



# Tracking Fossil Fuel Subsidies

May 2022

- The IEA was set up after the 1974 oil crisis to coordinate a collective response to major oil supply disruptions through the release of emergency stocks.
- Its original mandate also included boosting conservation (energy efficiency) measures.
- We were established under the umbrella of the OECD in Paris but we remain an autonomous organization with own membership, budget and governance structure.
- Under our founding treaty, Member Countries of the IEA must belong to the OECD and hold 90 days of oil imports as stocks. [Note: not all OECD members belong to the IEA.]



# What is the IEA ? --- Present

Under the leadership of **Dr Fatih Birol**, the agency's Executive Director since 2015, the IEA modernization agenda has transformed the Agency.

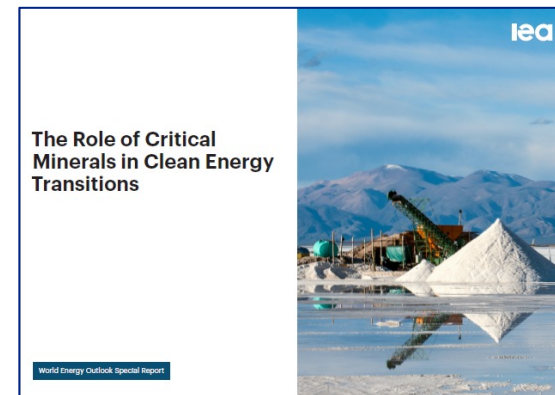
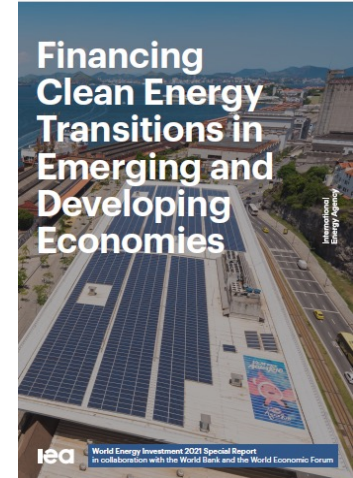
This agenda is based on three pillars:

- Maintaining the focus of the IEA on energy security but broadening the approach beyond oil to include natural gas and electricity security;
- Expanding the IEA's global approach to by opening its doors to 8 major emerging economies;
- Turning the Agency into a leading hub for clean-energy technologies and energy efficiency.

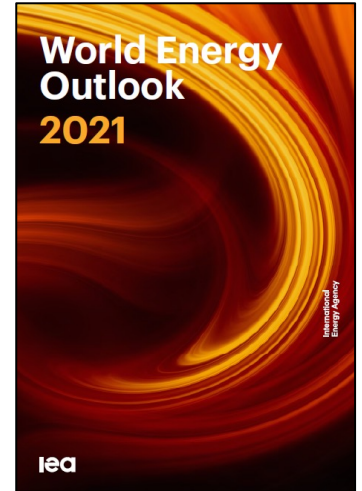


# What is the IEA ? --- Future

- The IEA is determined to be the leading agency for the global clean energy transitions around the world, thanks to our work across the IEA family of countries.
- The IEA looks at all fuels and all technologies. This expertise across the system provides a unique understanding of the interplays of the energy system, and is a unique advantage for the agency.
- This view also provides an unmatched position to confront the climate challenge: since energy is responsible for most of carbon emissions, therefore the energy sector must bring solutions.



- The IEA has been measuring fossil-fuel subsidies in a systematic way since 2007.
- The IEA estimates subsidies to fossil fuels that are consumed directly by end-users or consumed as inputs to electricity generation – the price-gap approach.
- The analysis performed by the World Energy Outlook team highlights the scale of these subsidies, and the beneficial impact of fossil-fuel subsidy removal for energy markets, climate change and government budgets.



- **Direct budgetary transfers**

- Payments made by governments, or bodies acting on behalf of governments, to individual recipients.

- **Tax expenditures**

- Tax concessions that are typically provided through lower rates, exemptions, or rebates of consumption taxes on fossil fuels (mainly value-added taxes and excise taxes) or measures to reduce the cost of the extraction of fossil fuels.

