

## **CSE welcomes Delhi government's move to make diesel cars dearer**

Decision will cut toxic risk from diesel cars and protect public health

\* Chief minister Sheila Dikshit's budget proposal to hike tax on diesel cars by 25 per cent sends out a signal that polluters cannot evade responsibility any more – they must pay

\* Delhi now needs to be vigilant to ensure that the car industry does not exert pressure to scuttle the proposed hike

\* CSE also commends the other far-sighted decisions taken by the Delhi government: removal of VAT on bicycles of the aam admi, allocation of the biggest chunk of its outlay (almost 25 per cent) to transport, and giving the thumbs-up to 14 new BRT corridors

\* CSE has been consistently demanding a halt to the misuse of under-taxed and polluting diesel by rich car owners. Cheaper diesel fuel encourages people to buy more cars, more driving, more fuel guzzling and hence, more pollution

New Delhi, March 23, 2011: Centre for Science and Environment (CSE) welcomes and strongly supports the bold decision of the Delhi government to increase the tax on diesel-run vehicles by 25 per cent at the time of registration. This proposal, presented by Delhi chief minister Sheila Dikshit, has been taken on environmental grounds – to cut polluting emissions from the growing number of diesel vehicles in the capital.

Along with this decision, the Delhi government has also made a significant move towards waiving off the VAT on bicycles, to 'protect' and 'encourage' these zero emitting vehicles of the aam admi. Says Anumita Roychowdhury, CSE's executive director-research and advocacy and head of its air pollution control team, "These two momentous decisions together strengthen the foundations of green budgeting in the capital city, establish the polluter pays principle and make a strong statement against the misuse of diesel subsidy by the rich car and SUV owners."

She adds a cautionary note: "Delhi will have to be extra vigilant this time to ensure that the diesel car industry does not scuttle this move as it had done in 2004 when an environment cess on diesel car was proposed by the Dikshit government."

Why the diesel death trap needs to be shut down

The Delhi government's proposal has come at a time when diesel cars are already 36 per cent of new car sales in India; they are expected to touch the 50 per cent mark very soon. Since 2008, the price gap between petrol and diesel fuels has increased from 28 per cent to 35 per cent in Delhi. CSE researchers have been pointing out that the cheaper diesel fuel has become a very powerful incentive for car buyers. The proposed tax hike on

diesel cars, therefore, is an important step forward towards taking away the existing incentive for diesel cars, given the public health and energy security implications.

The new proposal will need strong public support for the following reasons:

\* Diesel emissions pose serious public health concern: The recently introduced Euro IV (Bharat Stage IV) emissions standards in Delhi have not done enough to control vehicular emission levels, as they still legally allow diesel cars to emit more particulate matter and nitrogen oxides – the key pollutants of concern in Delhi’s air. They also do not address the relative toxicity or the cancer causing potential of diesel emissions. The European Commission has calculated the lifetime pollution costs of a Euro IV-compliant diesel car as against a similar petrol car. The total pollution cost of a Euro IV diesel car is 1,195 Euros – while that for a Euro IV petrol car is lesser at 846 Euros. According to Roychowdhury, this actually nullifies the marginal greenhouse gas reduction benefits of diesel cars.

These tax measures are absolutely necessary to discourage diesel cars as India has not introduced clean diesel yet (diesel fuel with 10 ppm sulphur used along with advanced emissions control systems). Some of the deadliest air toxics (the World Health Organisation says some of them can lead to cancers) are related to diesel emissions. These have been blamed for killing unborn foetuses as well.

\* Dieselisation is set to explode: CSE has already drawn attention to the recent trends that show that the car industry is on an overdrive to introduce more new diesel car models even in the small car segments. These segments had not seen much diesel penetration earlier. The combination of cheap diesel and lure of lesser taxes on small cars will lead to an explosion in diesel car numbers. Says Roychowdhury: “It is deplorable that cars are not being made to pay the full costs when the oil companies are making enormous losses per litre of diesel.”

\* Increased use of cheap diesel will make India more energy insecure: Market trends clearly show that diesel is helping provide a steady shift towards bigger cars that guzzle more fuel. While 85 per cent of petrol cars sold in India have engines of less than 1200 cc capacity, 64 per cent of diesel cars are just under 1500 cc; the rest of them are above 1500 cc. Despite fuel efficiency, bigger engines will always use more fuel. Cheaper diesel fuel will encourage customers to opt for bigger and more powerful cars and thus undermine our energy security.

\* Misuse of diesel subsidy by rich car owners: It is ironic that while the tax differential between petrol and diesel has been officially justified nationally in the name of agriculture and freight, rich car owners have benefited more. Cars have already become the second biggest user of diesel and beneficiaries of the official fuel tax policy. Cars use up 15 per cent of the total diesel in the country – compared to 12 per cent by buses and agriculture, 10 per cent by industry, and 6 per cent by the railways.

\* Other governments have taken fiscal measures to discourage diesel in cars: In Brazil, diesel cars are actively discouraged because of the policy to keep taxes lower on diesel. In Denmark, diesel cars are taxed higher to offset the lower prices of diesel fuel. In China, taxes do not differentiate between petrol and diesel. Even in India, several

official committees have asked for special and additional taxes on diesel cars to neutralise the incentive of cheaper diesel fuel.

\* Auto industry's defence of greater fuel efficiency and lesser carbon emissions from diesel cars is untenable: Diesel fuel has higher carbon content than petrol. If more diesel is burnt by vehicles and SUVs, more heat-trapping CO<sub>2</sub> will be emitted. Also, black carbon emissions from diesel vehicles are several times more heat-trapping than CO<sub>2</sub>. This effectively nullifies the fuel efficiency gains.

The Delhi government needs support for its bold and proactive move. A few years ago, it had proposed an environment cess on per litre of diesel fuel sold in the city. A dedicated Air Ambience Fund created out of the revenue from this cess is being used to fund pollution control efforts, including fiscal incentives for electric vehicles.

Says Roychowdhury: "It is greatly commendable, therefore, that the Delhi government has maintained the momentum and evoked the 'polluter pays' principle to directly disincentivise diesel cars to protect public health. This move must not be allowed to fail on any account under any pressure from the industry. The nation has been shown the way by the Delhi government. Other states in India should follow Delhi's example."

For more details, please get in touch with Anumita Roychowdhury ([anumita@cseindia.org](mailto:anumita@cseindia.org)) and Vivek Chattopadhyay ([vivek@cseindia.org](mailto:vivek@cseindia.org)).

For interviews, contact Papia Samajdar on 98119 06977 or write to her at [papia@cseindia.org](mailto:papia@cseindia.org)