

09 October 2026 · UPSC CSE

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1. Airshed-Based Approach to India's Air Quality Crisis

GS-III · Prelims + Mains · Airshed approach to air quality · Indian Express

Syllabus — Conservation, environmental pollution and degradation, environmental impact assessment

Prelims — Environment and Ecology – air pollution, NCAP, SAFAR



To combat pollution, we need to cast a wider net, go beyond the city

THE COUNTRY has been witnessing rapidly evolving dynamics over multiple three-month recent weeks. While much of the public discourse has been dominated by Election Commission-related developments, it was particularly gratifying to hear a minister in Delhi make a scientifically important observation. "PM10 does not travel as far as PM2.5, so the construction contributes far less to pollution than vehicular emissions." This is the kind of scientific understanding I have long wished to hear from policymakers and authorities. Nearly a decade ago, while presenting the SAFAR (System of Air Quality and Weather Forecasting and Research), India's first air-quality forecasting framework's findings under the MoES, I reported that the transport sector was a major contributor to Delhi's toxic pollution, accounting for around 40 per cent of PM2.5 emissions. At the time, the finding was uncomfortable. It provoked strong resistance, even a backlash. Although it was clear that PM2.5 was the most harmful to our health, we continued to devote disproportionate attention and resources to the second- or third-tier contributors, especially dust, because the National Clean Air Programme's (NCAP) metric gauges funding, assessing performance and mitigation progress by percentage reduction in PM10, where dust is a major contributor. This inevitably shaped pollution-control priorities. It is encouraging to see scientific understanding of Delhi's pollution sources gradually finding greater acceptance in policy discourse, though the road ahead remains long.

While Delhi begins work on its Winter Action Plan — narrow road-sweeping machines, doubling parking charges, work-from-home provisions under GRAP — nature may have a plan of its own. One of the biggest factors shaping Delhi's winter air quality will be "Super El Niño", an exceptionally strong event of the century. It has already influenced India's monsoon, which ended with a 13 per cent rainfall deficit, the highest in a decade. Delhi defied the national trend, recording a 17 per cent surplus. This raises a question: If ENSO's larger dynamics originate from the Pacific Ocean, why should it matter for Delhi's winter air quality, a regional phenomenon? While a Super El Niño does not generate an air pollution source, it can act as a villain by "weather trapping" in several ways. First, it can dramatically reduce wind speed over north India, as a recent study by this author at the National Institute of Advanced Studies (NIAS) found. This prevents dispersion of fine particulates — PM2.5 emitted from stubble burning, vehicular transport, biofuel, and open waste burning — thereby compounding emissions for a prolonged period and leading to repeated severe-to-extreme pollution episodes. Two, in all probability, western disturbances (WDs) will be almost absent as El Niño becomes severe. The WDs bring rain in Delhi to wash away pollutants intermittently. The city suffers most prolonged accumulation of pollution without a break. Third, under the influence of this super event, winter is likely to be milder in northern India. A combination of milder daytime temperatures and nighttime cooling under stagnant conditions may lower the surface inversion layer. This can restrict vertical mixing and prevent pollutants from dispersing, causing them to accumulate in a shallow layer near the ground. As a result, pollutant concentrations can rise sharply.

GUFRAN BEIG

This calls for science-based simultaneous action across the short, medium and long term. The first and most difficult step is to move decisively from a city-centric to an airshed-based approach

Places in Punjab and Haryana experienced severe recent rainfall deficits, reaching as high as 23–40 per cent. Some early monsoon rains, however, enabled early paddy sowing — meaning, harvesting could begin as early as the first week of October. Recent research, reinforced by conversations with farmers during a recent visit to Amritsar, suggests that stubble burning has indeed shifted from morning to evening, MODIS-based fire detection, which authorities rely on heavily, may miss a significant share of these fires. We should not repeat last year's blind spot — when underscounting from related underestimating the very purpose of mitigation. However, how the rainfall deficit affected the rice crop and, consequently, stubble burning, remains to be seen.

The festive season when fire-cracker use is said to arrive in the first week of November this year, when winter conditions are already firmly established, and stubble burning is expected to be at its peak. Without suitable alternatives, farmers may resort to the fastest matchbox methodology. Historically, November 1-10 has been Delhi's most challenging pollution period in the last decade. The pattern is likely to return with greater intensity this year, as El Niño–driven weaker-than-usual winds may create a perfect atmospheric trap, allowing emissions from multiple sources to accumulate rapidly over the region. But there is an opportunity. Curbing additional emission sources at least during this critical window could spare Delhi the worst of its pollution.

India's air-quality challenge, particularly across the Indo-Gangetic Region and Delhi, is becoming increasingly complex as climate change amplifies natural drivers of pollution. It is a double whammy. Worsening emissions compounded by extreme weather events and a changing climate. This calls for science-based simultaneous action across the short, medium and long term, not just the short term. The first and most difficult step is to move decisively from a city-centric to an airshed-based approach. The pathway is outlined in an oceanographic, NARI (National Air Quality Resource Framework of India), a project developed by NIAS under the auspices of the Office of the Principal Scientific Adviser to the Government of India. Where the rail airshed is too vast for practical implementation, a satellite airshed could provide an operational alternative. What is needed now is not another incremental measure, but a firm commitment to airshed-based, science-driven air-quality management.

The writer is chair professor, National Institute of Advanced Studies, IISc campus, and founder project director, SAFAR

The Indian EXPRESS Fri, 09 October 2026 https://epaper.indianexpress.com/c/81245519

WHY IN NEWS

In his 9 October 2026 article, Gufran Beig argues that Delhi's city-focused pollution measures need an airshed-based response. He warns that strong El Niño conditions could aggravate winter pollution and reports earlier paddy harvesting and a shift towards evening stubble burning in Punjab and Haryana.

Why City-Centric Approaches Fall Short

- **PM10** is the metric used by the **National Clean Air Programme (NCAP)** to assess and fund pollution mitigation, but **PM2.5** is the more harmful pollutant — this mismatch has diverted resources toward secondary contributors like dust rather than primary drivers like vehicular emissions.
- Research presented under the SAFAR (System of Air Quality and Weather Forecasting and Research) framework found the transport sector contributes about 40 per cent of Delhi's PM2.5 emissions, yet this finding faced institutional resistance for years.
- The author argues that Delhi's city-level measures, such as road sweeping, parking charges and work-from-home, are insufficient without coordinated regional emission control. Delhi's Winter Action Plan and the CAQM's Graded Response Action Plan (GRAP) are distinct policy instruments.
- **MODIS-based fire detection**, relied upon heavily by authorities, likely misses a significant share of actual stubble fires, creating a blind spot in mitigation targeting.

How Super El Niño Worsens Delhi's Pollution

- The author links the strong El Niño episode to a deficient monsoon and risks to winter pollution. National monsoon rainfall ended about 13% below normal; the article reports a 17% surplus for Delhi. These national and local rainfall outcomes should not be conflated.
- The author anticipates fewer western disturbances and reduced rain-driven removal of pollution under the prevailing conditions. This is a forecast for the season, rather than a universal rule that El Niño eliminates western disturbances.
- Milder daytime temperatures and stagnant nighttime conditions lower the **surface inversion layer**, restricting vertical mixing and trapping PM2.5 close to the ground.
- Weaker-than-usual winds allow emissions from multiple regional sources — stubble burning, vehicular exhaust, biofuel, open waste burning — to accumulate rapidly across the Indo-Gangetic Region, compounding pollution for prolonged periods.