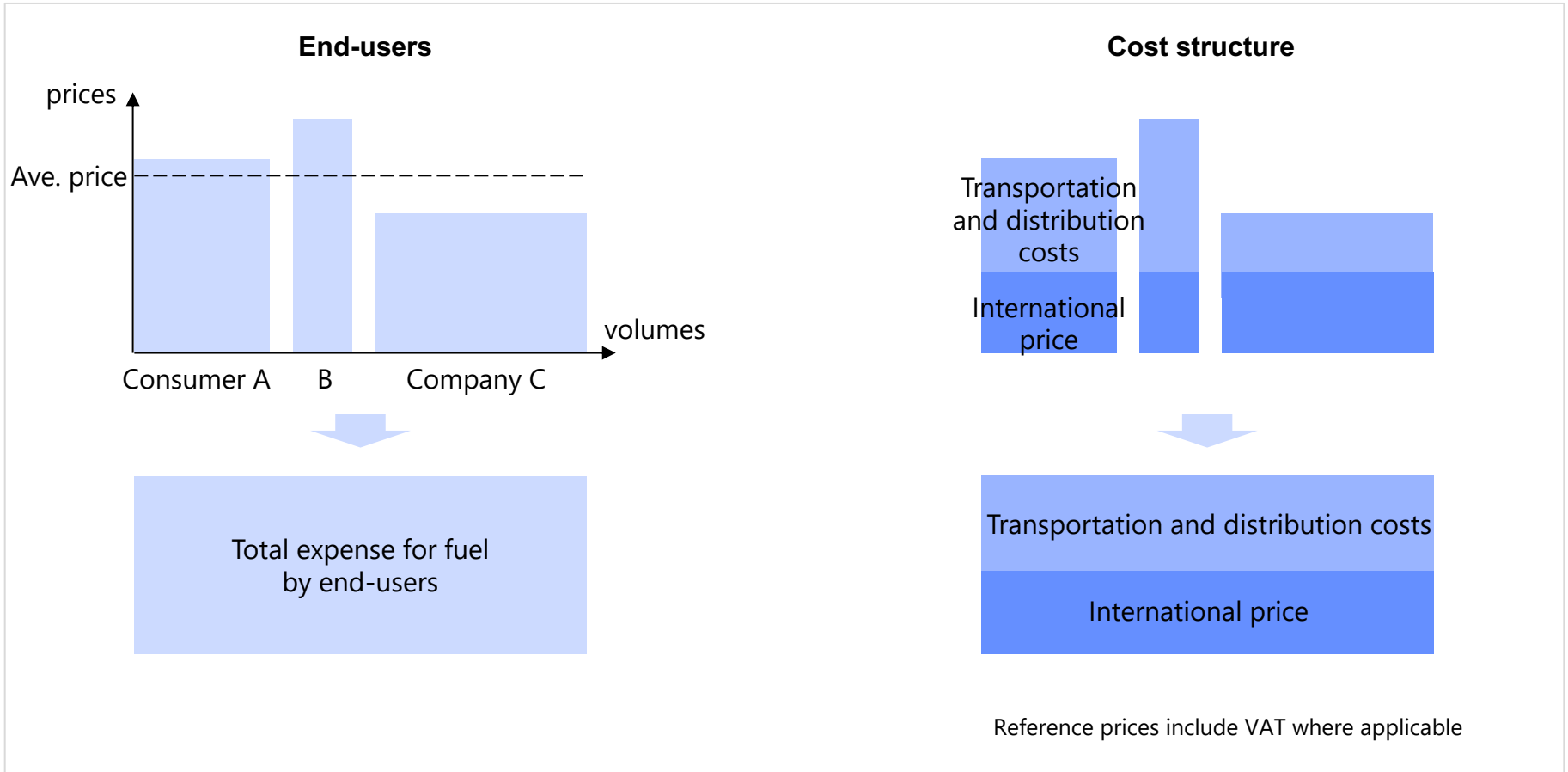
- **Induced transfers (or Price support or Price-gap)**

- Estimated subsidies due to market regulation and price support for lower end-user price relative to the full cost of supply.
- The difference between the end-use price and the reference price amounts to the price gap or induced transfer.

