

Update of activities on the OECD Inventory of support measures for fossil fuels

WTO Fossil Fuel Subsidy Reform Initiative

26 November 2024

Dylan BOURNY
Trade Policy Analyst
Analysis, Data and Modelling Division
Trade and Agriculture Directorate



The OECD Inventory of support measures for fossil fuels

Government support measures for fossil fuels can:

- Encourage the production and use of fossil fuels
 - Increase emissions
 - Make climate change mitigation more costly.
- Distort costs and prices
 - Generate inefficiencies in the production and use of energy.
 - Undermine the level playing field in a rule-based trading system

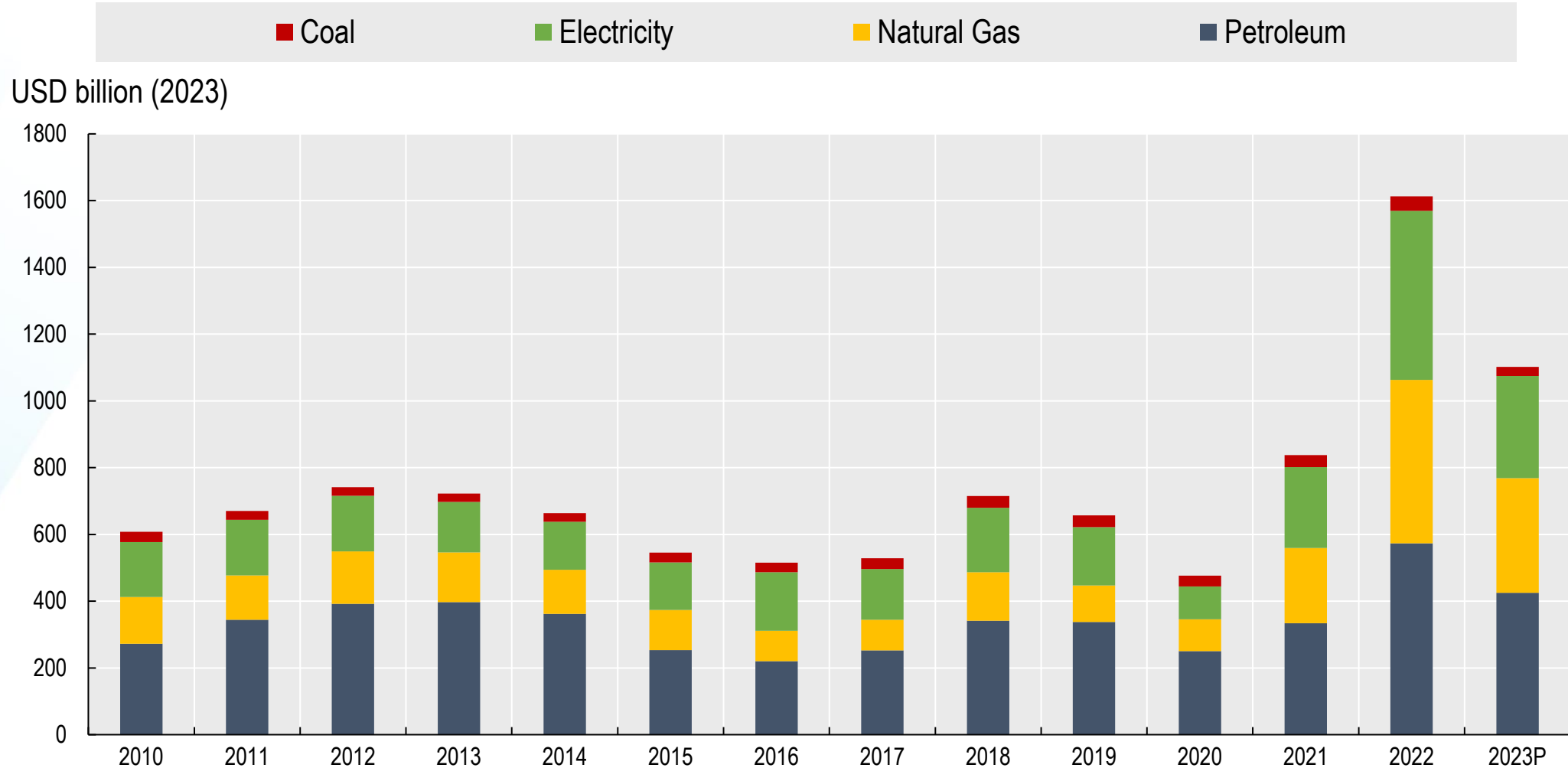
Governments committed to ending inefficient fossil fuel subsidies more than a decade ago ([UN SDG 12 Target 12.B \(2015\)](#), [G7 Hiroshima Leaders' Communiqué \(2023\)](#), [G20 Bali Leader's Declaration \(2022\)](#), [Outcome first global stocktake at COP28 \(2023\)](#)).



