***Various high courts are overturning bulk diesel rates***

While oil PSUs have done well to finally increase diesel prices by 45 paise for the third month running, various high courts are in the process of upturning a large part of the gains made in terms of reduction in diesel subsidies. When diesel prices were first raised in January, this was accompanied by an increase in the cap on subsidised LPG cylinders, from 6 a year to 9, that households were entitled to. In other words, oil PSUs lost a lot more on the LPG cap hike than they made by way of tiny increases in the price of diesel. This was, however, made up by the complete elimination of the subsidy on diesel sold to bulk users like the Railways, telecom firms for their towers and to various state road transport organisations. Theoretically, this cut the diesel subsidy by R14,400 crore annually, or R3,600 crore for what was left of the year—the fact that around 40% of such sales have now been diverted to the retail market which still has R8.19 of subsidy per litre, has of course reduced the impact substantially.

What is making things worse is that high courts of Kerala and Tamil Nadu have passed interim orders directing that bulk sales of diesel to their state transport organisations need to be made at the old rates. With sales now taking place at the old rates, and several other state governments also in the process of approaching the courts, the process of reforming diesel prices can get badly hit. The central government now needs to either become a party to the case or move the Supreme Court to get a decision in its favour, arguing that reducing subsidies is a matter that falls squarely within the executive's domain. Failing which, apart from other states following the Kerala/Tamil Nadu example on diesel, this could spread to other areas also.