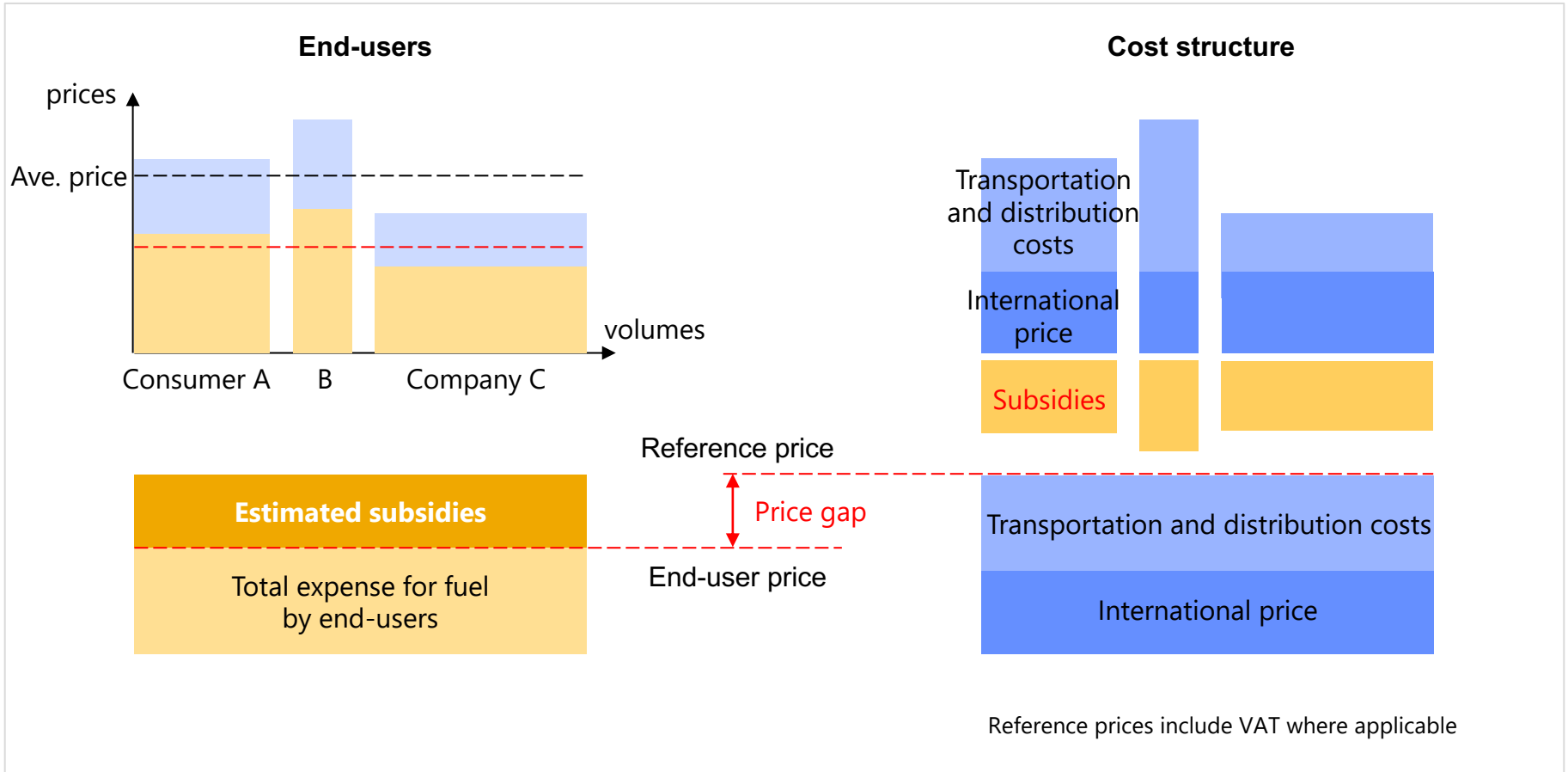
Source: OECD

# How much expended for fuels?

--- with no subsidies

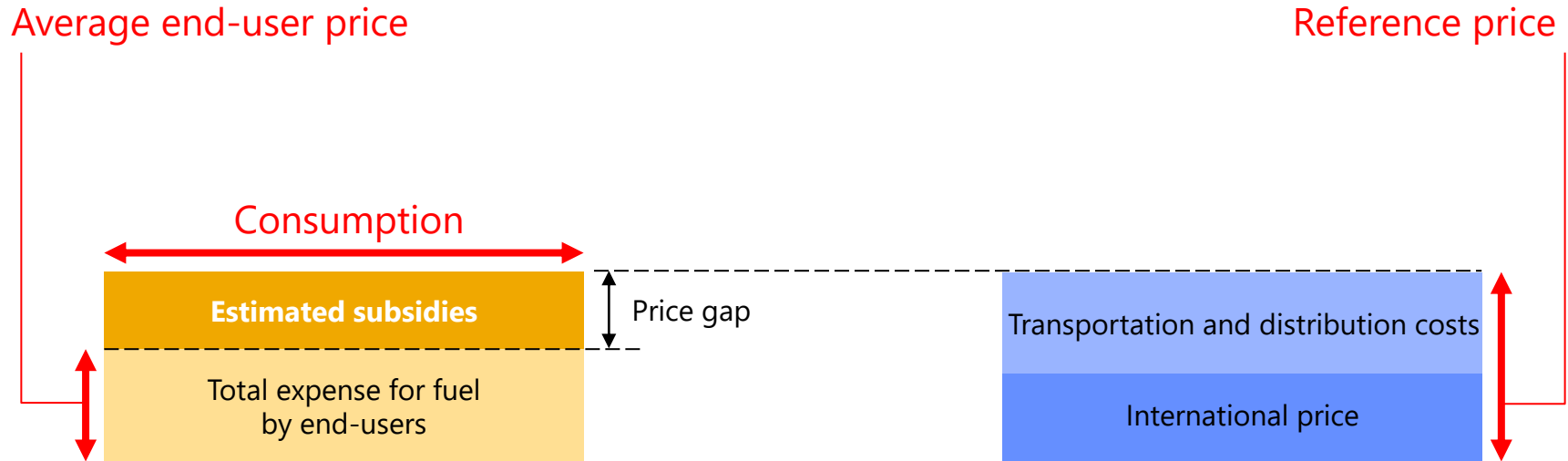


# How much expended for fuels? --- if