2024 update of the OECD Inventory of Support Measures for Fossil Fuels



Fiscal cost of support measures for fossil fuels fell in 2023

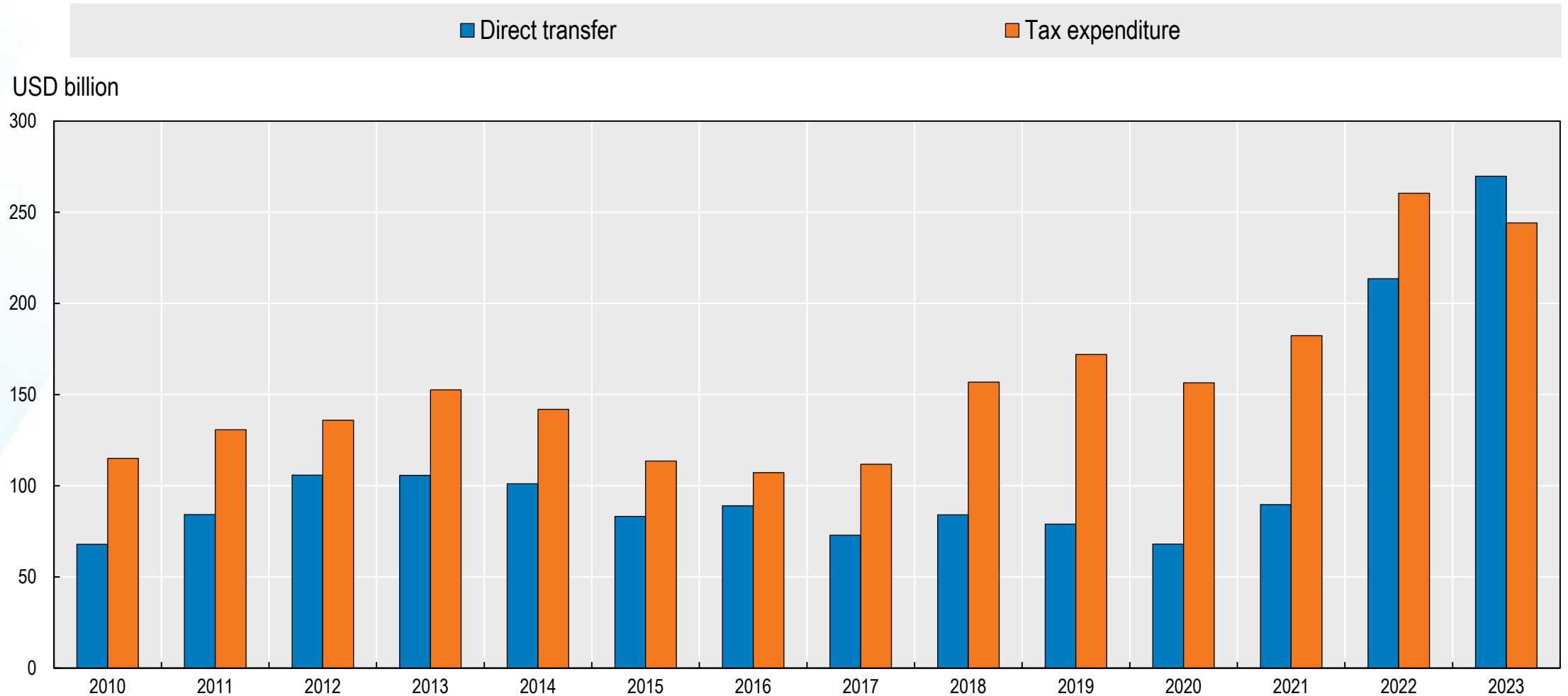


Source: OECD-IEA joint estimate of the cost of support measures for fossil fuels

