Fossil fuel subsidies and taxation

Lourdes Sanchez, IISD
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The value of FFS

In 2019, subsidies reached USD 416 billion for the consumption of fossil fuels and fossil fuel-based electricity in 77 economies through direct budgetary transfers, tax expenditure and induced transfers (OECD and IEA).

FFS vary strongly with fuel prices. TE represent between 1/3 and ½ of estimated FFS.

Source: OECD, IEA and IMF FFS estimates

Data of figure are the aggregate from OECD, IEA and IMF estimates for FFS, assigned to those typologies according to their respective methodologies.
The value of FFS in the form of tax expenditures

In 2019, FFS in form of tax expenditures reached at least USD 84 billion in OECD countries.

Around 80% of TE are for petroleum products.

Source: OECD FFS estimates
Examples of FFS in the form of tax expenditures

In Europe, France and Italy have some of the highest FFS TE for consumers, these values are not comparable, given the absence of a uniform framework to define a benchmark to calculate the TE.

Example measures:
- **France**: excise tax exemptions for diesel, ex: “Excise Tax Refund for Diesel Used in Road Freight Transport” cost EUR 1.5 billion in 2019; or the “Reduced Rate of Excise Tax for Certain Uses of Diesel Fuel” costing EUR 1.25 billion in 2019; the “Reduced Rate of Excise Tax for Certain Uses of Diesel Fuel” cost EUR 885 million in 2019, including different types of fuels.
- **Italy** also spent EUR 1.3 billion in “Tax relieve for trucking companies” and EUR 3.17 billion in a “Differential excise tax treatment for diesel fuel” (all 2019 data).

FFS as part of SDGs

SDG Indicator 12.c.1: “Amount of fossil-fuel subsidies per unit of GDP (production and consumption)”, countries to report national data as of 2020.

Includes 4 categories of subsidies,

<table>
<thead>
<tr>
<th>Subsidy category</th>
<th>Data availability</th>
<th>Complexity</th>
<th>Acceptance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct transfer of funds</td>
<td>++</td>
<td>++</td>
<td>++</td>
</tr>
<tr>
<td>Induced transfers (price support)</td>
<td>+</td>
<td>+</td>
<td>++</td>
</tr>
<tr>
<td>Tax expenditure, other revenue foregone, and under-pricing of goods and services</td>
<td>+</td>
<td>0</td>
<td>+</td>
</tr>
<tr>
<td>Transfer of risk</td>
<td>-</td>
<td>-</td>
<td>0</td>
</tr>
</tbody>
</table>

++ (green) means "excellent" or "low degree of complexity"
+ (yellow) means "good" or "moderate degree of complexity"
o (orange) means "neutral" - (red) means "poor" or "difficult"

TE as part of SDGs

Methodology for SDG Indicator 12.c.1 on FFS includes reporting of “Tax expenditures, other government revenue foregone and under-pricing of goods and services, including risk”.

Some countries already produce detailed tax expenditure reports, but this is not general practice. Indeed, many countries do not yet have this information or the resources available for this task. Therefore, it is optional for countries to report under this category.