

Update from the OECD Inventory of Support Measures for Fossil Fuels 2023

5th meeting of the Fossil Fuel Subsidy Reform
(FFSR) Initiative
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The OECD Inventory of support measures for fossil fuels

- The OECD Inventory identifies, documents, and estimates the fiscal cost of government support measures that encourage fossil-fuel production or consumption.
- The latest edition of the Inventory includes more than 1700 support measures in 51 OECD, G20, and EU Eastern Partnership economies.
- It is based on a bottom-up approach that collects detailed information from official government sources (e.g. budget reports) for individual support measure for fossil fuels.
- In 2022, 162 new measures were introduced by governments and recorded in the Inventory.



The OECD Inventory of support measures for fossil fuels

This approach includes support provided through:

- Direct budgetary transfers
- Tax expenditures

This approach includes support provided to:

- Producers of fossil fuels (exploration and extraction; bulk transportation and storage; and refining and processing)
- Consumers of fossil fuels (also referring to the stage at which fuels are combusted or used as raw materials by various end-use sectors)
- General services (public services, institutions and infrastructure)

This approach includes support provided for:

- coal
- natural gas
- petroleum
- end-use electricity, for end-user consumption of fossil-fuel origin

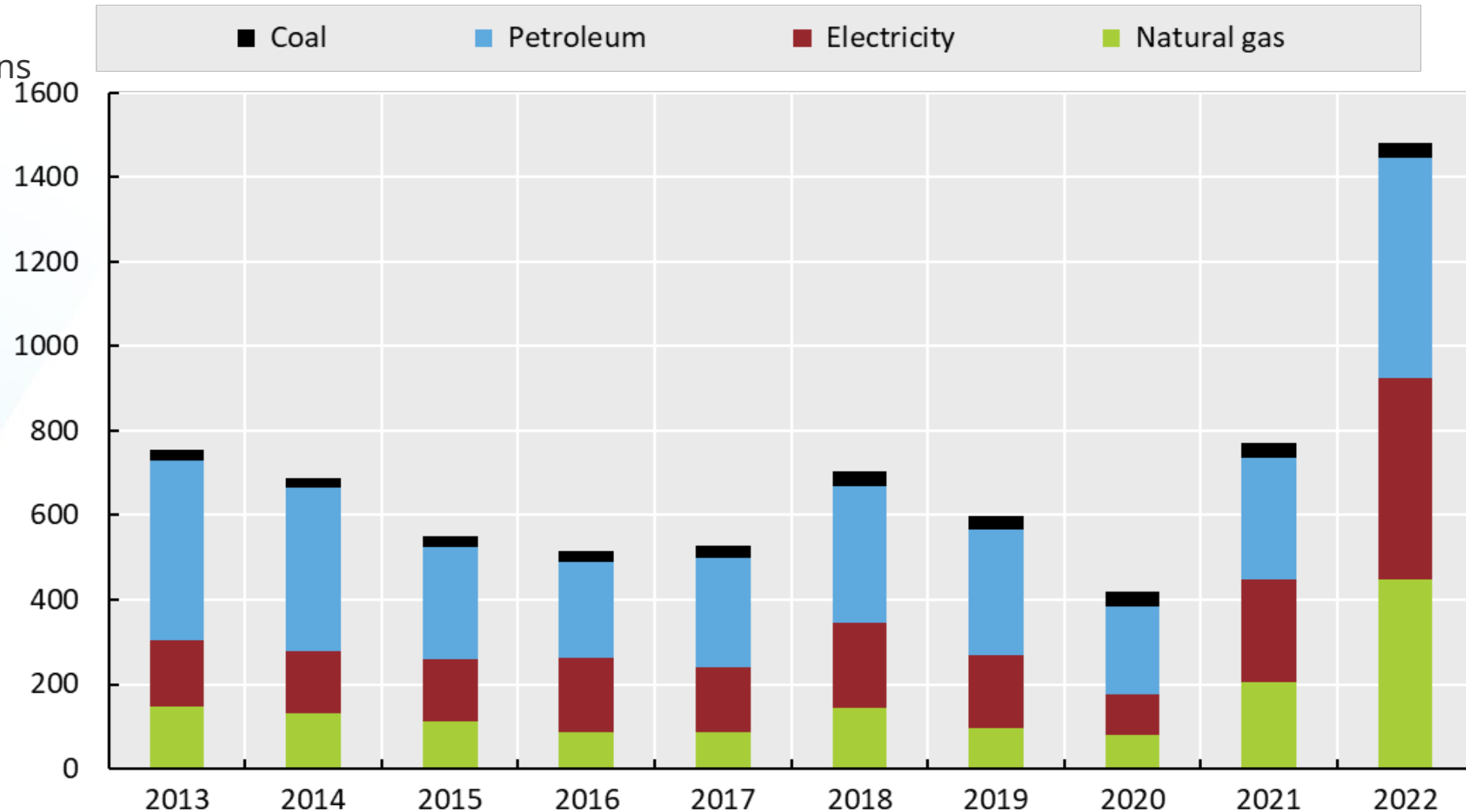


Trends in fiscal cost of support measures for fossil fuels



Fiscal cost of support measures for fossil fuels almost doubled in 2022

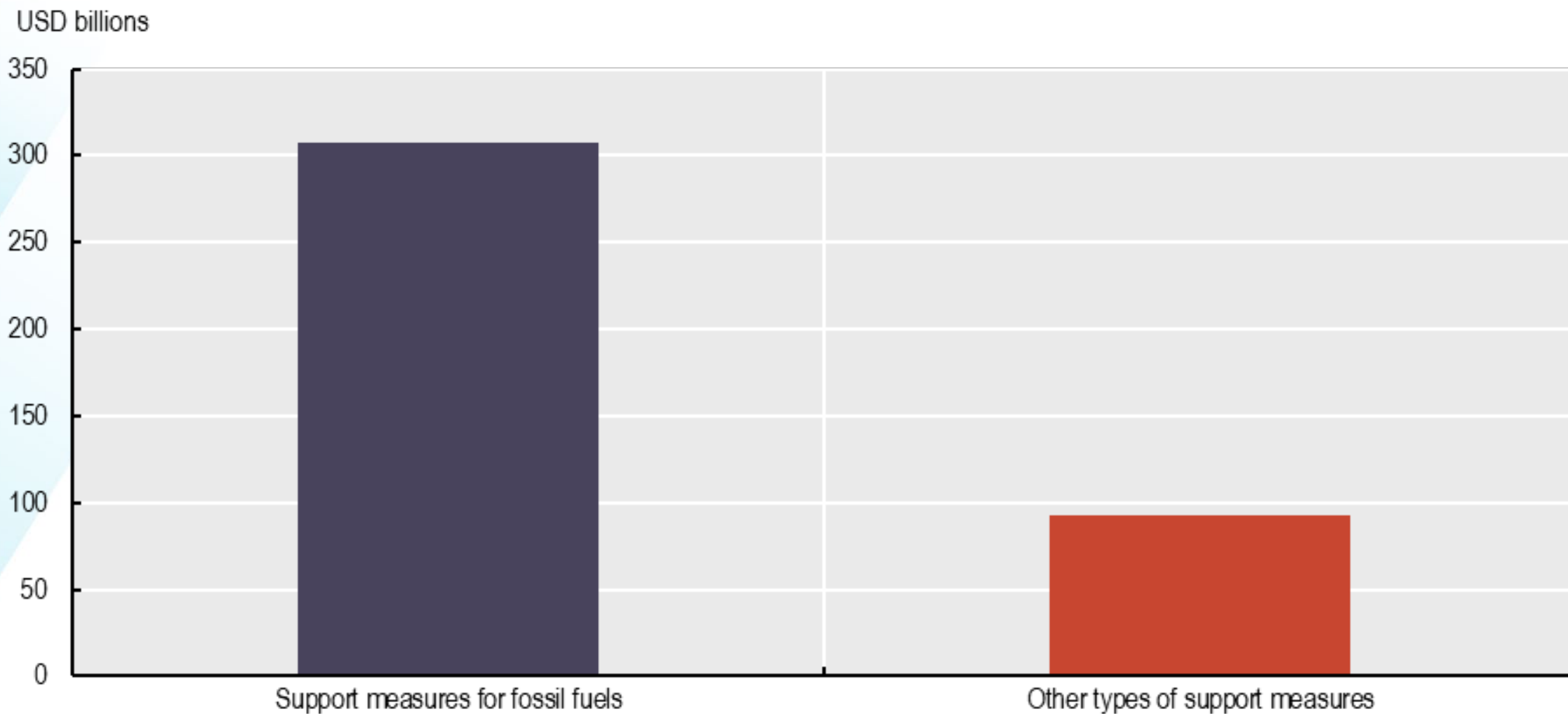
USD billions



Source: OECD-IEA joint estimate of the global fiscal cost of support for fossil fuels



