

DAILY NEWSP APER ANALYSIS

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**CHANAKYA IAS ACADEMY
SECTOR 25 CHANDIGARH**

Petrol, diesel excise duty cut; prices won't drop

Centre reduces duty on petrol, diesel by ₹10 per litre each, says the move won't lower fuel prices

It says the cut aims at easing the fiscal hit on oil marketing companies due to rising oil prices

Minister Hardeep Puri dismisses rumours of a lockdown due to fuel crisis as 'completely false'

Saptarpm Ghosh
NEW DELHI

Fiscal cushion

Government cuts excise duty on fuel to ease OMC losses, but consumers see no relief at pumps



Fuel rush: Long queues seen at a petrol pump in Prayagraj, Uttar Pradesh, on Friday.

- Oil marketing companies (OMCs) will not pass on excise cuts to consumers, govt. says
- The purpose of the cuts is to reduce the losses OMCs are facing
- Govt. estimates these losses to be ₹2,400 crore a day
- Govt's net revenue loss due to tax cuts expected at around ₹1,500 crore per 15 days
- Private sector OMC, Nayara Energy has raised petrol and diesel prices

Commercial LPG allocation raised by another 20%

NEW DELHI Offering respite to commercial entities seeking supplies of LPG, the Ministry of Petroleum and Natural Gas called for increased allocation of the hydrocarbon gas to States and U.T.s by another 20%, taking the total allocation of commercial LPG to 70% of the pre-crisis levels. The latest allocation seeks to accord priority to sectors where piped natural gas may not serve as an alternative. **» PAGE 13**

Trump delays strikes on Iran till April 6

NEW DELHI U.S. President Donald Trump on Thursday said he is pausing any strike on Iran's power plants until April 6 and added that "talks" with the Islamic Republic are going "very well". "I am pausing the period of Energy Plant destruction by 10 Days to Monday, April 6, 2020, at 8 P.M., Eastern Time. Talks are ongoing and they are going very well," he wrote in a social media post. His earlier paused strikes by five days, till this Friday. **» PAGE 14**

Modi calls for team effort to tackle crunch

NEW DELHI Prime Minister Narendra Modi on Friday, at a meeting with OMs, stressed coordination between the Centre and the States to overcome the supply chain crisis engendered by the war in West Asia. Recalling the 'collective response' during the COVID-19 pandemic, the Prime Minister called for a 'Team India' effort to ensure supply of fuel and fertilizers, and crackdown on hoarders and rumour-mongers. **» PAGE 3**

ment. "Instead, it directly reduces the under-recoveries being absorbed by public sector oil marketing companies (OMCs) - IOCL, BPCL, HPCL - who have continued to supply fuel to Indian consumers at prices well below their cost of supply."

At the same time, the government hiked the export rates on diesel to ₹21.5 per litre, and on ATF to ₹29.5 per litre. Mr. Chaturvedi said the government expects to add ₹1,500 crore to the exchequer

through these hikes, which would mitigate some of the impact of the excise duty cuts on domestic petrol and diesel. The net change on Central revenues from all the changes will be ₹5,500 crore over 15 days, he added.

Unpredictable situation The CBIC will review these rates on a fortnightly basis. "The situation is dynamic; where there is a certain predictability," Mr. Chaturvedi said. "Any implication

on that [revenue] will have to factor in the actual supplies of goods coming into the country. Even within a limited period of a fortnight, the department will also have to look at supplies before coming up with a realistic implication as far as the revenue is concerned."

The West Asian conflict's impact on the seaborne energy trade had pushed Brent crude futures to more than \$111 per barrel on Friday evening. Union Petroleum Minis-

ter Hardeep Singh Puri shut down rumours about a potential lockdown due to the fuel crisis as "completely false". In a social media post, he said: "Let me state this clearly, there is no such proposal under consideration by the Government of India."

He noted that the government has taken a huge hit on taxation revenues through the excise duty reduction. There is little clarity, however, on the quantum of losses faced by state-run OMCs. According

to Mr. Puri, at the current international prices of crude, OMC losses stand at approximately ₹24 per litre for petrol and ₹30 a litre for diesel.

Private OMCs hike price According to his Ministry's statement later in the day, the oil marketing companies face under-recoveries of about ₹26 for every litre of petrol and ₹31.90 per litre of diesel, adding that this works out to about ₹2,400 crore of under-recoveries being absorbed by

the OMCs every day. While public sector OMCs are currently holding fuel prices level despite the spiralling global prices, some private firms are beginning to pass on their higher input costs to consumers.

On Thursday, privately-owned Nayara Energy increased petrol prices by ₹3 per litre and diesel by ₹5 per litre, citing the "unprecedented challenges in the industry, impacting several aspects of fuel disruption and availability".

KEY HIGHLIGHTS

Context of the News

- Union Government reduced Special Additional Excise Duty (SAED):
 - Petrol: cut by ₹10 → now ₹3/litre
 - Diesel: cut by ₹10 → now zero
- Objective: Support Oil Marketing Companies (OMCs) facing heavy under-recoveries due to high global crude prices.
- No reduction in retail fuel prices for consumers.
- Export duties increased:
 - Diesel: ₹21.5/litre
 - ATF: ₹29.5/litre
- Brent crude surged above \$111/barrel due to West Asian geopolitical tensions.
- Estimated fiscal impact:
 - ₹7,000 crore loss (excise cut)
 - ₹1,500 crore gain (export duty hike)
 - Net loss: ~₹5,500 crore (15 days)

Key Points

- Under-recoveries of OMCs:
 - ~₹26/litre (petrol), ~₹31.9/litre (diesel)
 - Approx. ₹2,400 crore/day losses
- Public OMCs:
 - Indian Oil Corporation Limited
 - Bharat Petroleum Corporation Limited
 - Hindustan Petroleum Corporation Limited
 - Continuing to hold prices stable
- Private player:
 - Nayara Energy increased prices
- Policy approach:
 - Burden-sharing mechanism: Government (tax cuts) + OMCs (absorbing losses)
- CBIC to review duties fortnightly due to volatility

Static Linkages

- Excise duty is a central indirect tax under Union List (Seventh Schedule)
- Petroleum products are outside GST (as per GST Council decisions)
- Concept of under-recoveries vs subsidy (pre-2014 fuel pricing regime)
- India imports ~85% of crude oil (Economic Survey)
- Administered Price Mechanism (APM) dismantled; partial market-linked pricing exists
- Fiscal deficit impacted by tax revenue fluctuations

Critical Analysis

Pros

- Protects OMCs' financial viability
- Avoids inflation spike due to fuel price rise
- Flexible taxation policy (dynamic review)

Cons

- No immediate relief to consumers
- Revenue loss → fiscal pressure
- Market distortion due to price control
- Unequal competition (public vs private OMCs)

Way Forward

- Move towards market-based pricing
- Include petroleum under GST (gradually)
- Expand strategic oil reserves
- Promote renewable energy & ethanol blending
- Transparent subsidy mechanism

Finalising India-U.S. trade deal not far-off, but some gaps remain: U.S. official

Sriram Lakshman
WASHINGTON DC

The U.S. and India are not "far off" from finalising an interim trade deal, but need to bridge some negotiating gaps, such as over discussions on pulses and the staging of tariff reductions, according to a U.S. official. "We're not that far off from finalising the interim trade deal, but some gaps remain," the official has told *The Hindu*.

Officials in Washington are working out the nitty-gritty of trade agreements following the U.S. Supreme Court's February 20 ruling that the International Emergency Economic Powers Act (IEEPA), which was the basis for President Donald Trump's "reciprocal tariffs", was unlawfully applied. The administration is now working towards re-establishing the reciprocal tariffs using other legislative tools, including "Special" 301 trade investigations conducted by the Office of the U.S. Trade Representative (USTR).

