The background of the slide is a photograph of several oil pumpjacks (jack-o'-lanterns) in silhouette against a bright, orange sunset sky. The sun is a large, glowing orb in the center-right, partially obscured by the pumpjack structures. The sky is filled with soft, orange-tinted clouds. The pumpjacks are dark, with their characteristic walking beams and counterweights. One pumpjack on the right has the number '26' visible on its walking beam. The overall mood is industrial and dramatic, contrasting the fossil fuel industry with the natural light of the sunset.

Reforming inefficient fossil fuel subsidies that encourage wasteful consumption in times of Covid-19

Policy Dialogue on natural Resource-based Development
3 December 2020

Nathalie Girouard, OECD Environment Directorate
Assia Elgouacem, OECD Economics Department



The OECD Fossil Fuel Support Inventory Database

- **Website with interactive data visualisation** for export of graphics and data
- **Country notes** describing country's energy market and fossil fuel support policy environment now available
- **New developments** include data on end-use electricity support from electricity of fossil-fuel generation origin, decomposition by economic sectors, increased country coverage and tagging of ocean-related FFS measures

<http://www.oecd.org/fossil-fuels/data/>



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Methodology

Further Reading

OECD analysis of budgetary support and tax expenditures

2020 country notes

Consult fossil fuel support data sorted

*Asterisk indicates data and country note:

Data for the EU Eastern Partnership (EaP)
Data and country notes for the EU Eastern Partnership supported by Germany.

- › Armenia [Data](#) | [Country note](#)
- › Argentina [Data](#) | [Country note](#)
- › Australia [Data](#) | [Country note](#)
- › Austria [Data](#) | [Country note](#)
- › Azerbaijan [Data](#) | [Country note](#)
- › Belarus [Data](#) | [Country note](#)
- › Belgium [Data](#) | [Country note](#)
- › Brazil [Data](#) | [Country note](#)
- › Canada* [Data](#) | [Country note](#)
- › China [Data](#) | [Country note](#)
- › Chile [Data](#) | [Country note](#)
- › Colombia [Data](#) | [Country note](#)

Rising fossil fuel support poses a threat to building a healthier and climate-safe future

OECD analysis of budgetary transfers, tax breaks and spending programmes linked to the production and use of coal, oil, gas and other petroleum products in 44 OECD and G20 economies showed that total fossil fuel support rose by 10% to USD 178 billion in 2019, ending a five-year downward trend. The analysis builds on the OECD Inventory of support measures for fossil fuels.

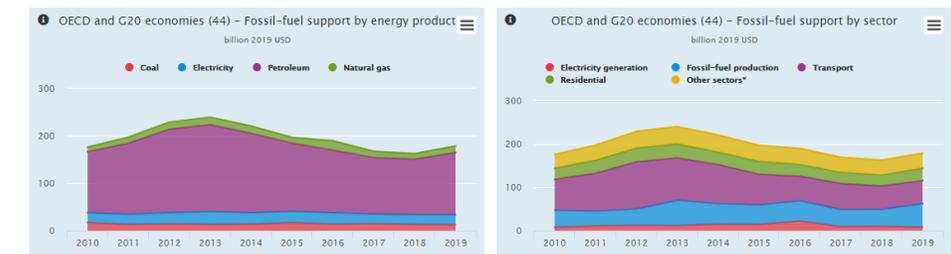
In 2019, oil and gas industries in several countries received additional benefit, mostly through direct budgetary support to alleviate corporate debt, fossil-fuel infrastructure investments, and tax provisions that provide preferential treatment on capital expenditures for fossil-fuel production. This represents a rise in overall support for the production of fossil fuels of 38%. This trend seems set to continue in 2020 with some countries targeting state aid to fossil fuels and related industries in the wake of the disruptions caused by Covid-19 bringing fuel price levels to record lows. In most countries, support for fossil-fuel consumption remains widespread. Among energy products, support to petroleum remained the largest component with 74% of the total support estimate. Natural gas receives the next largest portion of the total support estimate with 12%, followed by electricity at 8% and coal at 7%.

