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## Energy: Fossil Fuel Subsidies [236]

### Commitment [#236]:

*“We reaffirm our commitment to rationalise and phase-out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption, while providing targeted support for the poorest”*

Cannes Summit Final Declaration

### Assessment:

Country	Lack of Compliance	Work in Progress	Full Compliance
Argentina		0	
Australia			+1
Brazil			+1
Canada		0	
China			+1
France			+1
Germany		0	
India			+1
Indonesia		0	
Italy			+1
Japan		0	
Korea			+1
Mexico			+1
Russia			+1
Saudi Arabia		n/a	
South Africa			+1
Turkey		0	
United Kingdom			+1
United States		0	
European Union			+1
Average Score		+0.63	

### Background:

The commitment to rationalize and phase-out inefficient fossil fuel subsidies over the medium term was first introduced at the 2009 G20 Pittsburgh Summit. During the Pittsburgh Summit, leaders agreed that inefficient fossil fuel subsidies “encourage wasteful consumption, distort markets, impede investment in clean energy sources and undermine efforts to deal with climate change.”<sup>1771</sup> In response, members agreed to rationalize and phase out, over the medium term, inefficient fossil fuels subsidies that encourage wasteful consumption.

At the Pittsburgh Summit, energy and finance ministers committed to assess their respective national circumstances in order to develop implementation strategies and timeframes and to report back to the G20 leaders at the Toronto Summit. Further, G20 members asked four intergovernmental organizations (IGO-4) (the International Energy Agency [IEA], the Organization of Petroleum Exporting Countries [OPEC], the Organization for Economic Cooperation and Development [OECD] and World Bank) to provide “analysis of the scope of

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<sup>1771</sup> G20 Leaders Statement: The Pittsburgh Summit, G20 Information Centre (Toronto) 24-25 September 2009. Date of Access: 27 December 2010.

<http://www.g20.utoronto.ca/2009/2009communique0925.html>

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energy subsidies and suggestions for the implementation of this initiative<sup>1772</sup> and to report their findings during the Toronto Summit.

At the G20 Toronto Summit in June 2010, 13 of the G20 countries provided implementation strategies for phasing out selected fossil-fuel subsidies. The remaining countries (Australia, Brazil, France, Japan, Saudi Arabia, South Africa and the United Kingdom) stated that they did not have inefficient fossil-fuel subsidies. During the summit, the IGO-4 released their report, which included suggestions for G20 countries on how to implement their phasing out strategies.<sup>1773</sup> In response to this report, G20 members stated, “We also encourage continued and full implementation of country-specific strategies and will continue to review progress towards this commitment at upcoming summits.”<sup>1774</sup>

At the Seoul Summit, G20 members re-committed to rationalizing and phasing-out over the medium term inefficient fossil fuel subsidies. The IGO-4 also released another report outlining data on fossil fuel consumption subsidies for 2009 and provided a strategy for phasing out fossil fuel subsidies. Another report on fossil fuel and other energy subsidies was prepared for the Cannes Summit.

#### Commitment Features:

This commitment requires G20 members to rationalize and phase-out over the medium term inefficient fossil fuel subsidies according to their national circumstances and to provide targeted support for the poorest.

The G20 countries have not yet established a common definition of inefficient fossil fuel subsidies that encourage wasteful consumption.<sup>1775</sup>

According to the OECD Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels<sup>1776</sup> government support of energy production can include:

- Intervening in markets in a way that affects costs or prices;
- Transferring funds to recipients directly;
- Assuming part of their risk;

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<sup>1772</sup> G20 Leaders Statement: The Pittsburgh Summit, G20 Information Centre (Toronto) 24-25 September 2009. Date of Access: 27 December 2010.

<http://www.g20.utoronto.ca/2009/2009communique0925.html>

<sup>1773</sup> Analysis of the Scope of Energy Subsidies and Suggestions for the G20 Initiative. IEA, OPEC, OECD, World Bank Joint Report (Toronto) 16 June 2010. Date of Access: 27 December 2010.

[http://www.opec.org/opec\\_web/static\\_files\\_project/media/downloads/publications/OPECIEA\\_OECDWB\\_Joint\\_Report.pdf](http://www.opec.org/opec_web/static_files_project/media/downloads/publications/OPECIEA_OECDWB_Joint_Report.pdf).

<sup>1774</sup> The G20 Toronto Summit Declaration, G20 Information Centre (Toronto) 27 June 2010. Date of Access: 27 December 2010. <http://www.g20.utoronto.ca/2010/to-communique.html>.

<sup>1775</sup> “Joint report by IEA, OPEC, OECD and World Bank on fossil-fuel and other energy subsidies: An update of the G20 Pittsburgh and Toronto Commitments, IEA, OECD, World Bank, OPEC. [www.oecd.org/dataoecd/14/18/49006998.pdf](http://www.oecd.org/dataoecd/14/18/49006998.pdf).

<sup>1776</sup> Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels. OECD 2011. [http://www.oecd.org/document/41/0,3746,en\\_2649\\_37431\\_48813609\\_1\\_1\\_1\\_37431,00.html#publication](http://www.oecd.org/document/41/0,3746,en_2649_37431_48813609_1_1_1_37431,00.html#publication)

- Selectively reducing the taxes they would otherwise have to pay;
- Undercharging for the use of government-supplied goods or assets.

The OECD report also specifies several channels of energy consumption support: price controls intended to regulate the cost of energy to consumers; direct financial transfers; schemes designed to provide consumers with rebates on purchases of energy products; and tax relief.

At the G20 Toronto Summit in June 2010, 13 G20 members provided outlined implementation strategies for phasing out selected fossil-fuel subsidies (see Table 12). The remaining countries (Australia, Brazil, France, Japan, Saudi Arabia, South Africa and the United Kingdom) stated that they do not have inefficient fossil-fuel subsidies and thus have not formulated implementation strategies.<sup>1777</sup> Nevertheless the IEA and OECD reports indicate that all G20 members (except Brazil for which there is no information) have fossil fuel subsidies. As there is no common definition of inefficient fossil fuel subsidies the information on such FFS provided to the Toronto summit by G20 members was taken by the analysts as the most credible and relevant.

Compliance will be evaluated based on individual implementation goals. Members that have specified they do not have inefficient fossil fuels subsidies cannot be evaluated on their efforts to carry out their implementation strategies, thus they cannot be awarded a score of -1. They will be evaluated on their efforts to provide targeted support to the vulnerable groups in their countries who do not have access to the subsidized fossil fuels.

#### Scoring Guidelines:

Scoring guidelines for members that have specified they have no inefficient fossil fuels subsidies:

0	Member doesn't provide support to the national vulnerable groups who do not have access to the subsidized fossil fuels.
+1	Member provides support to the national vulnerable groups who do not have access to the subsidized fossil fuels.

#### Scoring guidelines for other members

In contrast to the negative compliance commitments such as the one on Food and Agriculture the absence of actions to rationalize inefficient fossil fuels subsidies over the monitoring period is assessed as non-compliance. If no actions to comply with the commitment are found a member receives a score of -1.