Deal 'gaps'

One of the gaps in India-U.S. discussions, as per the U.S. official, is around pulses, with India seeking to safeguard the market for this agricultural commodity and the U.S. wanting greater access to it. Politically, agriculture is a deeply sensitive issue for both countries, with the administra-



Prime Minister Narendra Modi walks along with U.S. President Donald Trump at the White House, in this file photo.

tion in DC and the government in New Delhi not singing from the same song sheet – or, more literally, 'fact sheet'.

Last month, the White House put out a 'fact sheet' – including the term "certain pulses" on a list of items that, it claimed, India would cut tariffs on.

This and other discrepancies with the joint statement issued by Washington and New Delhi had created a political furore in India.

The White House quietly reissued the 'fact sheet' – a political statement, rather than a statement of fact – this time omitting the reference to pulses and correcting certain other discrepancies.

However, the U.S. side still appears to be pushing for market access on pulses. Additionally, *The Hindu* has learned that Washington is seeking reduced staging (i.e., the speeding up of a phased reduction in tariffs) and this is cur-

rently one of the gaps in negotiating positions and is under discussion.

Special 301 probes

Conversations *The Hindu* has had suggest that right now, however, trade officials in Washington are not focused on closing the gaps in trade deals but are busy conducting Special 301 investigations launched in March against tens of countries, including India, ostensibly for excess capacity in manufacturing and forced labour.

Mr. Trump had said in February that he would increase the universal 10% rate, imposed using Section 122 of the U.S.'s Trade Act, to 15%. However, the officials in DC appeared unsure whether it would happen at all. A question to the White House on the timing of any such hike went unanswered. The USTR also did not provide information on possible rate hike, when approached by *The Hindu*.

- U.S. exploring alternatives:
 - Section 122 of Trade Act (temporary tariffs).
 - Special 301 investigations (IPR & trade practices scrutiny).
- Political Sensitivity: Agriculture remains politically sensitive in both countries.
- Discrepancies in official statements (e.g., "fact sheet") triggered domestic debate in India.
- Current Status: Negotiations ongoing; focus temporarily shifted to U.S. trade investigations against multiple countries including India.

Static Linkages

- WTO principles:
 - Most Favoured Nation (MFN) and National Treatment
- Agreement on Agriculture (AoA):
 - Market access, domestic support, export subsidies
- India's trade policy tools:
 - Tariffs, MSP, import quotas, buffer stocks (FCI)
- U.S. Trade Laws:
 - Section 301 (trade practices)
 - Section 122 (balance of payments safeguard tariffs)
- Economic Survey:
 - Emphasis on calibrated trade liberalisation and protecting farmers

Critical Points

- Benefits: Strengthens India-U.S. ties
- Boosts exports and investment
- Concerns: Threat to agricultural livelihoods
- Reduced policy autonomy
- Core Issue: Balance between free trade vs domestic protection

Way Forward

- Gradual tariff cuts with safeguards (TRQs)
- Strengthen agri-competitiveness
- Use WTO-compliant protections
- Diversify export markets

KEY HIGHLIGHTS

Context of the News

- India and the United States are close to finalising an interim trade agreement, though some negotiating gaps remain.
- Key contentious issues include:
 - Market access for pulses (agriculture sensitivity).
 - Staging of tariff reductions (timeline of tariff cuts).
- The development comes amid changes in U.S. trade policy after a ruling by the U.S. Supreme Court restricting the use of IEEPA for tariffs.
- The U.S. is exploring alternative tools such as Special 301 investigations under the Office of the U.S. Trade Representative.

Key Points

- Agricultural Sensitivity: India seeks to protect domestic farmers, especially in pulses.
- The U.S. demands greater market access for its agricultural exports.
- Tariff Negotiations: Disagreement over speed of tariff reduction (staging).
- U.S. prefers faster liberalisation; India prefers gradual reduction.
- Policy & Legal Context (U.S.): U.S. Supreme Court ruled misuse of IEEPA for imposing tariffs.

Amid war, India sends out invites for BRICS meetings

Both Iran and UAE are members of the grouping and have rebuffed attempts for a joint statement on the war; India is set to host the BRICS Foreign Ministers' meet in May and the Summit in Sept.

Suhasini Haidar
NEW DELHI

Hoping to forge an elusive consensus over the war in West Asia, New Delhi is going ahead with planning key meetings of BRICS countries this year in India, and has sent out invitations for the BRICS Foreign Ministers' Meeting to be held in May and the 18th BRICS Summit in September.

According to a number of officials and diplomats, the invitations to the 10-nation grouping that also includes Iran and the United Arab Emirates went out in mid-March. Both countries have rebuffed several attempts by India – the current Chair of BRICS – for a joint statement.

Officials said it is unclear whether they will attend the meeting together, but "as of now" the BRICS Foreign Ministers' Meeting is due to be held in-person in mid-May.

The summit, which could bring Russian President Vladimir Putin, Chinese President Xi Jinping and leaders from Brazil, South Africa, Egypt, Ethiopia, Indonesia, Iran and the UAE together in Delhi, is expected to be held on September 9-10.

"One of the key events on the political track, in addition to the traditional leaders' meeting (in September), will be the BRICS



India is the 2026 Chair of BRICS and has faced difficulties in forging consensus on the West Asia crisis. GETTY IMAGES/ISTOCKPHOTO

Foreign Ministers' Meeting, scheduled for May," Russian government spokesperson Maria Zakharova told journalists in Moscow this week.

"This will be a good opportunity for a thorough discussion of current issues on the international agenda, the role of BRICS in the world, and opportunities for joint action," she said, responding to questions about how the grouping of emerging non-Western economies would tackle the war in West Asia, where Iran has responded to U.S.-Israel strikes since February 28 by targeting Gulf countries, especially the UAE.

'Ongoing conversation'
With India being the 2026 Chair of the grouping, diplomats have openly acknowledged difficulties in forging a statement that is agreeable to both Tehran and Abu Dhabi.

"We have an ongoing conversation with BRICS members on the conflict in West Asia," External Affairs Ministry spokesperson Randhir Jaiswal said at a media briefing on Friday. "As you're aware, some of the BRICS members are also involved directly in the conflict... Because we have differing opinions, it has been difficult for us to forge a consensus on this particular conflict."

In June 2025, the BRICS then chaired by Brazil had managed to issue a strong statement when the U.S. and Israel jointly struck a number of Iranian nuclear sites, condemning the military strikes against Iran. as "a violation of international law and the Charter of the United Nations", and expressed serious concern over "deliberate attacks on civilian infrastructure and peaceful nuclear facilities under full safeguards of the International Atomic

Energy Agency (IAEA), in violation of international law and relevant resolutions of the IAEA"

While Iran had launched missiles and drones at Israel last year, after the attacks that killed its Supreme Leader Ali Khamenei on February 28, Iran broadened its strikes to U.S. bases and other buildings across several Gulf states, which India has condemned.

Under criticism

New Delhi's failure to forge a consensus amongst countries to discuss the current conflict and energy crisis was criticised by the Opposition during an all-party meeting on Wednesday chaired by Defence Minister Rajnath Singh.

According to sources, Opposition MPs asked External Affairs Minister S. Jaishankar why he had not convened meetings of his counterparts from the BRICS, as well as the U.S.-India-Japan-Australia Quad grouping, both of which India chairs this year, and both of which include members who are involved in the war.

Mr. Jaishankar is believed to have explained the difficulties in the situation, adding that despite not being able to forge statements, India was one of the very few countries engaging all parties in the conflict.