By inducing increased greenhouse gas and air pollutant emissions, such policies go against domestic efforts to curb climate change and improve air quality. They maintain economies locked up in energy- and pollution-intensive technologies; they jeopardise efforts to modernise economies and strengthen the competitiveness of clean, low-carbon sectors; and they may be socially inequitable. By encouraging combustion of fossil fuels, such government support contributes to exposing people to air pollution, which can exacerbate vulnerability to pandemics like the Covid-19.

Nonetheless, some progress has been made. Western Europe has completed its phasing out of hard-coal subsidies and efforts continue to end state aid to coal-fired power generation in the European Union.

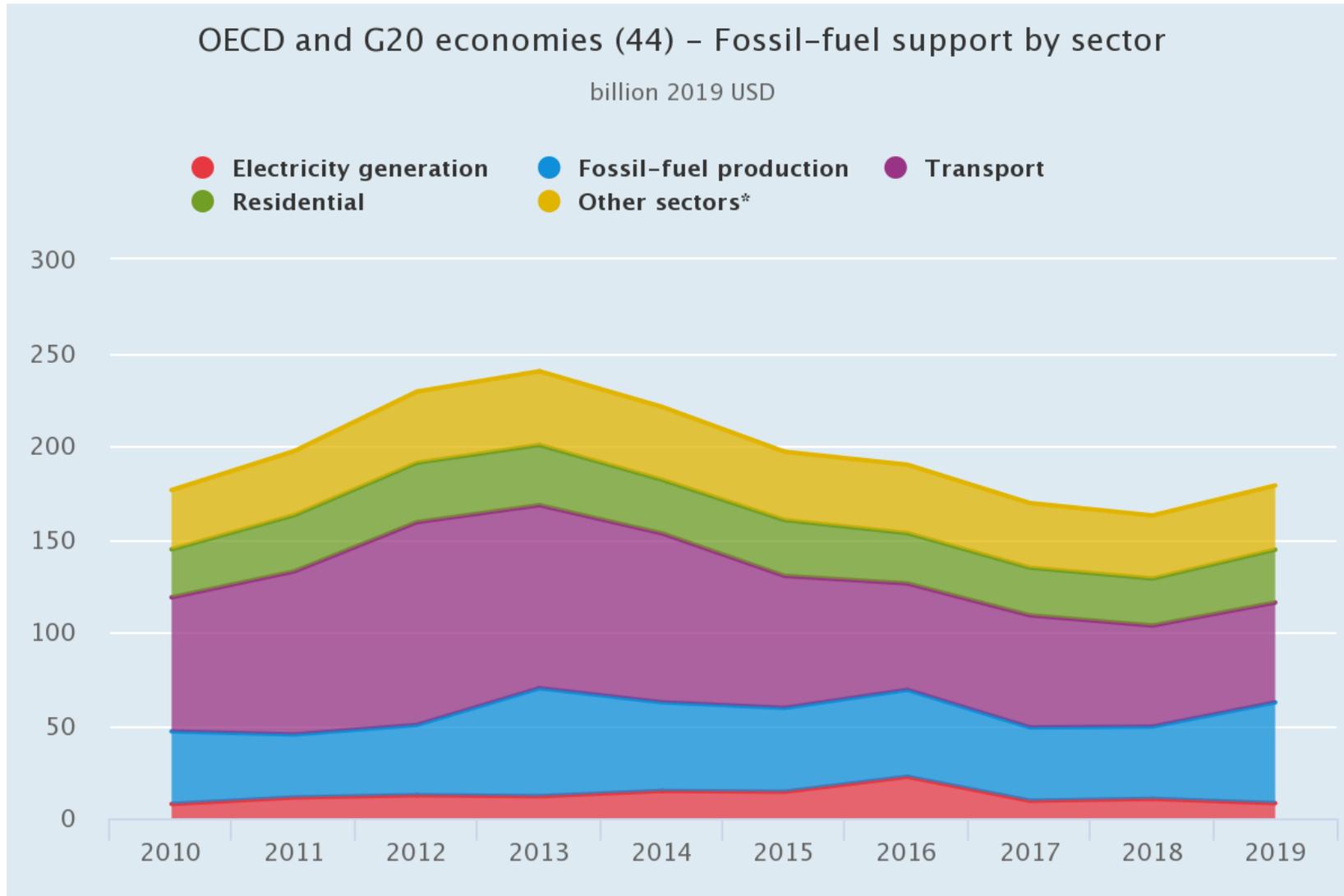
Support for fossil fuels in the OECD and selected partner economies is on the rise again after five years of steady declines