Restricted Use - À usage restreint



Fiscal cost of direct transfers was larger than tax expenditures

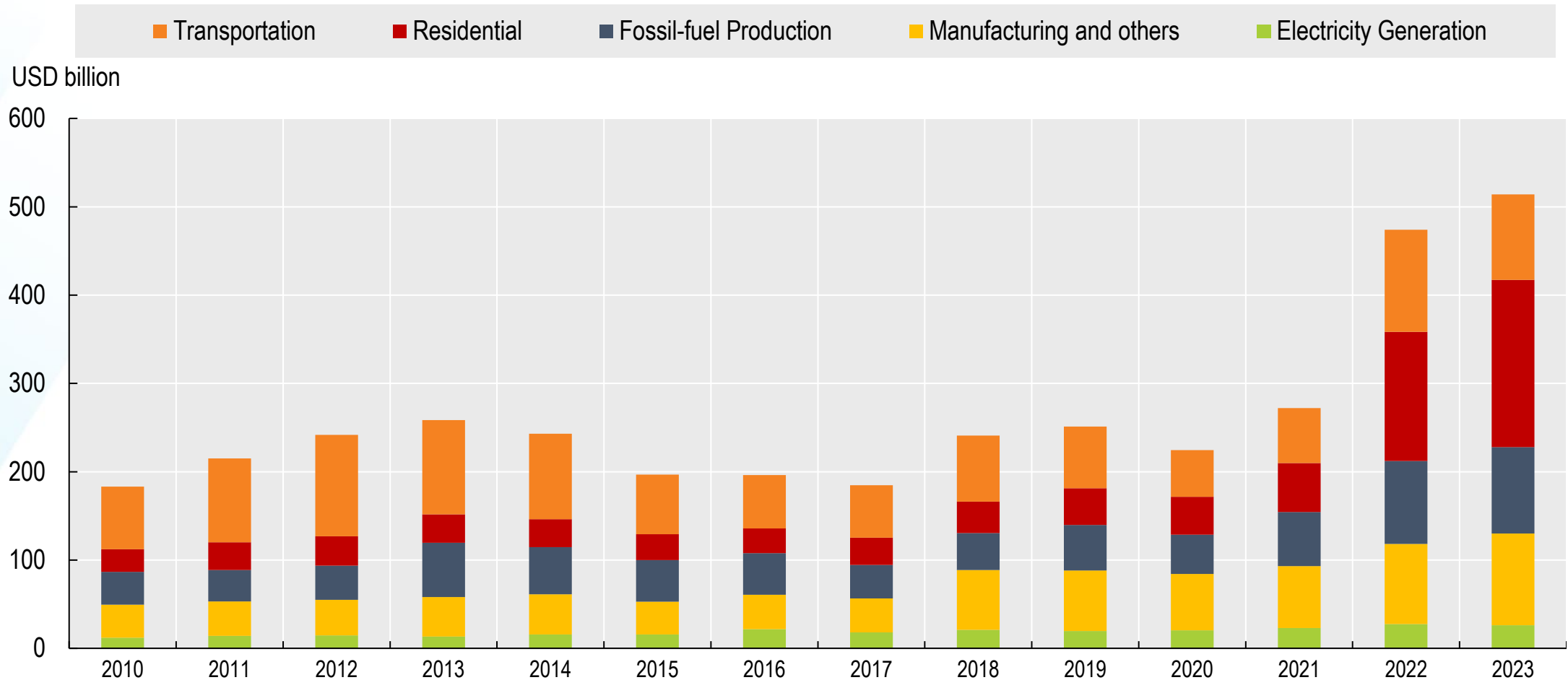


Source: OECD Inventory of support measures for fossil fuels

Restricted Use - À usage restreint



Support for residential use and manufacturing now represents the largest shares