- Diplomatic challenge:
 - Iran vs UAE → conflicting geopolitical interests within BRICS.
 - Lack of consensus prevents joint declaration.
- India's approach:
 - Engaging all stakeholders diplomatically.
 - Balancing ties with:
 - Iran (energy, connectivity – Chabahar)
 - UAE (strategic partner, diaspora, trade)
 - U.S. (strategic alignment via Quad)
- Previous precedent:
 - 2025 BRICS (Brazil Chair) issued strong statement condemning U.S.-Israel strikes on Iran.

Static Linkages

- United Nations Charter principles: sovereignty, non-intervention, peaceful dispute resolution.
- India's foreign policy principles: strategic autonomy, Panchsheel, non-alignment (evolved to multi-alignment).
- Role of multilateral organizations in global governance (NCERT – Contemporary World Politics).
- Energy security and dependence on West Asia (Economic Survey).
- Diaspora diplomacy and remittances (India Year Book).
- International Atomic Energy Agency (IAEA) safeguards and nuclear norms.
- Balance of Power theory in international relations.

Critical Analysis

Positives

- India emerges as bridge between conflicting blocs.
- Strengthens leadership in Global South diplomacy.
- Enhances global stature as neutral negotiator.

Challenges

- BRICS lacks cohesion and enforceability.
- Internal conflicts weaken effectiveness.
- Balancing Quad vs BRICS is complex.
- Risk to energy security and diaspora due to West Asia instability.

Way Forward

- Focus on minimum consensus areas.
- Promote economic cooperation over political alignment.
- Strengthen backchannel diplomacy.
- Diversify energy sources.
- Institutional reforms for stronger BRICS coordination.

KEY HIGHLIGHTS

Context of the News

- BRICS summit and Foreign Ministers' Meeting scheduled in India (2026 Chair).
- Invitations sent to expanded 10-member grouping including Iran and United Arab Emirates.
- Ongoing West Asia conflict involving Iran, U.S., Israel, and Gulf countries complicates consensus-building.
- India faces difficulty in issuing a joint BRICS statement due to divergent positions among members.
- Summit likely to witness participation of leaders like Vladimir Putin and Xi Jinping.
- India criticized domestically for limited success in leveraging multilateral platforms amid crisis.

Key Points

- BRICS expanded to 10 members: Brazil, Russia, India, China, South Africa + Egypt, Ethiopia, Iran, UAE, Indonesia.
- India holds BRICS Chairmanship (2026) → agenda-setting role but constrained by internal divisions.
- Conflict escalation:
 - Iran responding to U.S.-Israel strikes (Feb 2026).
 - Expanded targeting of Gulf countries, especially UAE.

Beyond the rhetoric of the north-south divide

For decades, the discourse surrounding India's development has been framed as a slow but steady march toward national synchronisation. The prevailing hope was that the economic dynamism of the south would eventually pull the rest of the country along, creating a unified middle-income power. However, as the Census and the subsequent delimitation exercise loom, a more fractured reality is emerging. The socio-economic gap between what economist Rudhin Roy calls the Great Indian Plain and the Peninsular States has not merely persisted; it has calcified into an existential fault-line that threatens the very structural integrity of the Indian Union. This is not merely a regional squabble over tax shares or language; it is a profound asymmetry where the locus of economic prosperity is increasingly decoupled from the centre of political power.



Shashi Tharoor
A fourth-term Member of Parliament (Congress) for Thiruvananthapuram (Lok Sabha), the award-winning author of 28 books, including, most recently, 'The Sage Who Reimagined Hindutva: the Life, Lessons and Legacy of Sri Narayana Guru', and the Chairman of the Parliamentary Standing Committee for External Affairs

Distinct nations in one sovereign space
The physical and economic geography of modern India reveals two distinct nations inhabiting one sovereign space. On one hand, we have the Peninsular States, boasting per capita incomes that are at least double those of their northern counterparts. In States such as Tamil Nadu and Kerala, human development indicators – life expectancy, maternal health, and literacy – align closely with (and in some cases exceed) upper-middle-income countries in Europe or South America. On the other hand, the Great Indian Plain, encompassing the populous Hindi heartland of Uttar Pradesh, Bihar, Madhya Pradesh, Chhattisgarh and Jharkhand, remains mired in a reality comparable to sub-Saharan Africa. While the heartland leads in population and fertility, the Peninsula leads on every other metric of modern progress.

This divergence has created a potential political problem of unprecedented proportions. In most healthy federal polities, such as the United States, Canada, or Australia, the most economically prosperous regions also hold the majority of the population, ensuring a natural alignment between wealth creation and political representation. India is treading the dangerous path once walked by the USSR and Yugoslavia – the only two major historical examples where an economically prosperous minority was tasked with subsidising a politically dominant but impoverished majority.

Following the next Census, if parliamentary seats are redistributed purely by population, the ratio of parliamentary seats in the south to the Hindi heartland seats will fall dramatically. The voice of the region that generates the nation's wealth will be further muffled by the sheer demographic weight of the region that consumes it.

A great Indian fault line exists but dialogue must ensue prosperity for many

This is the essence of India's existential crisis. When prosperity vests with the majority, they can conceivably subsidise the minority in perpetuity to maintain stability. But when a productive minority is forced to subsidise a relatively poor and deprived majority that holds the reins of dominant political power, conflict is not just a possibility – it is a probability. The current trajectory suggests a scenario where the South could increasingly be viewed by some as an extractive colony for the political ambitions of the Hindi-speaking "cow belt". A rupture between the heartland and the peninsula could well follow, unless handled wisely by both sides.

As negotiations follow on the revised delimitation of seats in Parliament, the idea of digressive proportionality, advanced in this space by Professor Santosh Mehrotra – "Reimagining delimitation", January 12, 2026 – goes the farthest towards balancing the interests of the more populous States of the north with those of the high-human development States of the South. It ensures fair representation in Parliament by giving larger States more seats but fewer per person and giving smaller States fewer seats but more representation per person. By balancing population size with State equality to prevent total domination by large States, it is likely to strengthen national unity better than any other system.

The South has a crisis
It would be a historic blunder for the southern States to frame this divide solely as a grievance against a biased central government or worse, against the Hindi belt. While the political asymmetry is real, the south faces a deep-seated crisis of its own that threatens to stall its progress toward high-income status. The region is currently caught in a socio-economic "middle-income trap". Despite high per capita incomes, the southern economy remains largely extractive and unequal. The gap between the wealth of the rich and the daily wage of the common labourer is staggering. In Tamil Nadu, the per capita income is triple that of Bihar, yet the daily agricultural wage is not even double.

This indicates that the fruits of the South's "growth explosion" are being skimmed off by a narrow elite, leaving the bulk of the population behind. The inequality that defines India as a present in the gated communities of Hyderabad as it is in the hinterlands of Patna (Kerala is arguably an exception). Patriarchy, misogyny and casteism remain the great unifiers of the Indian experience. Whether it is the blatant caste discrimination in rural Tamil Nadu or the flouting of traffic and environmental laws in Bengaluru and Chennai, the South has largely failed to translate economic wealth into social

transformation. Literacy rates in districts such as Dharmapuri (Tamil Nadu) are lower than in dozens of districts in Uttar Pradesh, and the bulk of the wealth in States such as Karnataka and Telangana is concentrated in just three or four urban districts. Still, the prognosis for a natural convergence between north and south is gloomy. A decade ago, one might have hoped for a "grand bargain" where the north caught up economically before political representation was rebalanced. But with a 300% differential in per capita income today, moving the needle will take generations. The second theoretical solution – massive population movement from the Hindi heartland to the Peninsula that "equalises" the demographic – is already happening, but it is creating a class of "internal outsiders" rather than a cohesive social fabric. These migrants still vote in the north and as Northerners, so they will do nothing to boost the South's political clout. The third scenario, where the Peninsula's prosperity grows so fast that it pulls the rest of the country up, is failing because the southern States are themselves punching below their weight due to weak institutions and a persistent disregard for the rule of law.