(Click on the series legend to remove or add categories and play with the visualisation)



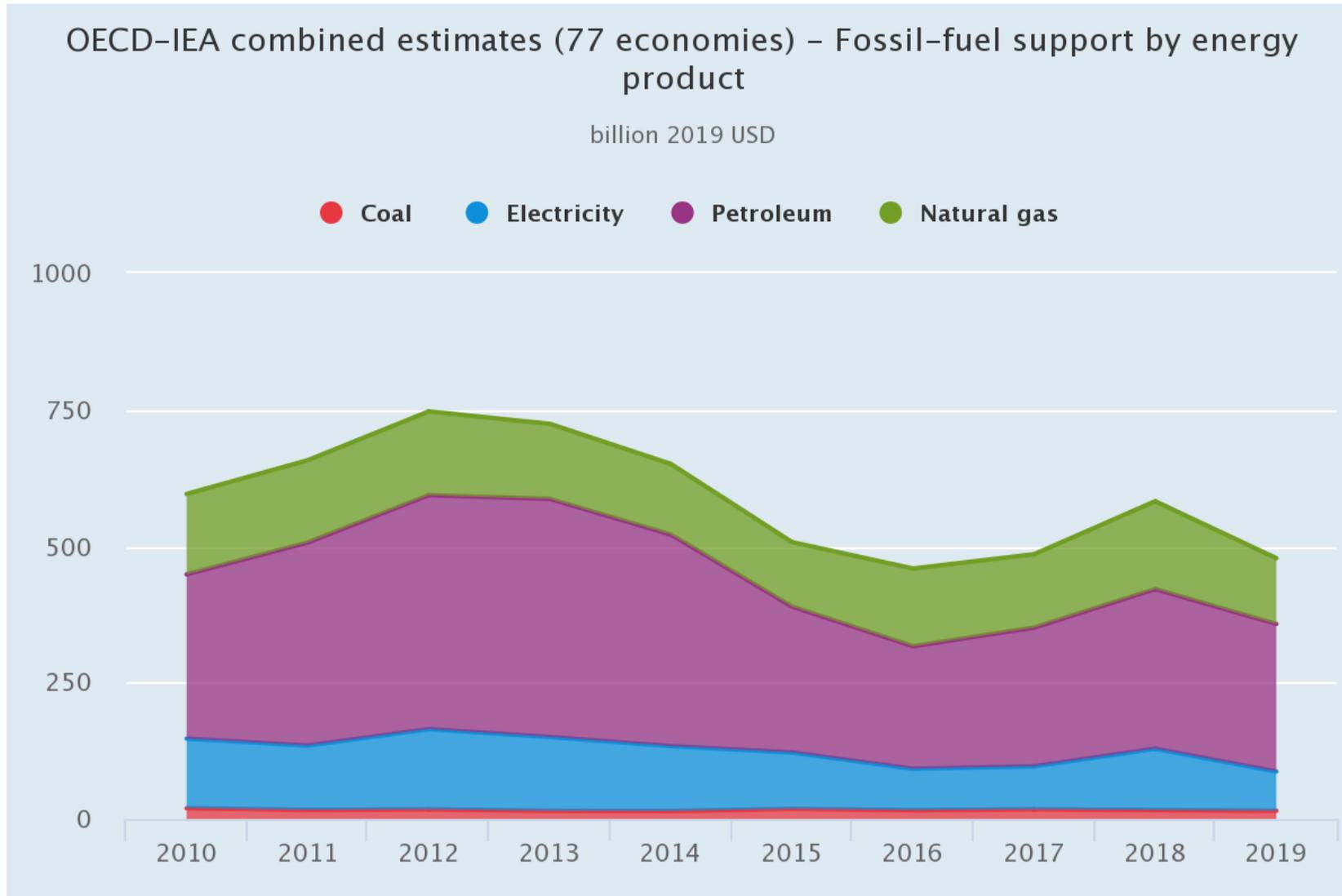


Fossil-fuel support rose by 10% to USD 178 billion





OECD-IEA combined estimate shows an 18% decline in support, to USD 478 billion





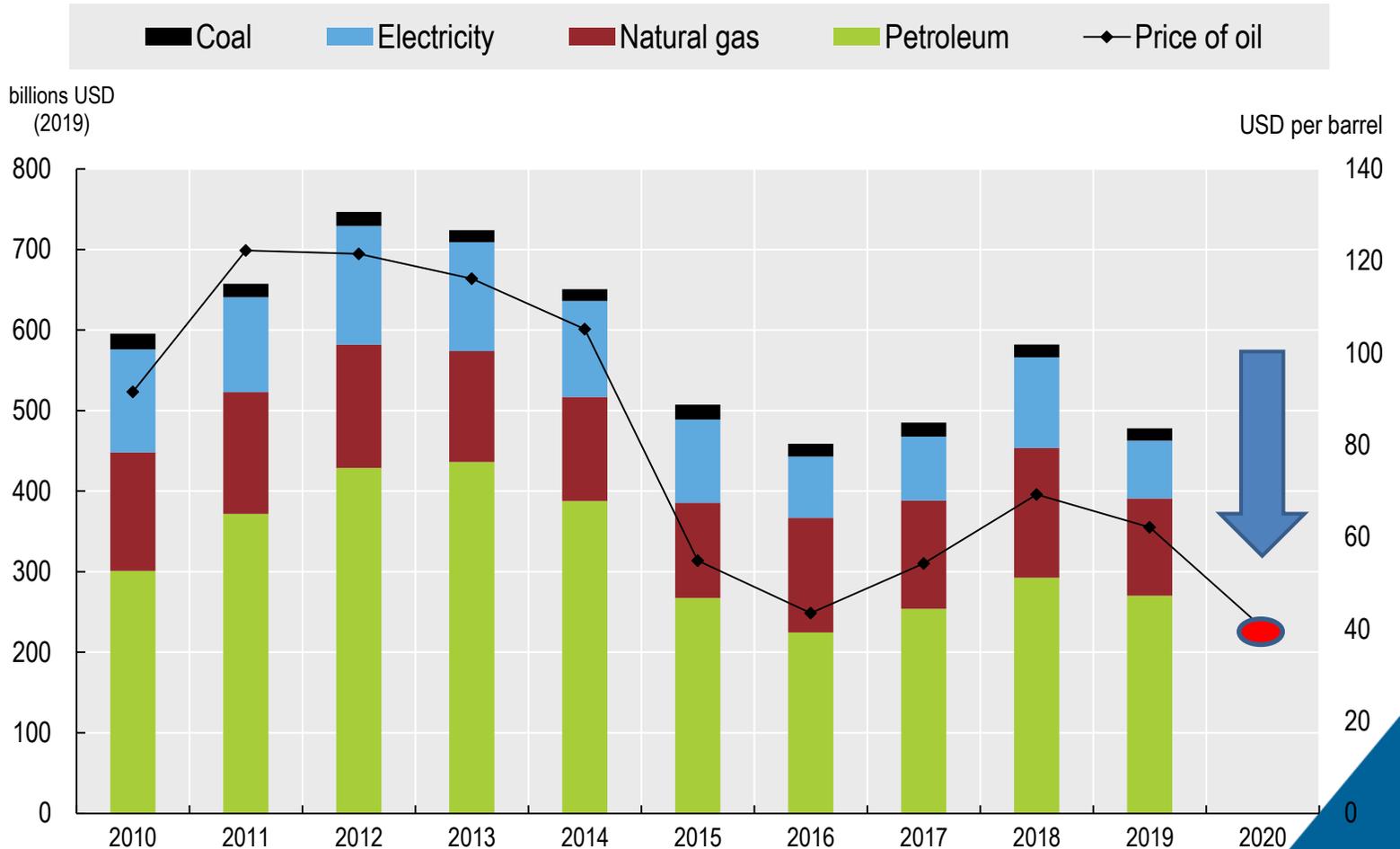
Fossil fuel support and covid-19

- **Covid-19** brought historic plunge in fossil fuel prices

- Lockdowns and accompanying transport restrictions brought major reductions in oil demand
- Historic low oil prices brought O&G sector revenues to crash

- **Consumer support** is expected to fall on account of major reductions in fuel demand.

- **Producer support** is expected to increase as producing countries draw up rescue efforts to bolster their fossil fuel production sector.





OECD supporting countries reform efforts

INDONESIA'S EFFORT TO PHASE OUT AND RATIONALISE ITS FOSSIL-FUEL SUBSIDIES

A REPORT ON THE G20 PEER-REVIEW OF INEFFICIENT FOSSIL-FUEL SUBSIDIES THAT ENCOURAGE WASTEFUL CONSUMPTION IN INDONESIA



PREPARED BY THE MEMBERS OF THE PEER-REVIEW