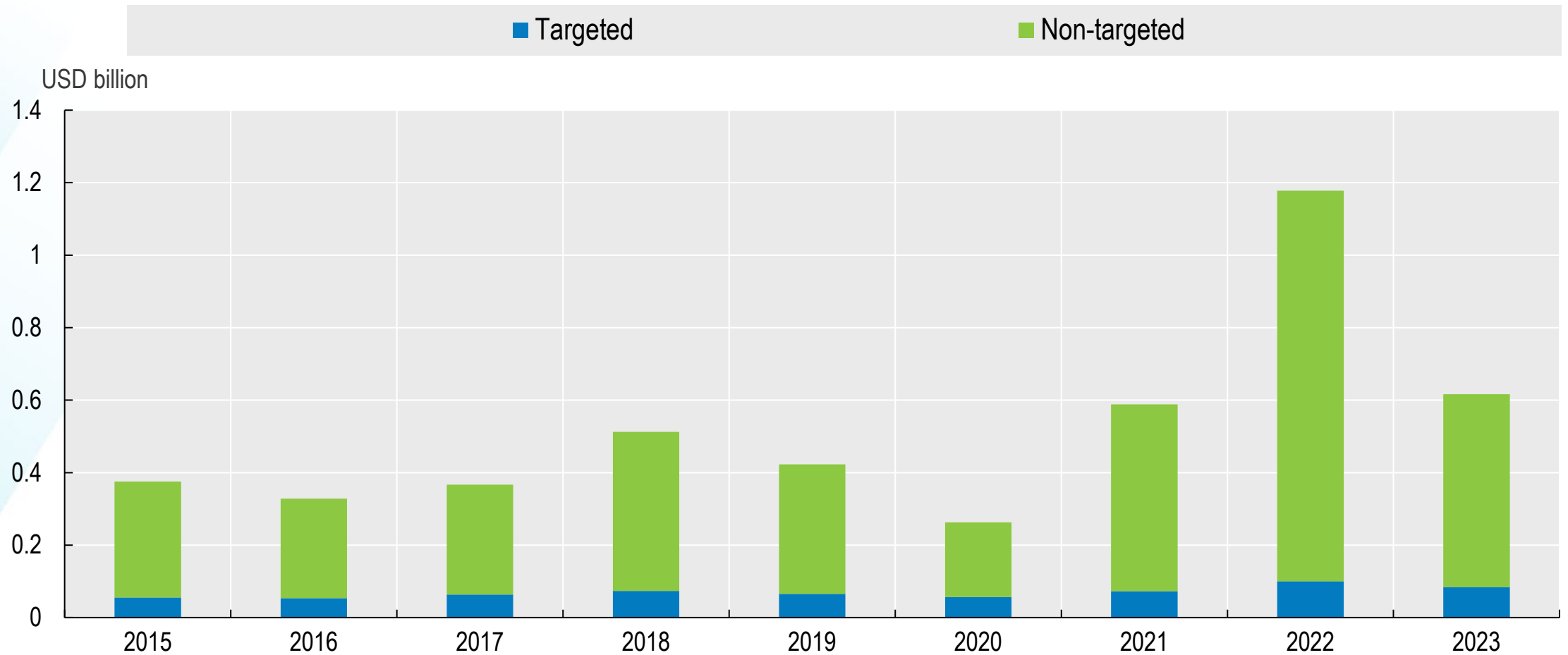


Source: OECD Inventory of support measures for fossil fuels

Restricted Use - À usage restreint



The vast majority of fossil fuel consumption support measures by value are still untargeted