The need for sober dialogue
What is required now is a sober, intellectual dialogue that moves beyond the reactive rhetoric of regionalism. We are witnessing a situation where even prosperous States are forced to spend a large proportion of their resources compensating for economic failure and social fragmentation rather than investing in the future. The South's focus must shift toward internal inclusivity. True progress is not measured by the number of unicorns in a capital city, but by the daily wage of an agricultural labourer and the literacy rate of its poorest district. This is where Kerala alone scores well.

The divide between the South and the Hindi heartland is real, and the central government's push for hegemonic control only exacerbates the tension. However, the southern States must recognise that their economic lead is fragile. Without a radical commitment to social cohesion, better human capital, and the dismantling of extractive economic structures, they will remain trapped in a middle-income cycle, socially stagnant and increasingly, politically marginalised. The "grand bargain" for India's future cannot just be a political deal between New Delhi and the State capitals; it must be a social contract that ensures prosperity is shared by the many, not just the few. Only then can India hope to bridge the fault line that, if it is allowed to worsen with the coming delimitation, threatens the Union itself.

- Political implications:
 - Delimitation based on population may increase seats for northern States.
 - Could reduce influence of economically advanced southern States.
- Fiscal federalism concerns:
 - Productive regions may feel burdened by redistribution through tax devolution.
- Internal inequality:
 - Even within southern States, wealth concentration and social inequalities persist.
- Migration dynamics:
 - Labour migration from North to South is rising but does not translate into political representation shifts.
- Proposed solution:
 - Concept of digressive proportionality to balance population and equity in representation.

Static Linkages

- Principle of federalism and cooperative federal structure.
- Article 81 & 82: Allocation of seats and readjustment after Census.
- Delimitation Commission Acts (1952, 1962, 1972, 2002).
- Concept of "one person, one vote" vs balanced representation.
- Finance Commission devolution criteria (population, income distance, area, etc.).
- Demographic transition theory (NCERT – Class XII Geography).
- Regional inequality (Economic Survey; NITI Aayog reports).

Critical Analysis

Positives

- Ensures democratic principle of equal representation
- Reflects updated population realities

Concerns

- Penalises States that achieved population control
- Risk of North-South political divide
- Weakens cooperative federalism
- Economic contribution vs representation mismatch

Way Forward

- Adopt balanced formula (digressive proportionality)
- Incentivise population stabilisation in policy frameworks
- Strengthen fiscal federalism fairness
- Promote inclusive regional development
- Build political consensus before delimitation

KEY HIGHLIGHTS

Context of the News

- Debate has intensified over the upcoming delimitation exercise following the next Census, raising concerns about regional imbalance in political representation.
- Evidence shows widening socio-economic divergence between the Peninsular States (South India) and the Great Indian Plain (Hindi heartland).
- Southern States exhibit higher per capita income, better human development indicators, and lower fertility rates, whereas northern States dominate in population growth.
- This creates a structural asymmetry: economic contribution vs political representation mismatch.
- Concerns include potential reduction in southern States' parliamentary representation if seats are allocated strictly on population basis.

Key Points

- Economic disparity:
 - Southern States have 2–3× higher per capita income than northern States.
 - Better performance in health, education, and human development.
- Demographic divergence:
 - Northern States continue to have higher fertility and population growth.
 - Southern States have achieved near replacement-level fertility.

India's growth claims, a clash with data reality

For years, Indians have been told to trust the headline: the fastest growing major economy, world-beating GDP, historic momentum. But ordinary people do not live inside headlines. They live inside salaries, grocery bills, job searches, school fees and small businesses that either survive or collapse.

That is why the real question facing India is no longer whether the economy looks impressive on paper. The question is whether the paper itself can (still) be trusted.

A major new study by Abhishek Anand, Josh Felman and Arvind Subramanian argues that India's GDP growth may have been misestimated for nearly two decades. Their analysis ("India's 20 years of GDP misestimation: New evidence", March 2026) suggests that growth in the post-2011 period may have been overstated by roughly 1.5 percentage points to 2 percentage points. That may sound like a technical dispute. It is not.

The impact of even minor variations

Even a two-percentage-point difference, sustained over a decade, dramatically changes the story of an economy. It affects how policymakers judge success, how investors allocate capital and how citizens evaluate their government's performance. More importantly, the critique highlights a deeper structural problem: in an economy where most workers remain outside the formal sector, growth estimates derived largely from formal-sector data risk missing distress where most Indians actually struggle against the vagaries of policy, epidemics and uncertainties to earn their livelihoods.

The mechanics are straightforward. India increasingly relies on data from organised sector filings to estimate activity across the broader economy. But when the formal sector is easier to measure than the informal one, the national accounts can gradually become tilted toward what is visible rather than what is actual and representative.

In a country where tens of millions work in small workshops, roadside stalls, family businesses and cash-based trade, that distinction matters enormously.



Pawan Khera
Chairman, Media and Publicity, Communication Department, Indian National Congress

It also helps explain why the last decade has felt so puzzling to many Indians. The official narrative celebrated a high-growth miracle. Yet, private investment remained subdued, real wage growth disappointed and manufacturing never delivered the employment surge that had long been promised. Jobs remained a persistent source of anxiety, particularly for younger workers entering the labour market.

Crisis after crisis

This gap between headline growth and lived experience widened after a series of economic shocks. Demonetisation in 2016 disrupted cash-dependent sectors that dominate informal employment. The rollout of the Goods and Services Tax imposed compliance costs that smaller firms struggled to absorb. Then, the COVID-19 pandemic hit the informal economy with disproportionate force.

When growth estimates rely heavily on organised sector indicators, shocks that disproportionately damage informal activity can disappear statistically even while they reshape employment and household income.

But the deeper problem runs beyond measurement. It lies in what many economists now identify as the central contradiction of India's current growth model.

Wealth has become increasingly concentrated in a relatively small segment of the population – particularly in large corporations and the financial elite – while the public programmes meant to protect citizens from risk and deprivation have weakened in reach or effectiveness. Growth is occurring, but its benefits are narrowing even as the economic safety net thins. In such an economy, headline GDP can continue to rise even while insecurity spreads beneath it. This is where the language of "formalisation" becomes politically convenient. Formalisation can certainly reflect genuine economic progress. But it can also mask a harsher transition: the small enterprise disappears, the large one absorbs the market, and the national accounts record the shift as efficiency.

A kirana shop closing its shutters is not necessarily a sign of national modernisation simply because a corporate chain can be counted more neatly. At this point the issue should be purely technical and becomes democratic.

'Inconvenient data'

If the country's most important economic statistic is under serious doubt and debate, the natural response should be more transparency, not less. Yet, in recent years India's statistical ecosystem has moved in the opposite direction.

The delay in the Census forced policymakers to rely on population data from 2011. The 2017-18 consumption survey was not released after it reportedly showed a decline in household spending (interestingly, this was pre-COVID-19 data). A labour force survey indicating the highest unemployment rate in decades became the centre of controversy ahead of the 2019 general election, leading to resignations from the National Statistical Commission.

Each episode can be explained individually. Taken together, they raise a broader question about how comfortable the state remains with inconvenient data.

Statistics in a democracy are not decorative achievements to be displayed in speeches. They are public infrastructure. Citizens rely on them to judge performance. Economists rely on them to design policy. Governments rely on them to detect problems before they become crises. For a country of India's scale and ambition, credibility in economic measurement is not a luxury. It is foundational. India cannot solve unemployment with slogans, revive demand with hashtags or build investor confidence with celebratory charts. If growth is real, it should withstand scrutiny.

