

Definitions and concepts related to FFS in the context of the SDGs

UN ESCAP – UNEP Training Workshop, 1 June 2022

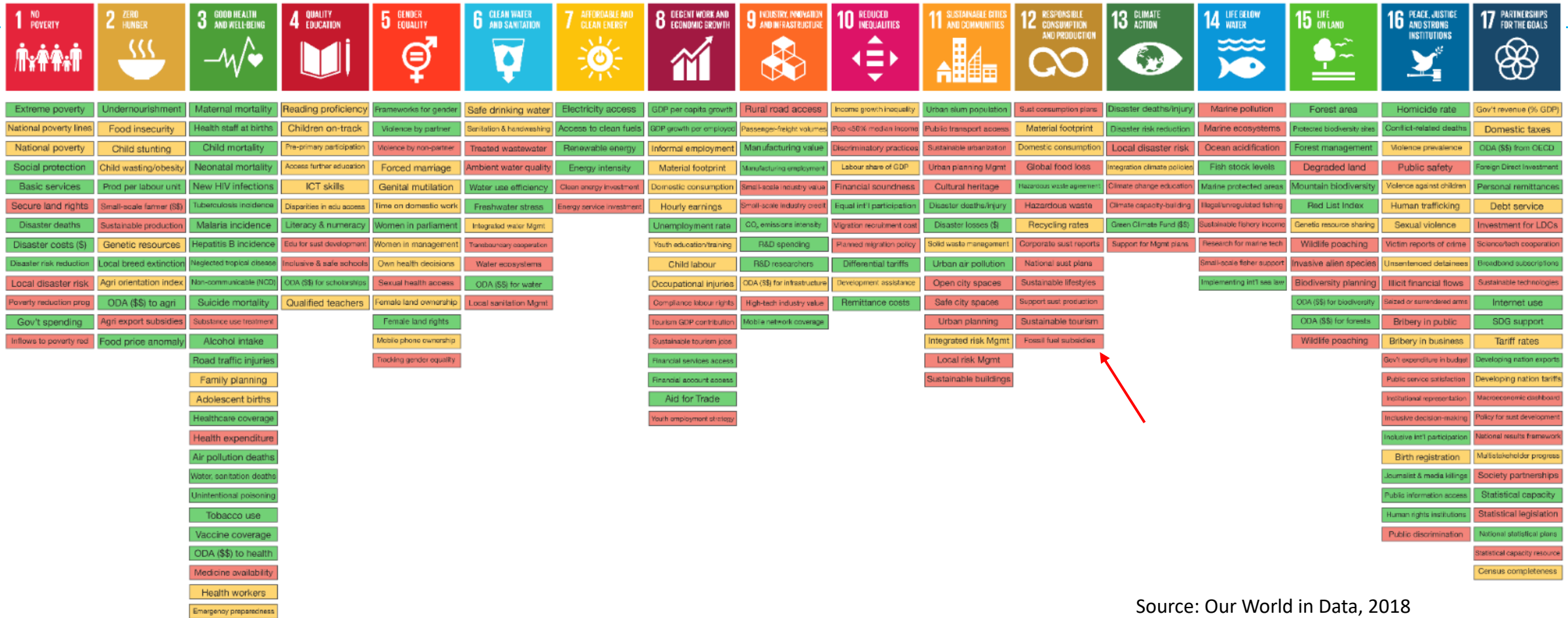
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Outline

Key questions to address

- Presentation of the SDG 12.c.1 in the context of the SDG framework
- SDG 12c.1 methodology development, main concepts and definitions
- The reporting process

THE SDG MONITORING PROCESS – why include SDG 12.c.1



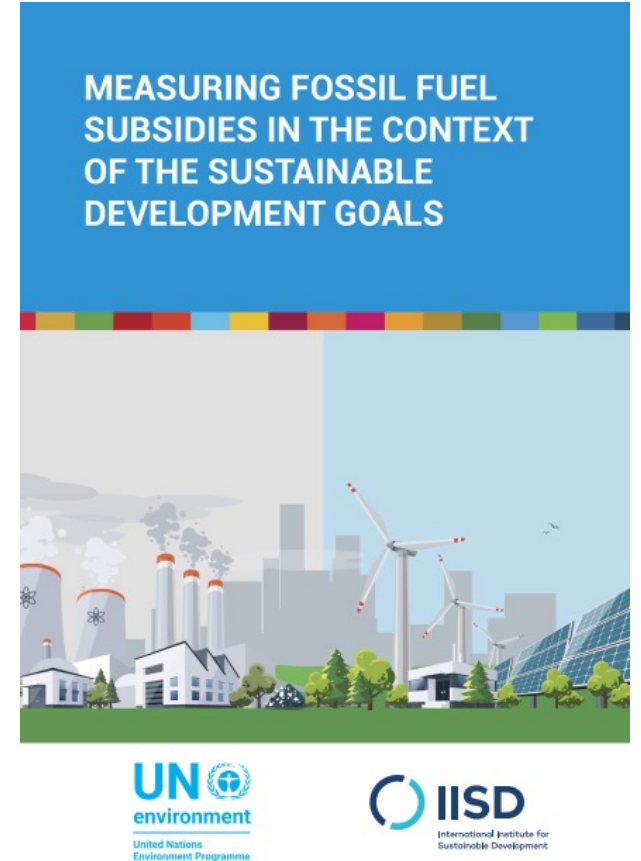
Source: Our World in Data, 2018

Indicator SDG 12.c.1

Goal: By 2030 rationalize inefficient fossil-fuel subsidies that encourage wasteful consumption by removing market distortions, in accordance with national circumstances.

