



Energy Subsidies – State of Play

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**Global Subsidies
Initiative**



IISD

International Institute for
Sustainable Development



Contents

Brief Introduction to IISD, Global Subsidies Initiative

1. What are energy subsidies?
2. How have subsidy reform efforts played out across the world over the last decade?
3. How has the size and composition of energy subsidies evolved in different regions?
4. How do energy subsidies and their reform efforts affect global efforts to reduce poverty and combat climate change?

SDG Indicator 12.c.1: “Amount of fossil fuel subsidies per unit of GDP (production and consumption) and as a proportion of total national expenditure on fossil fuels”.

UN General Assembly Resolution A/RES/71/313

Table 1 Assessment of subsidy categories for monitoring of SDG Indicator 12.c.1

Subsidy category	Data availability	Complexity	Acceptance	Recommendation for SDGs	
				National	Global
Direct transfer of funds	++	++	++	Yes	Yes
Induced transfers (price support)	+	+	++	Yes	Yes
Tax expenditure, other revenue foregone, and under-pricing of goods and services	+	o	+	Yes, but optional ¹	Yes, but optional ¹
Transfer of risk	-	-	o	No	No
++ (green) means “excellent” or “low degree of complexity” + (yellow) means “good” or “moderate degree of complexity” o (orange) means “neutral” - (red) means “poor” or “difficult”					

¹ Countries are invited to report existing information and build up information on this category progressively. In 2025 it should be considered whether this indicator can be fully included.

Identifying & Measuring Producer Subsidies: example (Canada, 2013-15)



Subsidy name	Who gives it?	Who gets it?	How much is it worth?
Canadian Development Expense	Canada	Oil and gas companies	\$1,018 million
Canadian Explorations Expense	Canada	Oil and gas companies	\$148 million
Crown Royalty Reductions	Alberta	Oil and gas companies	\$1,161 million
Deep Drilling Credit	British Columbia	Oil and gas companies	\$271 million
Atlantic Investment Tax . Credit**	Canada	Oil and gas companies	\$127 million
Other subsidies	Federal and Provincial	Oil and gas companies	\$589 million
Total			\$3,314 million

* The exact amount changes from year to year, so this is a yearly average based on estimates from the period 2013-2015 with specific data used for all years available and averaged. During periods of higher oil prices, royalty payments will also tend to be higher. As such, the impacts of royalty reductions (such as those in Alberta) were higher in 2013 than in 2015”.

** The oil and gas component of this program is scheduled to be phased out in 2017.

Coal Transition experience building up, globally





- Overall fuel subsidies are not working well for poor women
- Better targeting of fuel subsidies is needed and possible
- Subsidy reform needs to be undertaken with care and mitigation measures are needed to protect poor women
- Fuel subsidies are not the only element to lead to fuel switching and better access
- Re-engineer and reform subsidies to empower women