What India needs now is a restoration of independent statistical authority, economic indicators that reflect the lived realities of the informal workforce and the rural and urban poor, and an end to measurement shortcuts that obscure rather than illuminate the economy.

The numbers should describe the country honestly – not flatter the narrative of those in power.

KEY HIGHLIGHTS

Context of the News

- A recent academic study by Abhishek Anand, Josh Felman and Arvind Subramanian (March 2026) argues that India's GDP growth may have been overestimated by ~1.5–2 percentage points since 2011.
- The critique highlights methodological reliance on formal-sector data, which may not capture the large informal economy.
- This debate emerges amid concerns over weak job creation, stagnant real wages, and subdued private investment despite high headline growth.
- Broader issues raised include declining statistical transparency, delays in Census and surveys, and controversies around official data releases.

Key Points

- GDP estimation increasingly relies on corporate filings (MCA-21 database) and organized sector proxies.
- Informal sector (~80–90% workforce, per PLFS & Economic Survey trends) remains underrepresented in national accounts.
- Economic shocks:
 - Demonetisation (2016) – hit cash-dependent sectors.
 - GST rollout (2017) – compliance burden on MSMEs.
 - COVID-19 pandemic – disproportionate impact on informal workers.
- Possible implications of overestimation:
 - Misguided policy decisions.
 - Distorted investment signals.
 - Reduced credibility of official statistics.

- Concerns over statistical ecosystem:
 - Delay in Census 2021.
 - Non-release of Consumption Expenditure Survey (2017-18).
 - Controversy over PLFS unemployment data.

Static Linkages

- GDP estimation methods: Production, Income, Expenditure approaches (NCERT Macroeconomics)
- Role of informal sector in Indian economy (Economic Survey, NSSO data)
- Base year revision (2011-12) in national accounts
- Functions of National Statistical Office (NSO)
- Inclusive growth vs trickle-down growth
- MSME sector contribution to GDP and employment
- Fiscal policy dependence on accurate macroeconomic data

Critical Analysis

Positives

- Promotes data scrutiny and accountability
- Highlights need for better informal sector measurement

Negatives

- Risk of overstated economic performance
- Underestimation of unemployment and distress
- Weakening trust in official statistics

Challenges

- Measuring informal economy
- Ensuring statistical independence
- Balancing formalisation with inclusivity

Way Forward

- Strengthen independence of statistical institutions
- Improve coverage of informal sector
- Ensure timely release of surveys (Census, CES)
- Increase methodological transparency
- Focus on employment-led growth strategy

A shade of dark

Reassessment of framework governing rights of transgender persons is due

Billdoring a Bill through Parliament and pushing it into law while ignoring the public outcry is verily a failure of the democratic process. The way the Transgender Persons (Protection of Rights) Amendment Bill, 2026 was rushed through both Houses of Parliament – amid Opposition walkouts and a storm of protests by the LGBTQIA+ communities – is condemnable. There was neither a transparent consultative process during the drafting of the Bill nor an informed discussion on its various aspects in Parliament. While the Bill was framed as an effort to correct past legislative shortcomings, there is an apprehension among stakeholders that it applied a heteronormative lens to a law intended to address complex issues of gender identity and human dignity. The Bill explicitly states: “The purpose was and is not to protect each and every class of persons with various gender identities, self-perceived sex/gender identities or gender fluidities...” This stance has left many within the community uncertain regarding their legal standing. By moving away from broader definitions, the Bill has altered the legal landscape established by previous judicial precedents, such as the NALSA vs Union of India judgment. True, concerns have been raised about possible misuse of allowing self-perceived gender identities for those seeking to avail of public facilities and government benefits earmarked for transgender persons. But, in the attempt to do away with the contentious issue of self-identification of gender without certification by a medical board, it shifts the focus toward mandatory biological markers – including chromosomes, hormones, and genitalia – or specific socio-cultural communities such as kinner, aravani, hijra or jogta.

Moreover, it is problematic to conflate the distinct concepts of sex and gender as done in the Bill. In effect, the Bill reduces the psychological and socio-cultural markers of gender to biological characteristics. Only those identifiably within the specified set of socio-cultural communities escape the stipulations of the legislation. Despite these concerns, the government has maintained that the Act reflects a “collective conscience”, even as stakeholders suggest that the move limits existing protections instead of expanding them. Effective governance mandates engagement in consultation with all stakeholders. To address the current protests by members of the LGBTQIA+ communities, the government must return to a collaborative approach and move toward a rights-based law developed through a transparent consultative process. A new legislative proposal should aim to guarantee the equality of every citizen under the law, incorporate the perspectives of the LGBTQIA+ communities, and provide legal clarity while ensuring dignity for all. Otherwise, the government would appear to have created new problems in solving an old one.

KEY HIGHLIGHTS

Context of the News

- The Transgender Persons (Protection of Rights) Amendment Bill, 2026 was passed by Parliament amid:
 - Opposition walkouts
 - Protests by LGBTQIA+ communities
- Criticism over:
 - Lack of consultative drafting process
 - Limited parliamentary debate
- The Bill seeks to modify provisions of the parent law, i.e., Transgender Persons (Protection of Rights) Act, 2019
- Concerns raised that it departs from the principles laid down in NALSA vs Union of India (2014)

Key Points

- Narrow Definition of Beneficiaries
 - The Bill limits coverage by excluding “all forms of self-perceived gender identities.”
- Shift from Self-identification to Biological Criteria
 - Emphasis on:
 - Chromosomes
 - Hormones
 - Genitalia
 - Or recognition of specific communities (hijra, kinner, etc.)
- Departure from Earlier Legal Framework
 - Earlier jurisprudence upheld self-identification of gender as a fundamental right.

- Concerns of Exclusion
 - Non-binary, gender-fluid persons may face legal ambiguity.
- Government’s Justification
 - Prevent misuse of welfare schemes and public facilities.
- Criticism
 - Seen as heteronormative and restrictive
 - May dilute existing rights rather than expanding protections

Static Linkages

- Fundamental Rights:
 - Article 14 – Equality before law
 - Article 15 – Prohibition of discrimination
 - Article 19 – Freedom of expression (includes gender expression)
 - Article 21 – Right to dignity and personal liberty
- Doctrine of Transformative Constitutionalism
- Principle of Substantive Equality
- Directive Principles:
 - Social justice and welfare of marginalized groups
- Role of Judicial Review in protecting minority rights
- Concepts of Sex vs Gender distinction (social vs biological construct)

Critical Analysis

Positives

- Attempts to address misuse concerns in welfare schemes
- Brings clarity in identification mechanisms (government view)
- Recognizes certain traditional transgender communities

Negatives

- Violates spirit of self-identification principle (NALSA)
- Conflates sex (biological) with gender (social/psychological)
- May lead to exclusion of gender-diverse individuals
- Undermines participatory democracy due to lack of consultation
- Risk of bureaucratic gatekeeping via medical certification
- Contradicts global human rights standards (Yogyakarta Principles)

Stakeholder Concerns

- LGBTQIA+ groups → fear loss of rights
- Government → welfare misuse and administrative clarity
- Judiciary → potential future constitutional challenges

Way Forward

- Restore self-identification principle with safeguards
- Ensure wide stakeholder consultation before amendments
- Adopt rights-based framework instead of regulatory approach
- Clarify distinction between sex and gender in law
- Strengthen grievance redressal mechanisms
- Align law with constitutional morality and global best practices

