

Aligning prices and fiscal policy for the SDGs and the Paris Agreement: *Fossil fuel subsidies*

UN Environment Work on Fiscal Policies

Joy Kim / 27 September, 2017 / Rome, Italy

Background – Misaligned prices and practices

Environmental and social costs of using resources are often neglected in our economies

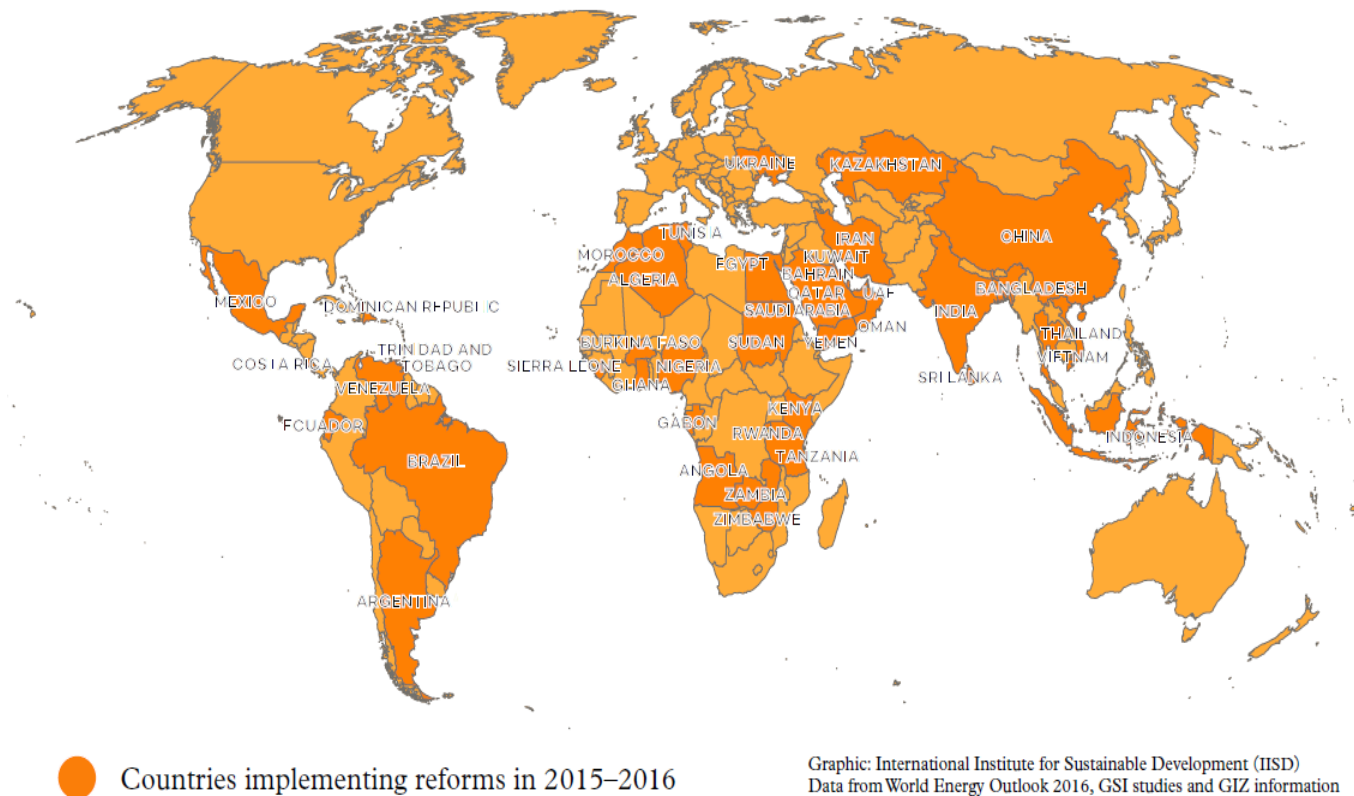
- Energy is underpriced
- Pollutants are emitted without charge
- Environmentally perverse subsidies are prevalent across sectors (agriculture, fisheries, **ENERGY**, water...)



