

OECD work on fossil fuel subsidies

Presented at the
Special event in the context of the
Joint SBI/SBSTA Forum on the Impact of the
Implementation of Response Measures

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Context

- Supporting fossil fuel production/use influences demand, supply ... and therefore also has economic and GHG impacts
- Current level of budgetary support to fossil fuel estimated by OECD(2011) at USD 40-60 bn per year in Annex I countries*
- Current level of fossil fuel consumer subsidies in emerging + developing economies* estimated by IEA (2011) at USD 409 bn in 2010.
- Agreements in Kyoto Protocol (for AI) and G20 to reduce and phase out [inefficient] fossil fuel subsidies
- Removing subsidies would:
 - reduce current distortions, lower costs of GHG mitigation
 - have both domestic and international impacts

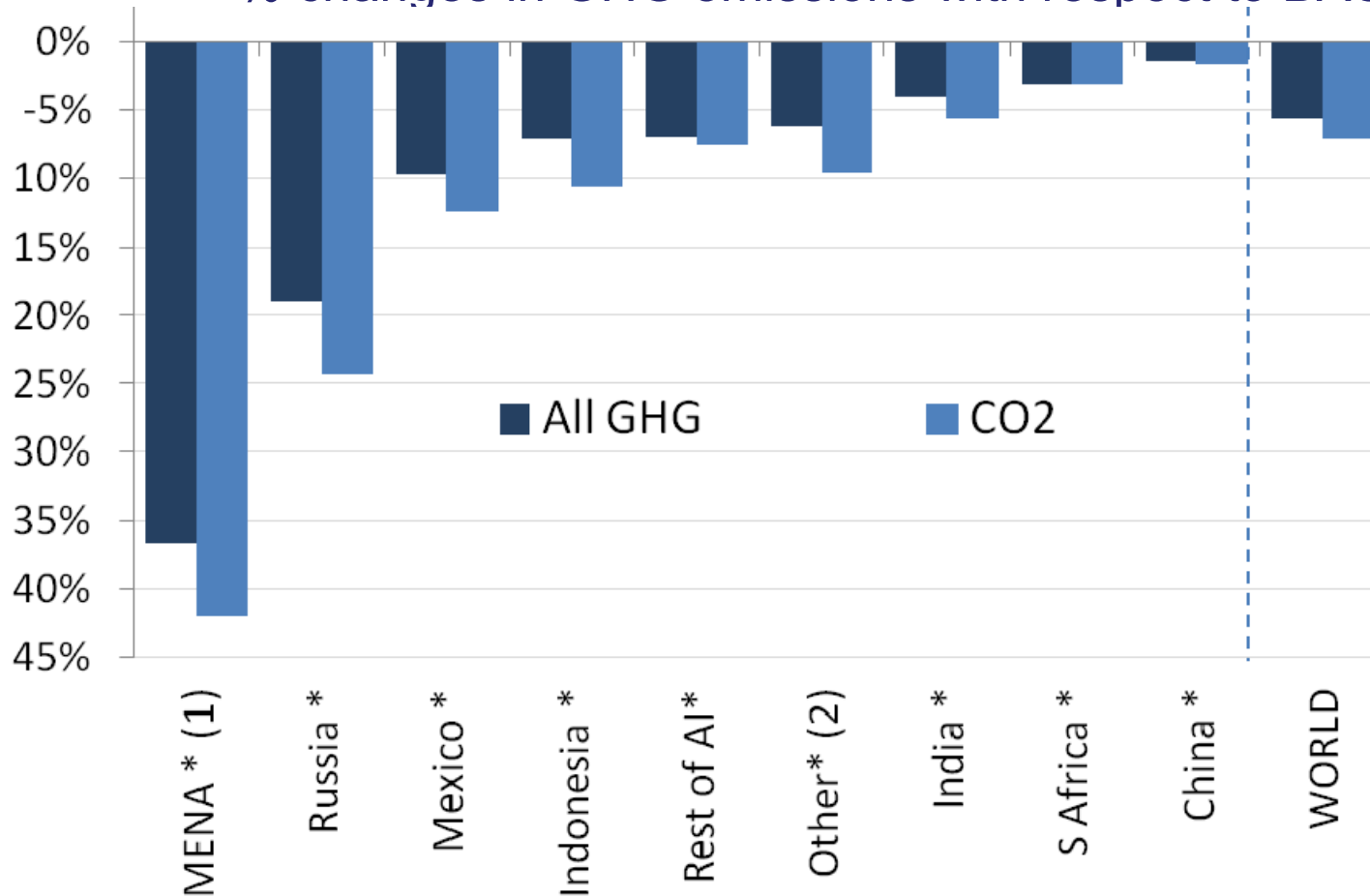
Relevant OECD/IEA work

- Quantifying level of fossil fuel support:
 - Data for 20 Annex I countries (producer and consumer)
 - ... and for 36 non-Annex I countries + Russia (consumer only)
 - Caveats: data not complete (in terms of coverage, or support types), different methodologies for estimating subsidies, regional groupings that do not always match UNFCCC groupings
- For (selected) Annex I countries, identification of different types of fossil fuel support:
 - Direct and indirect; producer and consumer
- Quantifying environmental and economic effects of NAI fossil-fuel subsidy removal
 - Introduced IEA estimates of NAI fossil-fuel consumer subsidies in 2009 into the OECD ENV-Linkages model.
- In future, plan to model effects of removing AI fossil fuel support