On climate change, India has a good story to tell

ON MARCH 25, India announced its Nationally Determined Contributions (NDC) for the period 2030–2035, under the Paris Agreement on Climate Change, adopted in 2015. These targets are significant against a bleak geopolitical landscape, buffeted by war, the retreat of multilateralism and the revival of fossil fuel-based economic activity among developed countries. During the Climate Change summit in 2015, the then French president, François Hollande, had said that the Paris Climate Agreement was as momentous and historic as the French Revolution. Since then, the revolution has turned into a full-scale retreat. Let us be clear: India will have to tackle the twin challenges of climate change and energy security with its own limited resources. Even the meagre climate finance that has been available from developed countries since the Paris Agreement — less than the \$100 billion a year that was promised — will be further squeezed under the impact of war, incipient inflation and competing demands of national security and relief from economic distress. India has done well to build on the early achievement of targets set in the previous NDCs for 2030, updated and enhanced in 2022, against the base year of 2005. For example, emissions intensity of GDP growth has now been set at 47 per cent reduction by 2035 against the previous target of 45 per cent and the actual figure of 36 per cent already achieved. This may seem a modest increase in ambition but one must consider the fact that as intensity reduces through efficiency measures, further reductions inevitably become harder to achieve. Despite this, it is likely that on current trends,

the 47 per cent target will be surpassed. On non-fossil fuel power installed capacity, the previous target of 50 per cent for 2030 has already been overtaken. The current figure is 52.5 per cent. The target of 60 per cent for 2035 is realistic, given a much more challenging energy outlook. One should acknowledge that capacity is not the same as generation, which is currently a little over 20 per cent for renewable energy. Our plans should include measures to raise generation significantly. The third key target relates to expanding the carbon sink through afforestation. Against the previous target of adding 2.5–3 billion tonnes of CO₂ equivalent by 2030, the current achievement is estimated to be 2.296 billion tonnes of CO₂ equivalent. The target for 2035 has now been set at 3.5–4 billion tonnes of CO₂ equivalent, which appears realistic. The concern one has is that plantations are being included in this category. These have well-established and acutely adverse ecological consequences that one should be mindful of. The press release on the NDCs has rightly emphasised the importance of adaptation. It is not often appreciated that even if carbon emissions became zero by some miracle tomorrow, climate change will continue to take place since the accumulated greenhouse gases in Earth's atmosphere will deplete only slowly over several decades. Therefore, adaptation to the consequences of climate change is imperative. Rising temperatures in a tropical country like India require measures to safeguard people working in open fields and exposed loca-



SHYAM SARAN

tions. The formulation and adoption of Heat Action Plans across the country is a timely initiative. We need to work together with our neighbours to monitor the melting of the Himalayan glaciers and impending glacial lake outburst floods which may cause huge damage downstream. Monitoring only our own stretch of the mountains is not enough. Similarly, we need to collaborate with our maritime neighbours to monitor the health of the seas around us, safeguard the mangrove forests to protect our coastal plains and conserve the depleting fish stocks and other marine life. Regional collaboration to address climate change and ecological challenge needs to be part of our planning. Hydrogen is being billed as the energy source of the future. It is clean energy because the only waste from its use is water. Currently, hydrogen is a byproduct from petrochemical production, so its generation is carbon intensive. Hydrogen can be produced through electrolysis, but whether this process uses fossil energy or renewable energy will determine how 'green' and clean hydrogen can be as a fuel. India's green hydrogen mission holds great promise in meeting the twin challenge of climate change and energy security. One should also underline the role that nuclear energy can play in providing clean power for India's growing economy. The government has set an ambitious target of 100 GW of nuclear power by 2047, coinciding with the Viksit Bharat target, against the current installed capacity of only 8.8 GW. The Sustainable Harnessing and Advancement of Nuclear Energy for Transforming

India (SHANTI) Act of 2025 opens this hitherto sensitive sector to the private sector. It permits up to 49 per cent FDI in nuclear power generation. It has also amended the liability clause in the existing legislation to bring it in line with international practice. The expectation is that this will allow a large increase in nuclear power capacity through the Small Modular Reactors (SMR) of 200–250 MW capacity which are currently under development and which may provide decentralised and distributed power. The compelling reality is India's energy poverty. Its annual per capita electricity consumption in India is 1,460 kWh as against a world average of 3,800 kWh. The challenge lies in significantly increasing this consumption but in an ecologically sustainable manner as possible. The whole suite of policies being deployed by India is impressive and will have lessons for developing countries of the South. But the world needs to recognise that energy transition from fossil fuels to clean and renewable sources of energy requires resources that are limited in the absence of international support. The transition is also complicated by an unpredictable and constantly disrupted international situation. In these circumstances, India has a good story to tell on climate change. It is the climate evangelists of the West who have repeatedly retreated from their solemn commitments and tried to shift the burden of climate change action onto the developing world. It is they who must be put in the dock for the peril of the world faces.

The writer is former foreign secretary and was chief negotiator on climate change for India (2007–2010)

KEY HIGHLIGHTS

Context of the News

- India announced its updated Nationally Determined Contributions (NDCs) for 2030–2035 under the Paris Agreement on March 25.
- The announcement comes amid global geopolitical instability, weakening multilateralism, and reduced climate finance flows.
- India builds upon its earlier NDC targets (updated in 2022), highlighting progress in emissions reduction and renewable energy capacity.

Key Points

- Emission Intensity Target:
 - Reduction of 47% by 2035 (from 2005 levels) (earlier 45%).
 - India has already achieved ~36% reduction.
- Non-Fossil Fuel Capacity:
 - Current: 52.5% of installed capacity (already above 2030 target of 50%).
 - Target: 60% by 2035.
- Carbon Sink Target:
 - Increase to 3.5–4 billion tonnes CO₂ equivalent via forests/tree cover.
- Adaptation Emphasis:
 - Heat Action Plans, glacier monitoring, coastal ecosystem protection.
- Energy Transition Measures:
 - Push for Green Hydrogen Mission.
 - Nuclear energy expansion target: 100 GW by 2047 (current ~8.8 GW).
 - SHANTI Act, 2025: Allows 49% FDI in nuclear sector.
- Energy Poverty Concern:
 - India's per capita electricity consumption: ~1460 kWh vs global average 3800 kWh.

Static Linkages

- Principle of Common but Differentiated Responsibilities (CBDR)
- Carbon cycle and role of carbon sinks (forests, mangroves)
- Difference between installed capacity vs actual generation
- Renewable energy types: solar, wind, hydrogen, nuclear
- Concepts of mitigation vs adaptation
- India's energy mix and developmental needs

Critical Analysis

- Balanced but cautious approach: India's targets reflect a balance between climate responsibility and developmental needs, but ambition remains moderate.
- Incremental targets: The shift from 45% to 47% emission intensity reduction shows progress, yet may be seen as insufficient given global climate urgency.
- Capacity-generation mismatch: Growth in renewable capacity is significant, but actual electricity generation from renewables remains relatively low.
- Climate finance constraint: Inadequate support from developed countries limits technology adoption and large-scale transition.
- Carbon sink concerns: Inclusion of plantations instead of natural forests may undermine ecological sustainability.
- Energy poverty challenge: Low per capita electricity consumption necessitates a gradual and cautious transition.

Overall: India's strategy is realistic and development-oriented, but long-term success depends on improving implementation, finance access, and ecological quality.

Way Forward

- Improve renewable generation efficiency
- Strengthen adaptation strategies
- Promote green hydrogen (renewable-based)
- Ensure ecological afforestation
- Enhance climate finance mobilization

What foreign policy has to do with financial constraints



DEEPANSHU MOHAN AND SAKSHAM RAJ

THE TRADITIONAL hallmarks of Indian foreign policy have been put on trial. As tensions between the United States, Israel and Iran escalated into direct confrontation, New Delhi's carefully cultivated neutrality encountered hard economic and security constraints. India's official position remained consistent: Calls for de-escalation, emphasis on maritime security, and protection of its Gulf diaspora. However, high-frequency indicators of oil import patterns, shipping costs, and domestic fuel price transmission suggest that beneath declaratory neutrality, India executed a measurable, if temporary, tilt toward the US-Israel axis — a constrained response to structural vulnerabilities embedded in trade, finance, and energy dependence.