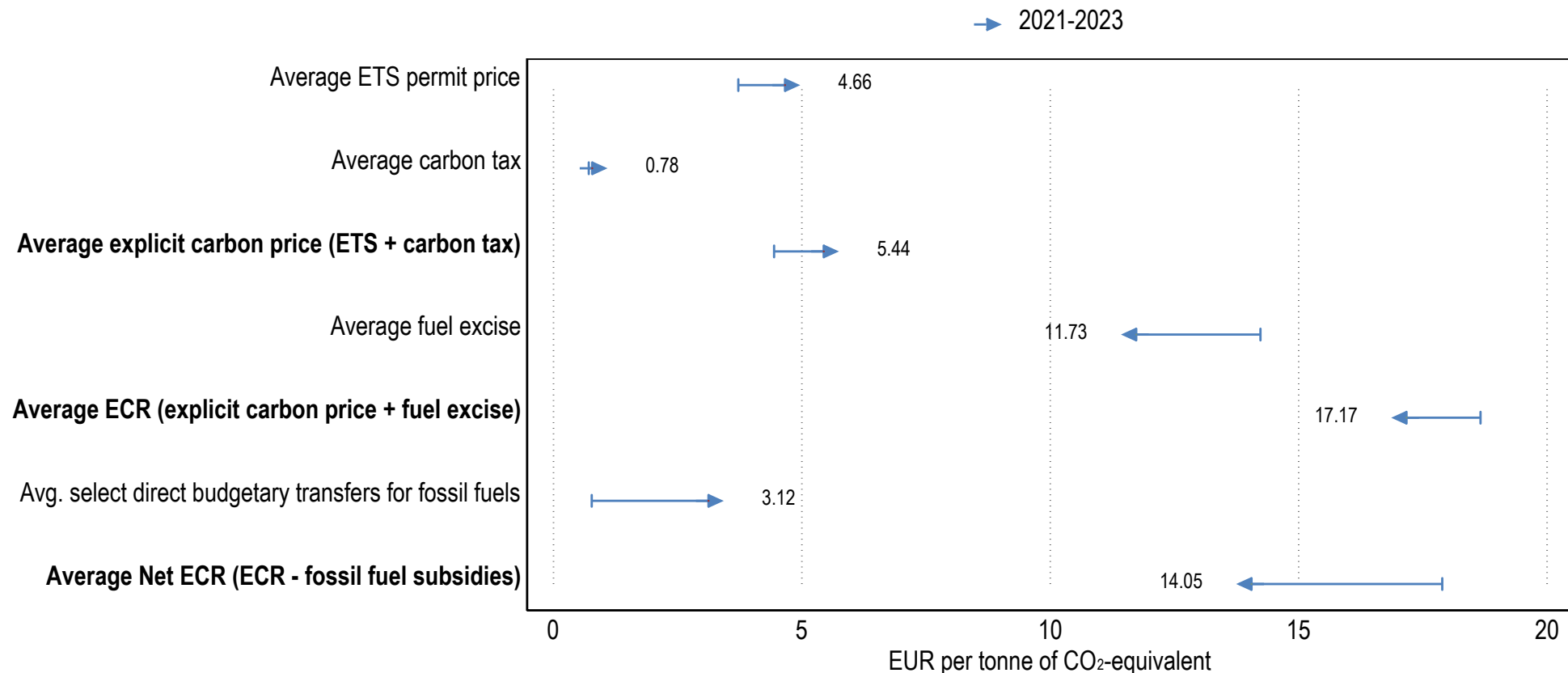
Source: IEA estimates of the cost of support for fossil fuels

Restricted Use - À usage restreint



The decline in Net ECR is driven by fuel excise taxes and direct budgetary transfers for fossil fuels

Net Effective Carbon Rates in 79 economies by carbon pricing instrument, in EUR/tCO₂e



Source: OECD Net Effective Carbon Rates



Policy implications

New results show that reforming support measures for fossil fuels is needed.

The new energy context makes reforms challenging.

However, governments can:

- Reform existing support measures to better target those most in need
- Implement more ambitious action to phase out inefficient fossil fuel support
- 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>
ffs.contact@oecd.org