



Rationalization of Hidden Energy Subsidies

The Ninth Government's regional and provincial view on the state executive affairs is a matter worthy of attention. If this approach is studied in the energy sector, the government could adopt some strategies to save the energy and provide reasonable subsidies in the provinces with a regional view.

At present the country's energy sector receives its subsidy in one package. It is crystal clear that the privileged provinces and regions enjoy more subsidies than the deprived areas because the amount of subsidy allocated to a region, due to subsidized energy prices, is in conformity with that region's consumption.

Since the aforesaid amounts are not well known (although it could be transparent), the state executive officials in different parts of the country

have no motive for granting subsidies reasonably or exploiting them for activating regional potentials.

On the other hand, production and distribution of energy carriers, including oil products and natural gas are centralized and thus little attention is paid to regional features in their planning.

In other words, regional potentials, including optimization, saving energy as well as local non-fossil energy sources have been almost neglected while the newly established regional oil and gas companies could now help decentralize the affairs.

To this end, the data and statistics on energy consumption in various parts of the country are more or less available and even the consumption

pattern in the coming years could be predicted. As an option, the provinces and regions could be authorized and motivated to promote the culture of saving energy and enjoy its outcome.

Since financial capabilities differ in various regions of the country, the relative economic value of the subsidies is different in these areas so that it is of greater value in the underprivileged parts, playing a more important role in their people's livelihood.

Therefore, if an appropriate plan is outlined and energy consumption in each region or province is taken into consideration, then the amount of shadow subsidies allotted to a region will be known, paving the way for formulating coherent strategies for the regions. The strategies will help them use the savings built up by subsidies and consume the energy logically, with the aim of implementing suitable projects and economizing the energy. They could also reduce a certain volume of allocated energy carriers or replace them with renewable energy sources, which bring about positive and palpable impacts on the regions. Some countries are pursuing such a strategy and the Iranian government could use their experience.

The regions could use the earmarked subsidies either directly or indirectly.

In the direct case, the regions should be authorized to modify the energy subscription fee in a way to prevent inflation and price disorder. Then they could use the hidden subsidy (the balance between regional and domestic prices) and carry out certain projects under supervision of responsible officials, which help develop the economy.

The indirect method urges the regions to draw up suitable plans in order to reduce their energy demand. The government, however, should allow them to use the balance between the values of allocated energy carriers on the basis of their real regional prices, i.e. the hidden subsidy, and implement certain projects after make the necessary arrangements and coordinating with the related authorities.

The proposal which was briefly explained above

is a preliminary one. If it is approved, the overture should be studied in details.

The expenditure on transfer of energy carriers in many remote areas is too high. That should be actually added to expense should be added to the subsidies to calculate the total figure It is also necessary that all organizations, ministries, and other bodies engaged in energy production and distribution participate in the national plan and help carry out it in an appropriate way throughout the country.

Such plans could create jobs and help distribute subsidies in the provinces and regions reasonably. They not only help make development and create job opportunities in the underprivileged areas, but also promote the culture of energy consumption in the regions – major strides toward the government's justice-oriented objectives.

To implement such plans as appropriately as possible, a pilot test in a suitable province deems necessary.

In the next stage, the plan could be developed in other provinces and regions after all aspects are carefully scrutinized.