Consider India's crude oil import basket. Since 2022, Russia has emerged as India's dominant supplier, accounting for 35-40 per cent of imports due to steep discounts on Urals crude. As US pressure intensified, a strategy around energy diversification emerged. By January 2026, Russian crude flows to India had fallen to roughly 1.1 million barrels per day, just over 21 per cent of the total basket, the lowest share in years. Substitution patterns reinforce this inference. India simultaneously increased imports from the United States, Saudi Arabia, and other suppliers, despite higher costs. Indian refiners thus forfeited cost advantages, indicating that geopolitical signalling outweighed price optimisation. The subsequent reversal is equally instructive. Following a temporary US waiver on March 5 allowing the purchase of Russian cargoes already in transit, Indian refiners rapidly scaled up imports, snapping up tens of millions of barrels. To interpret this tilt as a strategic preference would be misleading. It was, instead, the outcome of structural dependencies.

First, trade exposure to the United States remains decisive. With nearly one-fifth of exports directed toward the US market, and key sectors deeply embedded in American demand, the threat of tariffs carries systemic implications. Second, India's macroeconomic stability is tethered to the dollar-centric financial system. Oil price shocks widen deficits, trigger capital flight, and weaken the currency. In such a context, divergence from US policy carries

financial risks, as investors reassess risk in a dollar-dominated system. Third, defence and technology dependencies have shifted westward. While Russia remains a major supplier, high-end capabilities from drones to jet engines are increasingly sourced from the US-Israeli axis. Finally, millions of Indian workers in the Gulf countries, currently being attacked by Iran, and tens of billions in remittances tie India's economic stability to the region's security architecture, which remains US-anchored. A confrontational posture toward that system is not easily sustainable.

The tilt, while rational, was not costless. New Delhi may have overextended its strategic posture in leaning towards Israel, as escalating IRGC-linked disruptions targeting vessels in the Strait of Hormuz expose the material costs of that alignment for Indian shipping and energy security. External shocks quickly filtered into the domestic economy. While retail petrol and diesel prices were administratively contained, the same was not possible for LPG and natural gas. India's dependence of roughly 60 per cent for LPG and 50 per cent for LNG meant supply disruptions had immediate consequences. LPG prices rose by Rs 60 per cylinder in March, marking a visible pass-through of global volatility. As the Indian crude basket surged to Rs 156.29 per barrel in mid-March 2026, the rupee depreciated to Rs 92.63 per dollar in the same time frame, forcing the Reserve Bank of India to deploy nearly \$20 billion in reserves. Higher oil prices raised the landed cost of energy imports, feeding into inflation and external imbalances.

Financial markets deepened the impact. \$6-8 billion in portfolio outflows set off a reinforcing cycle: higher oil prices widened the current account deficit, weakened the rupee, pushed up inflation, and drove further capital exits. Given India's heavy reliance on imported energy — 85-87 per cent of crude and about 50 per cent of LNG — such shocks quickly spill into the fiscal system. New Delhi's tilt, therefore, secured short-term stability, but at the cost of higher energy burdens and reduced diplomatic flexibility.

Mohan is professor of Economics and dean, O.P.J.S. Global University. Raj is research analyst at CNES, O.P.J.S. Global University. Harshvardhan Raj contributed to this column.

India's economic stability is tethered to the dollar-centric financial system. Divergence from US policy carries financial risks, as investors reassess risk in a dollar-dominated system

KEY HIGHLIGHTS

Context of the News

- Escalation of tensions among United States, Israel, and Iran led to direct confrontation in West Asia.
- India maintained official neutrality: calls for de-escalation, maritime security, and protection of diaspora.
- However, economic indicators (oil imports, shipping costs, currency movements) reveal a temporary strategic tilt toward the US-Israel axis.
- This shift was driven by structural dependencies in trade, finance, energy, and security, rather than ideological alignment.

Key Points

- Oil Import Dynamics Russia's share declined from ~35-40% (post-2022) to ~21% by early 2026.
- Increased imports from US, Saudi Arabia despite higher costs → geopolitical signalling over price efficiency.
- Imports rebounded after US waiver (March 2026), showing opportunistic balancing.
- Energy Vulnerability ~85-87% crude oil import dependence (Economic Survey).
- ~50% LNG and ~60% LPG dependence → immediate domestic price impact.
- LPG prices rose (~₹60/cylinder) due to global volatility.
- Macroeconomic Impact Indian crude basket touched ~₹156/barrel.
- Rupee depreciated (~₹92.63/\$).

- RBI intervened (~\$20 billion forex reserves).
- Portfolio outflows (\$6-8 billion) worsened CAD and inflation.
- Strategic Dependencies Trade: ~20% exports to US market.
- Finance: Dollar-dominated global system → vulnerability to capital flows.
- Defence: Increasing reliance on US-Israel for high-end tech (drones, jet engines).
- Diaspora: Millions in Gulf; remittances critical for economy.
- Geopolitical Risks Disruptions in Strait of Hormuz threaten shipping and energy flows.
- IRGC-linked attacks increased maritime insecurity.

Static Linkages

- Non-alignment → evolution into "strategic autonomy" (post-Cold War).
- Balance of Payments crisis (1991) → importance of external sector stability.
- Energy security = availability, affordability, accessibility (NITI Aayog).
- Managed float exchange rate system (RBI intervention role).
- Current Account Deficit and capital flows relationship (Macroeconomics – NCERT).
- West Asia as key region for India: energy + diaspora + trade.

Critical Analysis

Pros

- Pragmatic balancing ensured short-term macroeconomic stability.
- Maintained flexibility in foreign policy (multi-alignment).
- Secured strategic ties with key global powers.

Cons

- Weakens perception of strategic autonomy.
- Higher energy costs → inflation + fiscal pressure.
- Exposure to geopolitical shocks in West Asia.
- Dependence on US-led financial system limits policy space.

Core Issue

- Conflict between strategic autonomy vs economic interdependence.

Way Forward

- Diversify energy basket (renewables, green hydrogen).
- Strengthen strategic petroleum reserves.
- Promote rupee trade to reduce dollar dependence.
- Enhance maritime security in Indian Ocean Region.
- Continue multi-alignment strategy (US-Russia-Middle East balance).

To ease the pain, a timely cut

WITH THE Centre cutting the excise duty on petrol and diesel by Rs 10 per litre each, the burden of adjustment due to higher global crude oil prices is now shifting to the government. These cuts will adversely impact tax collections, and could possibly strain the fiscal maths. So far, the costs of higher oil prices — India's crude basket has soared from \$69 in February to \$147.24 per barrel on March 24 — were being borne by oil companies. According to the petroleum ministry, "the combined daily under-recovery being absorbed by OMCs (oil marketing companies) is approximately Rs 2,400 crore". The latest move will help to partially offset their under-recovery, and provide some respite to their financial position — shares of companies like Indian Oil Corporation, Hindustan Petroleum Corporation and Bharat Petroleum Corporation rose during early trading, but fell thereafter. Prices at the pump, however, remain unchanged.

The petroleum sector accounts for a significant share of government revenues at the Centre and in the states. In 2024-25, the sector's total contribution to the exchequer stood at Rs 74 lakh crore, of which Rs 4.15 lakh crore flowed to the central government, with the balance Rs 3.25 lakh crore accruing to the states as per data from the Petroleum Planning and Analysis Cell. This includes revenue from taxes and duties imposed as well as dividends, royalty and other taxes accruing to governments. In Union Budget 2026-27, the government had pegged collections from just the special additional excise duties levied on motor spirit (petrol) and high-speed diesel oil at Rs 1.69 lakh crore. But it is difficult to accurately estimate the extent to which government's revenues will be hit. As per a note from SBI research economists, the central government "is likely to suffer a net revenue loss of at least Rs 1.1 lakh crore in FY27". The 10-year bond yield has risen to 6.925 per cent, pointing towards concerns over the fiscal maths.