Stubble Burning: Shifting Patterns and Undercounting

- Punjab and Haryana experienced severe monsoon rainfall deficits of 23–40 per cent, but early rains enabled early paddy sowing, pushing harvest — and therefore stubble burning — as early as the first week of October.

- Farmer conversations suggest **stubble burning has shifted from morning to evening hours**, a timing that satellite fire-detection systems are less equipped to capture accurately.
- The **festive season firecracker use** in early November coincides with peak stubble burning, established winter inversion conditions, and the historically most challenging pollution window — historically **November 5–10**.
- Without viable alternatives to burning, farmers resort to the fastest method; the article warns that undercounting fires risks undermining the very purpose of mitigation policy.

The Airshed Approach: What It Requires

- An **airshed** treats a contiguous air basin — regardless of administrative boundaries — as the unit of management, requiring coordinated action across states and districts rather than within a single city.
- **NARFI (National Air Quality Resource Framework of India)**, developed by NIAS under the auspices of the **Office of the Principal Scientific Adviser to the Government of India**, outlines the pathway to airshed-based governance.
- Where a full airshed is too large for operational implementation, a **satellite airshed** — a sub-unit — can serve as a practical alternative for phased rollout.
- The argument is not for another incremental measure but for **science-based, simultaneous action across short, medium, and long timeframes**, addressing both worsening emissions and the climate-amplified natural drivers of pollution.
- Climate change is identified as a **double whammy**: it worsens extreme weather events that trap pollution while simultaneously amplifying natural drivers, making city-scale responses structurally obsolete.

HIGH-YIELD FACTS

- **SAFAR full form** — System of Air Quality and Weather Forecasting and Research — India's first air-quality forecasting framework, developed under the Ministry of Earth Sciences (MoES)
- **NCAP metric** — National Clean Air Programme gauges funding and progress by percentage reduction in PM10, not PM2.5
- Transport share of Delhi PM2.5 - The article cites an approximately 40% contribution in a SAFAR emissions inventory; the figure is study-specific, not a constant daily pollution share.
- **NARFI** — National Air Quality Resource Framework of India — a monograph developed by NIAS (National Institute of Advanced Studies, IISc campus) under the Office of the Principal Scientific Adviser to the Government of India
- **NIAS location** — National Institute of Advanced Studies is located on the IISc campus, Bengaluru
- **MODIS** — Moderate Resolution Imaging Spectroradiometer — satellite-based fire detection tool used by Indian authorities to track stubble burning incidents
- Pollution window - The author identifies November 5-10 as historically difficult for Delhi; pollution episodes vary with emissions and weather.
- GRAP - Graded Response Action Plan, a tiered CAQM response for Delhi-NCR based on observed and forecast air quality. It is not confined to a fixed winter-only activation period.

VALUE ADDITION

DATA YOU CAN QUOTE

Punjab-Haryana monsoon deficits - The article reports deficits ranging from 23% to 40% during the 2026 monsoon.

National monsoon rainfall deficit — 13 per cent below normal, 2026 — highest in a decade

REPORTS, BODIES AND INSTRUMENTS

National Clean Air Programme (NCAP) — Ministry of Environment, Forest and Climate Change

NARFI (National Air Quality Resource Framework of India) — National Institute of Advanced Studies, under Office of the Principal Scientific Adviser to the Government of India

Graded Response Action Plan (GRAP) — Commission for Air Quality Management in NCR and Adjoining Areas (CAQM)

EXAMPLES FOR THE ANSWER

California's South Coast Air Quality Management District manages pollution at the airshed level across multiple counties, illustrating how administrative boundaries must yield to atmospheric realities — applicable when comparing transboundary pollution governance models.

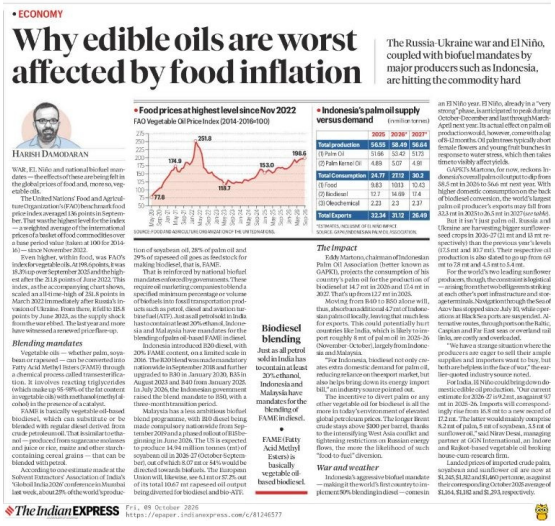
Airshed management illustrates why pollution governance needs coordination beyond municipal boundaries, alongside targeted action within individual cities.

2. Edible Oil Inflation: Biofuel Mandates, War and El Niño

GS-III · Prelims + Mains · Edible oil prices and biofuel mandates · Indian Express

Syllabus — Food processing and related industries in India- scope and significance, location, upstream and downstream requirements, supply chain management

Prelims — Economy — Commodities, Food Inflation, Biofuels



• ECONOMY

Why edible oils are worst affected by food inflation

The Russia-Ukraine war and El Niño, coupled with biofuel mandates by major producers such as Indonesia, are hitting the commodity hard

HARISH DAMODARAN

• Food prices at highest level since Nov 2022

FAO Vegetable Oil Price Index (2014-2016=100)

• Indonesia's palm oil supply versus demand (million tonnes)

	2025	2026*	2027*
Total production	56.55	58.49	56.64
(1) Palm Oil	51.66	53.42	51.72
(2) Palm Kernel Oil	4.89	5.07	4.91
Total Consumption	24.77	27.12	30.2
(1) Food	9.83	10.13	10.43
(2) Biodiesel	12.7	14.69	17.4
(3) Oleochemical	2.23	2.3	2.37
Total Exports	32.34	31.12	26.49

*ESTIMATES, INCLUSIVE OF 11 MILLION TONNES OF BIODIESEL BLENDING MANDATE IN INDIA. SOURCE: GAPKI/INDONESIAN PALM OIL ASSOCIATION

SOURCE: FOOD AND AGRICULTURE ORGANISATION OF THE UNITED NATIONS

HARISH DAMODARAN

WAR, EL Niño and national biofuel mandates — the effects of these are being felt in the global prices of food and, more so, vegetable oils.

The United Nations' Food and Agriculture Organization's (FAO) benchmark food price index averaged 198.6 points in September. That was the highest level for the index — a weighted average of the international prices of a basket of food commodities over a base period value (taken at 100 for 2014-16) — since November 2022.

Even higher, within food, was FAO's index for vegetable oils. At 198.9 points, it was 18.3% up over September 2025 and the highest after the 214.8 points of June 2022. This index, as the accompanying chart shows, scaled an all-time-high of 251.8 points in March 2022 immediately after Russia's invasion of Ukraine. From there, it fell to 118.8 points by June 2023, as the supply shock from the war ebbed. The last year and more have witnessed a renewed price flare-up.