Emissions impacts of fossil fuel subsidy removal

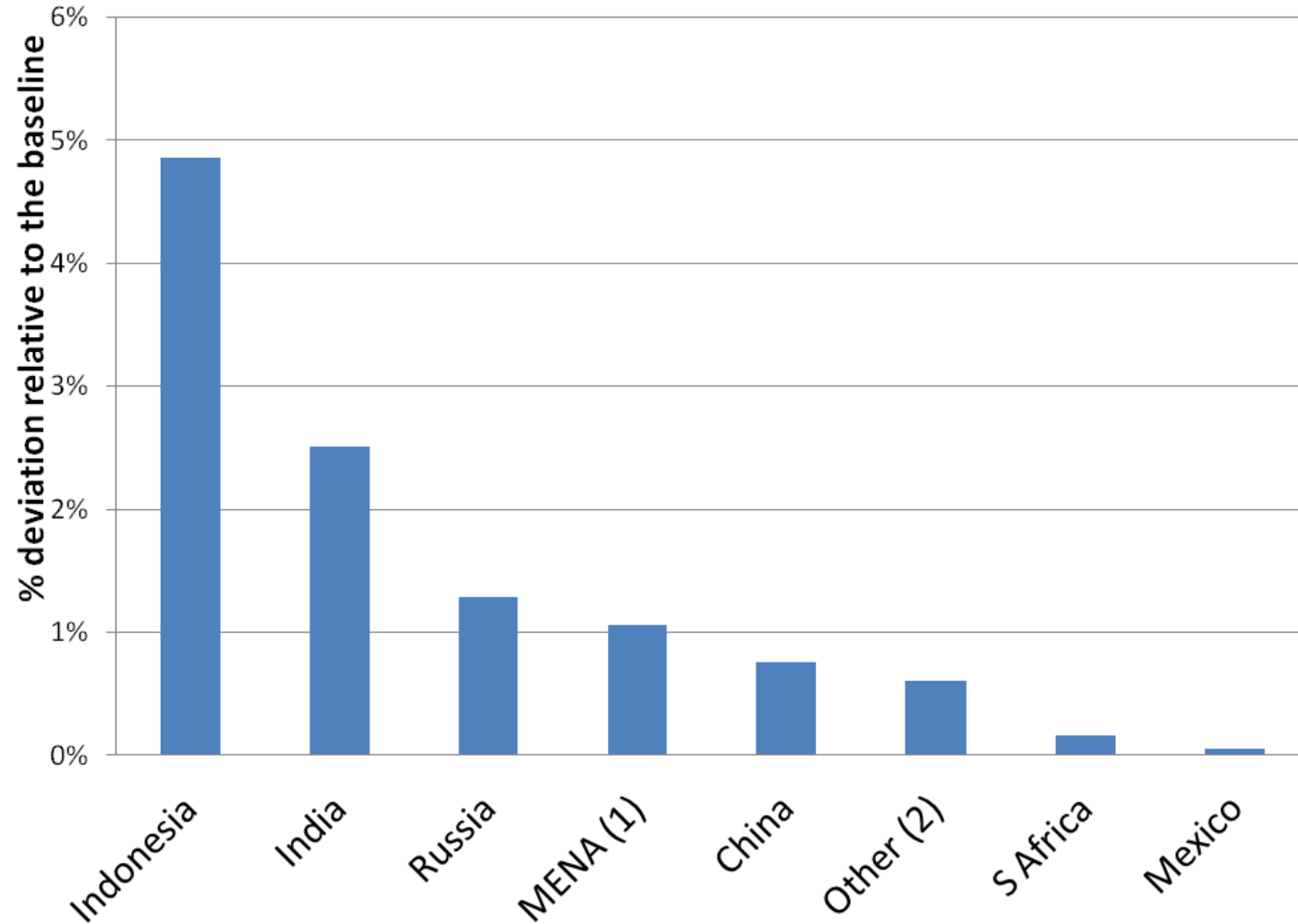
“central policy” scenario: gradual phase-out to 2020 of fossil fuel consumer subsidies in 37 emerging and developing economies

% changes in GHG emissions with respect to BAU



Direct domestic effects of reform

Impacts on GDP in 2050 (% change from baseline)