Indicator 12.c rationalize inefficient fossil fuel subsidies that encourage wasteful consumption by removing market distortions, in accordance with national circumstances, including by restructuring taxation and phasing out those harmful subsidies, where they exist, to reflect their environmental impacts, taking fully into account the specific needs and conditions of developing countries and minimizing the possible adverse impacts on their development in a manner that protects the poor and the affected communities.

Indicator 12.c.1: amount of fossil-fuel subsidies (production and consumption) per unit of GDP



Approaches to estimate FFS - definitions

***Fossil Fuel* definition from the IEA Statistical Manual:**

“Fossil fuels are taken from natural resources which were formed from biomass in the geological past. By extension, the term fossil is also applied to any secondary fuel manufactured from a fossil fuel.” (IEA, 2005)

***Subsidy* aligns with WTO defined in the Agreement on Subsidies and Countervailing Measures (ASCM):**

Any “financial contribution” by a government which provides a benefit (includes direct transfer of funds (budget allocation, grant, loan, infusion of equity) but also potential transfer of funds or liabilities (such as a loan guarantee).

Approaches to estimate FFS - definitions

In order to measure fossil fuel subsidies at the national, regional and global level, three sub-indicators are recommended for reporting on this indicator:

- Direct transfer of government funds;
- Induced transfers;
- Tax expenditure, other revenue foregone, and under-pricing of goods and services;
- Transfer of risk to the government;

Approaches to estimate FFS

Two main methodologies:

- **Price gap:** quantifying the gap between free-market reference prices and the prices charged to consumers
- **Inventory approach:** constructs an inventory of government actions benefiting production and consumption of fossil fuels.

Development of the methodology

2017:

- Country consultations
- Pilot testing (Egypt, India and Zambia)
- Draft methodology paper (with GSI and OECD)

2018:

- Methodology has been reviewed by Expert Group and consulted with the statistical communities
- Endorsement by the UNCEEA
- Approval by the IAEG-SDG

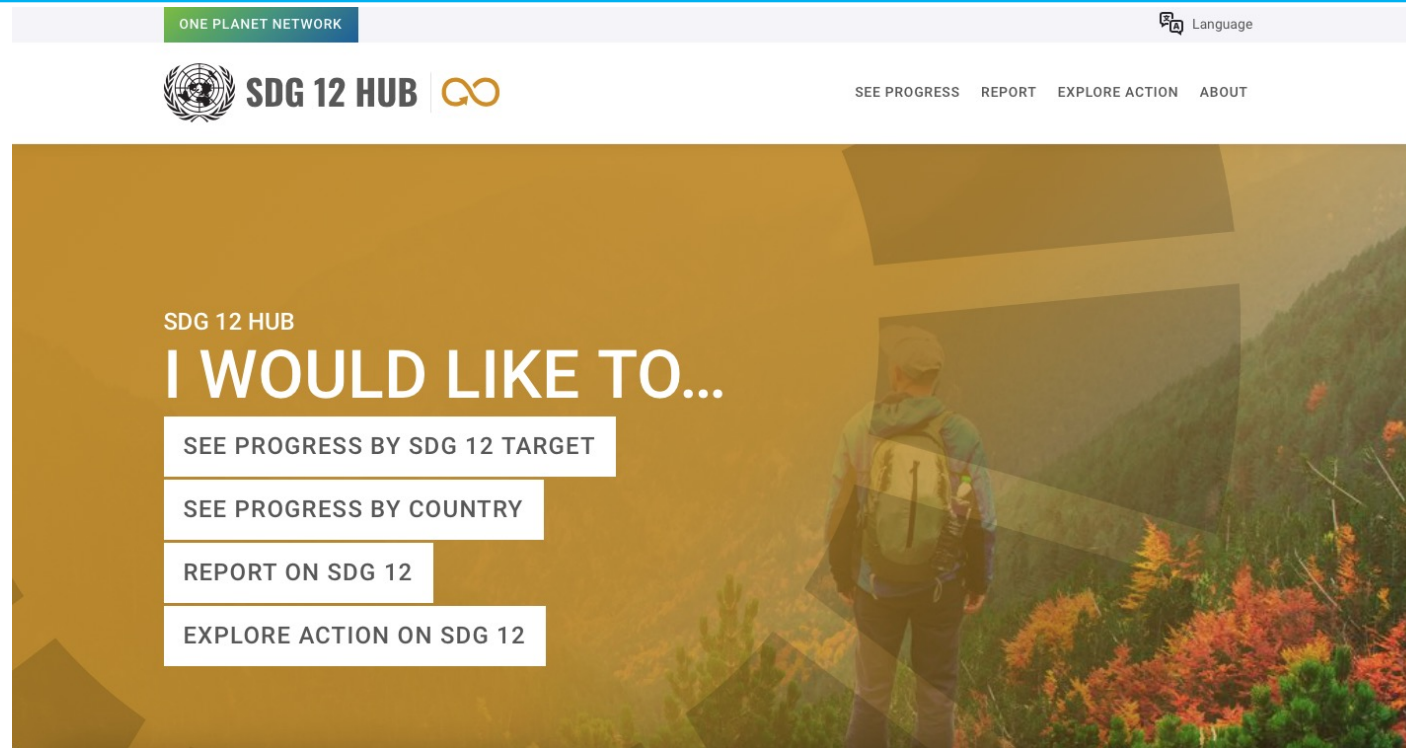
Evolution and way forward

- This indicator will continue to undergo methodological evolution
- Accompanying capacity building and dissemination of the methodology
- Phased approach to data collection (2021-30)
- 2021: Globally available data (IMF, OECD)
- 2022 - : gradually replace with national data (phased monitoring)

By 2025: have a reliable, comparable national inventory on fossil fuel subsidies

Creation of a global database: SDG 12 Hub

Access credentials to the reporting platform granted to SDG Focal Points



<https://sdg12hub.org/>

Thank you



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