Blending mandates

Vegetable oils — whether palm, soybean or rapeseed — can be converted into Fatty Acid Methyl Esters (FAME) through a chemical process called transesterification. It involves reacting triglycerides (which make up 95-98% of the fat content in vegetable oils) with methanol (methyl alcohol) in the presence of a catalyst.

FAME is basically vegetable oil-based biodiesel, which can substitute or be blended with regular diesel derived from crude petroleum oil. That is similar to ethanol — produced from sugarcane molasses and juice or rice, maize and other starch-containing cereal grains — that can be blended with petrol.

According to one estimate made at the Solvent Extractors' Association of India's 'Global India 2026' conference in Mumbai last week, about 28% of the world's production of soybean oil, 28% of palm oil and 29% of rapeseed oil goes as feedstock for making biodiesel, that is, FAME.

That is reinforced by national biofuel mandates enforced by governments. These require oil marketing companies to blend a specified minimum percentage or volume of biodiesels into fossil transportation products such as petrol, diesel and aviation turbine fuel (ATF). Just as oil-petrol-ethanol in India has to contain at least 20% ethanol, Indonesia and Malaysia have mandates for the blending of palm oil-based FAME in diesel.

Indonesia introduced B20 diesel, with 20% FAME content, on a limited scale in 2016. The B20 blend was then made mandatory nationwide in September 2018 and further upgraded to B30 in January 2020, B35 in August 2023 and B40 from January 2025. In July 2026, the Indonesian government raised the biodiesel mandate to B50, with a three-month transition period.

Malaysia has a less ambitious biofuel blend programme, with B10 diesel being made compulsory nationwide from September 2019 and a phased rollout of B15 biodiesel in June 2026. The US is expected to produce 14.94 million tonnes (mt) of soybean oil in 2026-27 (October-September), out of which 8.57 mt or 54% would be directed towards biofuels. The European Union will, likewise, see 6.1 mt or 57.2% out of its total 10.67 mt rapeseed oil output being diverted for biodiesel and bio-ATF.

Biodiesel blending

Just as all petrol sold in India has to contain at least 20% ethanol, Indonesia and Malaysia have mandates for the blending of FAME in diesel.

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FAME (Fatty Acid Methyl Esters) is basically vegetable oil-based biodiesel.

The Impact

Eddy Martono, chairman of Indonesian Palm Oil Association (better known as GAPKI), projects the consumption of his country's palm oil for the production of biodiesel at 14.7 mt in 2026 and 17.4 mt in 2027. That's up from 12.7 mt in 2025.

Moving from B40 to B50 alone will, thus, absorb an additional 4.7 mt of Indonesian palm oil locally, leaving that much less for exports. This could potentially hurt countries like India, which is likely to import roughly 8 mt of palm oil in 2025-26 (November-October), largely from Indonesia and Malaysia.

"For Indonesia, biodiesel not only creates extra domestic demand for palm oil, reducing reliance on the export market, but also helps bring down its energy import bill," an industry source pointed out.

The incentive to divert palm or any other vegetable oil for biodiesel is all the more in today's environment of elevated global petroleum prices. The longer Brent crude stays above $100 per barrel, thanks to the intensifying West Asia conflict and tightening restrictions on Russian energy flows, the more the likelihood of such "food-to-fuel" diversion.

War and weather

Indonesia's aggressive biofuel mandate — making it the world's first country to implement 50% blending in diesel — comes in an El Niño year. El Niño, already in a "very strong" phase, is anticipated to peak during October-December and last through March-April next year. Its actual effect on palm oil production would, however, come with a lag of 8-12 months. Oil palm trees typically abort female flowers and young fruit bunches in response to water stress, which then takes three to visibly affect yields.

GAPKI's Martono, for now, reckons Indonesia's overall palm oil output to dip from 58.5 mt in 2026 to 56.6 mt next year. With higher domestic consumption on the back of biodiesel conversion, the world's largest palm oil producer's exports may fall from 33.3 mt in 2025 to 26.5 mt in 2027 (see table).

But it isn't just palm oil. Russia and Ukraine are harvesting bigger sunflowerseed crops in 2026-27 (21 mt and 18 mt respectively) than the previous year's levels (17.5 mt and 16.7 mt). Their respective oil production is also slated to go up from 6.9 mt to 7.8 mt and 4.5 mt to 5.4 mt.

For the world's two leading sunflower producers, though, the constraint is logistical — arising from the two belligerents striking at each other's port infrastructure and strategic terminals. Navigation through the Sea of Azov has stopped since July 10, while operations at Black Sea ports are suspended. Alternative routes, through ports on the Baltic, Caspian and Far East seas or overland rail links, are costly and overloaded.

"We have a strange situation where the producers are eager to sell their ample supplies and importers want to buy, but both are helpless in the face of war," the earlier-quoted industry source noted.

For India, El Niño could bring down domestic edible oil production. Our current estimate for 2026-27 is 9.2 mt, as against 9.7 mt in 2025-26. Imports will correspondingly rise from 16.8 mt to a new record of 17.2 mt. The latter would mainly comprise 8.2 mt of palm, 5 mt of soybean, 3.5 mt of sunflower oil," said Nitin Desai, managing partner at CGN International, an Indore and Rajkot-based vegetable oil broking house-cum-research firm.

Landed prices of imported crude palm, soybean and sunflower oil are now at $1,345, $1,182 and $1,460 per tonne, as against $1,164, $1,182 and $1,293, respectively.

The Indian EXPRESS Fri, 09 October 2026 https://epaper.indianexpress.com/c/81246577

WHY IN NEWS

The FAO Vegetable Oil Price Index averaged 198.6 points in September 2026, up 18.3% year on year. The article connects edible-oil price pressures with biofuel demand, conflict-related logistics and climate risks, including Indonesia's B50 biodiesel programme introduced in July 2026.

What Is Driving the Price Surge

- The FAO Vegetable Oil Price Index averaged 198.6 points in September 2026, up 18.3% over the previous year and the highest since November 2022.
- The index had peaked at 251.8 points in March 2022 immediately after Russia's invasion of Ukraine, then fell to 118.7 by June 2023 as the supply shock receded; it is now rising again.
- The article expects the strong El Niño episode to peak during October-December 2026 and persist into March-April 2027. It reports that effects on palm-oil yields may emerge after a lag of 8-12 months.
- The article reports conflict-related restrictions on Sea of Azov navigation from July 10 and disruption at Black Sea ports, increasing reliance on costlier Baltic, Caspian and Far East routes.

How Biofuel Mandates Redirect Palm Oil

- Vegetable oils are converted into **Fatty Acid Methyl Esters (FAME)** — vegetable oil-based biodiesel — via transesterification, a chemical process using methanol and a catalyst.
- Indonesia moved from B20 (2018) to B30 (2020), B35 (2023), B40 (January 2025) and then B50 in July 2026, with a three-month transition period; the programme requires a 50% biodiesel blend in diesel.
- Indonesia's biodiesel consumption of palm oil is projected to rise from 12.7 mt in 2025 to 14.7 mt in 2026 and 17.4 mt in 2027, absorbing an additional 4.7 mt of domestic supply that would otherwise be available for food and export.
- Malaysia operates a B10 mandate (compulsory since September 2019) with a phased B15 rollout from June 2026; the EU is expected to divert 57.2% of its rapeseed oil output to biodiesel and bio-ATF in 2026–27.

