



Estimating the volume of fossil-fuel subsidies

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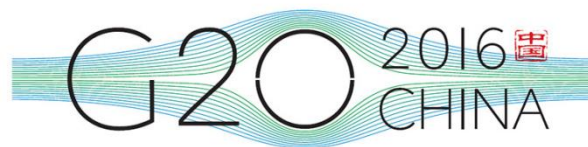


The OECD contributes to fossil-fuel subsidy reform in several different ways

- **Improving knowledge and information** about the scope and magnitude of subsidies and other forms of support for fossil fuels.
- **Analysing** the economic, social, and environmental **implications of support measures** for fossil fuels and their reform.
- **Co-operating with governments** in promoting the reform of fossil-fuel subsidies on a global scale.

» The OECD is involved in a number of international initiatives on subsidy reform

In 2016, the OECD chaired the **G20 peer-review** of fossil-fuel subsidies in China and the United States.



APEC economies launched a comparable process that started with the **peer-review** of fossil-fuel subsidies in Peru in 2014.

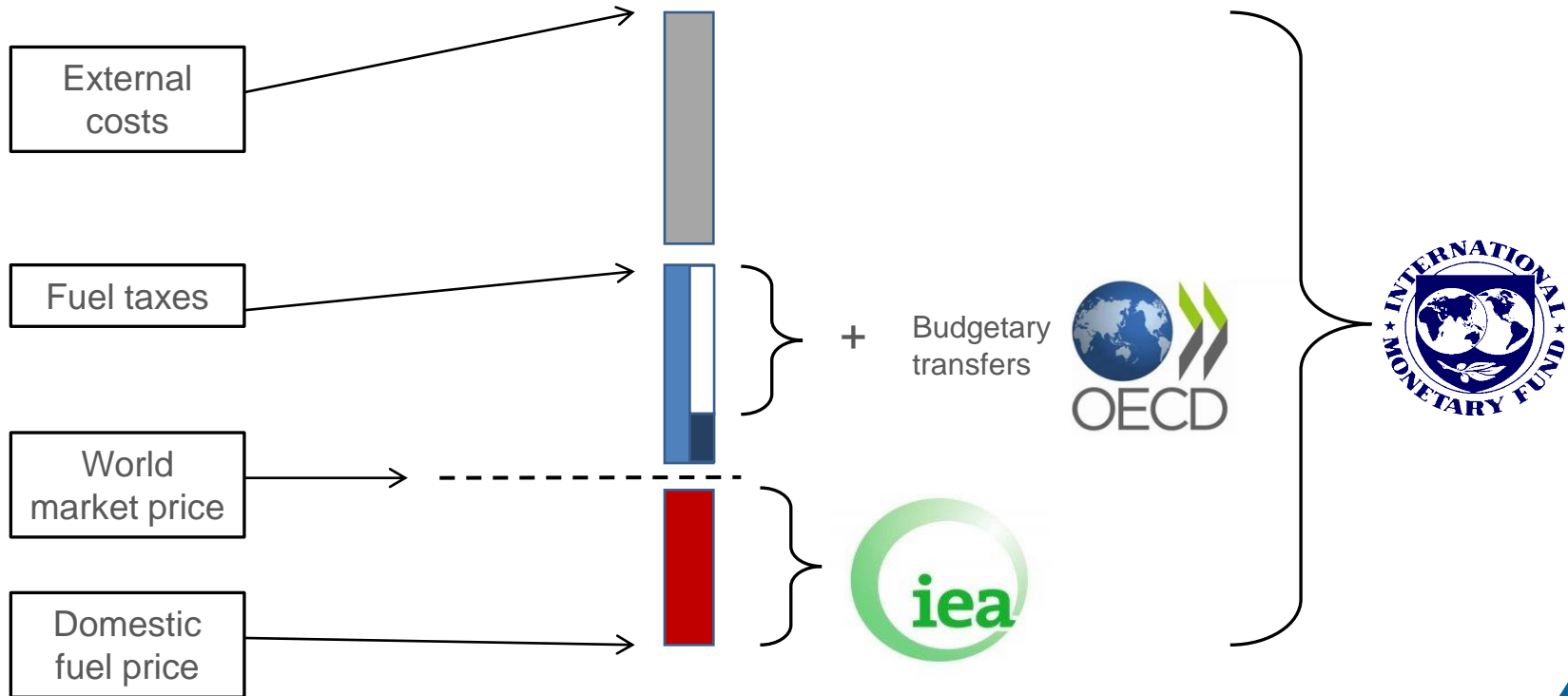
The OECD is also a signatory and supporter of the **communiqué** launched by the **Friends of Fossil Fuel Subsidy Reform** at COP 21 in Paris.