Scale of Fossil Fuel subsidies

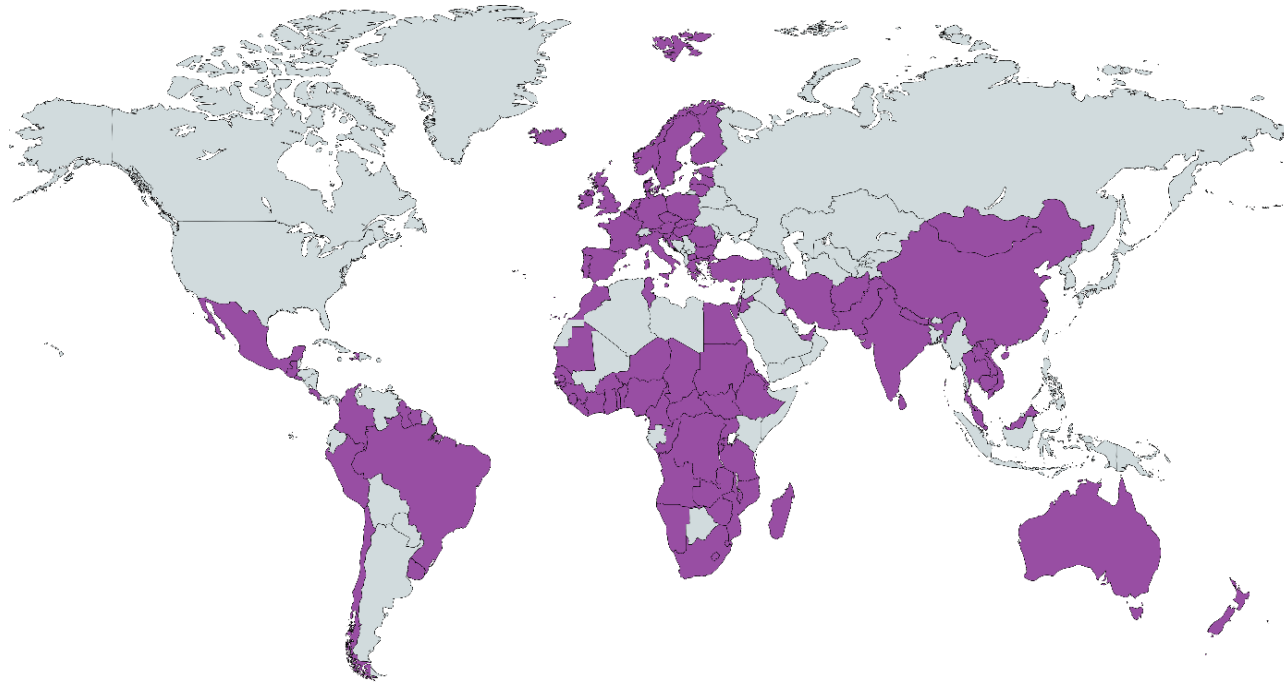
	OECD	IEA	IMF	UN (2020-30)
Estimate (USD billion per year; dates)	160-200	544 (323 in 2015)	333 Pre-tax 5,300 Post-tax	
Country coverage	43 countries (35 OECD countries+BRICS, Columbia, Argentina)	41 countries (emergin and developing)	176 countries	193 UN member countries
Time period	2010-2016	2012-2014	2011-2015	2020-2030
Type of subsidy				
Producer	√ (incl. General Services Support Estimates)	x	√ (incl. OECD Producer Support Estimates, excl. GSSE)	
Consumer	√	√	√	