-1	Member takes no action to phase-out inefficient fossil fuel subsidies or takes actions that go against the proposed implementation strategy AND doesn't provide support to the national vulnerable groups who do not have access to the subsidized fossil fuels.
0	Member takes actions to phase-out inefficient fossil fuel subsidies but doesn't provide support to the national vulnerable groups who do not have access to the subsidized fossil fuels OR member doesn't take actions to phase-out inefficient fossil fuel subsidies but provides support to the national vulnerable groups who do not have access to the subsidized fossil fuels.
+1	Member takes actions to phase-out inefficient fossil fuel subsidies AND provides support to the national vulnerable groups who do not have access to the subsidized fossil fuels.

<sup>1777</sup> Annex of the G20 Initiative on Rationalizing and Phasing out Inefficient Fuel Subsidies, G20 Energy Experts Working Group 11 June 2010. Date of Access: 2 April 2012.  
[http://www.hse.ru/data/2012/04/17/1250180042/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.hse.ru/data/2012/04/17/1250180042/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf).

**Table 12: Member-Specific Implementation Strategies**

G20 Member with Fossil Fuel Subsidies	Implementation Strategy
Canada	Proposes to implement recently released draft legislation to phase out the accelerated capital cost allowance for oil sands assets over the 2011-15 period. Previously phased out other tax preferences applying to fossil fuel producers.
Germany	Proposes to discontinue subsidized coal mining in a socially acceptable manner by the end of 2018.
Russia	Proposes to implement the commitment to rationalize and phase out inefficient fossil fuel subsidies through national economic and energy policy, within the framework of its Energy Strategy 2030 and the Concept of Long-Term Social and Economic Development, as well as in the context of its joining the WTO.
Argentina	Proposes to reduce household subsidy for propane gas consumption as natural gas access is expanded.
China	Proposes to gradually reduce the urban land use tax relief for fossil fuel producers
India	Proposes to work out implementation strategies and timetables for rationalizing and phasing out inefficient fossil fuel subsidies based on the recommendation of the Empowered Group of Ministers that has been constituted.
Indonesia	Proposes to phase out inefficient fossil fuel subsidies in a gradual manner in parallel through managing the demand side by adopting measures that will reduce fossil fuel energy consumption and by gradually narrowing the gap between domestic and international prices.
Italy	Proposes to continue with planned expiration of subsidy for certain cogeneration plants, and negotiate on a voluntary basis with private operators of these plants on the timing of their recess from the subsidy scheme.
Korea	Proposes to phase out subsidies to anthracite coal and briquette producers.
Mexico	By continuing current policies and based on current market conditions, subsidies to gasoline, diesel and LP gas are expected to disappear in the medium term.
Turkey	Proposes to work on a restructuring plan to rationalize the inefficient producer subsidies transferred to a stated-owned hard coal producing enterprise.
United States	Proposes to pass legislation to eliminate twelve preferential tax provisions related to the production of coal, oil, and natural gas.

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### **Argentina: 0**

Argentina has partially complied with the commitment on clean energy.

On 16 November 2011, then Argentinian Minister of Economy Amado Boudou announced that Argentina would cut out the government subsidies for a total sum of US\$785,900 for major companies that produced natural gas, biofuels, oil and agrochemicals.<sup>1778</sup>

On 2 November 2012, Federal Planning Minister Julio De Vido announced energy subsidy cuts to commercial users (banks, insurance companies, casinos, airport operators etc).<sup>1779</sup> On 1 January 2012 this measure was implemented for the residents of several affluent neighborhoods in the city of Buenos Aires.<sup>1780</sup> On 14 February 2012, Argentina abolished the fossil fuel subsidies for urban and suburban types of public transport.<sup>1781</sup>

In accordance with its national implementation strategy Argentina continues to realise its plans to expand natural gas pipeline network to reduce its dependence on less effective energy sources, such as Butane Gas Cylinders.<sup>1782</sup> On 8 March 2012, Argentinian president Cristina Fernández de Kirchner inaugurated a new gas pipeline from Bolivia which will supply natural gas to the north-eastern region of Argentina.<sup>1783</sup>

Argentina has taken measures to cut out some fossil fuel subsidies. But no facts of government's support to national vulnerable groups who do not have access to the subsidized fossil fuels have been found. Thus Argentina gets a score of 0.

*Analyst: Elizaveta Safonkina*

### **Australia: +1**

Australia has fully complied with its commitment to rationalize and phase out inefficient fossil fuel subsidies that encourage wasteful consumption while providing targeted support for the poorest.

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<sup>1778</sup> Eliminan subsidios a grandes empresas, countries y barrios de altos ingresos Cronista 16 November 2011. Date of Access: 6 March 2012.

[http://www.cronista.com/contenidos/2011/11/16/noticia\\_0134.html](http://www.cronista.com/contenidos/2011/11/16/noticia_0134.html)

<sup>1779</sup> Argentina Cuts Energy and Water Subsidies to Businesses and High-Income Neighborhoods, Global Subsidies Initiative 12 January 2012 Date of access: 27 April 2012

<http://www.iisd.org/gsi/news/argentina-cuts-energy-and-water-subsidies-businesses-and-high-income-neighborhoods>

<sup>1780</sup> Argentina Cuts Energy and Water Subsidies to Businesses and High-Income Neighborhoods, Global Subsidies Initiative 12 January 2012 Date of access: 27 April 2012

<http://www.iisd.org/gsi/news/argentina-cuts-energy-and-water-subsidies-businesses-and-high-income-neighborhoods>

<sup>1781</sup> Resolución N° 27/2012 - Transporte Automotor de Pasajeros, Dirección Nacional de Derecho. 14 February 2012. Date of Access: 17 April 2012.

[http://www.revistarap.com.ar/Derecho/regulacion\\_servicios\\_publicos/transporte/1PUB0048099720000.html](http://www.revistarap.com.ar/Derecho/regulacion_servicios_publicos/transporte/1PUB0048099720000.html)

<sup>1782</sup> Annex of the G20 Initiative on Rationalizing and Phasing out Inefficient Fuel Subsidies, G20 Energy Experts Working Group 11 June 2010. Date of Access: 2 April 2012.

[http://www.hse.ru/data/2012/04/17/1250180042/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.hse.ru/data/2012/04/17/1250180042/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf)

<sup>1783</sup> Cristina Fernández inaugura el gasoducto entre Argentina y Bolivia, Pagina Siete 8 March 2012. Date of Access: 27 April 2012. <http://www.paginasiete.bo/2012-03-08/Economia/Destacados/gas.aspx>

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At the G20 Toronto Summit Australia stated that it did not have inefficient fossil-fuel subsidies and thus had not formulated implementation strategies. The Australian Government stressed that market forces generally determine fossil fuel production within the country.<sup>1784</sup> However, the OECD report “Inventory of estimated budgetary support and tax expenditures relating to fossil fuels in selected OECD countries” registered several support mechanisms to fossil fuels in Australia. The most expensive of these measures were the Fuel Tax Credit, Reduced Excise Rate on Aviation Fuel and Diesel and Alternative Fuels Grants Scheme.<sup>1785</sup>

During the compliance cycle no facts on the measures undertaken by the Australian Government to introduce inefficient fossil fuels subsidies were found. Moreover, the Australian Government undertook efforts to support the energy efficiency and push power generation towards renewables.<sup>1786</sup>

