

Goal 12

Target number: 12.c

Indicator Number and Name:

12.c.1 Amount of fossil-fuel subsidies per unit of GDP (production and consumption) and as a proportion of total national expenditure on fossil fuels

Agency: UN Environment, in collaboration with GSI, OECD, IMF, IEA, EC (WB, GIZ, UNESCAP etc..)

Has work for the development of this indicator begun?

Several organisations including OECD, IMF, IEA and EC have measured and reported FF subsidies although the methodologies for defining and measuring subsidies and support differ to a varying degree.

Globally the estimated scale of subsidies varies across these organisations ranging from USD 55 billion to USD 2 trillion depending on the coverage of countries, energy carriers, subsidy and support incidence and the way they were defined and measured.

A 2015 IMF publication, [How Large Are Global Energy Subsidies?](#), estimates the total volume of fossil fuel subsidies at the global and regional level in nominal US dollars and as a percent of GDP as well as % of government revenue. These subsidy estimates are divided into pre-tax and post-tax subsidies, the latter takes into account the cost of externalities from energy consumption.

The IMF uses a price-gap approach to determine the level of consumer subsidies (which estimates the gap between domestic fuel prices and benchmark prices) and an inventory approach to determine the level of producer subsidies (which draws on OECD estimates – see below). The price-gap method would be easy to replicate at the national level to indirectly estimate national fuel subsidies and would enable comparisons among countries where the main form of support is through administrative pricing or export restrictions. However a price-gap approach will not reveal producer subsidies (estimated to be around USD 100 billion) that arise when energy producers are inefficient and make losses at benchmark prices nor will it reflect consumption subsidies provided through other means such as direct payments to low-income households¹.

The 2013 OECD [Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels](#) identifies and estimates direct budgetary transfers and tax expenditures relating to fossil fuel production and consumption. In 2015, the OECD launched an online [Inventory of Support Measures for Fossil Fuels](#) which provides updated fossil fuel support data for 34 OECD member countries and six partner countries, including a number of measures applied by sub-national jurisdictions. The online database also includes IEA estimates of energy consumption subsidies (based on a price-gap approach).

The OECD inventory approach involves constructing an inventory of government support policies affecting the production and consumption of fossil fuels. Such an approach may be more difficult to roll out at a global level as it relies on official government data, including budgetary and tax-expenditure estimates published or provided by governments, and inputs from experts. It also covers a broad range of measures and requires decisions on the scope of the exercise². However, individual countries may wish to consider using an inventory approach for national level monitoring of subsidies.

¹ See: GSI (2014) [Comparison of Fossil-Fuel Subsidy and Support Estimates](#)

² See: GSI (2014) [Comparison of Fossil-Fuel Subsidy and Support Estimates](#)

Who are the entities, including national and international experts, directly involved and consulted in developing the methodology/and or data collection tools?

UN Environment, Global Subsidies Initiative (GSI), the IMF and the OECD are the primary entities involved in developing the methodology. National experts from Sweden, Italy and EU will also be consulted. Other agencies and organisations will be involved to support the data collection process including the World Bank, GIZ, and the European Commission among others.

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- 2) From GSI: (contact person: Peter Wooders - pwooders@iisd.org)
- 3) From OECD: (contact person: Ronald Steenblik-ronald.steenblik@oece.org)
- 4) From IMF: Fiscal Affairs Department (contact person: Ian Parry – IParry@imf.org)
- 5) From Sweden Statistic department (contact person: Viveka Palm-viveka.palm@scb.se)

What is the involvement of or how do you plan to involve National Statistical Systems in the development of the methodology?

The methodology will be peer reviewed by country experts prior to being circulated to the Inter-Agency and Expert Group on the Sustainable Development Goal Indicators, widely known as the IAEG-SDG, for review and comments. An expert group meeting was held in September 2017 which will feed into the final development of a methodology. Additionally, the methodology is being tested in pilot countries during September to December 2017.

Please briefly describe the process of developing the methodology for the indicator

Several methodologies to measure the indicator already exist as mentioned above. UN Environment will bring experts together in order to propose a final methodology by March 2018.

Please indicate new international standards that will need to be proposed and approved by an intergovernmental process (such as UNSC) for this methodology.

The submission of a guidance document on calculating fossil fuel subsidies would elevate the status of this indicator. The manual would outline how national statistical systems could use the current IMF and OECD methodology to better measure their own national fossil fuel subsidies. Additionally, the manual would define the precise definition of the data to be included in the SDG global database.

When do you expect the methodological work on this indicator to be completed?

A preliminary methodology can be available by the end of 2017.

Are data and metadata already being collected from the National Statistical System for one or more components of this indicator?

Yes.

If yes, please describe:

The OECD maintains a database for their 34 members which is available from: <http://www.oecd.org/site/tadffss/data/>.

The IMF maintains a country database of more than 150 countries which can be downloaded from: <http://www.imf.org/external/pubs/ft/survey/so/2015/NEW070215A.htm>

How do you plan to collect the data?

The data flows will be considered in the context of the methodological development in order to determine if the existing IMF data flows are sufficient for measuring this indicator.

If the indicator involves multiple components from different data sources, please describe how each individual component of the indicator will be collected here.

Currently, the data sources include data which is already compiled by the International Energy Agency, the USA Energy Information Agency, OECD, the IMF, British Petroleum and the World Bank. These are currently brought together by the IMF; however, as mentioned the data flows will be considered as the methodological work on this indicator progresses.

With what frequency is data expected to be collected?

Annually

Is there a process of data validation by countries in place or planned for this indicator?

Yes

If yes, please briefly describe:

UN Environment can facilitate this validation as part of a validation process that is being developed for the indicators for which UN Environment is custodian.

(as of September 2017)