subsidised





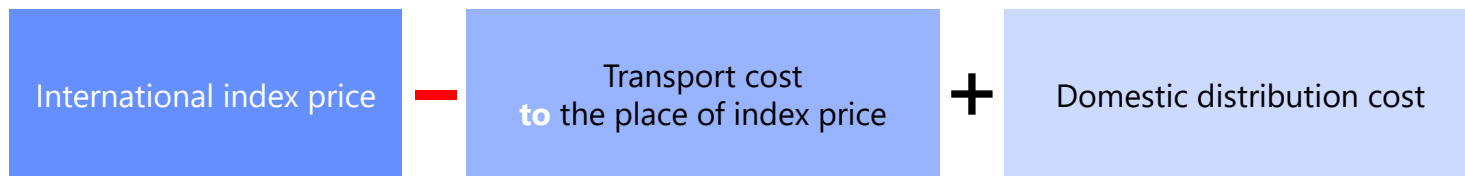
# How to calculate? --- 3 data points needed



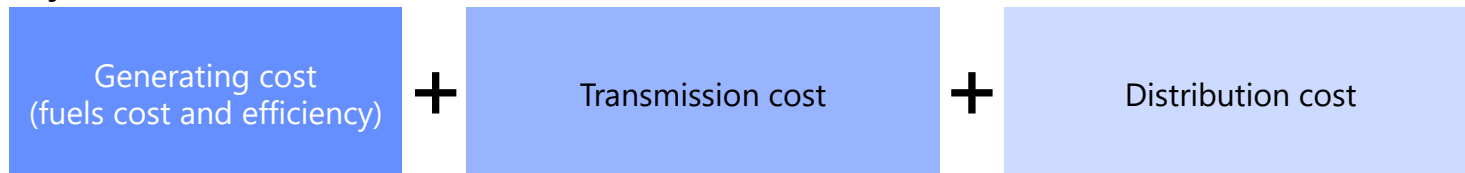
Reference prices include VAT where applicable