On 9 February 2012, the Australian Government started two Programs (the Community Energy Efficiency Program and the Low Income Energy Efficiency Program), both adopted in October 2011.<sup>1787</sup> Support from the Australian Governments in 2012 will be provided to local councils, community organizations and low income households.<sup>1788</sup> The USD200 million Community Energy Efficiency Program will support energy efficiency upgrades to council and community-use buildings, facilities and lighting. The USD100 million Low Income Energy Efficiency Program will support consortia of community organizations, local councils and energy service companies to trial energy efficiency approaches in low-income households.<sup>1789</sup> The USD30 million Home Energy Saver Scheme will assist low-income households in finding more sustainable ways to manage their energy consumption.<sup>1790</sup>

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<sup>1784</sup> G20 Energy Subsidy Joint report, International Energy Agency 16 June 2010. Date of access: 15 March 2012. [http://www.iea.org/weo/docs/G20\\_Subsidy\\_Joint\\_Report.pdf](http://www.iea.org/weo/docs/G20_Subsidy_Joint_Report.pdf)

<sup>1785</sup> Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels, OECD October 2011. Date of Access: 20 April 2012.

[http://www.oecd.org/document/41/0,3746,en\\_2649\\_34183\\_48813609\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/41/0,3746,en_2649_34183_48813609_1_1_1_1,00.html)

<sup>1786</sup> Australian Senate passes carbon tax, The Guardian 8 November 2011. Date of access 18 March 2012. <http://www.guardian.co.uk/world/2011/nov/08/australia-senate-passes-carbon-tax>

<sup>1787</sup> Helping low-income earners get ready for a clean energy future, Minister for Families, Community Services and Indigenous Affairs Official Website 16 October 2011. Date of access: 19 March 2012.

[http://www.jennymacklin.fahcsia.gov.au/mediareleases/2011/Pages/helping\\_low\\_income\\_earners\\_get\\_readyforacleanenergyfuture\\_16\\_oct\\_2011.aspx](http://www.jennymacklin.fahcsia.gov.au/mediareleases/2011/Pages/helping_low_income_earners_get_readyforacleanenergyfuture_16_oct_2011.aspx)

<sup>1788</sup> Low Carbon Communities, Department of Climate Change and Energy Efficiency 23 March 2012. Date of access: 19 March 2012.

<http://www.climatechange.gov.au/government/initiatives/low-carbon-communities.aspx>

<sup>1789</sup> Low Carbon Communities, Department of Climate Change and Energy Efficiency 23 March 2012. Date of access: 19 March 2012.

<http://www.climatechange.gov.au/government/initiatives/low-carbon-communities.aspx>

<sup>1790</sup> Helping low-income earners get ready for a clean energy future, Minister for Families, Community Services and Indigenous Affairs Official Website 16 October 2011. Date of access: 19 March 2012.

[http://www.jennymacklin.fahcsia.gov.au/mediareleases/2011/Pages/helping\\_low\\_income\\_earners\\_get\\_readyforacleanenergyfuture\\_16\\_oct\\_2011.aspx](http://www.jennymacklin.fahcsia.gov.au/mediareleases/2011/Pages/helping_low_income_earners_get_readyforacleanenergyfuture_16_oct_2011.aspx)

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Australia claimed that it did not have inefficient fossil fuel subsidies and it has not introduced any during the monitoring cycle while providing support to the national vulnerable groups. Thus, Australia has been awarded a score +1.

*Analyst: Yulia Ovchinnikova*

**Brazil: +1**

Brazil has fully complied with the commitment to rationalize and phase-out inefficient fossil fuel subsidies while providing targeted support for the poorest.

Brazil specified that it did not have inefficient fossil fuel subsidies.<sup>1791</sup> OECD<sup>1792</sup> and IEA<sup>1793</sup> reports do not provide information on the fossil fuel subsidies in Brazil.

In its national implementation strategy Brazil stated that it used cost leveling mechanism to allow the inhabitants of least developed regions of the country, who did not have access to the national energy grid, to have access to electricity at the price paid by those living in more developed areas. This measure aims to support the vulnerable groups but is due to be substantially reduced by the end of 2012, when all the regions of the country are connected to the electric grid.<sup>1794</sup>

Sustainable practices and elimination of subsidies for fossil fuels will be discussed at United Nations Conference on Sustainable Development (Rio +20) in Rio de Janeiro, Brazil, in June 2012.<sup>1795</sup>

Thus, Brazil is awarded a score of +1 for providing support for the national vulnerable groups while claiming to have no inefficient fossil fuel subsidies.

*Analyst: Polina Arkhipova&Andrei Sakharov*

**Canada: 0**

Canada has partially complied with its commitment to rationalise and phase-out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption.

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<sup>1791</sup> Annex of the G20 Initiative on Rationalizing and Phasing out Inefficient Fuel Subsidies, G20 Energy Experts Working Group 11 June 2010. Date of Access: 2 April 2012.

[http://www.hse.ru/data/2012/04/17/1250180042/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.hse.ru/data/2012/04/17/1250180042/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf)

<sup>1792</sup> Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels, OECD 2011. Date of access: 28 May 2012.

[http://www.oecd.org/document/41/0,3746,en\\_2649\\_34183\\_48813609\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/41/0,3746,en_2649_34183_48813609_1_1_1_1,00.html)

<sup>1793</sup> IEA Estimates of Fuel Consumption subsidies, IEA 2011. Date of Access: 28 May 2012.

<http://www.oecd.org/dataoecd/41/46/48802785.pdf>

<sup>1794</sup> Annex of the G20 Initiative on Rationalizing and Phasing out Inefficient Fuel Subsidies, G20 Energy Experts Working Group 11 June 2010. Date of Access: 2 April 2012.

[http://www.hse.ru/data/2012/04/17/1250180042/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.hse.ru/data/2012/04/17/1250180042/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf)

<sup>1795</sup> UN report suggests tax and credit mechanisms to encourage sustainable practices, Portal Brazil 21 May 2012. Date of access: 27 May 2012.

[http://www.brasil.gov.br/news/history/2012/05/21/un-report-suggests-tax-and-credit-mechanisms-to-encourage-sustainable-practices/newsitem\\_view?set\\_language=en](http://www.brasil.gov.br/news/history/2012/05/21/un-report-suggests-tax-and-credit-mechanisms-to-encourage-sustainable-practices/newsitem_view?set_language=en)

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According to the Annex to the report “Analysis of the Scope of Energy Subsidies and Suggestions for the G-20 initiative,” Canada will continue to phase out the Accelerated Capital Cost Allowance (CCA) for tangible oil sand assets between 2011 and 2015.<sup>1796</sup>

Canada’s Economic Action Plan 2012 announced on 29 March 2012 “proposes to further Canada’s efforts toward rationalizing fossil fuel subsidies, reducing tax distortions and improving the allocation of investment and capital within the Canadian economy by phasing out tax preferences for resource industries.”<sup>1797</sup>

The Economic Action Plan 2012 proposes to phase out the Atlantic Investment Tax Credit for investments in the oil, gas and mining sectors and the Corporate Mineral Exploration and Development Tax Credit.<sup>1798</sup>

According to the current Economic Action Plan Canadian government is committed to expand tax support for clean energy producers, who use renewable sources or fuels from waste, or use fuel more efficiently. It also plans to expand the eligibility for the accelerated capital cost allowance for clean energy generation equipment to include a broader range of bioenergy equipment.<sup>1799</sup>

Canada has made further steps towards eliminating fossil fuel subsidies. But no facts of government’s support of the vulnerable groups without access to the subsidized fossil fuels have been found. Thus Canada has been awarded a score of 0.