Countries implementing fossil fuel subsidy reform in 2015-2016



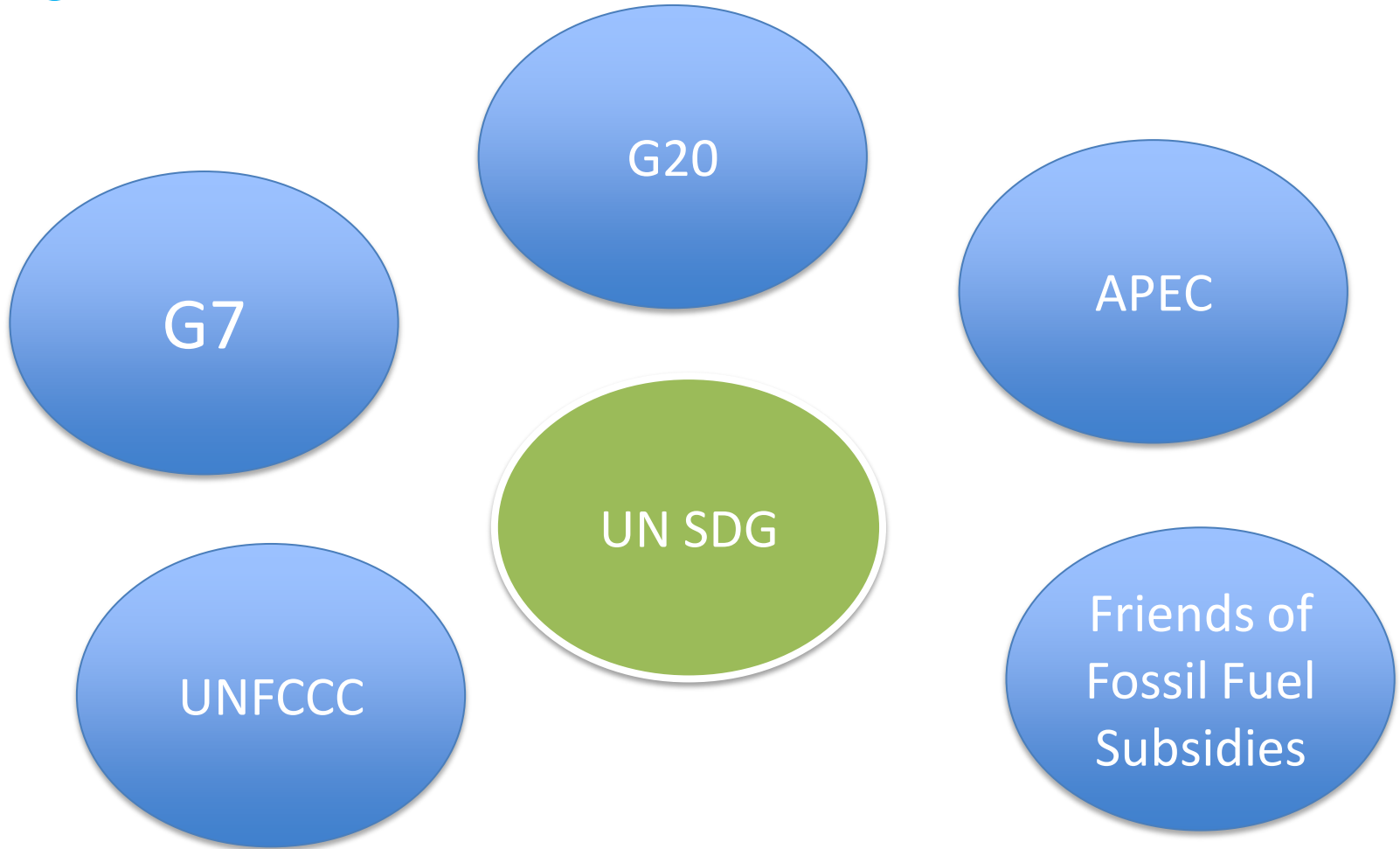
Carbon pricing and fiscal incentives in NDCs

- More than 90 countries have included some form of fiscal policies in their NDCs (e.g. carbon pricing, fossil fuel subsidy reform, subsidies/incentives for renewables, clean technology, energy efficiency, transport)



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Global initiatives on Fossil fuel subsidies reform



Measuring & reporting SDGs

- 17 SDGs
- 169 Targets
- 230 Indicators
- 96 indicators are directly related to the environment



