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Do Energy Policies Work? Empirical Evidence from Targeted Fuel Subsidies in the Agricultural Sector, Iran

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Abstract

Energy efficiency policy has been followed by Iran's government system during recent years as the main approach to access sustainability. Targeted fuel subsidies law constitutes a substantial part of this approach. The main premise of this law is to generate additional income for government to spend on other social assistance and anti-poverty family focused policies such as cash transfers; public works programs; provision of basic social services, and hygiene or health programs or subsidies. Agriculture sector as one of the major consumers of oil fuels has benefitted greatly from implementing fuels price reforms. As such, the opinions of producers in the agricultural sector in southwest Iran were investigated to find out if the mechanism applied to implement targeted fuel subsidies law is satisfactory in terms of reaching equal resources distribution, accessibility, optimal usage of fuels, and avoiding illegal jobs like fuel smuggling. A random sample of 160 farmers who use fuels for their various farm operations such as pumping ground water, moving agricultural equipment and vehicles were surveyed. The findings revealed that all of the respondents evaluated the targeted fuel subsidies law as a moderately successful programme in optimal usage and equal distribution of fuel, convenient access to assigned portion of fuels, and also avoiding fuel smuggling. There were also significant differences between farmers' attitude on these four aspects, depending on their monthly fuel consumption. Those who consume less than 1000 liter fuels per month believed that the targeted fuel subsidies law has been more successful compared to those who consume more. Farmers who poses large farmland and use more farming equipment which needs huge amount of oil fuels are dissatisfied with the implementation of the law. The study followed by presenting specific recommendations to improve and facilitate the mechanism of fuel distribution and further inter-organisational coordination.

Keywords: Agricultural fuel consumers, energy resources, Iran, targeted fuel subsidies law