- Ethanol is blended into petrol under India's E20 programme. FAME is biodiesel blended into diesel; it is not the ethanol component of petrol. Indonesia and Malaysia's palm-oil biodiesel mandates directly affect edible-oil availability.

Metric	2025	2026*	2027*
Indonesia palm oil total production (mt)	51.66	53.42	51.73
Biodiesel consumption (mt)	12.7	14.69	17.4
Total exports (mt)	32.34	31.12	26.49

Source: GAPKI estimates reproduced in the supplied article. 2026 and 2027 figures are estimates, inclusive of El Niño effects. Production row covers palm oil; the source export total also includes palm-kernel oil.

India's Exposure as a Large Importer

- India imports roughly 8 mt of palm oil annually during November–October, largely from Indonesia and Malaysia, making it highly sensitive to any diversion of supply toward biofuels.
- El Niño could depress **domestic edible oil production** to an estimated 9.2 mt in 2026–27, down from 9.7 mt in 2025–26, widening the import gap.
- Imports are projected to rise from 16.8 mt to a record 17.2 mt in 2026–27, comprising mainly palm oil, soyabean oil and sunflower oil.
- Landed prices of imported crude palm, soyabean and sunflower oils are now at $1,245, $1,312 and $1,460 per tonne respectively, against October 2025 averages of $1,164, $1,182 and $1,293 — a pass-through risk for retail consumers.

Sunflower Oil: The War Channel

- Russia and Ukraine together are harvesting bigger **sunflower-seed crops** in 2026–27 — 21 mt and 13 mt respectively — yet their oil production is constrained by logistics, not yield.
- The two belligerents striking each other's port infrastructure and storage terminals forces trade through longer, costlier alternative routes, keeping **sunflower oil prices** elevated despite adequate crop output.
- Russia's and Ukraine's sunflower oil production is expected to rise to 7.8 mt and 4.5 mt respectively, but export availability remains uncertain given the ongoing conflict.

What Could Ease or Worsen the Pressure

- **Brent crude above $100 per barrel**, driven by the West Asia conflict and tightening restrictions on Russian energy flows, makes the economics of 'food-to-fuel' diversion even more attractive for producer governments.
- Indonesia's palm oil **export earnings risk** falling if domestic biodiesel absorption continues to rise; GAPKI estimates exports may drop from 32.3 mt (2025) to 26.5 mt by 2027, which would paradoxically tighten global supply further.
- For India, diversifying import sources, accelerating the National Mission on Edible Oils–Oil Palm, and building **strategic buffer stocks** of edible oils are the near-term policy levers; none addresses the structural biofuel-mandate pressure from producer nations.

HIGH-YIELD FACTS

- **FAO Vegetable Oil Price Index base period** — 2014–2016 = 100
- **All-time high of FAO Veg Oil Index** — 251.8 points, March 2022, immediately after Russia's invasion of Ukraine
- **FAME full form** — Fatty Acid Methyl Esters — vegetable oil-based biodiesel produced via transesterification
- **Indonesia blend mandate (July 2026)** — B50 — 50% biodiesel blend in diesel, world's first country at this level
- India's E20 programme - Petrol blended with 20% ethanol; distinct from biodiesel blending in diesel.
- **GAPKI full form** — Indonesian Palm Oil Association (Gabungan Pengusaha Kelapa Sawit Indonesia)
- El Niño and palm-oil yields - The article reports an 8-12 month lag between climate stress and production effects.
- **Solvent Extractors' Association conference** — 'Globoil India 2026' held in Mumbai; estimated ~25% of world vegetable oil production goes to biofuel feedstock

VALUE ADDITION

DATA YOU CAN QUOTE

Indonesia palm oil exports projected fall — 32.3 mt (2025) to 26.5 mt (2027), per GAPKI estimates inclusive of El Niño impact

India edible oil imports forecast — Record 17.2 mt in 2026–27, up from 16.8 mt in 2025–26

EU rapeseed oil diverted to biofuel - The article estimates 57.2% of 10.67 mt of rapeseed oil output in 2026-27 will be used for biodiesel and bio-ATF.

Share of world veg oil going to biofuel — ~25%, per Solvent Extractors' Association estimate at Globoil India 2026

REPORTS, BODIES AND INSTRUMENTS

FAO Food Price Index — Food and Agriculture Organization of the United Nations (monthly)

National Mission on Edible Oils – Oil Palm (NMEO-OP), Ministry of Agriculture & Farmers Welfare, Government of India

EXAMPLES FOR THE ANSWER

Indonesia's escalating palm oil blend mandates (B20→B50) illustrate the 'food vs fuel' trade-off, a concept applicable in answers on biofuel policy, food security and commodity price volatility.

The 2022 Ukraine-war spike in the FAO Vegetable Oil Index (to 251.8) is a cited precedent for how geopolitical shocks in grain-and-oilseed corridors transmit into global food inflation, usable in questions on energy security's intersection with food security.

The article uses delayed impacts of El Niño on palm-oil production to illustrate how climate variability can affect commodity supplies beyond the immediate weather event.

3. 57th GST Council: Arrest and Refund Reforms Recommended

GS-II · Prelims + Mains · GST Council process reforms 2026 · Indian Express

Syllabus — Issues and challenges pertaining to the federal structure, devolution of powers and finances up to local levels and challenges therein

Prelims — Polity and Governance — Goods and Services Tax, indirect taxation

NEED GST PROCESSES WHERE BUSINESSES ARE 'TRUSTED': FM

Taxman's pre-prosecution arrest powers taken away

Conditions tightened to intercept goods moving across states

Aanchal Magazine & Siddharth Upasani
New Delhi, October 8

IN A bid to boost business sentiment, the Goods and Services Tax (GST) Council on Thursday approved sweeping process reforms, ranging from the removal of arrest powers from tax officers at the pre-prosecution stage to a minimum threshold of Rs 10,000 being put in place for issuance of show-cause notices effective retrospectively.

Union Finance Minister Nirmala Sitharaman said the processes must be such that businesses are "trusted", and that these are not "too intrusive".



Union Finance Minister Nirmala Sitharaman at the GST Council Meeting in Delhi Thursday. ANI

In another big move, the Council has ruled that vehicles carrying goods can only be stopped by tax officers from either the state of the supplier

»CONTINUED ON PAGE 2

EXPLAINED

'99% issues' resolved, door still open

Thursday's GST process reforms follow September 2025's sweeping cuts in indirect tax rates on goods and services. And while Finance Minister Nirmala Sitharaman said that they address "99% of issues" related to GST, the "door" for further changes "isn't closed".

The Indian EXPRESS Fri, 09 October 2026 https://epaper.indianexpress.com/c/8

[FROM PAGE 1 | FULL REPORTS ON WWW.INDIANEXPRESS.COM]

GST

or the recipient, and only on the basis of "specific intelligence" and due authorisation.

The Council recommendations will come into force from April 1, 2027.

Explaining the Council's decisions, Sitharaman said the power to arrest has been taken away from tax officers, and only criminality should lead to prosecution.