*Analyst: Andrei Sakharov*

**China: +1**

China has fully complied with the commitment on inefficient fossil fuel subsidies.

On 19 March 2012, to reflect price changes on the international crude oil market, the China National Development and Reform Commission (NDRC), announced that it would increase gasoline and diesel prices by more than 6% or CNY600 (USD95) per tonne from 20 March 2012.<sup>1800</sup>

China’s current oil pricing system, which was introduced in May 2009, gives the NDRC the right to adjust domestic fuel, diesel and gas prices when average prices for Brent, Cinto, and Dubai crude oil move by 4% within 22 consecutive working days.<sup>1801</sup>

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<sup>1796</sup> Annex of the G20 Initiative on Rationalizing and Phasing out Inefficient Fuel Subsidies, G20 Energy Experts Working Group 11 June 2010. Date of Access: 2 April 2012.

[http://www.hse.ru/data/2012/04/17/1250180042/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.hse.ru/data/2012/04/17/1250180042/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf)

<sup>1797</sup> Canada’s Economic Action Plan 2012, Government of Canada 29 March 2012. Date of Access: 30 March 2012. <http://www.budget.gc.ca/2012/plan/pdf/Plan2012-eng.pdf>

<sup>1798</sup> Canada’s Economic Action Plan 2012, Government of Canada 29 March 2012. Date of Access: 30 March 2012. <http://www.budget.gc.ca/2012/plan/pdf/Plan2012-eng.pdf>

<sup>1799</sup> Canada’s Economic Action Plan 2012, Government of Canada 29 March 2012. Date of Access: 30 March 2012. <http://www.budget.gc.ca/2012/plan/pdf/Plan2012-eng.pdf>

<sup>1800</sup> Rising fuel prices drive worries over living costs, inflation, China Daily News Agency 19 March 2012. Date of Access: 21 March 2012. [http://usa.chinadaily.com.cn/business/2012-03/21/content\\_14880780.htm](http://usa.chinadaily.com.cn/business/2012-03/21/content_14880780.htm)

<sup>1801</sup> China to raise gasoline, diesel prices, Xinhua News Agency 7 February 2012. Date of Access: 7 February 2012. [http://news.xinhuanet.com/english/china/2012-02/07/c\\_131396727.htm](http://news.xinhuanet.com/english/china/2012-02/07/c_131396727.htm)

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According to the information from Joint Report “The Scope of Fossil-Fuel Subsidies in 2009 and a Roadmap for Phasing out Fossil-Fuel Subsidies,” which is prepared by International Energy Agency, Organisation for Economic Co-Operation and Development and the World Bank, increases in fossil fuel prices can be treated as fulfillment of this commitment.<sup>1802</sup>

To mitigate the impacts, the government would provide subsidies for people working in the fishery, forestry and public transport sectors and using the latter’s services, which are most likely to be affected by price hikes. In March 2012 the Government ordered railway and urban public transportation administrators not to hike their prices for consumers.<sup>1803</sup>

China has taken actions to phase-out inefficient fossil fuel subsidies and provided support to the national vulnerable groups who do not have access to the subsidized fossil fuels. That is why China is given a score of +1.

*Analyst: Svetlana Nikitina*

**France: +1**

France has complied with its commitment to rationalize and phase-out inefficient fossil fuel subsidies, with targeted support for the national vulnerable groups.

On 12 December 2011, Nathalie Kosciusko-Morizet Minister for Ecology, Sustainable Development, Transportation and Housing, Roselyne Bachelot Minister for Solidarity and Social Cohesion, Eric Besson Minister for Industry, Energy, and the Digital Economy announced support scheme that will continue to help consumers deal with increasing energy costs.<sup>1804</sup>

On 2 February 2012, President Sarkozy reaffirmed that one million households will be renovated through eco-interest loan between 2012 and 2017 in France.<sup>1805</sup>

On 1 April 2012, base of monthly allowances for poor families to cover housing costs was increased to 1%.<sup>1806</sup>

According to the report on G20 initiative on rationalizing and phasing out inefficient fossil fuel subsidies, France does not have any inefficient fossil fuel subsidies and therefore does not require

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<sup>1802</sup> The Scope of Fossil-Fuel Subsidies in 2009 and a Roadmap for Phasing out Fossil-Fuel Subsidies, IEA, OECS, the World Bank 11 November 2010. Date of Access: 11 November 2010. [http://www.iea.org/weo/docs/second\\_joint\\_report.pdf](http://www.iea.org/weo/docs/second_joint_report.pdf)

<sup>1803</sup> Rising fuel prices drive worries over living costs, inflation, China Daily News Agency 19 March 2012. Date of Access: 21 March 2012. [http://usa.chinadaily.com.cn/business/2012-03/21/content\\_14880780.htm](http://usa.chinadaily.com.cn/business/2012-03/21/content_14880780.htm)

<sup>1804</sup> La lutte contre la précarité énergétique : une priorité pour le Gouvernement, Ministry for Ecology, Sustainable Development, Transportation and Housing 12 December 2012. Date of Access: 24 May 2012. <http://www.developpement-durable.gouv.fr/IMG/pdf/cp-3.pdf>

<sup>1805</sup> Politique du logement, The President of the French Republic 4 February 2012. Date of Access: 2 April 2012. <http://www.elysee.fr/president/les-actualites/discours/2012/politique-du-logement.12937.html>

<sup>1806</sup> Les prestations familiales augmentent le 1er avril 2012, Family Allowances Fund 1 April 2012. Date of Access: 2 April 2012. [http://www.caf.fr/web/WebCnaf.nsf/090ba6646193ccc8c125684f005898f3/7525b741b95dbb8dc12579ce004f09f4/\\$FILE/Lesprestationsfamilialesaugmentent%20le01042012.pdf](http://www.caf.fr/web/WebCnaf.nsf/090ba6646193ccc8c125684f005898f3/7525b741b95dbb8dc12579ce004f09f4/$FILE/Lesprestationsfamilialesaugmentent%20le01042012.pdf)

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an implementation strategy.<sup>1807</sup> However, the OECD report “Inventory of estimated budgetary support and tax expenditures relating to fossil fuels in selected OECD countries” registered several support mechanisms to fossil fuels in France. The most notable of these is the Reduced Rate for Fuel Oil Used as Diesel Fuel scheme.<sup>1808</sup>

France has taken actions to help the poorest to cope with increased costs that result from elimination fossil fuel subsidies, and undertaken efforts to enhance energy efficiency. Thus, France has been awarded a score of +1 for its commitment to provide targeted support for the national vulnerable groups.