FFFSR Friends of Fossil Fuel Subsidy Reform



MEASURING FOSSIL-FUEL SUBSIDIES

Different approaches to measuring consumer subsidies



Are externalities a type of subsidy?

- Estimates of externalities are **relatively imprecise**.
- The **scope of externalities** is ill-defined.
 - Are non-internalised **positive externalities** a tax?
 - Subsidies imply some **action by governments**.
- There are **risks of double-counting** environmental damage.
- Counting externalities as subsidies is **inconsistent with** existing **classifications** and **official definitions**.

» The case of producer subsidies

- Most producer subsidies will **not lower domestic fuel prices** except in the case of **swing producers** (i.e. large oil producers that can influence world crude prices), or where the **domestic market is insulated** from international competition.
- Moreover, **applied import tariffs** on fossil fuels are generally **close to zero**, so that market price support for producers is not an issue (unlike in agriculture).
- Measures supporting the extraction and refining of fossil fuels are, however, **widespread in resource-rich countries**, pointing to the need for another approach to **complement results obtained through prices**.



Fossil-fuel subsidies from a budgetary perspective: the OECD's contribution

- To account for support measures that do not lower domestic fuel prices, the OECD looks at **individual spending programmes and tax breaks** and documents them in an online Inventory.
- The OECD started doing this back in 2010, and work has since progressed to cover **800 measures in 40 countries**.
- This approach is **consistent with the WTO** and was recently followed in the context of **G20 peer-reviews**.

The OECD system for classifying government support

		Production			Consumption	
		Output or income	Intermed. inputs	Value- adding factors	Unit cost	Household income
Transfer mechanism (how a transfer is created)	Direct transfer of funds					
	Tax revenue foregone					
	Other government revenue foregone					
	Transfer of risk to government					
	Induced transfers					



SOME FINDINGS FROM OUR INVENTORY

The OECD Inventory now covers 40 countries

- The 2015 edition covers **all OECD countries and six emerging economies**. Together, these countries represent about **80% of global energy use**.
- The Inventory also looks at **sub-national policies** in the case of federations (e.g. Australia, Germany, and the US).



The DotStat database can be accessed at: www.oecd.org/site/tadffss/data/

Measure	Incidence	Indicator	Stage	Fuel Type	
Alternative Fuels Production Credit	Output Returns	Producer Support Estimate	Refining or processing stage	Coal	Hard coal (if no detail)
				Natural gas	
Capital Gains Treatment of Royalties on Coal	Land and natural resources		Extraction or mining stage	Coal	Anthracite
					Coking coal
					Other bituminous coal
					Sub-bituminous coal
					Lignite
					Hard coal (if no detail)
Partial Expensing for Advanced Mine Safety Equipment	Capital			Petroleum	Crude oil
Expensing of Exploration and Development Costs					Natural gas liquids
					Other hydrocarbons
				Natural gas	
Excess of Percentage over Cost Depletion				Coal	Anthracite
					Coking coal
					Other bituminous

Other data characteristics

FY starts on 1 October

Periodicity

start date: 1951

Power code

units

Unit of measure used

US Dollar

Other Aspects

Other comments

Ongoing

USA_TE_03.....