"...This law itself provides for prosecuting people who have committed a criminal thing if you build a prima facie case. But, the tax officer, in anticipation of something, and thinking that he has got a case before him, which has got a criminality, cannot (make the) arrest. Build your prosecution up, then our own (GST) law gives the provision for prosecuting. Take them to prosecution at that time," she told reporters after the conclusion of the 57th meeting of the GST Council.

Last Sunday, *The Indian Express* reported that the Council may scrap the arrest powers under GST.

Prime Minister Narendra Modi welcomed the reforms announced Thursday, saying the recommendations on removal of arrest provisions, greater decriminalisation and simpler procedures will have a "very positive impact".

"The focus is clear: Faster decisions. Lower compliance costs. Automated refunds. Trust-based administration," Modi said in a post on X.

It is learnt that at the Council meeting, at least four states expressed reservations about the removal of the arrest powers, stating that it was an effective deterrence tool. However, after threadbare discussions which involved the Centre presenting its views on the proposal, states came on board "in the interest of honest taxpayers" against whom the arrest powers may have been used.

Observing that "every risk has a cost and arrest is also a risk", a senior official from the Ministry of Finance said, "That's why companies were incorporating the risk of an arrest in their investment calculus as that entails hiring lawyers and factoring in other relevant costs."

The Council's recommendations are the second half of the GST 2.0 reforms that were initiated in September 2025 with wide-ranging rate cuts that also saw the four-slab rate structure becoming 5% and 18% along with 40% for demerit goods. On Thursday, Sitharaman said "99% of issues have been addressed", be they related to GST rates or processes. But the "door" for further changes "isn't closed".

Aimed at decriminalisation, process reforms, compliance and ease of doing business, the decisions of the Council — it had gathered after a gap of 13 months — also raised the threshold for prosecution from Rs 1 crore to Rs 5 crore "with a view to further strengthening a progressive and trust-based tax regime, while retaining effective deterrence against fraud and evasion".

In another decision that was not part of the Council's agenda but an initiative by the Centre, Sitharaman said the government plans to introduce face-less tax assessment for Central GST taxpayers registered in multiple states. While 69.5 lakh taxpayers are exclusively under the jurisdiction of Central GST, about 2 lakh of them are under multiple CGST jurisdictions across states.

The framework for the same will be put up for consultation before the upcoming Budget with an eye on implementing it from April 1, 2027.

The Council has also recommended that the maximum general penalty be reduced from Rs 25,000 to Rs 10,000, with a lower penalty of 5% as well as removal of the condition of minimum penalty of Rs 10,000 in non-fraud cases.

Decisions were also taken to free up the money of businesses at a faster pace with the help of system-based processing and sanctioning of refund claims, with the Finance Minister saying that for most refunds, 90% of the claimed amount will be sanctioned automatically within three working days of the claim being acknowledged, down from seven days at present.

In another decision, the Council gave relief to taxpayers who file late, make mistakes, or fall behind on payments, saying that they will only face recovery, interest, and a proportionate penalty.

The ambit of refunds has also been widened to include input services under the inverted rate structure and capital goods. This step is expected to help free up more working capital for companies, including fast-moving consumer goods (FMCG) entities that deal with higher inverted duty refunds.

The refund of input tax credit (ITC) on capital goods will be spread over 60 months. While the change for capital goods will come into effect from April next year, that for input services can be availed from November 1, 2026, Sitharaman said.

No GST rate changes were discussed at the meeting, with the Finance Minister saying it is expected that any decision regarding rates will only occur annually going forward, with the September 2025 rationalisation exercise having done much of what was required. However, if anything does come up that requires attention, it will be taken up by the GST Council, she said.

An official said that state governments are not concerned by the revenue situation even after last year's GST rate cuts, which have led to the average rate declining to 10.84% from 11.4% in 2023.

On Thursday, the Council approved almost all the items on its agenda. However, two issues related to availing of ITC have been sent for examination to a Committee of Officers. While one issue relates to the claiming of ITC by a buyer when the tax has not been paid to the government by the supplier, the other is regarding the claiming of ITC against motor vehicles purchased by companies for business use.

The committee will have three months to submit its report, following which the GST Council will take a decision on them. Irrespective of the outcome of the officers' analysis, the recommendation of the Council on these two issues will also come into effect from April 2027, along with all the other recommendations that were made Thursday.

The Indian EXPRESS Fri, 09 October 2026 https://epaper.indianexpress.com/c/81245493

GST refund rules eased; arrest powers removed

The rate decisions will now come up before the Council only once a year and will be implemented from the start of the subsequent financial year, the Union Finance Minister said.

She noted that, beyond the GST Council, the Union government has decided to introduce a faceless assessment system for the Central GST system, similar to the one currently in place for income tax. A framework for this will be issued for public consultation before Budget 2027, and the system will be implemented during 2027-28.

"The process reforms have been driven by the principle of trust," Ms. Sitharaman said. "The businesses and taxpayers have to be trusted... and we shouldn't be too intrusive."

The GST Council has approved a system that will provide greater certainty about the documents required during registration. According to the government, 61% of taxpayers are granted automatic registration within three working days.

The upgraded system approved by the Council is expected to streamline the process for the remaining low-risk taxpayers by avoiding queries and rejections.

The new system will also incorporate a simplified registration mechanism for small taxpayers who provide supplies through e-commerce platforms, and it has also eased the process for amendments to and cancellations of registrations. This will now allow these small e-commerce sellers to register in a single State rather than in each State where they sell goods.

The Council has also said that goods moving between States can be inspected, detained or seized only by the officer of the supplier or destination State and not by any officer in between. Further, goods can now be intercepted only on the basis of "specific intelligence" and only with the authorisation of a Joint Commissioner-level officer.

"This prevents arbitrary checks by GST enforcement wings that affect the movement of goods from one State to another," Ms. Sitharaman said. "This would significantly improve the ease of movement of goods."

GST refund norms eased; officers lose arrest powers

99% of GST rate and process issues addressed, says Union Finance Minister after 57th meeting of the GST Council; measures likely to come into effect from April 1, 2027; rates remain unchanged

T.C.A. Sharad Raghavan
NEW DELHI

The Goods and Services Tax (GST) Council on Thursday took a slew of decisions in its 57th meeting here to enhance simplification, improve certainty in tax treatment, remove hold-dups in the processing of input tax credits, and ease the compliance burden on businesses, especially smaller ones.

The council also recommended removing arrest powers of GST officers and increasing the prosecution threshold from ₹1 crore to ₹5 crore.

The general penalty will also be reduced from ₹25,000 to ₹10,000.

"I can say that 99% of issues in GST relating to rates and processes have now been addressed," Nirmala Sitharaman, Union Finance Minister and Chairperson of the GST Council, said following the meeting.

"The door is not closed to further reforms, and those will be taken up as needed, but the bulk of them are now done," she added.

Apart from easing processes related to GST registration and availing of refunds and input tax credits, the council has also eased the litigation-related rules of the tax system, providing relief to small taxpayers. Ms. Sitharaman said that all the changes are expected to come into effect from April 1, 2027, and added that no GST rates were changed during this meeting.