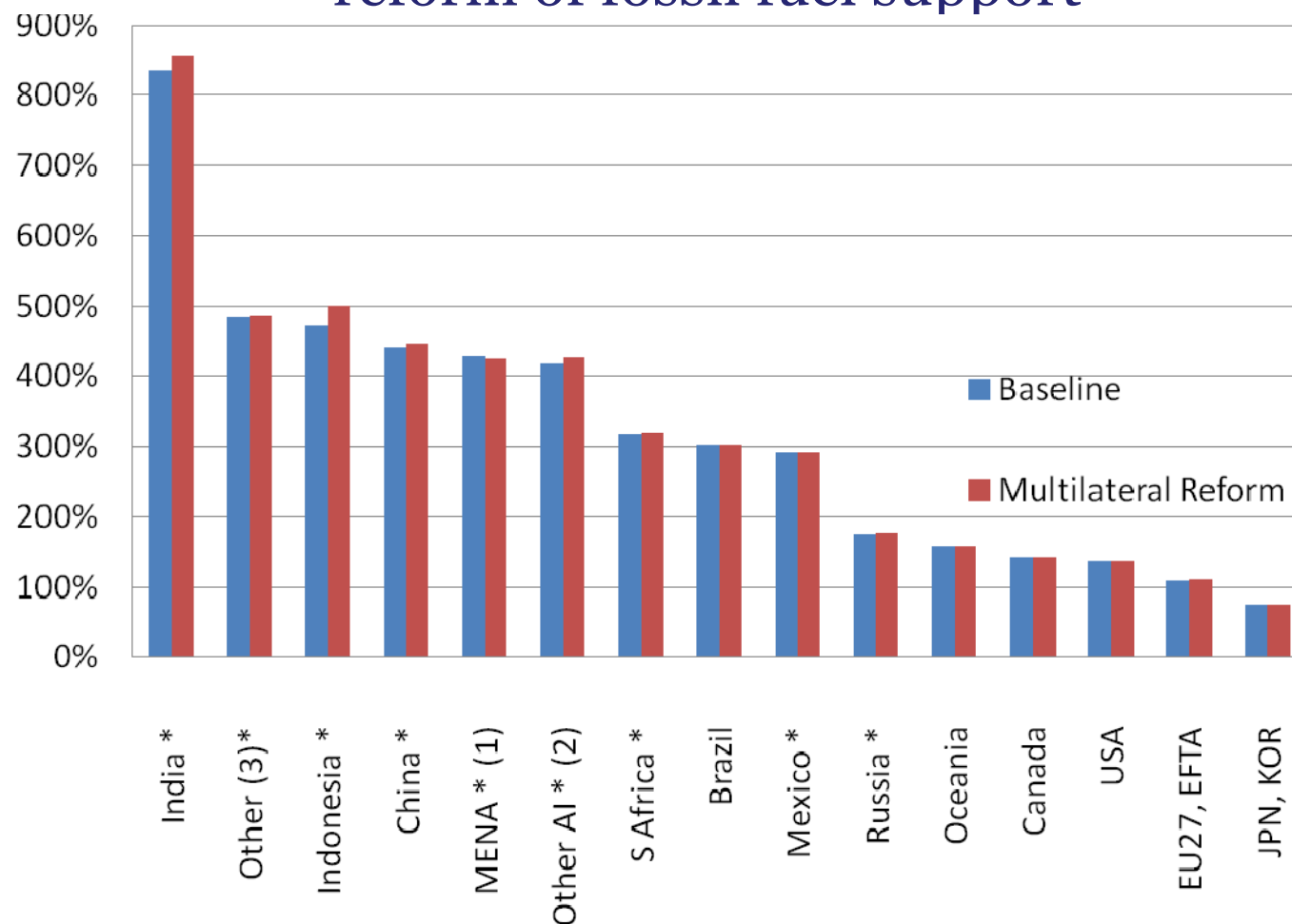
• (1) Middle East & Northern Africa

• (2) Other Asian, African and Latin American Emerging economies

• Sources : OECD ENV-Linkages Model - Based IEA subsidies data for the year 2009

Full economic impacts of multilateral reforms

Real GDP in 2050 as % of 2010 levels, with and without reform of fossil fuel support



•Regions in which the fossil fuel subsidies have been removed

• (1) Middle East & Northern Africa

•(2) Other European Annex 1 countries : Turkey, Ukraine, Belarus, Croatia, ...

•(3) Other Asian, African and Latin American Emerging economies

•Sources : OECD ENV-Linkages Model - Based IEA subsidies data for the year 2009

Thank you!

For further information:

www.oecd.org/iea-oecd-ffss

www.oecd.org/g20/fossilfuelsubsidies

Or contact:

For OECD estimates about fossil-fuel support in OECD :

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For economic impact of reforming non-AI consumer subsidies :

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