*Analyst: Vitaly Nagornov*

### **Germany: 0**

Germany has partially complied with its commitment to rationalize and phase out inefficient fossil fuel subsidies that encourage wasteful consumption while providing targeted support for the poorest.

According to G20 Initiative on Rationalizing and Phasing out Inefficient Fossil Fuel Subsidies Germany proposed as implementation strategy to discontinue subsidized coal mining in a socially acceptable manner by the end of 2018.<sup>1809</sup>

On 24 November 2011, the Federal Ministry of Economics and Technology published its official Budget. Due to the Budget the amount of inefficient subsidies to the coal mining industry will be reduced from EUR1.4 million in 2011 to EUR1.2 million in 2012.<sup>1810</sup> The Budget for 2012 is in line with an earlier adopted plan by the Federal Ministry of Economics and Technology for reduction of subsidies from EUR1.5 million in 2011 to EUR1.363 million in 2012.<sup>1811</sup>

On 7 December 2011, the Federal Minister of Economics and Technology Dr. Philipp Rösler promoted the financing of new coal plants. The change to financing of new coal power plants was announced following the Federal Government decision to switch from nuclear energy. Philipp Rösler stressed that the Fund will subsidize projects promoting clean energy and combating climate change, but the money will promote the most efficient plants possible. Between 2013 and 2016, high-carbon brown coal factories will receive over EUR165 million annually.<sup>1812</sup>

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<sup>1807</sup> Annex of the G20 Initiative on Rationalizing and Phasing out Inefficient Fuel Subsidies, G20 Energy Experts Working Group 11 June 2010. Date of Access: 2 April 2012.

[http://www.hse.ru/data/2012/04/17/1250180042/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.hse.ru/data/2012/04/17/1250180042/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf)

<sup>1808</sup> Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels, OECD October 2011. Date of Access: 20 April 2012.

[http://www.oecd.org/document/41/0,3746,en\\_2649\\_34183\\_48813609\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/41/0,3746,en_2649_34183_48813609_1_1_1_1,00.html)

<sup>1809</sup> Analysis of the Scope of Energy Subsidies and Suggestions for the G-20 Initiative. OECD 2010. <http://www.oecd.org/dataoecd/55/5/45575666.pdf>

<sup>1810</sup> The Official Budget for 2012. The Federal Ministry of Economics and Technology 24 November 2011. Date of access: 24 April 2012.

<http://www.bmwi.de/BMWi/Redaktion/PDF/H/haushalt-2012-uebersicht,property=pdf>

<sup>1811</sup> Coal industry information. The Federal Ministry of Economics and Technology 24 April 2012. Date of access: 24 April 2012.

<http://www.bmwi.de/BMWi/Navigation/Energie/Energietraeger/kohle.did=190808.html>

<sup>1812</sup> Dr. Philipp Rösler want investments in new coal plants. Date of access: 07 April 2012.

<http://www.zeit.de/wirtschaft/2011-12/kohlekraftwerke-bmwi>

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Thus, Germany has partially complied with this commitment by taking actions to phase-out inefficient fossil fuel subsidies but doesn't provide support to the national vulnerable groups who do not have access to the subsidized fossil fuels. Germany has been awarded a score of 0.

*Analyst: Yulia Ovchinnikova*

**India: +1**

India has fully complied with its commitment on clean energy.

According to the Annex 1 to the report "Analysis of the Scope of Energy Subsidies and Suggestions for the G-20 initiative" India planned "to work out implementation strategies and timetables for rationalizing and phasing out inefficient fossil fuel subsidies based on the recommendation of the Empowered Group of Ministers that has been constituted." In its national strategy India also identified four subsidies as being subject to phase out: subsidies to kerosene public distribution system, liquefied petroleum gas (LPG) and natural gas and freight subsidy for far-flung areas.<sup>1813</sup>

On 13 December 2011, the Cabinet Committee on Economic Affairs approved the establishment of the National Electricity Fund (Interest Subsidy Scheme) to provide interest subsidy amounting to US\$1.61 billion for a period of 14 years for projects of electricity distribution sector.<sup>1814</sup>

On 16 March 2012, Indian Minister of Finance Pranab Mukherjee, presented the Union Budget for 2012-2013. In the speech he mentioned that subsidies on petroleum products and fertilisers would be provided "to the extent that they can be borne by the economy without any adverse implications." In 2012-2013 the expenditure on all Central subsidies in India will be capped at 2% of GDP. The Minister also said that this target would be further brought down to 1.75% of GDP.<sup>1815</sup>

According to the Budget Speech several projects aimed at energy subsidy rationalisation have been launched in India. Minister Mukherjee mentioned that two pilot projects, under which LPG is sold at market price and the cost of subsidy is reimbursed directly into the beneficiary's bank account, were being realised in Mysore and Alwar district of Rajasthan.<sup>1816</sup>

India is making steps to rationalize and phase-out inefficient fossil fuel subsidies while providing targeted support for the national vulnerable groups. Thus it gets a score of +1.

*Analyst: Andrei Sakharov and Anastasiya Kuptsova*

**Indonesia: 0**

Indonesia has failed to comply with the commitment to rationalize inefficient fossil fuel subsidies that encourage wasteful consumption.

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<sup>1813</sup> Annex of the G20 Initiative on Rationalizing and Phasing out Inefficient Fuel Subsidies, G20 Energy Experts Working Group 11 June 2010. Date of Access: 2 April 2012.

[http://www.hse.ru/data/2012/04/17/1250180042/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.hse.ru/data/2012/04/17/1250180042/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf).

<sup>1814</sup> National Electricity Fund (Interest Subsidy) Scheme to subsidize interest rate on loans, Press Information bureau, Government of India 13 December 2011. Date of Access: 27 April 2012.

<http://pib.nic.in/newsite/erelease.aspx?relid=78626>

<sup>1815</sup> Budget 2012-2013, Speech by Parnab Mukherjee, Minister of Finance, Ministry of Finance 16 March 2012. Date of Access: 27 April 2012. <http://www.financialexpress.com/FM-speech.pdf>

<sup>1816</sup> Budget 2012-2013, Speech by Parnab Mukherjee, Minister of Finance, Ministry of Finance 16 March 2012. Date of Access: 27 April 2012. <http://www.financialexpress.com/FM-speech.pdf>

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On 30 January 2012, Indonesian government announced that by April 2012 it will implement plans to reduce subsidies to fossil fuels by restricting access to subsidized gasoline and developing alternative gas-based transport fuels. The government also announced a plan to raise the price of subsidized gasoline by US\$0.17 per litre, which is equivalent to one third of the current price.<sup>1817</sup>

In March 2012, the Indonesian government proposed to implement plans to redirect the savings from the planned subsidy reduction towards direct support measures, namely a cash transfer scheme, under which 18.5 million households will receive US\$16.5 each over 9 month.<sup>1818</sup>

However, the promise of fuel price hike triggered mass demonstrations and nationwide protests, and on 31 March 2012 Indonesian parliament agreed to delay any rise in fuel prices until the Indonesian Crude Price exceeds a benchmark of US\$105 a barrel by 15%.<sup>1819</sup>

On 3 May 2012, a plan to restrict the sale of subsidized fuel to select vehicles was further delayed by the Indonesian government. Energy and Mineral Resources Minister Jero Wacik said that the Indonesian Government would “temporarily delay the draft regulation until it figures out a workable formula for its implementation.”<sup>1820</sup>

On 4 May 2012, Indonesian Economic Coordinating Minister Hatta Rajasa said that Indonesian fuel oil subsidies can swell up to IDR234.2 trillion (US\$25.2 billion) if fuel price stays at US\$119 per barrel and consumption reached 42 million kilolitres. He also stated that the electricity subsidy was likely to increase in the revised 2012 State Budget, from IDR65 trillion (US\$6.9 billion) to IDR75 trillion (US\$8 billion). In order to mitigate the impact of the rising subsidies and maintain the budget deficit in the range of 2.23%, the government decided to implement five subsidized fuel control programmes.<sup>1821</sup>

As the government delayed the planned subsidies’ reduction, it also had to temporarily abandon the plans to redirect its savings towards direct support measures. No other facts of Indonesian government support of the national vulnerable groups have been found during the compliance cycle.