UN Environment SDG Indicators



Water quality, water resource management, freshwater ecosystems and water and sanitation (6.3.2, 6.5.1, 6.6.1, 6.a.1, 6.b.1)

8 DECENT WORK AND ECONOMIC GROWTH



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Sustainable consumption and production, including material flow accounts, chemicals and wastes, environmental policy, food waste and fossil fuels (8.4.1, 8.4.2, 12.1.1, 12.2.1, 12.2.2, 12.3.1, 12.4.1, 12.4.2, 12.5.1, 12.6.1, 12.7.1, 12.a.1, 12.c.1)

14 LIFE BELOW WATER



Ocean related indicators on marine litter, acidification, marine management and coverage of protected areas (14.1.1, 14.2.1, 14.5.1)

15 LIFE ON LAND



Protected areas, including mountains, and national targets for the Convention on Biological Diversity (15.1.2, 15.4.1, 15.9.1)

17 PARTNERSHIPS FOR THE GOALS



Environmentally sound technology and sustainable development policy (17.7.1, 17.14.1)

Fossil fuel subsidies



- Rationalize inefficient fossil-fuel subsidies that encourage wasteful consumption by removing market distortions (T12.c);
- ***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***

Fossil fuel subsidy reform and the SDGs

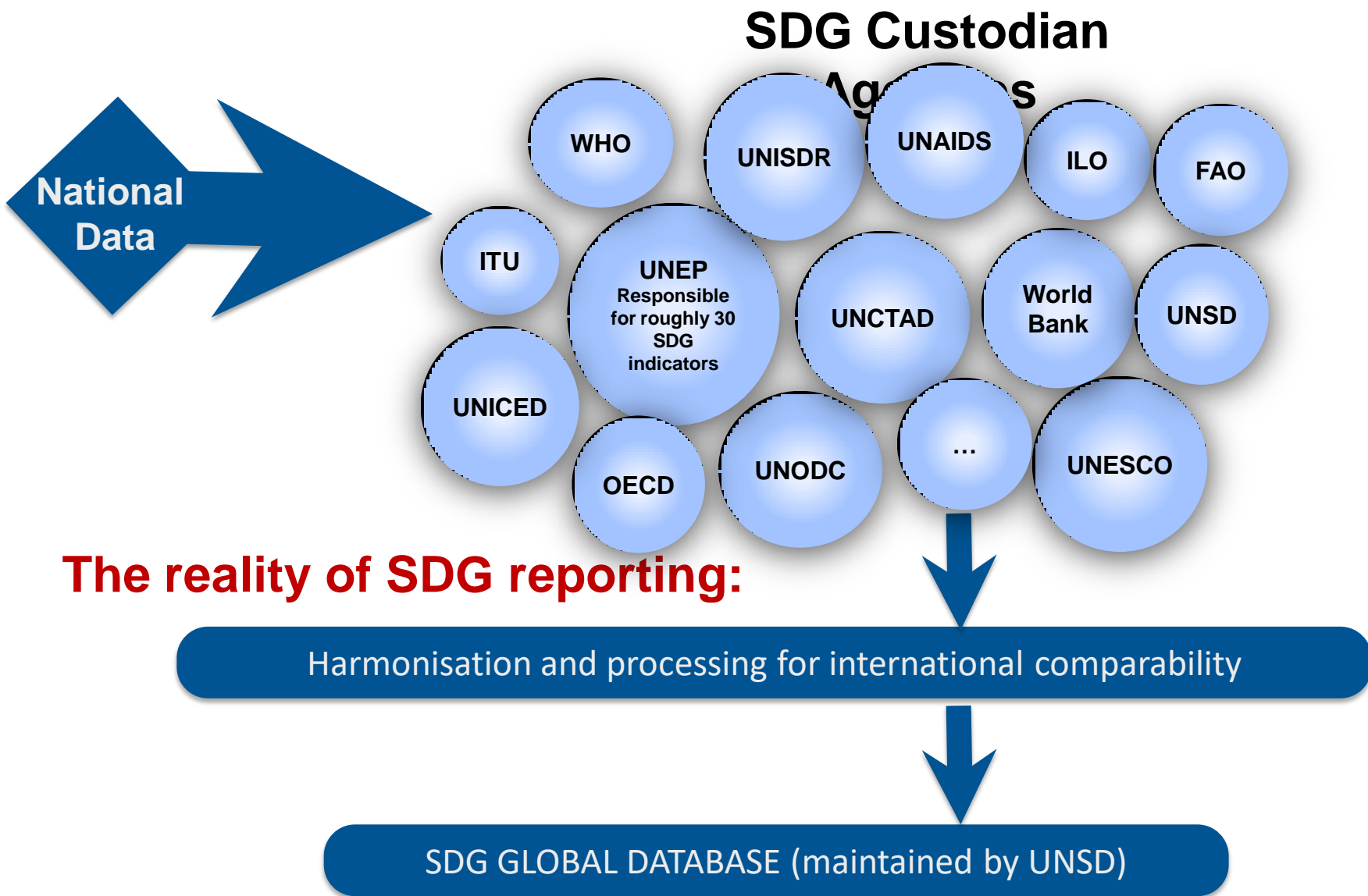
- Rationalize inefficient fossil fuel subsidies (**T12.c**);
- Achieve sustainable management and efficient use of natural resources (**T12.2**);
- Improve resource efficiency in consumption and production (**T8.4**);
- Support renewable energy generation (T7.2);
- Promote investment in energy infrastructure and clean energy technology (T7.a);
- Reduce the no. of deaths/illnesses from hazardous chemicals and air, water and soil pollution and contamination (**T3.9**);
- Increase water-use efficiency (T6.4);
- Contribute to climate financing pledges under the UNFCCC (T13.a)
- Strengthen domestic resource mobilization (**T17.1**);
- Help mobilize other sources of financing (**T17.3**);