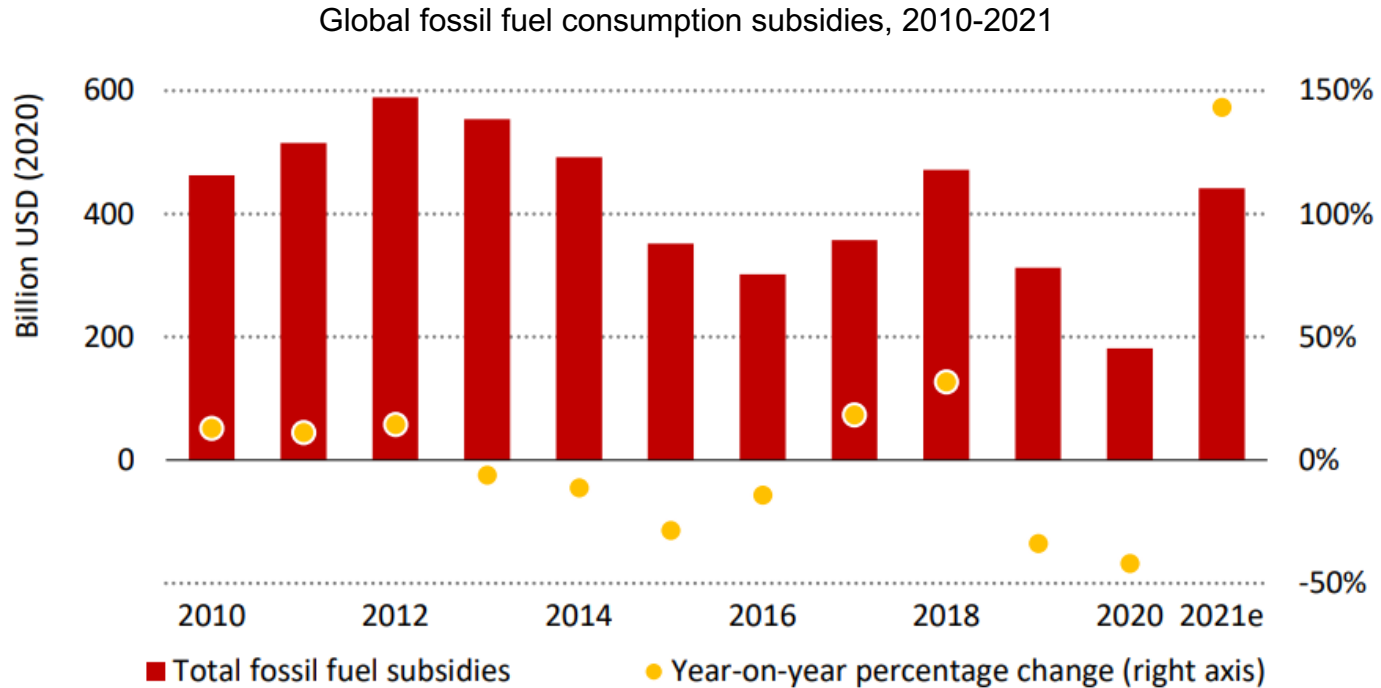


## For fuel exporting countries



## Electricity

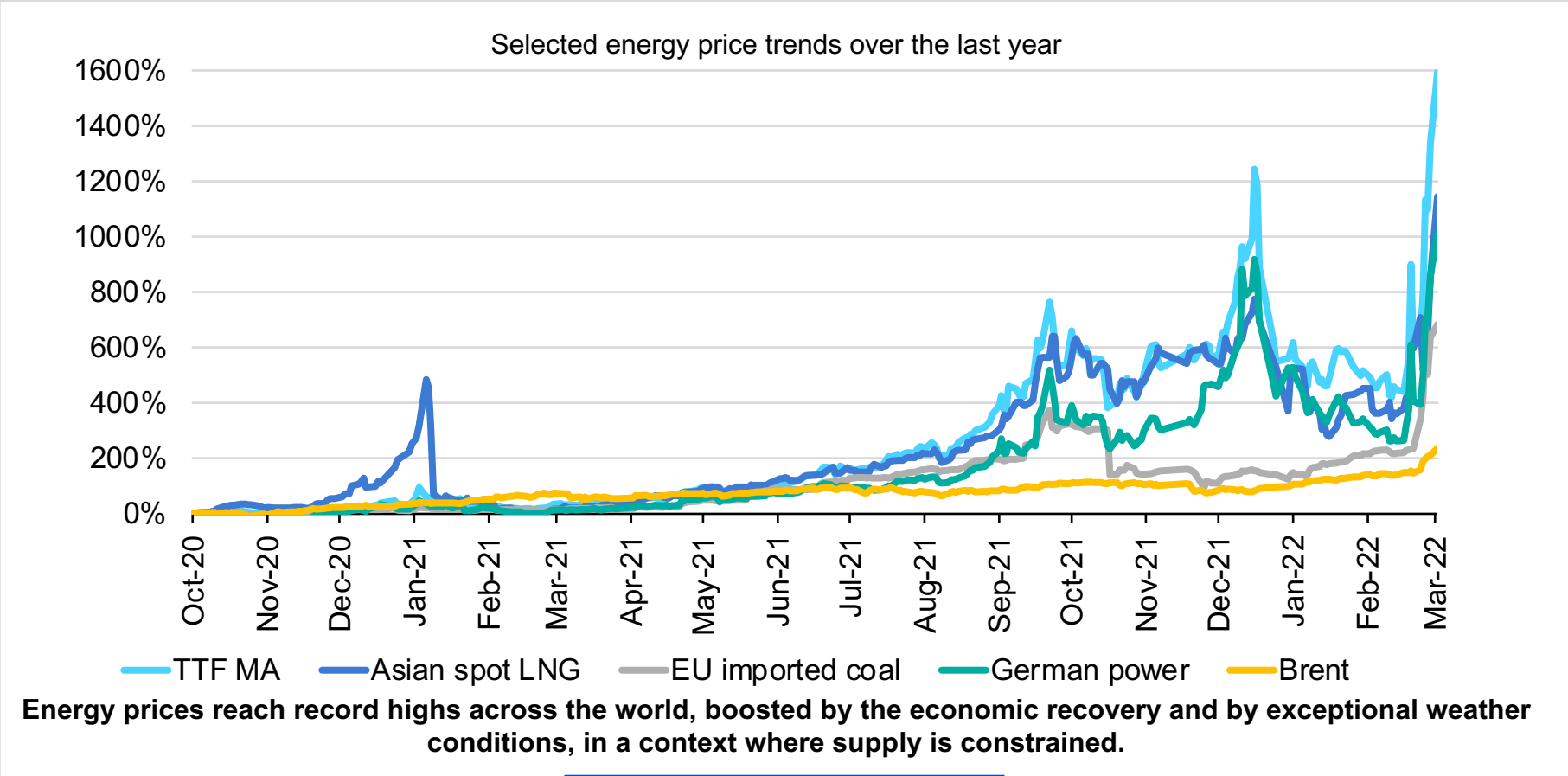


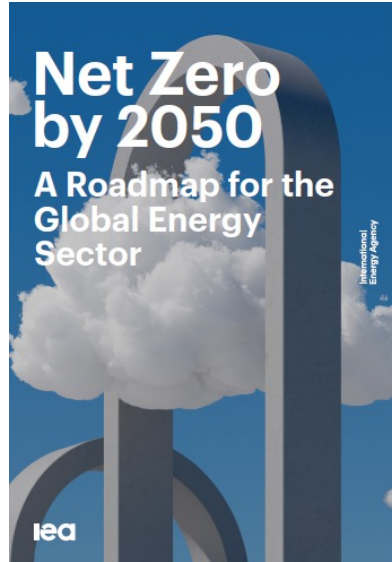


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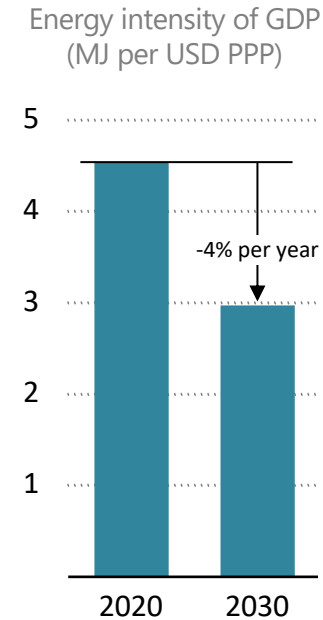