Source

Name of collection/source

Capital Gains Treatment of Royalties on Coal (data for 1987)

Direct source

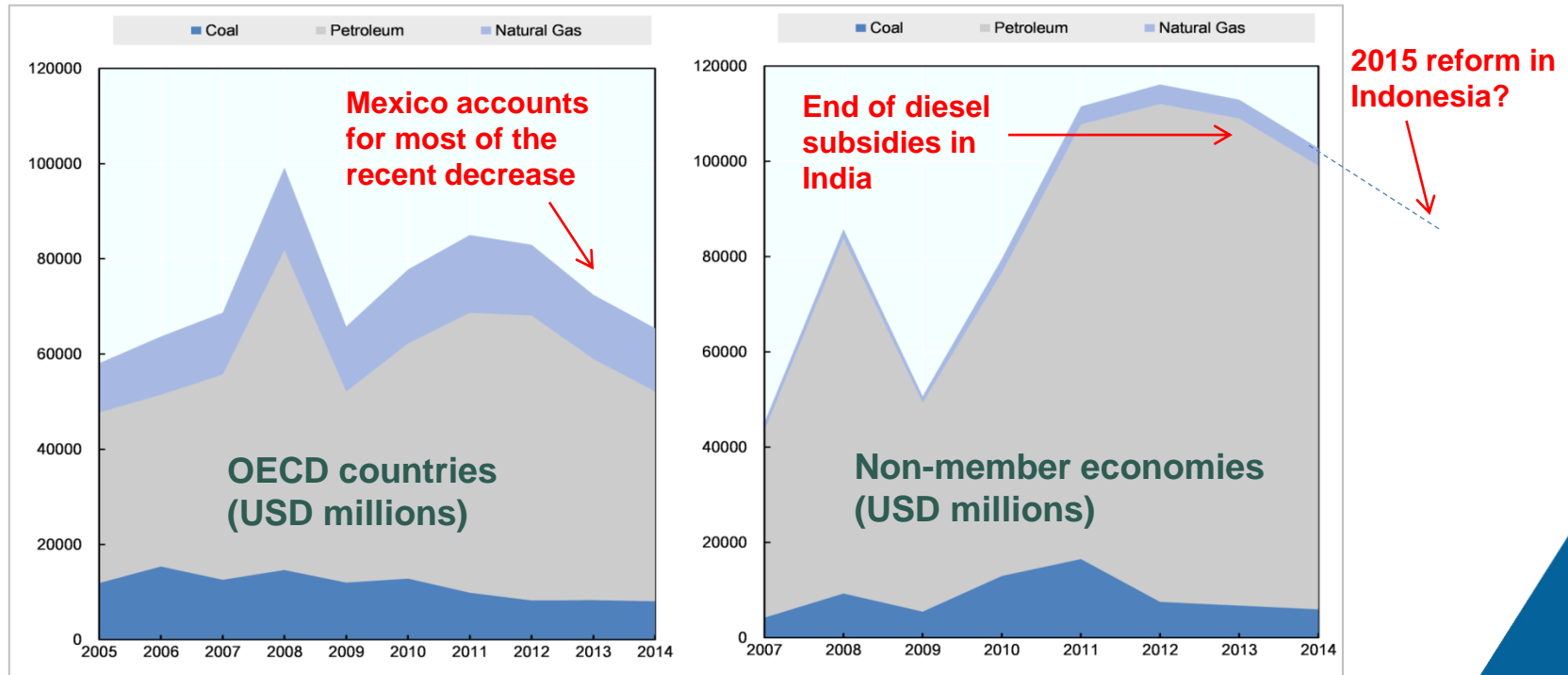
EIA (2008), OMB (various years), IEA.

Source metadata

This tax provision allows individual owners of coal-mining rights to benefit from the more favourable capital-gains tax rate rather than the regular income-tax regime when earning royalties. The measure was originally introduced in 1951 to increase coal production.

This inventory uses production data from the IEA's Energy Balances to allocate the annual tax expenditure reported in budget documents to hard coal and lignite.