6 CLEAN WATER AND SANITATION



Indicator Reporting Information System



Technical expert group consultation

Countries	China, Egypt, Finland, France, Germany, India, Italy, Norway, Philippines, South Africa, Sweden, USA, Venezuela, Zambia
IGOs	EC, EROSTAT, IEA, IMF, OECD, UNSTAT, OPEC
NGOs	IISD/Global Subsidy Initiative, Green Budget Europe

Key technical issues for measuring fossil fuel subsidies

- 1. Consumer subsidies**
- 2. Electricity from fossil fuels**
- 3. Producer subsidies**
- 4. Sub-indicators**

Consumer subsidies

- Price-gap approach (IEA, IMF)
 - Gap b/t reference price (global market price) and end user price
- Issue of benchmark
 - Global market price v.s. production costs (energy exporters)
- No internationally agreed reference price
 - Calculation of reference price
 - No publicly available comprehensive database of national fuel price

Electricity from fossil fuels

- Generally included (e.g. IEA); technical challenges
- Scope of inclusion
 - General subsidies to the electricity system (e.g. subsidies for distribution, or for a SOE)
 - Subsidies to types of generation (e.g. subsidised loans to coal-fired power plants)
- Develop guidance to countries on the measurement and scope

Producer subsidies

- Less understood and reforms are weaker
- Inventory approach (e.g. OECD)
 - Tax expenditures and budgetary transfers
 - Data from national reports
- No internationally agreed approaches for subsidy inventories and agreed measurement technique
 - Develop guidance to countries
 - Progressively develop inventories in each countries

Sub-indicators

- ***Supplementary data***
- Break-down of data used to produce indicator (e.g. absolute figures or disaggregated data)
- Progress of reform (e.g. plans for reform)
- Further info (e.g. externality costs from fossil fuel consumption/production; tax revenues from FF)

Milestones and timelines for development of methodology

- **June 2017**: First expert group consultation meeting
 - **September 2017**: Second expert group consultation
 - **March 2018**: Final methodology
 - **2020-2030**: Data collection for all UN member countries

- <http://www.greenfiscalspolicy.org/>

Thank you



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