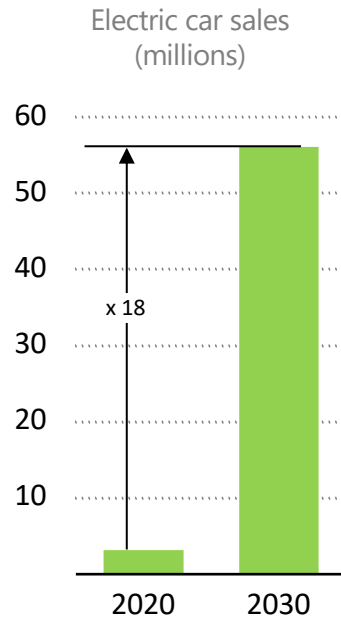
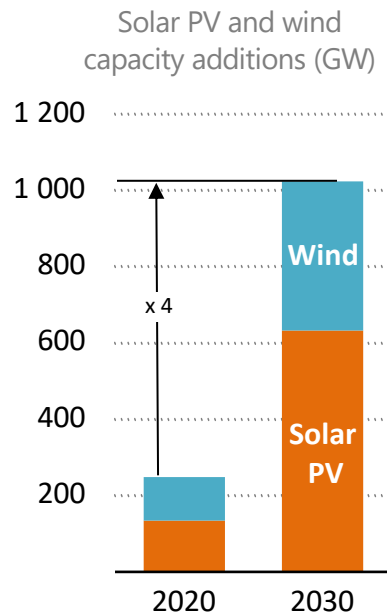
**After their biggest ever percentage fall in 2020, fossil fuel consumption subsidies are set for their highest ever rise in 2021 as fuel prices and consumption rebound**

