

Tuesday, December 14, 2004

Prime Minister's Office

**RATIONAL AND ECONOMIC PRICING POLICY FOR POWER NEEDED, SAYS  
PRIME MINISTER****ADDRESS AT THE NATIONAL ENERGY CONSERVATION AWARDS**

12:19 IST

The Prime Minister, Dr. Manmohan Singh, emphasised the need to encourage a national debate on the need for the economic utilisation of energy and the imperative of rational pricing policy. Speaking after giving away National Energy Conservation Awards at a function to mark National Energy Conservation Day, here today, Dr. Manmohan Singh said "without an economic pricing policy, albeit one that is sensitive to social inequities and income disparities, it will not be possible for us to sincerely address the challenge of energy conservation".

Dr. Singh said that whatever subsidies are offered to consumers, must be offered transparently and be justified on a stated economic, social and political grounds. The Prime Minister also called for aligning of research agenda in industry and trade with the needs of energy conservation.

Following is the text of the Prime Minister's address on the occasion:

"It gives me great pleasure to be here today to give away the National Energy Conservation Awards. At the outset, I would like to congratulate all those corporate entities who have been chosen for these very prestigious awards. But we cannot be content with the status quo, we have a long arduous journey ahead of us in our quest to make energy patterns sustainable patterns and in this process, energy conservation occupies high priority. So as I said, we cannot be satisfied with the status quo and I hope that year after year, we will show progressive improvements in matters relating to conservation of energy. This award I am told, has been instituted to increase awareness in the country regarding the need to conserve energy and to utilise scarce resources available to us in an optimal and economical manner. The rational and economic utilisation of scarce resources is indeed a top national priority for us. India has been endowed with vast natural and human resources but the accelerated pace of development and increasing human wants are exerting already an unbearable pressure on our natural resources. We cannot blindly ape the west and pursue a highly resource intensive development or for that matter, resource intensive consumption patterns. I do believe that this is precisely why Mahatma Gandhi stressed the importance of high thinking and simple living. High thinking has to be translated into improved utilisation of available human resources. Technology should help in this process. This has of course infinite possibilities. Simple living on the other hand must manifest itself in a rational utilisation of our natural and physical resources because these are indeed finite in quantity.

The science and technology of energy conservation requires the application of knowledge to the more rational utilisation of resources. We have every reason to be proud of our material achievements since Independence in providing the energy resources required by our country. Despite a phenomenal growth in population, we have improved per capital availability of electricity. Yet we have a long way to go in catching up with levels of consumption of even middle income countries. Hence when we talk of energy conservation in India, we are talking of this at a relatively low per capita level of consumption. We must be under no illusion that we can in fact

approximate consumption levels as we see them in the affluent western society. Indeed, in the interest of humanity and the sustainability of our life support system on this planet, it is the West that must bring its energy consumption level closer to ours rather than the other way round.

I am of course aware that in India apart from the hurdles in increasing quantity of energy available, there are also problems with respect to quality of energy supply. Both these are important areas for further development and investment in the country. Both are inter linked. An improvement in the quality of supply can in fact improve quantity of supply since there would be more rational utilisation of resources. I believe that in many developed industrial economies, the supply of power has been augmented by better quality management. Improved switching technologies, improved gadgets and machines, better quality materials used in transmission and distribution and automated technologies can help conserve power.

The challenge before us is therefore to improve both the quality and quantity of supply simultaneously. The National Common Minimum Programme has set a target of complete electrification of all household in the next five years. Almost 56.5 percent of our rural household do not yet have access to electricity. In many States, this figure is as high as 80 to 90 per cent of rural population. Where electricity is available the quality of supply is often far from being desirable. This has necessitated massive and wasteful private investment in upgrading quality and ensuring reliability of supply. Thus, while we are trying to find resources in the public sector to step up power generation, there is investment taking place in the private sector to ensure better quality distribution. I believe, there is considerable theft of power that is not getting captured and is being reported as transmission and distribution losses or as free power being supplied to rural areas.

I believe the time has come for us to take proper stock of the extent power situation and see where exactly the problems lie. Without a correct appreciation of the source of the problem, it would be unwise to seek solution. I am afraid, that is precisely what we have tried to do in the past. The experience of the last decade shows that we may have placed the cart before the horse by encouraging private investment in generation without adequately addressing questions of pricing and distribution. The solution to the problem of power wastage and the best answer to the challenge of power conservation in fact lies in the pursuit of rational pricing and distribution policies. In the final analysis, economic pricing is probably the best way to ensure economic and efficient use of any asset or resource.

Supply side policies aimed at improving energy utilisation will therefore have to be combined with demand side policies. The most important demand side initiative we have to take is related to the pricing of energy. I do believe that the single most important energy conservation step we can take is to adopt rational and economic pricing for power. This will ensure that there is a built in incentive for conservation. I am aware that in an unequal society with unequal distribution of income and assets, it will not be politically feasible to adopt a purely economic model for energy pricing. What this means is that whatever subsidies we offer to consumers must be offered transparently and be justified on stated economic, social and political grounds. Today we are offering subsidies to a wide range of users without a proper analysis of their economic and social rationale. The free supply of power in rural areas is the effect of not only encouraging excessive use of power when it is on offer, but of also encouraging the wasteful use of ground water. In many parts of our country, ground water levels have been falling at an alarming pace and the excessive application of water is encouraging irrational cropping pattern as well.

Therefore, ladies and gentlemen, at the heart of all these problems is the irrational pricing of energy. I think experts, policy makers, public persons and concerned citizens must encourage a national debate on the need for economic utilisation of energy and on the need for a rational pricing policy. Without an economic pricing policy, albeit the one that is sensitive to social inequities and income disparities, it will not be possible for us to sincerely address the challenge of energy conservation.

I do salute the efforts of individuals and organisations in encouraging and promoting energy conservation and in fostering a consciousness that is mindful of the cause and benefits of energy conservation. I do think that the Government must recognize, reward

and honour such individuals and organisations at the same time I also believe that we must adopt an economically rational pricing policy that has the built in incentive for consumers to voluntarily try and conserve energy through its optimal and rational utilisation. Our research agenda in industry and trade has also to be sensitive to the imperative necessity of promoting maximum possible conservation of energy. This multi-faceted approach should be adopted in the pricing of all forms of energy including petroleum, LPG, kerosene, water and electricity.

In conclusion, I once again greet the winners of the awards this year and I sincerely hope that their example will encourage more of us to be mindful of the use of scarce resources built into our energy system.”