Although under severe political pressure the Indonesian government had to temporarily delay the implementation of the plan to cut fossil fuel subsidies, it has not been canceled. Thus, Indonesia receives a score of 0 for its work in progress on fossil fuel subsidies’ phase-out.

*Analysts: Elena Martynova and Andrei Sakharov*

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<sup>1817</sup> Indonesia’s Fuel Subsidies: Action Plan for Reform, GSI, IISD March 2012. Date of Access: 27 April 2012. [http://www.iisd.org/gsi/sites/default/files/ffs\\_actionplan\\_indonesia.pdf](http://www.iisd.org/gsi/sites/default/files/ffs_actionplan_indonesia.pdf)

<sup>1818</sup> Indonesia’s Fuel Subsidies: Action Plan for Reform, GSI, IISD March 2012. Date of Access: 27 April 2012. [http://www.iisd.org/gsi/sites/default/files/ffs\\_actionplan\\_indonesia.pdf](http://www.iisd.org/gsi/sites/default/files/ffs_actionplan_indonesia.pdf)

<sup>1819</sup> Indonesian Government Retreats From Immediate Fuel Price Rise, World Socialist Web Site 19 April 2012. Date of Access: 12 May 2012. <http://www.wsws.org/articles/2012/apr2012/indonesia19.shtml>

<sup>1820</sup> Plan to Restrict Indonesia's Subsidized Fuel Sales 'Delayed Indefinitely', The Jakarta Globe 3 May 2012. Date of Access: 5 May 2012. <http://www.thejakartaglobe.com/economy/plan-to-restrict-indonesias-subsidized-fuel-sales-delayed-indefinitely/515803>

<sup>1821</sup> Fuel subsidies can swell up to Rp234. 2 trillion: Minister, Antara News 4 May 2012. Date of Access: 5 May 2012. <http://www.antaraneews.com/en/news/81851/fuel-subsidies-can-swell-up-to-rp234-2-trillion-minister>

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## Italy: +1

Italy has fully complied with the commitment on inefficient fossil fuel subsidies.

On 13 June 2011, at the G20 Toronto Summit Italy provided its implementation strategy for phasing out selected fossil-fuel subsidies. It proposed “to continue with planned expiration of subsidy for certain cogeneration plants, and negotiate on a voluntary basis with private operators of these plants on the timing of their recess from the subsidy scheme.”<sup>1822</sup>

According to the Annex to the report “Analysis of the Scope of Energy Subsidies and Suggestions for the G-20 initiative” Italy “does not have subsidies that lower the price of fossil fuels below the international market price levels. The rationale of the major part of the measures is “either social, i.e. economic sustain to the poor, or related to public objectives, such as the development of renewable energy production capacity.”<sup>1823</sup>

On 1 December 2011, according to the Regulatory Authority for Electricity and Gas the reform with respect to gas, named the Mercato del Bilanciamento (Balancing Market), entered into effect to improve competition and influence positively consumer prices. It would be possible to use a different method of updating protection conditions to reflect gradually the price fluctuations in the Italian market.<sup>1824</sup>

On 28 December 2007, the Interministerial Decree established the social bonus on electricity (from EUR60 up to EUR150 annually) in order to support low-income families and citizens who need medical electrical equipment for treatment.<sup>1825</sup> This provision remains effective.

On 15 December 2009, the Italian Ministry of Economic Development introduced “Bonus on gas receipts”<sup>1826</sup>, the reduction on gas receipts for low-income and numerous families.<sup>1827</sup>

During the monitoring period Italy has not taken any actions to support the national vulnerable groups. But, a number of measures (Bonus on electricity and Bonus on gas receipts) were undertaken before and were in force during the period.

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<sup>1822</sup> The first year of the G-20 commitment on fossil-fuel subsidies: a commentary on lessons learned and the path forward, International Institute for Sustainable Development January 2011. Date of Access: 14 April 2012. [http://www.iisd.org/gsi/sites/default/files/ffs\\_g20\\_firstyear.pdf](http://www.iisd.org/gsi/sites/default/files/ffs_g20_firstyear.pdf)

<sup>1823</sup> Annex of the G20 Initiative on Rationalizing and Phasing out Inefficient Fuel Subsidies, G20 Energy Experts Working Group 11 June 2010. Date of Access: 2 April 2012. [http://www.hse.ru/data/2012/04/17/1250180042/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.hse.ru/data/2012/04/17/1250180042/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf).

<sup>1824</sup> Energy: electricity prices locked starting in October, +5,5% for gas, the Regulatory Authority for Electricity and Gas 30 September 2011. Date of Access: 14 April 2012. [http://www.autorita.energia.it/it/inglese/press\\_releases/11/110930.htm](http://www.autorita.energia.it/it/inglese/press_releases/11/110930.htm)

<sup>1825</sup> Speciale Energia elettrica: operative il bonus, sollievo per cinque milioni di famiglie, Italian Ministry of Economic Development (MED) 26 February 2009. Date of Access: 29 March 2012. [http://www.sviluppoeconomico.gov.it/index.php?option=com\\_content&id=68883](http://www.sviluppoeconomico.gov.it/index.php?option=com_content&id=68883)

<sup>1826</sup> Bonus sulla bolletta del gas, Italian MED. Date of Access: 28 March 2012.

[http://www.sviluppoeconomico.gov.it/index.php?option=com\\_content&id=2009642](http://www.sviluppoeconomico.gov.it/index.php?option=com_content&id=2009642)

<sup>1827</sup> Energia: al via il bonus gas, un aiuto alle famiglie bisognose o numerose, Italian MED 14 December 2009. Date of Access: 29 March 2012.

[http://www.sviluppoeconomico.gov.it/index.php?option=com\\_content&id=1001552](http://www.sviluppoeconomico.gov.it/index.php?option=com_content&id=1001552)

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Italy has taken actions to phase-out inefficient fossil fuel subsidies and has effective mechanisms to support national vulnerable groups. Therefore, it has been awarded a score of +1.

*Analyst: Anna Vekshina*

**Japan: 0**

Japan has partially complied with its commitment on inefficient fossil fuel subsidies.