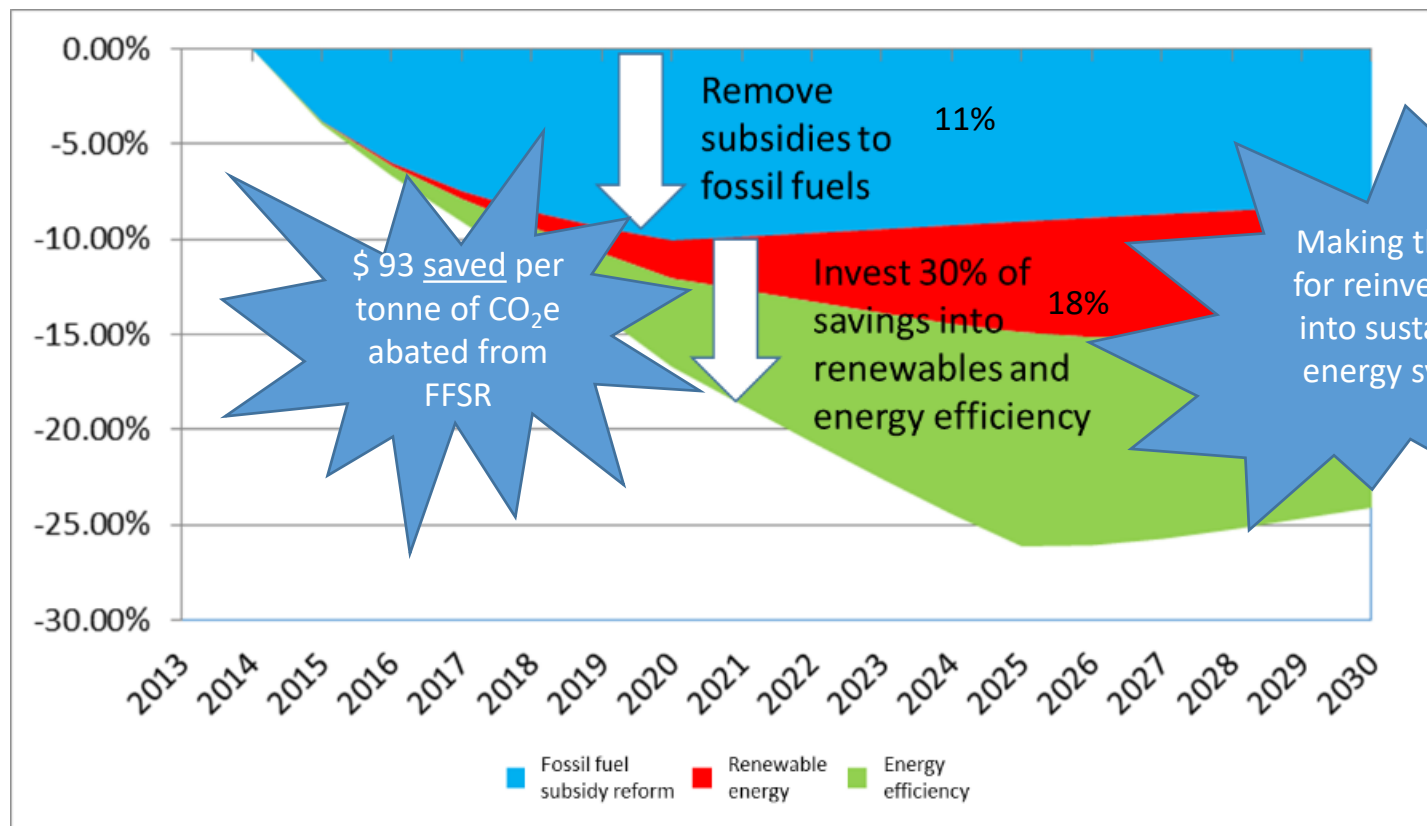
Gender, Subsidies and Subsidy Reform



FFSR has huge potential to reduce GHGs, in short-term



GSI find 11% reduction; 18% if 30% of savings go to energy



<http://norden.diva-portal.org/smash/get/diva2:1094676/FULLTEXT01.pdf>



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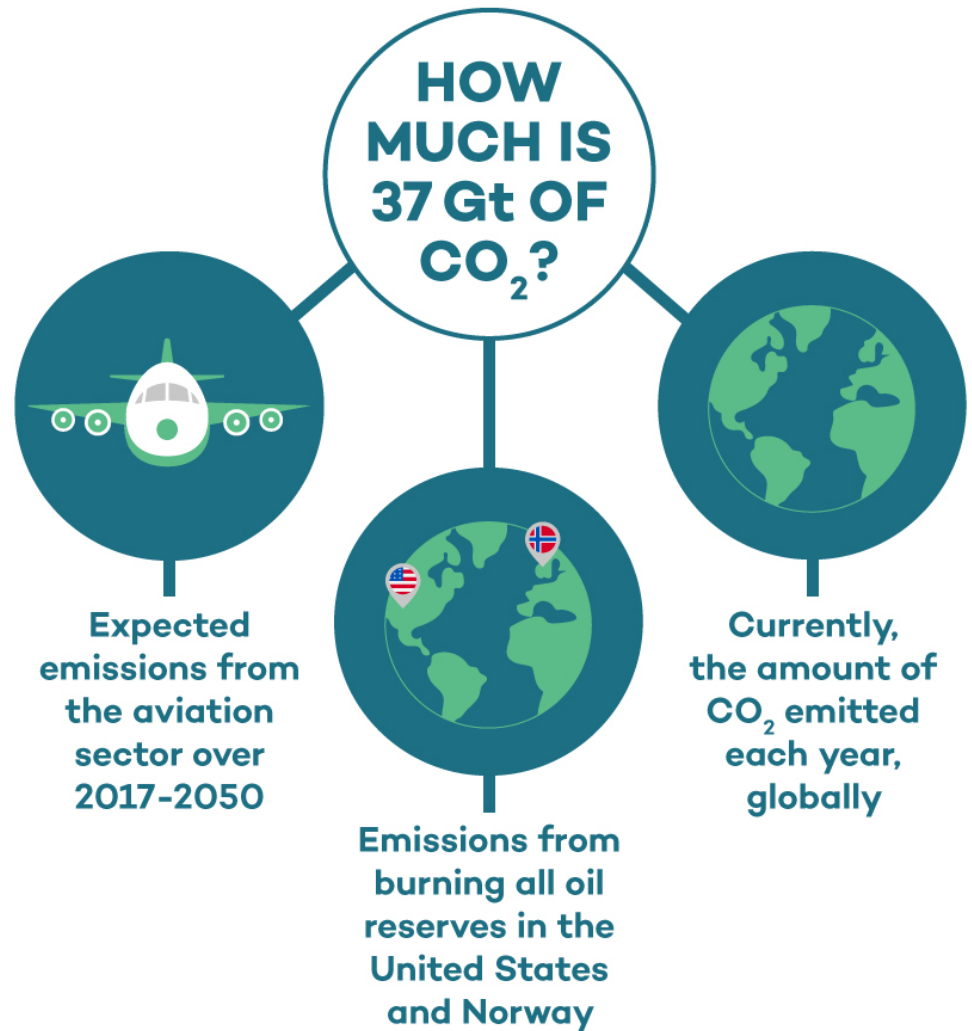
What is zombie energy?

