



GETTING STARTED ON PHASING OUT FOSSIL FUEL SUBSIDIES

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WHERE DO WE STAND ON FFS?



Governments have committed to end fossil fuel subsidies more than a decade ago

- G20 Summit in Pittsburgh (2009):
 - “Rationalise and phase out (...) inefficient fossil-fuel subsidies that encourage wasteful consumption.”





Such commitment was reaffirmed many times.

- G7 Summit in Ise-Shima (2016):
 - “We remain committed to the elimination of inefficient fossil fuel subsidies and encourage all countries to do so by 2025.”





Commitment reiterated at COP26 (2021)

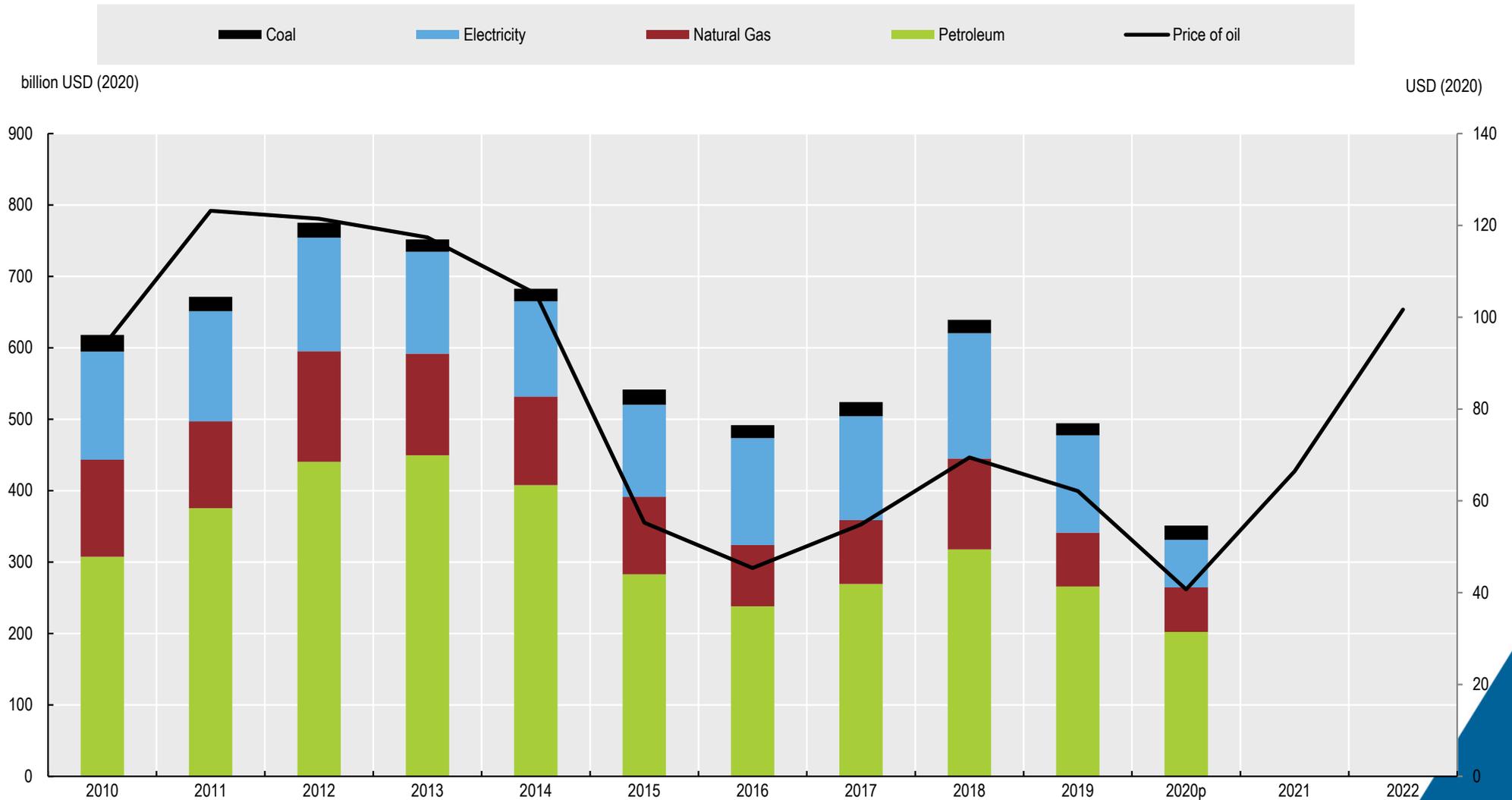
- Glasgow Climate Pact:
 - Countries commit to “accelerat[e] efforts towards the (...) phase-out of inefficient fossil fuel subsidies.”