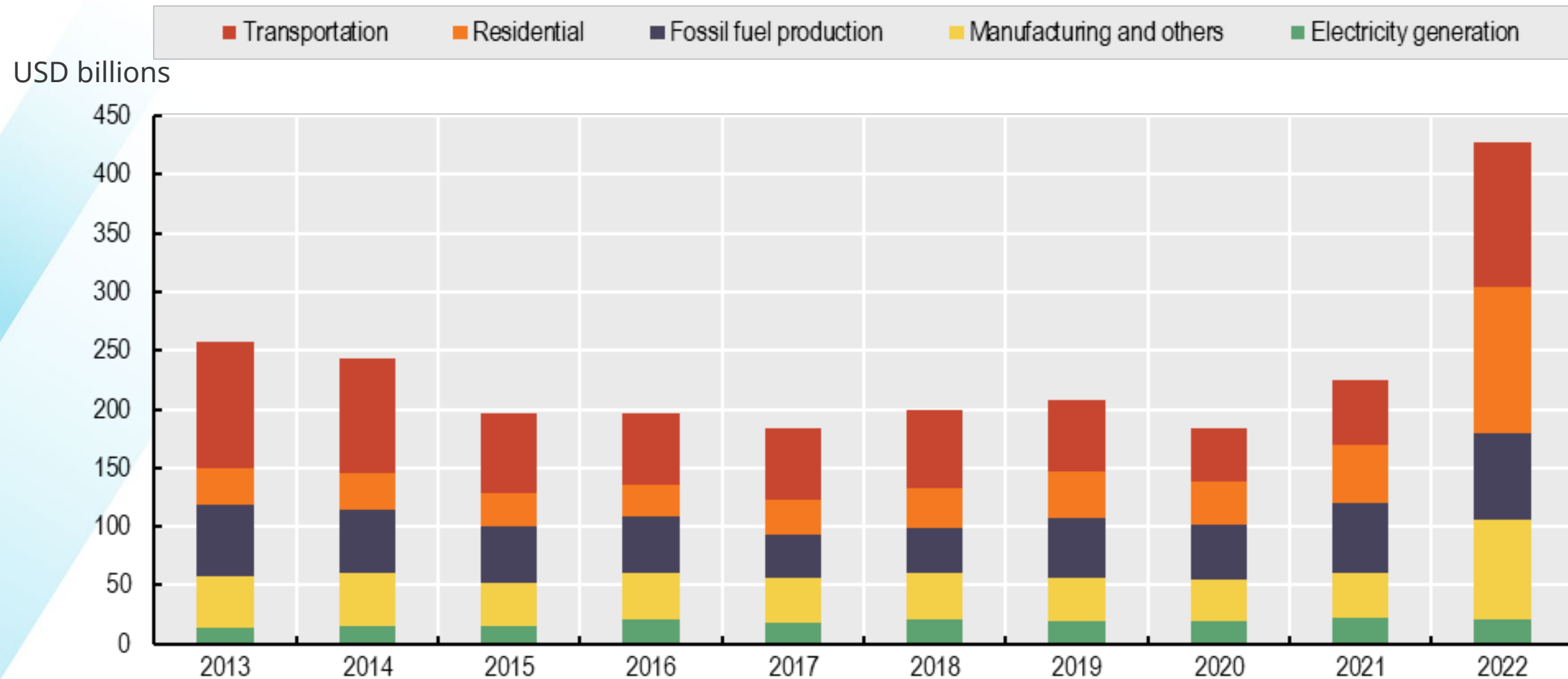
Much of the emergency support introduced in 2022 supported fossil fuels