At the G20 Toronto Summit in June 2010 Japan provided no information of its inefficient fossil fuel subsidies, claiming that it had none.<sup>1828</sup> Japan phased out its subsidies for domestic coal production in the early 2000s.<sup>1829</sup> The prices for oil are also deregulated.<sup>1830</sup>

However, the OECD report “Inventory of estimated budgetary support and tax expenditures relating to fossil fuels in selected OECD countries” registered several support mechanisms to fossil fuels in Japan. The Oil Refining Rationalisation Subsidy was the most cost intensive of them.<sup>1831</sup>

Japan claimed that it did not have inefficient fossil fuel subsidies. No facts of government’s support to the national vulnerable groups have been found during the monitoring cycle. Thus, it has been awarded a score of 0.

*Analyst: Andrei Sakharov*

**Korea: +1**

Korea has fully complied with its commitment to rationalise and phase-out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption, while providing targeted support for the poorest.

In its national implementation strategy presented at the G20 Toronto Summit Korea proposed to phase-out subsidies to anthracite coal and briquette producers. The subsidy to anthracite coal was to be eliminated by the end of 2010.<sup>1832</sup> However, as of October 2011 briquette and anthracite coal were still subject to VAT-exemptions in South Korea.<sup>1833</sup>

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<sup>1828</sup> G20 Fossil Fuel Subsidy Phase Out. A Review of Current Gaps and Needed Changes to Achieve Success. Doug Koplrow, Steve Kretzmann, November 2010. Date of Access: 21 March 2012. [http://www.earthtrack.net/files/uploaded\\_files/OCI.ET\\_G20FF.FINAL\\_.pdf](http://www.earthtrack.net/files/uploaded_files/OCI.ET_G20FF.FINAL_.pdf)

<sup>1829</sup> OECD Environmental performance reviews Japan, OECD 2010. Date of Access: 22 March 2012. [http://www.oecd.org/document/24/0,3746,en\\_2649\\_34307\\_46265112\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/24/0,3746,en_2649_34307_46265112_1_1_1_1,00.html)

<sup>1830</sup> Japan: Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels, OECD October 2011. Date of Access: 27 April 2012. <http://www.oecd.org/dataoecd/55/50/48786349.pdf>

<sup>1831</sup> Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels, OECD October 2011. p.53 [http://www.oecd.org/document/41/0,3746,en\\_2649\\_34183\\_48813609\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/41/0,3746,en_2649_34183_48813609_1_1_1_1,00.html)

<sup>1832</sup> Annex of the G20 Initiative on Rationalizing and Phasing out Inefficient Fuel Subsidies, G20 Energy Experts Working Group 11 June 2010. Date of Access: 2 April 2012. [http://www.hse.ru/data/2012/04/17/1250180042/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.hse.ru/data/2012/04/17/1250180042/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf).

<sup>1833</sup> South Korea, Country VAT/GST Essentials, KPMG January 2012. Date of Access: 28 May 2012. <http://www.kpmg.com/Global/en/WhatWeDo/Tax/GlobalIndirectTax/Documents/vat-gst-essentials-2012/south-korea-2011-vat-gst-essentials.pdf>

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Another, more indirect, subsidy, which was not mentioned in the implementation strategy,<sup>1834</sup> is the sale of electricity at prices below costs, which is planned to be phased-out in accordance with the National Energy Master Plan 2008-2030.<sup>1835</sup> Korean government raised electricity prices in December 2011.<sup>1836</sup>

The national implementation strategy stated that the purpose of fuel subsidies in South Korea was to ensure that low-income households have an affordable supply of fuel.<sup>1837</sup> Support to briquette coal production is due to be phased out progressively and terminated by the end of 2020. Though a scheme to provide vouchers to subsidy consumption is expected to be expanded to offset the impact of higher prices.<sup>1838</sup>

Thus, Korea is awarded a score of +1 for making steps towards fossil fuel subsidies' phase-out while supporting national vulnerable groups.

*Analyst: Pavel Zhdanov and Andrei Sakharov*

### **Mexico: +1**

Mexico has fully complied with its commitment to phase-out inefficient fossil fuel subsidies and provide support to the national vulnerable groups who do not have access to the subsidized fossil fuels.

On 8 December 2011, President Felipe Calderón announced the Strategy for Structural Change in the Natural Gas Market in Mexico that entails wider use of natural gas as a cleaner, more efficient fuel with less of an environmental impact than other fossil fuels. The increase in natural gas reserves and supply has lowered prices and made natural gas more competitive. In 2018, a public-private investment scheme of nearly USD8 billion will be used to build eight gas pipelines in Mexico. These projects will involve the construction of nearly 4,500 km in ducts for the transport of natural gas, a nearly 40% increase in the natural gas transport network and the investment will total USD10.4 billion.<sup>1839</sup>

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<sup>1834</sup> Annex of the G20 Initiative on Rationalizing and Phasing out Inefficient Fuel Subsidies, G20 Energy Experts Working Group 11 June 2010. Date of Access: 2 April 2012. [http://www.hse.ru/data/2012/04/17/1250180042/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.hse.ru/data/2012/04/17/1250180042/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf).

<sup>1835</sup> Korea's Green Growth Strategy, OECD 29 August 2011. Date of Access 28 May 2012. <http://www.oecd-ilibrary.org/docserver/download/fulltext/5kmbhk4gh1ns.pdf?expires=1338196078&id=id&accname=guest&checksum=74EBE4B8855596B59F6F67CAA6F33D07>

<sup>1836</sup> South Korea to Raise Power Prices For Second Time This Year, Bloomberg 2 December 2011. Date of Access: 28 May 2012. <http://www.bloomberg.com/news/2011-12-02/south-korea-to-raise-power-prices-for-second-time-this-year.html>

<sup>1837</sup> Annex of the G20 Initiative on Rationalizing and Phasing out Inefficient Fuel Subsidies, G20 Energy Experts Working Group 11 June 2010. Date of Access: 2 April 2012. [http://www.hse.ru/data/2012/04/17/1250180042/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.hse.ru/data/2012/04/17/1250180042/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf)

<sup>1838</sup> Korea: Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels, OECD. Date of Access: 15 April 2012 <http://www.oecd.org/dataoecd/55/49/48786359.pdf>.

<sup>1839</sup> Announcement of Structural Change in Natural Gas Market, Presidency of Mexico 8 November 2011. Date of Access: 20 March 2012. <http://en.presidencia.gob.mx/2011/11/working-tour-of-sonora/>.

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Mexico implements Infonavit Green Mortgages program, which provides low-income households with energy-saving technology to enable them to save energy and money. Through this initiative, the Government supports low-income families and encourages clean energy consumption.<sup>1840</sup> Since its launch in 2007, 750,000 loans have been granted as outlined by President Calderón on the 26th National Housing Congress on 27 March 2012.<sup>1841</sup>

On 15 February 2012, President Calderón delivered the 17 millionth energy saving light bulb in the Sustainable Light Program and announced the delivery of the 1.5 millionth appliance in the Electro-Domestic Appliance Substitution Program. Sustainable Light Program is targeted at replacing incandescent light bulbs by energy-saving ones. The program has now reached its second stage when those who have already benefitted from the program will receive eight rather than four light bulbs and are expected to reduce utility bills by MXN50 per family.<sup>1842</sup>

Electrical Appliance Replacement Program promotes “Trade in Your Old One for a New One” and is expected to save up to MXN90 on average on utility bills per household.<sup>1843</sup> The Ministry of Energy launched the Program in March 2009 in order to improve energy efficiency in the residential sector through the replacement of inefficient home appliances by new efficient models. As a result, families, energy sector and the Government are to benefit through the growth of disposable incomes, cleaner energy and reduction of electricity subsidies.<sup>1844</sup>

As a result of the above programs, the government promotes clean energy use and competitive energy generation while supporting its citizens.