How much progress was achieved?

OECD-IEA combined estimates (81 economies) - Fossil-fuel support by energy product





Yet opportunities have arisen

- In 2015-16, oil prices were close to record low.
- But not enough fundamental structural changes occurred (although the picture is mixed).
- And FFS continue to fluctuate with fossil fuels prices.





Covid-19 was also an opportunity to reform FFS

Carbon pricing changes in the first 20 months of COVID-19 in OECD and G20 countries

Country	AUS	AUT	ARG	BEL	BRA	CAN	CHL	CHN	COL	CRI	CZE	DNK	EU	EST	FIN	FRA	DEU	GRC	HUN	ISL	IND	IDN	IRL	ISR	ITA	JPN	LVA	LTU	LUX	MEX	NLD	NZL	NOR	POL	PRT	RUS	SAU	SVK	SVN	ZAF	KOR	ESP	SWE	CHE	TUR	GBR	USA
Carbon tax						2						1										1*	2	1*			1	1		1	1*								1								
ETS					1*		1						2*			1						1						1	2										1		1		1				
Fuel Excise Tax											1	1			1						2				1		1												1		1						
Aviation tax		2		2	2				1						1	1	2			1			1						1			2			1					1		1	1	2	1		
FFS			2	2	1			1	1					1		2	1				1	4	1		1	1	1		1	2		5			1				1		1	1	1	1	1		

Note: Dark/light green: Permanent/temporary policy change with an expected climate-positive effect; Dark/light red: Permanent/temporary policy change with an expected negative climate effect; White: no change; Number: the number of policy changes; *:Proposed but not yet implemented policy changes.

Source: OECD (forthcoming).



WHERE DO WE GO?



Quite a lot of time has been spent on definitions

- What is exactly a fossil fuel subsidy?
- How do we measure to extent to which a government intervention confers a benefit to fossil fuels users or producers?
- In which case can it be considered « inefficient »?
- To what extent does it encourage « wasteful consumption »?



From the world of peer reviews...

- **Peru** addressed the question of inefficiency through whether measures were effective in reaching their intended objectives.
- **Italy** considered every FF support measures as inefficient.
- **Germany** covered both direct budgetary transfers and tax expenditures.
- **Mexico** only addressed direct budgetary transfers and not tax expenditures because the latter were not considered inefficient.



Reforms can get started with tools available

- The **OECD Inventory of support measures for fossil fuels** identifies, documents, and estimates individual policy measures that support the production and consumption of fossil fuels.
- It is based on a bottom up approach to promote the transparency of public policies.
- Its scope covers the broad concept of support as defined in the Agreement on Subsidies and Countervailing Measures (ASCM) under the World Trade Organization (WTO).
- It covers:
 - 50 economies (OECD countries and selected partner economies).
 - More than 1,300 individual measures (mostly direct budgetary transfers and tax expenditures).



The OECD Inventory of support measures for fossil fuels



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Fossil fuel support data and Country Notes

The new Country Notes on Fossil Fuel Support provide interactive on-line access to the latest data from the [OECD Inventory of Support Measures for Fossil Fuels](#) by country – identifying and estimating the value of support arising from policies that encourage the production or consumption of fossil fuels. The webbooks allow users to download, share and play with the data. Interactive graphics enable data visualisation, in national currency, by beneficiary and by energy product. These Country Notes provide, for each of the 50 economies covered in the Inventory, a snapshot of energy market structure, the current state of energy prices and taxes, and recent developments and trends in fossil fuel support. Data and country notes for the EU Eastern Partnership (EaP) countries have been collected and prepared as part of the GREEN Action Task Force.

