Energy crisis and developing countries
Why is FFSR essential and how could it be implemented?
Impacts of high energy prices on developing countries

Direct and indirect impacts
Subsidizing energy prices is a drain on budgets

Spending on energy subsidies in Indonesia
Subsidized energy prices benefits wealthier people

LPG subsidies in Jharkhand, India

Figure ES1. Distribution of total subsidies (in %) by rural and urban expenditure quintiles
“Good” times for reforming subsidized energy prices

Fluctuations of international oil prices

* January - September
Governments tend to use ad-hoc pricing

LPG subsidies in Jharkhand, India
Objectives of Price Adjustment Mechanisms

1. Ensuring fiscal sustainability

2. Minimizing price fluctuation

3. Minimizing fiscal volatility
Gradual price adjustments combined with a smoothing factor are a better approach.
Automatic and de-politized processes are essential.
Supplementing reform with ramping up social protection

Move to subsidize people, and not energy

1. Many countries have used (conditional) cash transfers and other social protection methods when reforming their energy prices

2. During the Covid-19 pandemic, many countries have used cash transfers and other support measures → countries can build on these experiences

3. Communication and building support for this shift and the implications is also essential
Thank You!

For more information:
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