The longer the conflict in West Asia continues, the greater will be the pain felt by economies across the world. With supplies getting disrupted, countries in Asia are already implementing policies such as work-from-home in order to curb energy consumption. The Indian government has now imposed an export tax on diesel in order to disincentivise exports, and ensure that domestic demand is met. But the question is: For how long will retail prices not be affected? While there are compelling considerations of the political economy that must be taken on board, if global crude prices remain elevated for long, the calculus will change.

KEY HIGHLIGHTS

Context of the News

- The Union government reduced Special Additional Excise Duty (SAED) on petrol and diesel amid a sharp surge in global crude oil prices.
- India's crude basket rose significantly (\approx \$69 in Feb \rightarrow \$147.24 per barrel in March).
- Oil Marketing Companies (OMCs) were bearing heavy under-recoveries (\sim ₹2,400 crore/day) due to unchanged retail fuel prices.
- The duty cut aims to ease financial stress on OMCs, but retail prices remain unchanged.
- Concerns emerge regarding fiscal deficit pressures and revenue loss for the government.

Key Points

- Revenue Impact: Petroleum sector contributed \sim ₹7.4 lakh crore (2024–25):
 - Centre: ₹4.15 lakh crore
 - States: ₹3.25 lakh crore
- SAED expected collection (Budget 2026–27): ₹1.69 lakh crore
- Estimated revenue loss: \geq ₹1.1 lakh crore (SBI Research)
- Fiscal Concerns: Rising 10-year G-Sec yield (\sim 6.9%) signals market concerns over fiscal stability
- Reduced excise duty \rightarrow lower non-shareable revenue for Centre

- Oil Market Dynamics: Supply disruptions due to West Asia tensions
- India imports \sim 85% of crude oil \rightarrow high vulnerability
- OMCs Situation: Major players: Indian Oil, BPCL, HPCL
- Under-recoveries due to price control \rightarrow weakened balance sheets
- Policy Measures: Export tax on diesel imposed
- Encouragement of domestic availability over exports
- No immediate pass-through to consumers

Static Linkages

- Administered Pricing Mechanism (APM) dismantled (2002) \rightarrow market-linked pricing
- Deregulation of petrol (2010) and diesel (2014) prices
- Excise duty = Union tax; VAT = State tax (fiscal federalism dimension)
- Concepts: Fiscal deficit, revenue deficit, bond yields (NCERT Macroeconomics)
- Subsidy vs under-recovery distinction (Economic Survey)
- Energy security: diversification, SPR (Strategic Petroleum Reserves)

Critical Analysis

Pros

- Supports OMC viability
- Controls short-term inflation
- Ensures fuel supply stability

Cons

- Revenue loss \rightarrow fiscal deficit risk
- Distorts market pricing
- Delays energy transition signals

Challenges

- High import dependence
- Global geopolitical risks
- Balancing inflation vs fiscal stability

Way Forward

- Gradual price pass-through
- Tax rationalisation (Centre–State coordination)
- Expand SPR and diversify imports
- Push renewables and EVs
- Maintain fiscal discipline

Fine tune Paris design, underline equity

INDIA'S UPDATED Nationally Determined Contribution (NDC) to the Paris Pact reflects the clarity that has been the hallmark of the country's approach to climate negotiations. Announced against the backdrop of a global energy crisis, its 2031-2035 goals underline the government's intent to balance the imperatives of a growing economy with the urgency of mitigating global warming. The new targets — raising renewable capacity by 10 per cent over the 2030 benchmark, reducing the emissions intensity of GDP by 47 per cent from the 2005 levels and increasing carbon sinks — are consistent with a policy framework that has emphasised realistic targets. This approach has placed India among a small group of countries that have demonstrated steady progress on their Paris commitments. It has achieved its green energy target for 2030 way ahead of schedule. Its record of early delivery has, however, invited criticism that, as the world's third-highest GHG emitter, India has not displayed the ambition required to tackle a warming planet. The argument has acquired traction because aggregated NDCs still fall short of the Paris Pact's most important goal: Limiting warming to 1.5°C above pre-industrial levels. This critique is unfair. Not only does it underplay the persistent failure of developed countries to honour their pledges, it also doesn't reckon with a structural flaw in the NDC framework. The voluntarism inherent in the Paris agreement has given countries the space to design commitments according to their capacities and developmental priorities. But it has also made the pact a patchwork of pledges based on different metrics. Countries such as China emphasise timelines for peaking emissions, while others, including India, commit to reductions in emissions intensity relative to GDP. The Paris Pact rested on the expectation that such divergences would be ironed out. That has not happened in the UNFCCC meetings since 2015.

What is needed now is not a retreat from the Paris architecture, but a phase of rigorous fine-tuning that does not compromise the principle of equity. Without credible commitments on climate finance by developed countries, calls for greater ambition from the Global South will ring hollow. On its part, India should continue to scale up deployment of clean technologies.

KEY HIGHLIGHTS

Context of the News

- India has announced its updated Nationally Determined Contributions (NDCs) for the period 2031–2035 under the Paris Agreement framework.
- The update comes amid a global energy crisis and rising geopolitical tensions, affecting climate commitments worldwide.
- India aims to balance economic growth needs with climate mitigation responsibilities.
- India has already achieved its 2030 renewable energy targets ahead of schedule, strengthening its global climate credibility.

Key Points

- Enhanced Targets (2031–2035): Increase renewable energy capacity by ~10% beyond 2030 levels
- Reduce emissions intensity of GDP by 47% from 2005 levels
- Expand carbon sinks (forests & tree cover)
- Policy Approach: Focus on realistic and achievable targets rather than over-ambitious commitments
- Emphasis on energy transition with economic stability
- Global Standing: India is the 3rd largest GHG emitter, but with low per capita emissions
- Among few countries on track to meet Paris commitments

- Criticism: Considered less ambitious relative to global 1.5°C target
- Concerns over aggregate global NDC insufficiency
- Structural Issues in NDC Framework: Voluntary nature leads to heterogeneous metrics:
 - India → Emissions intensity
 - China → Emissions peak timeline
- Lack of standardisation and comparability

Static Linkages

- India's commitment to Common But Differentiated Responsibilities (CBDR-RC) principle
- Constitutional basis:
 - Article 48A – Protection of environment
 - Article 51A(g) – Fundamental duty
- National Action Plan on Climate Change (NAPCC) and its 8 missions
- Concepts:
 - Carbon Sink
 - Emissions Intensity vs Absolute Emissions
 - Climate Finance (Green Climate Fund)

Critical Analysis

Strengths

- Credibility-driven approach: Early achievement builds trust
- Balances growth imperatives with sustainability
- Reinforces equity and climate justice narrative
- Strong push for renewables and nature-based solutions

Limitations

- May be insufficient for global 1.5°C pathway
- India's absolute emissions likely to rise with growth
- Heavy reliance on external finance & technology transfer
- Weak global compliance architecture

Stakeholder Perspectives

- Developed nations: Seek higher ambition
- India/Global South: Demand equity & historical accountability
- Private sector: Concern over transition costs but sees green opportunities
- Civil society: Push for faster decarbonisation

Way Forward

- Accelerate solar, wind, storage, green hydrogen ecosystems
- Develop robust domestic carbon markets (ETS)
- Strengthen climate adaptation & resilience planning
- Ensure predictable climate finance flows (\$100 bn+ commitments)
- Enhance MRV systems and data transparency
- Promote sustainable lifestyles (LiFE initiative) and circular economy