[Argentina Data | Country note](#)

[Armenia Data | Country note](#)

[Australia Data | Country note](#)

[Austria Data | Country note](#)

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Identifying measures for reforms from the Inventory

Fossil Fuel Support - AUS i

Customise Export My Queries

						→ Mechanism				
						Tax expenditure				
						→ Level				
						Federal				
						Unit				
						Australian Dollar				
						→ Year				
						2016	2017	2018	2019	2020
						▲ ▼	▲ ▼	▲ ▼	▲ ▼	▲ ▼
→ Measure	→ Incidence	→ Indicator	→ Stage	→ Fuel Type						
Reduced Excise Rate on Aviation Fuel i	Direct Consumption	Consumer Support Estimate	Other end uses of fossil fuels	Petroleum Aviation gasoline	19 798 571	21 161 294	20 402 285	17 106 531	10 985 846	
				Kerosene type jet fuel excl. biofuels	1 200 201 429	1 238 838 706	1 279 597 715	1 072 893 469	689 014 154	
Reduced Excise Rate on Heating Oil, Fuel Oil and Kerosene i				Other kerosene	1 354 300	1 276 526	1 478 052	1 364 356	1 250 660	
				Gas/diesel oil excl. biofuels	112 368 667	102 528 169	122 104 502	112 711 848	103 319 194	
				Fuel oil	1 277 033	1 195 305	6 417 446	5 923 796	5 430 147	
Fuel Tax Credits i		Producer Support Estimate	Use of fossil fuels in the industrial sector	Gas/diesel oil excl. biofuels	2 647 974 816	2 896 330 042	3 003 167 039	3 076 602 183	3 193 852 226	

Information

AUS_te_04.....



Source

Name of collection/source

Reduced Excise Rate on Aviation Fuel

Direct source

Australian Treasury (various years), IEA.

Source metadata

Under this concession, users of aviation gasoline and aviation turbine fuel have benefitted from a reduced rate of excise tax since March 1956. The Australian Treasury includes this measure in its annual Tax Expenditures Statement and only reports the part that relates to domestic flights. From 1 July 2012 to 30 June 2014, the estimated revenue foregone due to this concession was lower than usual since the rate of excise tax included a "carbon component," which was determined by the emission factor of each fuel and a price for carbon. This component was then removed when Australia's carbon tax was repealed in July 2014.

This inventory allocates annual estimates from the Australian Treasury to aviation gasoline and kerosene-type jet fuel on the basis of the IEA's Energy Balances for Australia's domestic air-transport sector.



GOING EVEN FURTHER



Other forms of government support are not well documented

Article 1

Definition of a Subsidy

- 1.1 For the purpose of this Agreement, a subsidy shall be deemed to exist if:
- (a)(1) there is a financial contribution by a government or any public body within the territory of a Member (referred to in this Agreement as "government"), i.e. where:
- (i) a government practice involves a direct transfer of funds (e.g. grants, loans, and equity infusion), potential direct transfers of funds or liabilities (e.g. loan guarantees);
 - (ii) government revenue that is otherwise due is foregone or not collected (e.g. fiscal incentives such as tax credits)¹;
 - (iii) a government provides goods or services other than general infrastructure, or purchases goods;
 - (iv) a government makes payments to a funding mechanism, or entrusts or directs a private body to carry out one or more of the type of functions illustrated in (i) to (iii) above which would normally be vested in the government and the practice, in no real sense, differs from practices normally followed by governments;
- or
- (a)(2) there is any form of income or price support in the sense of Article XVI of GATT 1994;
- and
- (b) a benefit is thereby conferred.



How can governments transfer risks?

- Typically through loans and loan guarantees that offer better contractual terms than private markets.
- These are support measures as they reduce the cost of capital for such projects.
- The exact amount of support is difficult to estimate as it involves a counterfactual.
- Yet certain loans are easily identifiable and could merely be terminated.



Concluding remarks

- More data are needed.
- Reporting on intervention that may benefit FF users and producers is a first step to enhance transparency.
- Periodic peer reviews (or self-reported progress) is one promising avenue.
- From there, governments can identify the most distorting measures that should be prioritized for reforms.



Thank you!

Learn more:

- » OECD support for fossil fuels: <http://oe.cd/fossil-fuels>
- » The OECD-IISD FFS tracker:
<https://fossilfuelsubsidytracker.org/>
- » OECD government support and subsidies portal:
<https://www.oecd.org/subsidies/>