- The recent increases in the subsidised LPG price have made it more difficult for the poor to sustain LPG use.
- India determines domestic LPG prices based on imported LPG price.
- The government is reducing its subsidy burden significantly, even while offering 1 crore new connections under Ujjwala 2.0 in FY22.
- The government's lack of transparency in the pricing of subsidised LPG adds further to the citizen's plight.

Way Forward

- For balancing LPG subsidies and ensuring sustained clean fuel consumption in poorer households, the answer lies in better targeting of subsidy.
- Economically poor households need a greater subsidy to make it affordable for them to use LPG as their main cooking fuel.
- One approach for such targeting is to rely on the existing LPG consumption patterns of consumers.
- Provide households exhibiting low consumption or a decline in LPG consumption over time with greater subsidy per cylinder to sustain health gains.
- The subsidy levels could be dynamic with different slabs reflecting the previous year's consumption.
- The de-duplication efforts to weed out households with multiple LPG connections must continue to avoid subsidy leakages.
- There are poor households in the general category in urban and semi-urban localities that also need to be covered.

Conclusion

The continued support to the economically poor for sustaining LPG use is not merely a fiscal subsidy but also a social investment to free-up women's productive time and reduce India's public health burden.