CHINA, GERMANY, ITALY, MEXICO, NEW ZEALAND, WORLD ECONOMIC FORUM, UNITED STATES OF AMERICA, UNITED KINGDOM OF GREAT BRITAIN, JAPAN, SOUTH AFRICA, AUSTRALIA, CANADA, INDIA, BRAZIL, SOUTH KOREA, RUSSIA, TURKEY, AND THE EUROPEAN UNION
IIISD-GSI, GIZ INDONESIA AND THE OECD
(CHAIR OF THE PEER-REVIEW)

APRIL 2019



The Netherlands's Effort to Phase Out and Rationalise its Fossil-Fuel Subsidies

An OECD/IEA review of fossil-fuel subsidies in the Netherlands

REPORT ON RECENT PROGRESS IN PHASING OUT AND RATIONALISING INEFFICIENT FOSSIL-FUEL SUBSIDIES THAT ENCOURAGE WASTEFUL CONSUMPTION



Contribution by the International Energy Agency (IEA) and the Organisation for Economic Co-operation and Development (OECD) to the G20 Energy Transitions Working Group in consultation with: International Energy Forum (IEF), Organization of Petroleum Exporting Countries (OPEC) and the World Bank

2nd Energy Transitions Working Group Meeting
Toyama, 18-19 April 2019






2021 Companion report

- **Trends tracking chapter:**

- Recent trends based on Inventory data
- Developments in tracking and monitoring fossil fuel support (G20, SDGs, enhancing interpretation of tax expenditure data)

- **Special-focus chapter:**

- Designing fossil fuel subsidies reforms: a methodology for a robust sequential approach in OECD and G20 countries





A 4-step sequential approach of reform

Identify support measures, document their objectives and estimate their budgetary cost:

- Measure the cost to government for providing support.
- Inventory approach, G20 peer review framework.

Measure the relative distortiveness of support measures:

- Rank support measures by the effect on fossil fuel production, investment, consumption and CO2 emissions.
- Effective tax rates, sectoral models.

Identify winners and losers of fossil fuel subsidy reform processes:

- Analyse the distributional consequences of the reform.
- CGE models and micro-simulations.

Evaluate alternative policies that accompany the reform:

- Identify policies that increase the efficiency and improve the distributional impact of government intervention.
- CGE models and micro-simulations.