Support overall remains high, at USD 160 billion, despite signs of decline

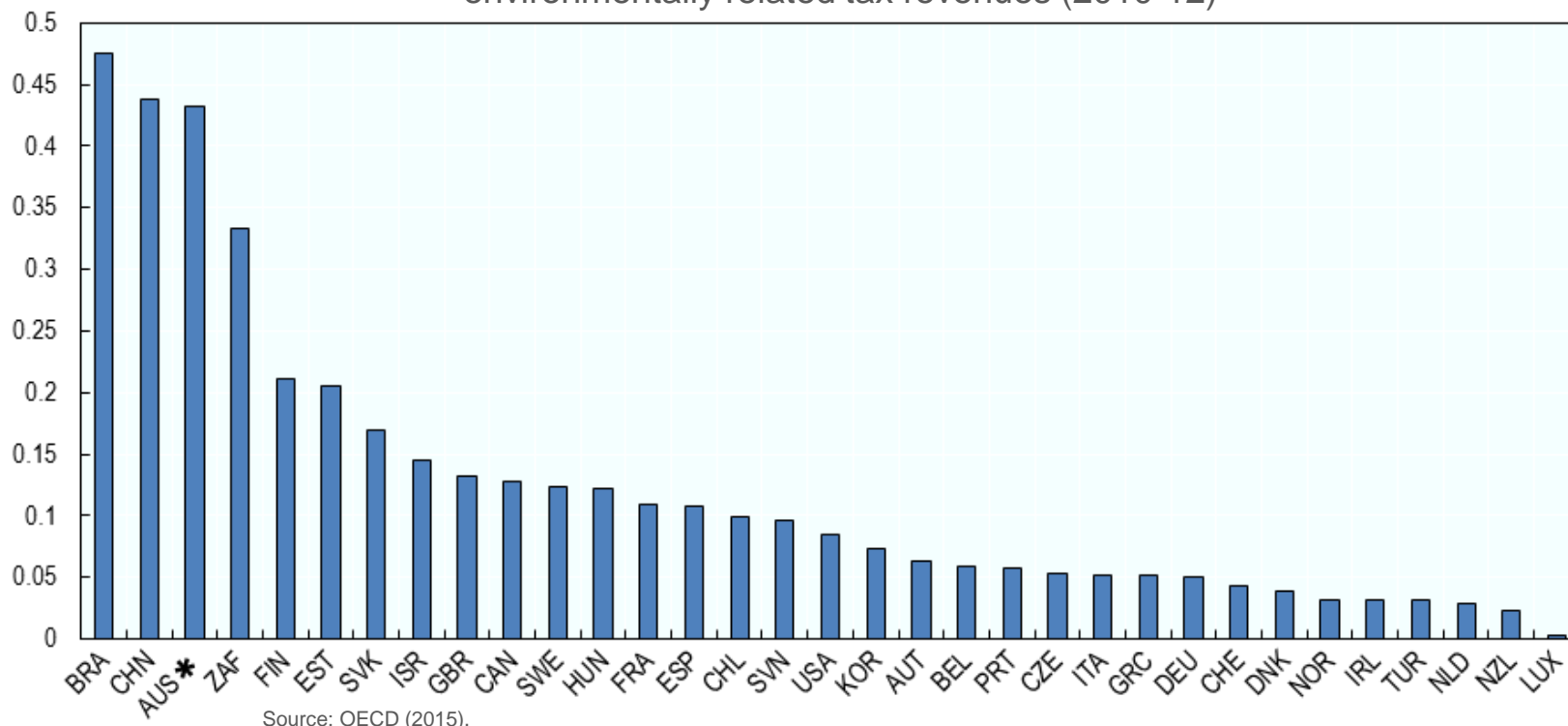


Some other findings from the OECD Inventory

- Support for the **consumption of petroleum products** still accounts for the bulk of total support.
- Among **producer measures**, most benefit **capital investment** and the **extraction stage**.
- **Tax expenditures** represent about 60% of all measures.
- Most measures were introduced **prior to 2000**.

Total consumer support in the broader context of energy taxation

Total consumer support (CSE) expressed as a share of the energy component of environmentally related tax revenues (2010-12)



Source: OECD (2015).



Contact us

We look forward to answering any questions you may have!



Access all of the
information about
the fossil fuel
subsidies inventory

<http://oe.cd/ffss>



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