

The Impact of Energy Price Increase on Providing Energy for the Poor in Iran

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Energy is a vital resource for communities everywhere. A limitation on energy availability constrains the overall development and welfare. In Iran, most rural areas have been supplied with electricity 20 years ago. It goes without saying that almost all the poor in rural areas could have access to electricity despite having other limitations on infrastructure and facilities. In general, energy carriers are more or less available, although income in rural areas is so low that the poor cannot afford to buy commercial energy as the prices are not inexpensive enough. Most of kerosene produced in the country, is allocated to the rural areas. In 2002, the price of kerosene per litre was about 1.6 cents, while LPG was about 0.6 cent per kg and fuel oil price as low as 0.9 cent per litre. Electricity is widespread along the rural areas. Its tariff for household consumption was about one cent and .015 cent per kWh for the agriculture sector in 2002. Thus at present the poor are supported against economic adjustment policies, however in another way these subsidized energy pricing could not be continued as energy efficiency is affected by these distorted energy prices. Moreover these prices have a huge financial burden on the government, Iran has been moving toward WTO accession, with respect to economic liberalization and many of the distorted energy prices must be removed. This removal will open the way toward international economic relations with rest of the world. It means Iran will be influenced from the globalization process, but the question remains as to what would happen to the poor following such a shift. Working towards the globalization process, the poor could provide energy for themselves. Under globalization, the energy prices would not remain at these low levels. In Iran, the government would not be able to compensate the poor against energy price adjustment. Therefore the main question is what would be the impact of globalization on energy availability of the poor. This paper deals with several impact issues of globalization on the energy provided for the poor. Since globalization is not avoidable what would the remedies be for overcoming the impacts of globalization on the disadvantaged? Obviously the poor could be assisted in the medium- and long-term differently. We would prescribe a model in which the poor could maintain their energy sources against the impacts of globalization.

Keywords: energy subsidy, energy price adjustment, commercial energy, globalization, WTO