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KHAZANAH MEGATRENDS FORUM

JOMO: ENCOURAGE MORE USE OF RENEWABLE ENERGY

Fuel subsidies are major distortion to markets, says economist



KUALA LUMPUR

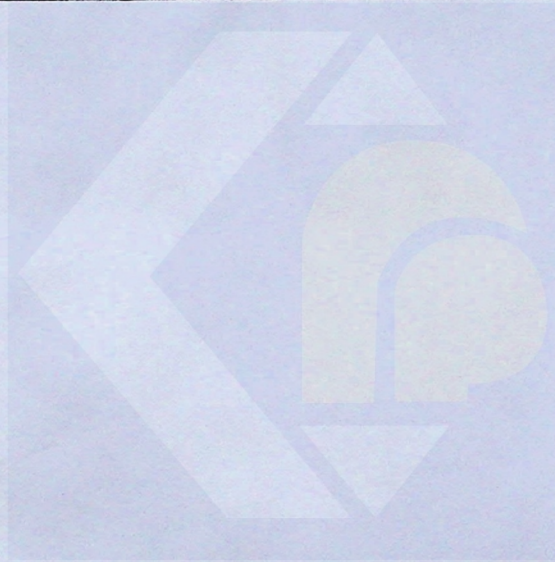
THE government should reconsider its fuel subsidy plan and encourage more use of renewable energy instead.

Economist and former Council of Eminent Persons member Dr Jomo Kwame Sundaram said fuel subsidies were a major distortion to the markets.

"The government has been trying to reduce this subsidy. Fuel subsidies in all countries basically benefit the middle-class group more than the low-income group," he said on the sidelines of the Khazanah Megatrends Forum 2019, here, yesterday.

Jomo said the government should rethink who would benefit the most before subsidising the rakyat.

"We have to get away from fuel dependence. Malaysia has one of





Economist and former Council of Eminent Persons member Dr Jomo Kwame Sundaram (inset) says fuel subsidies should be progressively redistributed to help those in need. PIX BY MUHD ZAABA ZAKERIA, MOHAMAD SHAHRIL BADRI SAALI

the highest car ownerships in the world. Subsidies must be directed towards helping people who are really worst off.

"Subsidies should be progressively redistributed to help those in need."

The government on Monday announced the targeted fuel subsidy initiative to replace the existing RON95 fuel subsidy, and will gradually float the RON95 price from Jan 1 next year.

Domestic Trade and Consumerism Minister Datuk Seri

Saifuddin Nasution had said only Bantuan Sara Hidup recipients were qualified for the subsidy and gave assurances that the move to lift the petrol subsidy would not burden the people.

Jomo said the government should look into other development opportunities, including the use of biodiesel.

"The government is committed to increasing the use of renewable energy and that should be the priority," he said.

The government is expected to

save RM1.26 billion in electricity tariffs following the cancellation of four independent power producers' (IPP) projects in July last year.

"When IPPs are given to companies, many still generate electricity using diesel but now they are using coals, which is going backwards.

"Most of the coal are not clean and a lot of sulphites will be emitted into the atmosphere and affect the health of the people," said Jomo.