CONTINUED ON » PAGE 12



WHY IN NEWS

The 57th GST Council met in New Delhi on 8 October 2026 and recommended process reforms covering arrest, prosecution, penalties, registration and refunds. Recommendations requiring legislation or rules are not automatically in force. Specific commencement dates depend on the relevant legal instruments.

What the Council Decided

- Arrest powers - The Council recommended removing section 69 of the CGST Act, which provides GST arrest powers.
- Prosecution threshold - The proposed monetary threshold rises from Rs 1 crore to Rs 5 crore. This is not a business-turnover threshold.
- Penalty reforms recommended: Maximum general penalty to be cut from ₹25,000 to ₹10,000; a lower penalty of 5% would apply in certain cases, and the minimum penalty of ₹10,000 in non-fraud cases would be removed.

- Show-cause notices - The Council recommended a Rs 10,000 tax-amount floor and corresponding relief for pending lower-value proceedings once the provision takes effect.
- Goods in transit - Proposed interception requires specific intelligence and Joint Commissioner-level authorisation. Normally, the supplier or recipient must be in the intercepting state; exceptions apply when there is no e-way bill or origin/destination documentation.

Refund and ITC Changes

- Refunds - Proposed risk-based automation includes 90% provisional refunds for zero-rated supplies and inverted-duty claims, with separate provisions for cash-ledger refunds.
- The scope of refunds is proposed to be widened to include input services under the inverted duty structure and capital goods, helping FMCG and other high-duty sectors free up working capital faster.
- The Council recommended spreading capital-goods ITC refunds over 60 months, for eligible credit availed from 1 April 2027. Inverted-duty input-service credit is proposed to qualify from 1 November 2026.
- The reform package seeks to distinguish ordinary non-compliance from fraud; prosecution liability must be assessed under the applicable law and the specific offence.

Registration and Compliance Simplification

- **Automated registration** is now available within three working days for low-risk taxpayers; 61% of taxpayers are already granted such automatic registration under the upgraded system.
- Small e-commerce sellers - Proposed simplified registrations use an e-commerce operator warehouse as the place of business in a state where the seller lacks physical presence, subject to conditions. This is not a single registration for all states.
- The Council approved a **faceless assessment system** for Central GST, modelled on income-tax faceless assessment; a framework will go for public consultation before Budget 2027 and be implemented in 2027-28.
- Rate decisions will now come before the Council **once a year** and take effect from the start of the following financial year, ending ad hoc mid-year rate changes.

Two ITC Issues Sent to a Committee

- Two **Input Tax Credit (ITC) questions** were deferred to a Committee of Officers for three months: ITC claimed by a buyer when the supplier has not remitted the tax, and ITC on motor vehicles purchased by companies for business use.
- The committee is to examine the two deferred ITC issues. A future outcome and commencement should not be treated as guaranteed before recommendations and implementing measures are issued.
- These are the only items from the 57th meeting's agenda on which the Council did not reach an immediate decision, illustrating the federal negotiation still active within the Council.

Reform Arc and What Remains Open

- Thursday's decisions are the **second half of GST 2.0**, following the September 2025 rate rationalisation that collapsed the four-slab structure to 5% and 18% for most goods, with 40% for demerit goods.
- At least **four states expressed reservations** about removing arrest powers at the Council meeting, arguing it was an effective deterrent; the Centre presented the change as protecting honest taxpayers.
- The newspaper reports no broad rate-rationalisation exercise at this meeting. The official release nevertheless contains targeted rate and classification recommendations, so this should not be read as an absence of all rate-related decisions.
- The government's stated rationale — **trust-based administration** — frames the reforms as reducing compliance costs, enabling automated refunds, and making decisions faster, though the door for further changes was described as not closed.

HIGH-YIELD FACTS

- Meeting number - 57th GST Council meeting, 8 October 2026, New Delhi

- Implementation - Recommendations take legal effect through the required amendments, notifications or circulars; check the commencement date of each measure.
- Prosecution threshold - Proposed increase from Rs 1 crore to Rs 5 crore in the relevant monetary amount, not turnover.
- Show-cause notice floor - Proposed Rs 10,000 tax-amount threshold, with relief for pending smaller proceedings.
- Penalty ceiling - Proposed reduction in the maximum general penalty from Rs 25,000 to Rs 10,000.
- **GST taxpayers under Central GST** — 69.51 lakh taxpayers exclusively under Central GST; about 2 lakh under multiple CGST jurisdictions
- **Auto-registration rate** — 61% of taxpayers granted automatic registration within three working days
- **Faceless assessment implementation** — Planned for 2027-28 for Central GST; framework for public consultation before Budget 2027

VALUE ADDITION

DATA YOU CAN QUOTE

Provisional refunds - Proposed automated 90% sanction for eligible zero-rated and inverted-duty claims, based on risk assessment.

Average GST rate after September 2025 rationalisation — 10.84%, down from 11.4% in 2023

ITC refund on capital goods spread over — 60 months (5 years)

REPORTS, BODIES AND INSTRUMENTS

GST Council - 57th Meeting Recommendations, PIB release dated 8 October 2026

Central Goods and Services Tax Act, 2017 — prosecution and penalty provisions

EXAMPLES FOR THE ANSWER

Income-tax faceless assessment (introduced under the Income Tax Act via the Faceless Assessment Scheme, 2020) is the explicit model for the proposed Central GST faceless assessment — illustrating how administrative reforms migrate across tax regimes.

The GST Council illustrates negotiated fiscal decision-making in a federation. Its recommendations must be distinguished from the laws and notifications that implement them.

4. Stubble Burning: Structural Causes and Policy Failures

GS-III · Prelims + Mains · Stubble burning governance failures · The Hindu

Syllabus — Conservation, environmental pollution and degradation, environmental impact assessment

Prelims — Environment & Ecology — air pollution, agricultural residue burning



Why stubble fires keep coming back

Stubble burning is the result of a combination of legal, technological and economic factors, including the paddy-wheat cycle, assured procurement and a narrow window between crops; a lasting solution needs stronger incentives for diversification, better residue management and more reliable measurement of burning

FULL CONTENT

C.S.Caleshar

THE GIST

WHY IN NEWS

C.S.C. Sekhar's 9 October 2026 analysis revisits the structural causes of stubble burning and the reliability of monitoring. It cites a reported 90% decline in Punjab-Haryana fire incidents in the 2025 paddy season relative to 2022, and 31 CPCB flying squads deployed across 18 Punjab and 13 Haryana districts in 2025.

Why the Paddy-Wheat Trap Persists

- Combine harvesters leave **about a foot of stubble** in the field, giving farmers a narrow 10–15 day window to prepare for wheat sowing — making burning the fastest, cheapest option.
- The Punjab Preservation of Sub-Soil Water Act, 2009 originally barred paddy nursery sowing before May 10 and transplantation before June 10. The article links delayed transplantation with a shorter harvest-to-wheat-sowing window.
- The PUSA-44 variety, discussed in the article, takes 150–160 days to mature — far longer than shorter-duration alternatives — further narrowing the window available for residue management.
- **Average paddy procurement** in Punjab and Haryana was 87% and 74% of production respectively between 2012 and 2024, more than double the national average of ~37%, making diversification economically irrational for farmers.
- Power is **free or near-free** for farmers in both States, directly subsidising groundwater-intensive crops like paddy and wheat and discouraging any switch to less water-demanding alternatives.