# Energy market crisis worsened by Russian war on Ukraine



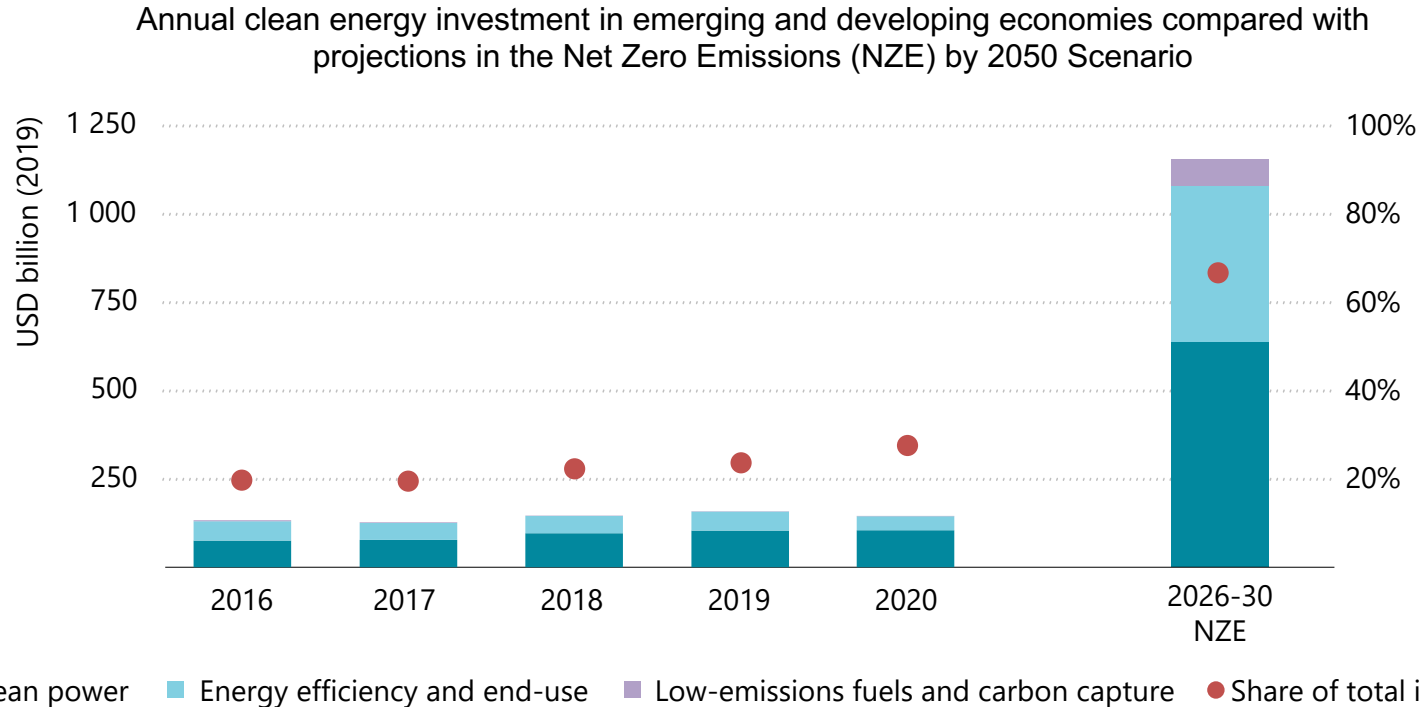


# Make the 2020s the decade of massive clean energy expansion



**Technologies for achieving the necessary deep cuts in global emissions by 2030 exist, but staying on the narrow path to net-zero requires their immediate and massive deployment.**

# A surge in clean energy investment is needed to change course



**Clean energy investment has been stuck at less than \$150 billion in recent years, but needs to expand by more than seven times, to above \$1 trillion, in order to put the world on track to reach net-zero emissions by 2050**

**Thank you!**



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