Source: : OECD Energy Support Measures Tracker



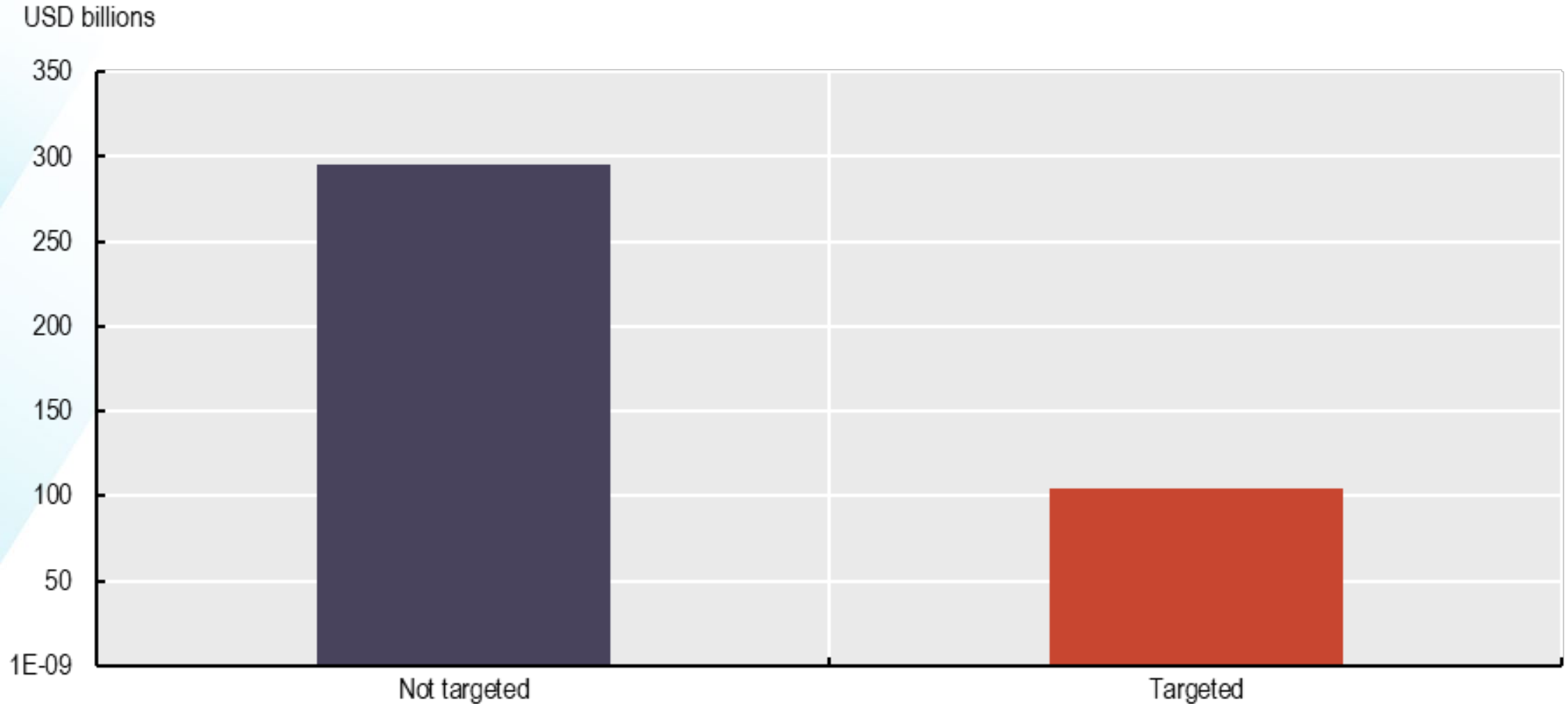
The fiscal cost of support to fossil fuels for residential use experienced the largest increase



Source: OECD Inventory of support measures for fossil fuels



New measures to support consumption were generally not well-targeted



Source: : OECD Energy Support Measures Tracker




Policy implications



Vast heterogeneity of support measures for fossil fuels

- Certain measures directly aim to help low-income households:
 - Rebates of taxes on electricity and gas consumption for households.
 - Price ceiling for household electricity consumption.
- But others likely have an effect on firms' competitiveness:
 - Regulated electricity prices for energy-intensive firms.
 - Regulated price of gasoline and diesel for companies operating in the freight transport sector.



Support measures should be better targeted and only be temporary

- New results show that reforming support measures for fossil fuels is needed.
- The new energy context makes reforms challenging.
- However, governments can:
 - Move away from non-targeted support for both households and firms.
 - Existing support to fossil fuels should only be temporary to accelerate the deployment of non-fossil technologies.



Thank you!

To learn more:

<http://oe.cd/fossil-fuels>
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