Why Technological Fixes Have Not Worked

- The article reports that Happy Seeders and Super Seeders require costly 60-HP tractors, with hiring quoted at around Rs 10,000. It separately puts ex-situ residue-management costs at Rs 1,500-2,500 per acre.
- Ex-situ measures include using residue in bio-ethanol and compressed-biogas plants. They require collection, transport and viable demand for the straw.
- The article lists Haryana incentives of Rs 1,000 per acre for CRM use, Rs 4,000 per acre for direct seeding of rice and Rs 7,000 per acre for crop diversification. These are reported scheme figures, not a statement that every farmer currently qualifies.
- The article discusses excluding stubble burners from MSP procurement. The Supreme Court record in December 2023 describes this as a suggestion for the government to consider, rather than a blanket operative MSP ban. The article favours incentives before penalties.
- **Haryana** has moved toward incentive-based approaches and financial support for residue management and diversification, contrasting with Punjab's greater reliance on CRM machine distribution alone.

The Measurement Problem Undermining Policy

- CREAMS uses observations from MODIS and VIIRS instruments aboard polar-orbiting satellites. Each pass captures a snapshot of active fires; short-lived fires between passes may be missed. These instruments also support nighttime observations, so their coverage is not restricted to 10:30 am-1:30 pm.
- The article cites a November 2025 Current Science study using geostationary observations that reports a shift towards evening burning. This strengthens the case for combining observation methods.
- iFOREST's 2025 burnt-area assessment reports Punjab at about 20,000 km² versus 31,447 km² in 2022, and Haryana at 8,812 km² versus 11,633 km² in 2019. These use different baselines and measure area rather than active-fire counts.
- The reported 90% fall in active-fire incidents must be read alongside its stated baseline and observation method. It is not directly interchangeable with reductions in burnt area.
- The authors recommend combining **both polar and geostationary satellite data** to obtain a reliable picture of the extent and timing of stubble burning.

What a Durable Solution Requires

- A **judicious mix** of short-term in-situ and ex-situ CRM measures alongside a medium-to-long-term structural shift away from the paddy-wheat monoculture through stronger diversification incentives is the article's central prescription.
- **Penal provisions are unlikely to work** because they create perverse incentives for collusion between farmers and enforcement officials, potentially leading to 'shown' reductions without actual change.
- The **MSP incentive architecture** must itself be reformed; as long as paddy and wheat carry guaranteed procurement at high support prices while alternatives do not, rational farmers will not diversify.
- Groundwater depletion adds urgency to diversification. The 2009 GRACE research estimated a loss of about 109 km^3 across the northwestern study region including Punjab, Haryana and Rajasthan during 2002-2008, not Punjab alone.
- Improvement in **measurement methodology** is a precondition for credible policy evaluation; satellite and field-based verification must both be strengthened before compliance claims can be trusted.

HIGH-YIELD FACTS

- **PPSSWA enacted** — Punjab Preservation of Sub-Soil Water Act, 2009; prohibits paddy transplantation before June 10
- **PUSA-44 maturity** — Takes 150–160 days to harvest, significantly longer than shorter-duration rice varieties
- **Punjab irrigation (2012)** — Around 73% of Punjab's cropped area was irrigated using groundwater in 2012
- Punjab groundwater trend - The article reports a decline of 0.36 metres annually during 1999-2009; this is separate from the regional GRACE estimate for 2002-2008.
- **Paddy straw quantum** — Punjab and Haryana together produce around 29 million metric tons of paddy straw
- CPCB squads, 2025 - The article reports 31 squads across 18 Punjab and 13 Haryana districts.
- MSP exclusion - In 2023, the Supreme Court suggested that the government consider excluding stubble-burning farmers from MSP operations.
- CREAMS - Consortium for Research on Agroecosystem Monitoring and Modeling from Space; uses MODIS and VIIRS instruments aboard polar-orbiting satellites.

VALUE ADDITION

DATA YOU CAN QUOTE

Punjab paddy procurement as % of production (2012–2024 avg) — 87%

Haryana paddy procurement as % of production (2012–2024 avg) — 74%

National average paddy procurement — ~37% of production

Northwestern regional groundwater loss, 2002-2008 - About 109 km^3 across the study region including Punjab, Haryana and Rajasthan.

Burnt area - iFOREST reports different state-specific baseline comparisons; do not equate these directly with the 90% active-fire-count reduction.

REPORTS, BODIES AND INSTRUMENTS

Punjab Preservation of Sub-Soil Water Act, 2009

Supreme Court order on stubble burning and MSP suggestions, 13 December 2023

Parliamentary Standing Committee on Air Quality — recommendations on stubble burning

iFOREST - Stubble Burning Status Report 2025, using burnt-area assessment

Current Science study on geostationary satellite observation of stubble burning, November 2025

NASA GRACE satellite groundwater depletion study, 2009

EXAMPLES FOR THE ANSWER

The PPSSWA 2009 illustrates how a well-intentioned groundwater conservation law can produce unintended second-order environmental harms — a classic example of policy interaction effects usable in questions on environmental governance or law and unintended consequences.

Punjab and Haryana's stubble-burning persistence despite legal bans and subsidised technology illustrates the 'incentive trap' concept: when price-support architecture makes the prohibited behaviour economically rational, punitive regulation fails — applicable in GS-III answers on agricultural policy design.

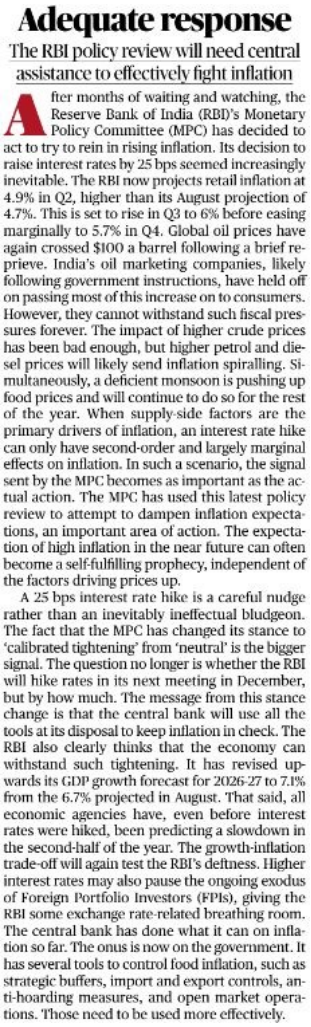
Reported changes in the timing of fires illustrate why monitoring design matters. Polar and geostationary observations can provide complementary evidence, supported by field verification.

