

ABSTRACT

Diesel cars take up a growing share of the passenger car market. In addition to improved diesel technology, diesel has been 'promoted' by Indian fiscal policy because excises on diesel fuel are lower. This has sparked a debate on the environmental consequences of the shift to diesel. In this paper we examine whether diesels are better than petrol cars taking into account the underlying uncertainties and assumptions about their environmental effects.

Although diesels emit less greenhouse gasses there are serious concerns about the public health effects of their PM emissions. The central question is therefore which pollutants are more important. I have examined the sales for different automobile manufacturers of India, using their data for production cost, vehicular cost and distribution cost. I have analysed the specified pollutant emissions for CO, NOx and PM. Using the information on different vehicular norms enforced by Government of India over the period for 2000-2010. I have examined the effects of these norms on the production cost of automobiles and concluded that under stringent norms, production expenses increased for all the manufacturers as they had to switch or adopt better technologies that were more environment friendly and emitted less pollutants.