



Self- and Peer Reviews of Fossil Fuel Subsidies: an introduction

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Taking Stock of Recent Experiences: a menu of options



Context	Country	Report released
APEC	Peru	2015, available
APEC	New Zealand	2015, available
APEC	Philippines	2016, available
APEC	Chinese Taipei	2017, available
APEC	Vietnam	Started in 2017
APEC	Brunei	Pending
G20	China	2016, available
G20	United States	2016, available
G20	Mexico	2017, available
G20	Germany	2017, available
G20	Indonesia	Started in 2017
G20	Italy	Started in 2017

<https://www.iisd.org/library/guidebook-reviews-fossil-fuel-subsidies>

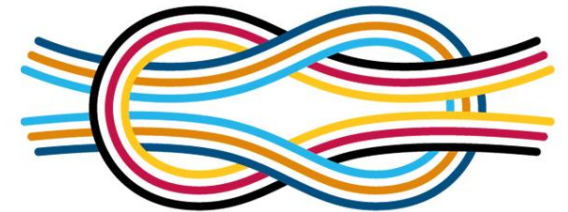


FFS Reviews Emerged within the Context of International Commitments

From 2009: commitment to “phase out and rationalise over the medium term inefficient FFS” “that encourage wasteful consumption” “while providing targeted support for the poorest”.



**Asia-Pacific
Economic Cooperation**



G20 GERMANY 2017
HAMBURG

FFS Reviews are mostly voluntary assessments that can serve many purposes & audiences depending on the country's needs & preferences:





FFS Reviews: Some essentials

- Since reviews are voluntary, their format is owned by the volunteering country. The format is expected to rely on **Established Practices** and **Combinable Options** (next slides)
- Determine a lead Ministry or Agency to coordinate the review (e.g. Ministry of Finance, Ministry of Industry, Ministry of Environment)
- Identify resources within government: budget, technical expertise
- Allow sufficient time for homework and coordination (at least half a year)
- Prepare a well-researched self-report for the panel
- Use **a template** for subsidy descriptions
- Use the review to support reforms. The value of review is not exhausted with its publication: a lot depends on how the country uses it.

Reviews Identify and Quantify FFS: a template is a must



Policy name: An excise tax policy of “refund after payment” for refined oil produced by oil (gas) field enterprises for own use

Policy number: T-c-2

Overview of the subsidy program: For refined oil, which is purchased by oil (gas) field enterprises at home for the consumption of crude oil exploitation, the excise tax amount of refined oil temporarily paid upon actuality shall be rebated in full amount.

Description of policy effect: The policy allows “refund after payment” for refined oil produced by oil (gas) field enterprises for their own use, thus reducing the costs for crude oil exploitation and refined oil production. However, on the contrary, it has caused the wasteful use of crude oil and refined oil to a certain extent, so it belongs to inefficient fossil fuel subsidies.

Relevant ministries or government bodies involved in implementing the subsidy program: MOF, SAT

Eligible subsidy recipients: oil (gas) field enterprises

Duration of the subsidy program: since 2009

Annual cost estimates: CNY 2.7 billion

Policy basis: *The Notice of the Ministry of Finance and the State Administration of Taxation on the "Refund after Payment Policy of Excise Tax on Oil Produced by Oil (Gas) Field Enterprises for Their Own Use (Cai Shui [2011] No.7)*

Information sources: websites of MOF and SAT

Source: G20, 2016b

Established Practices: a high-level overview

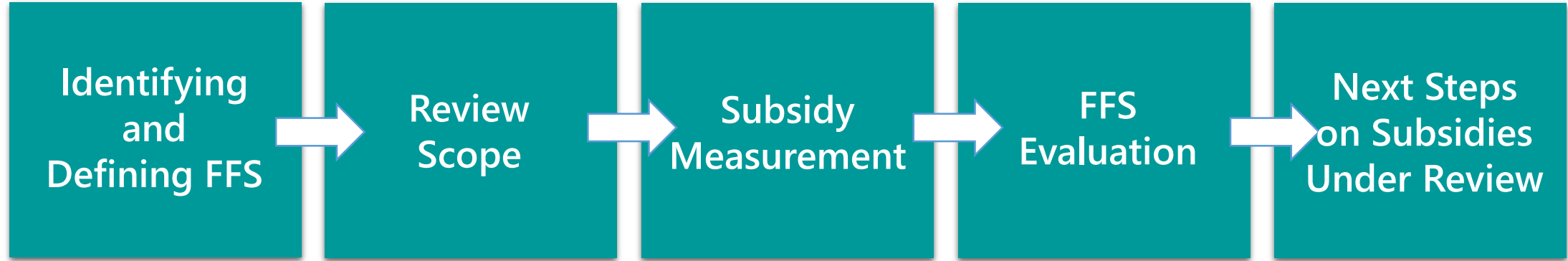


- Self reports are a first step and may be followed by peer reviews
- The economies hosting the G20 or APEC summit have all volunteered for an FFS peer review
- For economies that are members of both G20 and APEC, G20 reviews take precedence and count towards the APEC commitment too
- Within the G20,
 - FFS peer reviews have been undertaken in economy pairs
 - The OECD chairs and acts as a de facto secretariat of G20 peer reviews of FFS
 - G20 countries provide own funding for reviews
- Within APEC,
 - No economy pairing; panel formed by other APEC representatives
 - In 2013, APEC's Energy Working Group established a VPR/IFFSR Secretariat with a 5-year grant from the USAID



Combinable Options: Building blocks of FFS reviews

Element



Selected combinable options

Subject matter
(Fossil fuels;
electricity and heat)

Definitions

Subject matter
(FFS; Environ.
Harmful Subsidies
reform efforts; etc.)

Agencies involved

Geography
(national,
subnational and
local level)

Data collection
(templates)

Method

"Inefficient"
"Wasteful
consumption"

"Providing targeted
support for the
poorest"

Identification of
need for reform and
required action;

Publication and
wider discussion
with stakeholders.

Translation into a
national language



ANNEX

Fossil Fuel Subsidies: Several definitions



- Agreement on Subsidies and Countervailing Measures (ASCM) of the WTO (most widely recognised)
- Government support (OECD)
- IEA's subsidy definition
- Preferential treatment

Consumer Energy Subsidies	Producer Energy Subsidies
Energy exempt from social cost of externalities (non-internalized externalities)	Government tax and regulation levels below regional or international levels.
Energy sold below regional or international tax levels	Income or price support (above market rate prices for producers such as feed-in tariffs).
Price controls, including cross-subsidies; energy sold below the cost of production, imports and international benchmark price to certain categories of consumers	Government revenue forgone (reduced and exempt tax rates).
Energy fully or partially exempt from VAT, GST and excise tax on consumption	Government provided or purchased goods and services (above or below market rates).
Direct transfers or potential direct transfers of funds to consumers.	Direct transfers or potential direct transfers of funds to producers.