5. RBI MPC Rate Hike: Signal Over Substance in Inflation Fight

GS-III · Prelims + Mains · MPC rate hike and inflation management · The Hindu

Syllabus — Indian Economy and issues relating to planning, mobilisation of resources, growth, development and employment

Prelims — Indian Economy — monetary policy, inflation, RBI instruments



Adequate response

The RBI policy review will need central assistance to effectively fight inflation

After months of waiting and watching, the Reserve Bank of India (RBI)'s Monetary Policy Committee (MPC) has decided to act to try to rein in rising inflation. Its decision to raise interest rates by 25 bps seemed increasingly inevitable. The RBI now projects retail inflation at 4.9% in Q2, higher than its August projection of 4.7%. This is set to rise in Q3 to 6% before easing marginally to 5.7% in Q4. Global oil prices have again crossed $100 a barrel following a brief reprieve. India's oil marketing companies, likely following government instructions, have held off on passing most of this increase on to consumers. However, they cannot withstand such fiscal pressures forever. The impact of higher crude prices has been bad enough, but higher petrol and diesel prices will likely send inflation spiralling. Simultaneously, a deficient monsoon is pushing up food prices and will continue to do so for the rest of the year. When supply-side factors are the primary drivers of inflation, an interest rate hike can only have second-order and largely marginal effects on inflation. In such a scenario, the signal sent by the MPC becomes as important as the actual action. The MPC has used this latest policy review to attempt to dampen inflation expectations, an important area of action. The expectation of high inflation in the near future can often become a self-fulfilling prophecy, independent of the factors driving prices up.

A 25 bps interest rate hike is a careful nudge rather than an inevitably ineffectual bludgeon. The fact that the MPC has changed its stance to 'calibrated tightening' from 'neutral' is the bigger signal. The question no longer is whether the RBI will hike rates in its next meeting in December, but by how much. The message from this stance change is that the central bank will use all the tools at its disposal to keep inflation in check. The RBI also clearly thinks that the economy can withstand such tightening. It has revised upwards its GDP growth forecast for 2026-27 to 7.1% from the 6.7% projected in August. That said, all economic agencies have, even before interest rates were hiked, been predicting a slowdown in the second-half of the year. The growth-inflation trade-off will again test the RBI's deftness. Higher interest rates may also pause the ongoing exodus of Foreign Portfolio Investors (FPIs), giving the RBI some exchange rate-related breathing room. The central bank has done what it can on inflation so far. The onus is now on the government. It has several tools to control food inflation, such as strategic buffers, import and export controls, anti-hoarding measures, and open market operations. Those need to be used more effectively.

WHY IN NEWS

On 7 October 2026, the RBI MPC raised the policy repo rate by 25 basis points to 5.50% and adopted a calibrated-tightening stance. The Hindu editorial discusses the limits of interest-rate action against food and fuel shocks. RBI projected Q2 CPI inflation at 4.9%, Q3 at 6.0% and Q4 at 5.7% for 2026-27.

Why a 25 bps Hike Was Inevitable

- Retail inflation is now projected at 4.9% in Q2, above the August forecast of 4.7%, rising to 6% in Q3 before easing to 5.7% in Q4 — reaching the 6% upper tolerance limit in Q3, rather than exceeding it.
- The editorial reports crude oil above $100 per barrel and suggests government influence may explain limited domestic fuel-price pass-through. It warns that future pass-through could add to inflation.
- A **deficient monsoon** is independently pushing up food prices and will continue to do so through the rest of the year, compounding the inflation trajectory.
- The combination of **energy and food price pressures** — both supply-side in origin — created a situation where inaction by the MPC would have damaged its credibility.

Why the Stance Change Matters More Than the Rate

- A calibrated-tightening stance allows a rate hike or a pause depending on the outlook. The RBI said near-term cuts were off the table; it did not commit to a further increase in December.
- When inflation is driven by **supply-side factors** — fuel and food — an interest rate hike has only second-order, largely marginal effects; the instrument cannot fix a monsoon deficit or an OPEC supply decision.
- The primary function of the MPC action is therefore to **manage inflation expectations**, preventing a self-fulfilling cycle where anticipated high inflation becomes embedded in wage and price-setting behaviour.
- A **25 bps nudge** is described as a careful signal rather than an 'inevitably ineffectual bludgeon' — calibrated to avoid choking growth while still anchoring expectations.

The Growth-Inflation Trade-Off the RBI Now Faces

- The RBI has **revised GDP growth upward** to 7.1% for 2026-27 from the August projection of 6.7%, signalling confidence that the economy can withstand tightening — but economic agencies were already predicting a **second-half slowdown** even before the hike.
- Higher interest rates may **pause or slow the exit of Foreign Portfolio Investors (FPIs)**, providing exchange-rate-related relief and reducing imported inflation pressure.
- The **growth-inflation trade-off** will sharpen if further hikes are needed in December: tighter policy at a time of slowing demand could amplify the slowdown rather than just cool inflation.

Where the Burden Now Falls: Government's Fiscal Tools

- The editorial argument concludes that **monetary policy has done what it can** — the onus shifts to the government, which holds the instruments better suited to supply-side inflation.
- **Strategic buffer stocks** can be released to cool food prices; **import and export controls** can insulate domestic markets from global price volatility.
- Government food-stock sales, anti-hoarding measures and trade policy can address specific supply pressures. Food-stock sales should be distinguished from RBI open-market operations in government securities.
- The central concern is that these **fiscal and administrative tools are not being deployed effectively enough**, particularly given that oil marketing companies cannot indefinitely absorb international crude price increases without passing them on.

HIGH-YIELD FACTS

- Rate decision - On 7 October 2026, the MPC raised the repo rate by 25 basis points to 5.50%.
- **New MPC stance** — Changed from 'neutral' to 'calibrated tightening'
- **Q2 retail inflation projection** — 4.9% (revised up from 4.7% projected in August)
- **Q3 retail inflation projection** — 6% — at the upper bound of RBI's tolerance band
- **Q4 retail inflation projection** — 5.7% (marginal easing expected)
- **Global crude oil benchmark** — Crossed $100 per barrel at time of MPC review
- **GDP growth revision** — Revised up to 7.1% for 2026-27 from 6.7% projected in August
- **RBI's inflation tolerance band** — 2%–6% (upper tolerance limit at 6%)

VALUE ADDITION

EXAMPLES FOR THE ANSWER

Supply shocks illustrate the limits of interest-rate policy: higher rates cannot directly create food or fuel supplies, but may restrain second-round effects and help anchor inflation expectations.

The concept of inflation expectations as a self-fulfilling prophecy is illustrated by the 1970s wage-price spiral in advanced economies, used in UPSC answers to explain why central bank credibility and forward guidance can be as powerful as the rate action itself.

Prelims Pointers

AWARDS, DAYS & MISCELLANEOUS

Nobel Prize in Literature 2026 – Anne Carson [Prelims - Awards]

Canadian poet Anne Carson won the 2026 Nobel Prize in Literature for genre-blending works fusing classical and modern traditions.

- **Awarded by Swedish Academy**, announced from Stockholm; prize awarded for literature annually.
- **Citation** Recognised "for her bold and inventive oeuvre that, in playful dialogue with the classical tradition, has created new forms for contemporary literature".
- **Nationality** Canadian; born in Toronto, June 1950; studied Classics at the University of Toronto.
- **Notable works** Eros the Bittersweet (1986), Autobiography of Red (1998), Nox (2010), Wrong Norma (2024).
- Key distinction - First woman to win the T. S. Eliot Prize. Wrong Norma won the 2024 National Book Critics Circle poetry award, announced in March 2025.
- **Genre** Poet, classicist, essayist and translator; blends poetry, fiction, essay, memoir and classical translation.

The Indian Express / Associated Press

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