

Clean energy, saving measures key to gasoline crisis



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INTERVIEW

Iran has long struggled with excessive and unregulated fuel consumption, especially gasoline, which is further complicated by an illogical pricing system. In the early days of President Masoud Pezeshkian's administration in this August, government officials proposed plans to reform fuel consumption and pricing, igniting widespread discussion.

However, experts contend that rising gasoline prices, considering the high fuel consumption of domestic vehicles, would not benefit citizens and vehicle owners, as it would impose economic pressure on the general public.

Experience has demonstrated that an increase in gasoline prices creates a ripple effect on the overall pricing of goods in Iran.

Consumption higher than standards

In an interview with Iran Daily, Ramazanali Sangdovini, a member of the Iranian Parliament Committee on Energy, discussed the government's perspective on fuel consumption reform. He stated, "One reason the government is focusing on gasoline consumption is that, despite our high production capacity, we still need to import gasoline due to our excessive consumption."

According to Sangdovini, "Daily gasoline consumption is approximately 120 to 140 million liters, which is an excessive amount and does not align with global standards. Despite our efforts to increase production, we still face a fuel shortage."

He added, "This high fuel consumption is not unfounded. Many vehicles used in Iran, mostly produced by domestic automakers, consume a significant amount of fuel. On average, these vehicles consume between 10 to 15 liters of fuel per 100 kilometers. We need to revamp our automotive industry and phase out vehicles with such high fuel consumption, which is currently around 15 liters per 100 kilometers."

Sangdovini noted, "Considering that half of Iran's population owns a vehicle, and some individuals own multiple vehicles, this has driven up gasoline consumption in the country."

No alternative to optimizing energy consumption

According to a report from the Parliament's Research Center, Iran's gasoline consumption has surged by 265% over the past 30 years. In contrast, countries such as Turkey, Germany, and France have seen a decline in gasoline consumption during the same period and have successfully managed to control their usage. In Europe, this has even resulted in the closure of several refineries.



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Sangdovini stated, "The government must find a solution to optimize gasoline consumption in the country, which is also a priority in the Seventh Development Plan."

Alternative fuels to gasoline

According to the Research Center's statistics, the average fuel consumption of vehicles in Iran is nearly three times the global standard. While domestic vehicles should consume 4 liters of gasoline per 100 kilometers, they currently consume 10 to 12 liters. Therefore, if the high fuel consumption of domestic vehicles is addressed and citizens have the option to choose between fuel-efficient and fuel-inefficient vehicles, it's possible that there will be no need for gasoline imports and high currency expenditure in this area.

Many countries are currently decreasing the production and use of gasoline-powered vehicles to align with environmental goals while promoting hybrid and electric vehicles instead. Although the production and importation of electric vehicles in Iran remain in their infancy, utilizing fuel-efficient vehicles and alternative fuels can aid in reducing gasoline consumption in the country.

In an interview with Iran Daily, Reza Sepahvand, another member of the Energy Committee discussed the country's gasoline consumption. He explained, "According to the latest report on gasoline imports (from September this year), the country's gasoline imports

have reached 4.5 million liters per day, which is a high figure and results in significant currency outflow."

Sepahvand emphasized that gasoline consumption in the country must be optimized, stating, "On the other hand, we need to incorporate alternative fuels like LPG (Liquefied Petroleum Gas), and CNG (Compressed natural gas) into the country's fuel cycle and use them to meet our fuel needs."

He added that by expanding the use of LPG to meet the country's fuel needs, Iran's need for gasoline imports will be completely eliminated, and we can even become a gasoline exporter to other countries.

Sepahvand highlighted the benefits of LPG consumption, saying, "LPG is a clean fuel with very low pollution levels, and increasing its consumption in vehicles and other sectors can help reduce air pollution in the country's major cities."

Iran's gasoline among cheapest in world

One of the reasons why fuel price reform is being considered is the low price of gasoline in Iran. Global statistics and comparisons of gasoline prices in Iran and other countries indicate that Iran offers the lowest-priced gasoline in the world, with the price of one liter of gasoline in neighboring countries sometimes reaching up to 40 times the price of this product in Iran.

For example, the price of gasoline in Saudi Arabia, the largest oil producer in the world, is around 20 times higher than in Iran. However, it's worth noting that the price of gasoline should be calculated in proportion to the average income of the middle class in each country. In Iran, the gov-

ernment has been trying to control the price of gasoline to prevent economic pressure on the population.

For several years, the government has been implementing a strategy to keep gasoline prices below their actual value by introducing a rationing system and setting a dual pricing mechanism for gasoline, comprising a subsidized and a free-market rate. While the rationing of gasoline and the dual-pricing system have been measures aimed at supporting consumers, they have also had negative consequences, including an increase in fuel smuggling.

As of October 2023, gasoline prices in Iran are subsidized and remain relatively low compared to global prices. The government, which controls one of the world's largest oil and gas reserves, sells gasoline at extremely low, subsidized prices, charging less than 10 US cents per gallon, or about 15,000 rials (less than 3 cents) per liter, while neighboring oil-producers have much higher prices, in line with international market rates. Second only to Venezuela, Iran has the world's cheapest gasoline price.

Under a plan announced in 2023, about 70% of citizens can receive 30 liters of gasoline per refueling session in small towns and 40 liters in large cities.

It has been approximately five years since the last price adjustment, during which time inflation has risen and the prices of other goods have increased, but the price of gasoline in Iran has remained constant. According to experts, the stagnation of gasoline prices, despite the increase in prices of other goods, and the significant price differential with neighboring countries, has contributed to the rise in



Ramazanali Sangdovini



Reza Sepahvand

gasoline smuggling in the country. "Instead of increasing the price of gasoline, we should focus on finding alternatives to fuel or improving fuel efficiency in vehicles. However, we also need to find a solution to the current dual-pricing system for gasoline to prevent smuggling. In reality, we should continue to provide subsidized gasoline to citizens at the current price, but find a solution for the portion of gasoline that is sold as free-market gasoline at gas stations, which is smuggled out of the country in large quantities," Sepahvand said.

He added, currently, free-market gasoline is being smuggled into Pakistan and Afghanistan. In my opinion, this portion of gasoline should be sold at the FOB (Free On Board) price of the Persian Gulf, which currently exceeds 55 cents per liter.

FOB is a commercial term that refers to the price of a product at the point of delivery to the ship. It is the lowest price of a product and is not exclusive to the Persian Gulf, but is also used in many international trade ports around the world.

Sepahvand continued, "In addition, we should import fuel-efficient vehicles or modify our domestic car production lines to produce fuel-efficient vehicles, so that the issue of gasoline can be gradually resolved. In my opinion, the issue of fuel and gasoline can be easily resolved without the need for sudden price increases, as long as the government allocates a year for these reforms and designs the right plans. This way, we won't need to increase prices or import large quantities of gasoline, and at the same time, fuel consumption will decrease and the country will generate revenue from exports."