Fossil fuels that are only able to be produced as a result of subsidies. Their extraction would not be economically viable without government support.

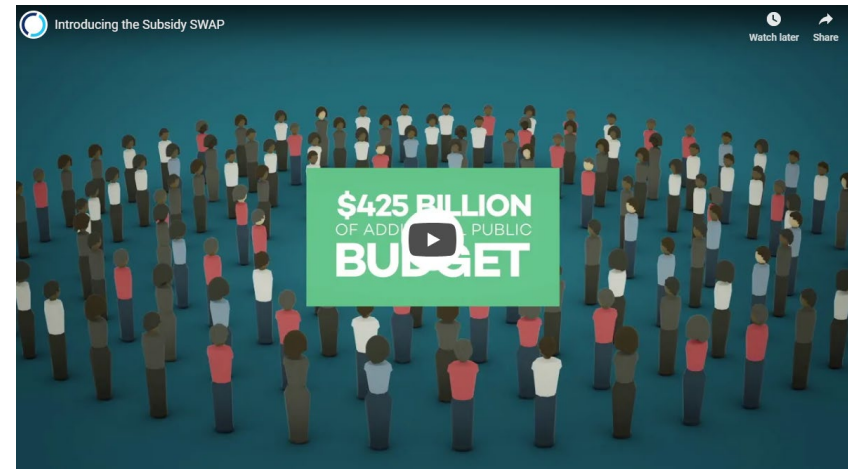
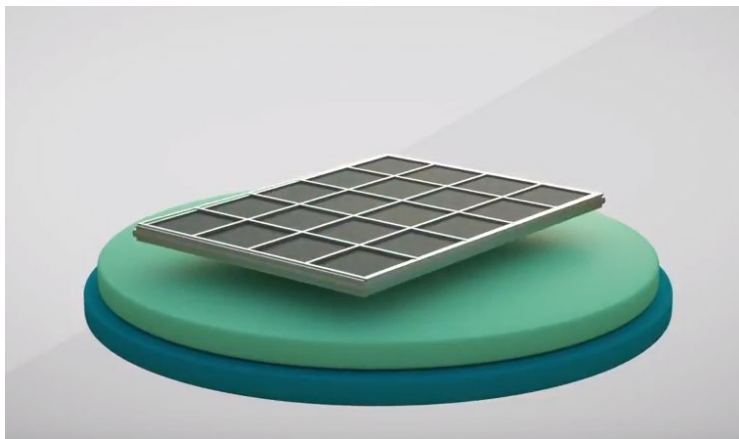
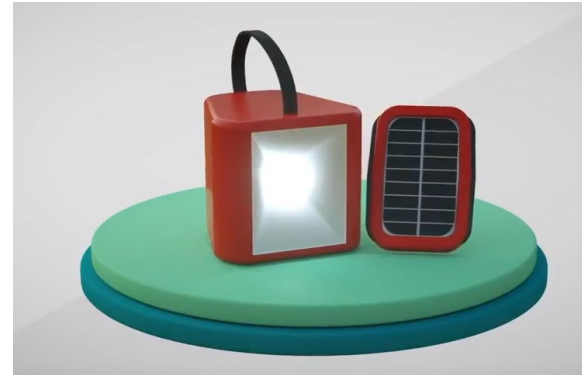
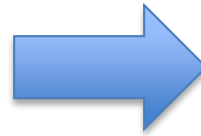


Net effect on emissions from a global removal of quantified fossil fuel production subsidies in 2017-2050 using conservative assumptions and IEA Current Policies Scenario as a baseline (oil price up to \$145 in 2050, 5°C path long-term): 37 Gt or **1.1 Gt per year**

The lower the energy prices, the more emissions avoided.



Sustainable Energy Swaps



<https://www.iisd.org/gsi/subsidy-watch-blog/how-can-clean-energy-transition-be-funded-swap-subsidies-fossil-fuels-clean>

Thank you!

