

Statement by UNEP on Monday October 3<sup>rd</sup>, 2022

**Update on the progress made on the reporting against SDG Indicator 12.c.1 on the “Amount of fossil-fuel subsidies (production and consumption) per unit of GDP”**

**UNEP’s role on this indicator reporting.** UNEP is the custodian of SDG indicator 12.c.1 (along with 25 other indicators), and was therefore responsible for leading the development of an internationally established methodology and the design of a data collection and reporting system for SDG 12c1. As mentioned by IISD colleagues, a methodology was developed based on a cooperation between UNEP, IISD and OECD, and it was reviewed and approved by the Inter-agency and Expert Group on Sustainable Development Goal Indicators.

**Data collection process.** The first round of data collection was initiated end of 2021, with a deadline in March 2022. This deadline was extended until June 2022 to allow to complete additional regional training workshops. Data was received from countries between March and June. UNEP, with support from IISD, provided feedback to countries which reported data. Data will be submitted to UN Statistics Division (UNSD) by end of December 2022, and is expected that it will be online on UNSD data portal and on the SDG 12 Hub platform by end of March 2023. For countries which did not report, existing data produced by existing sources (OECD, IEA and IMF) will be used for this coming year.

**Data reported stocktaking.**

- 22 countries in total have responded to the questionnaires on this indicator as of September 2022, since the first call for submission in March 2022.
- Out of these 22 countries,
  - 5 countries reported data
  - 6 countries reported 0 dollar of subsidies, when in some cases other sources like IEA or OECD indicate otherwise.
  - 5 countries have declared data to be unavailable at this stage.
  - 5 countries are currently preparing the data but requested a time extension
  - 1 country indicated they would submit through the OECD.

**Challenges and lessons learned:**

**Need for further capacity building efforts.** Our regional capacity building exercises highlighted that for a lot of statistics reporting agencies, this a completely new indicator; most countries do not have readily available national data for this indicator need to start “from scratch”, which can be a challenge for statistical offices with limited human resources and/or capacity. UNEP has been working with partners like IISD, OECD, IEA, and UN economic commissions to address these capacity issues. We have accumulated a number of resources (slides, guidance videos, testimonies from other reporting countries) which will be made

available on the SDG 12 Hub, and we are progressively translating the methodology in other languages. More support will be needed. UNEP stands ready to provide guidance to member countries, who are increasingly reaching out to us with methodological questions.

**Needs for additional intra-governmental coordination.** While compilation is done by statistical offices, FFS-related data comes from a variety of sources and institutions, including but not limited to Ministries of Finance, Environment, Energy, Tax agencies, etc., depending on national institutional contexts. The process requires quite an extensive inter-government coordination process, which adds a layer of complexity, and makes political commitment and momentum within the Government a key requirement for success. UNEP has observed occurrence of silos, including cases where data was prepared by one department without the SDG focal points being aware of it. Additional internal coordination would help address this issue. UNEP has also observed that some countries are taking very positive steps to make this happen with for example the creation of inter-agencies working committees.

**National datasets development timeframe.** for this indicator, we adopted a phased monitoring approach to allow for countries with different capacities to engage in monitoring 12.c.1. The two phases include global monitoring based on price gap estimates plus national monitoring of direct and indirect transfers with optional monitoring of tax expenditure foregone. The target is to have **a reliable, comparable national inventory on fossil fuel subsidies by 2025**. Additional efforts in building capacity will be needed to reach this objective. We initiated reporting in 2022, and as we reach the end of the first round of reporting, only a few countries reported seemingly complete datasets. This is not surprising, given the relative complexity and novelty of this indicator, but also a reminder that we need to continue to promote work on this indicator across all agencies.

**Tax expenditure and other revenue foregone subsidy category.** The SDG methodology indicated the reporting of direct subsidies and induced transfers as compulsory, while tax expenditure and other revenue foregone are optional, due to the complexity of definitions and data available. And while these methodological aspects have not yet been addressed, it is worth continuing to carry the discussion forwards and actively think about next steps. Indeed, research suggests that tax expenditure (TE) represent the largest category of FFS. Looking at OECD inventory data, a paper by the Council on Economic Policies (CEP) showed that TEs were by far the largest component, making up for 62% of the reported fossil fuel subsidies.

UNEP has initiated work related on this. We have been working with the CEP, who is supporting the reporting of TE data in the SDG 12c1 template for countries which are not included in the OECD inventory and have data publicly available – using the Global Tax Expenditure Data portal developed by CEP. Through this exercise, the CEP gathered data for more than 200 FFS TE provisions, across thirty-nine countries, totaling more than \$6 billion

USD between 2015 and 2020, reaching as high as 4.9% of GDP in some countries. The templates pre-filled with TE data will be shared to the thirty-nine countries during the next call for reporting in Q4 2022.

This exercise also uncovered serious data gaps on FFS TE reporting, related to a lack of detail in reporting, a lack of consistency in the methodology across years, gaps in the time series, etc. TE for FFS also tend to be embedded into different types of incentives not related to fossil-fuel extraction or energy incentives, which makes their tracking more complex. Based on these, CEP developed with UNEP a series of indicators to assess the quality of reporting on TE, to be used as a base for guidance on reporting of TE for FFS in the future.

**Conclusion.** SDG12c1 indicator methodology will continue to evolve based on the lessons learned from initial country reporting, progress in data availability, improvement of national capacity, and from future research on the topic. This will require additional discussions and consultations on the matter. UNEP will continue to coordinate with technical partners and with the Inter-agency and Expert Group on SDG Indicators.