Mexico has fully complied with the commitment on clean energy and is awarded a score of +1.

*Analyst: Polina Arkhipova*

#### **Russia: +1**

Russia has fully complied with the commitment on inefficient fossil fuel subsidies.

According to the Annex to the report “Analysis of the Scope of Energy Subsidies and Suggestions for the G-20 initiative” Russia plans “to implement the commitment to rationalize and phase out inefficient fossil fuel subsidies through national economic and energy policy,

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<sup>1840</sup> Miguel Alemán Valdés Ecology and Environment Award, Presidency of Mexico 14 December 2011. Date of access: 27 March 2012. <http://en.presidencia.gob.mx/2011/12/miguel-aleman-valdes-ecology-and-environment-award/>.

<sup>1841</sup> Record Boost for Housing Sector, Presidency of Mexico 27 March 2012. Date of access: 10 April 2012. <http://en.presidencia.gob.mx/2012/03/record-boost-for-housing-sector/>.

<sup>1842</sup> Energy Savings, Money Savings, Presidency of Mexico 15 February 2012. Date of access: 10 April 2012. <http://en.presidencia.gob.mx/2012/02/energy-savings-money-savings/>.

<sup>1843</sup> Energy Savings, Money Savings, Presidency of Mexico 15 February 2012. Date of access: 10 April 2012. <http://en.presidencia.gob.mx/2012/02/energy-savings-money-savings/>.

<sup>1844</sup> Energy efficiency in Mexico. A program for the replacement of home appliances, Ministry of Energy, Mexico May 2010. Date of access: 24 April 2012. <http://electricitygovernance.wri.org/files/egi/PP%20Clean%20Energy%20Forum%20LAOS.ppt#347>

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within the framework of its Energy Strategy 2030 and the Concept of Long-Term Social and Economic Development.”<sup>1845</sup>

The Energy Strategy for the Period until 2030 implies that by the end of the first phase of the Strategy’s implementation (2013-2015) domestic gas and electricity markets will be completely liberalized. By 2030 the share of energy resources traded at exchanges is to be no less than 15-20%. The Strategy also provides for development of mechanisms to minimize negative impacts caused by price growth on the most vulnerable groups of energy consumers, first of all, the impacts on household consumers.<sup>1846</sup>

On 28 November 2011, the Interdepartmental working group to coordinate the activities of the federal executive bodies to improve the wholesale and retail electricity market mechanisms was created. The main objective of the working group is to build consensus between government agencies and consumers on rules and regulations in wholesale and retail electricity markets in Russia, with a special emphasis made on the protection of the consumers’ interests and “establishing fair prices.”<sup>1847</sup>

On 13 February 2012, a non-profit partnership “Market council” launched, at the government’s request, the monitoring system of electricity retail prices for end-users. The data obtained during the monitoring will be used to analyze and control consumer prices, keeping them from rising sharply.<sup>1848</sup>

On 20 March 2012, the Russian Ministry of Energy submitted to the Russian Government a draft decree on retail electricity markets’ regulation.<sup>1849</sup> The proposed legislation is aimed, inter alia, at resolving the issue of cross-subsidies in the Russian electricity market.<sup>1850</sup>

Russia is taking steps to rationalize and phase-out inefficient fossil fuel subsidies while providing targeted support for the national vulnerable groups. Thus it gets a score of +1.

*Analyst: Andrei Sakharov*

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<sup>1845</sup> Annex of the G20 Initiative on Rationalizing and Phasing out Inefficient Fuel Subsidies, G20 Energy Experts Working Group 11 June 2010. Date of Access: 2 April 2012. [http://www.hse.ru/data/2012/04/17/1250180042/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.hse.ru/data/2012/04/17/1250180042/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf)

<sup>1846</sup> Energy Strategy for 2030, Ministry of Energy 13 November 2009. Date of Access: 27 April 2012. <http://minenergo.gov.ru/activity/energostrategy>

<sup>1847</sup> Interdepartmental working group to coordinate the activities of the federal executive bodies to improve the wholesale and retail electricity market mechanisms, Russian Ministry of Energy 28 November 2011. Date of Access: 27 April 2012 [http://minenergo.gov.ru/activity/powerindustry/interdepartmental\\_working\\_group/group/index.php?sphrase\\_id=206960](http://minenergo.gov.ru/activity/powerindustry/interdepartmental_working_group/group/index.php?sphrase_id=206960)

<sup>1848</sup> Non-profit partnership “Market council” started monitoring electricity retail prices for end-users, Russian Ministry of Energy 13 February 2012. Date of Access 27 April 2012. [http://minenergo.gov.ru/press/company\\_news/10946.html?sphrase\\_id=206960](http://minenergo.gov.ru/press/company_news/10946.html?sphrase_id=206960)

<sup>1849</sup> Ministry of Energy submitted a draft decree on retail electricity markets’ regulation to the Russian Government, Russian Ministry of Energy 22 March 2012. Date of Access: 27 April 2012. [http://minenergo.gov.ru/press/min\\_news/11548.html?sphrase\\_id=206960](http://minenergo.gov.ru/press/min_news/11548.html?sphrase_id=206960)

<sup>1850</sup> Energy Minister S.I. Shmatko: “The power industry should heed to consumers”, Russian Energy Ministry 16 March 2012. Date of Access: 27 April 2012. [http://minenergo.gov.ru/press/most\\_important/11475.html?sphrase\\_id=206960](http://minenergo.gov.ru/press/most_important/11475.html?sphrase_id=206960)

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**Saudi Arabia: n/a**

According to Annex to the IEA, OPEC, OECD, World Bank report “Analysis of the Scope of Energy Subsidies and Suggestions for the G-20 Initiative” prepared for the G20 Toronto Summit in 2010 Saudi Arabia “is not implementing any measures that fit the criteria for inefficient fossil fuel subsidies” and “the G20 proposal for phasing out inefficient fossil fuel subsidies does not ... apply to Saudi Arabia.”<sup>1851</sup>

However, according to the analysis by IEA, the subsidisation rate in Saudi Arabia is one of the highest in the world equalling 75.8% of the full cost of supply.<sup>1852</sup>

As Saudi Arabia claimed that this commitment could not be applied to this country as it did not have any inefficient subsidies and, thus, did not eliminate any of them, there is no need to compensate for their removal by providing targeted support to national vulnerable groups. Thus, Saudi-Arabia cannot be assessed for compliance with this commitment and has been awarded no score.

*Analyst: Alexey Mironov*

**South Africa: +1**

South Africa has fully complied with the commitment on clean energy.

According to Annex 1 to the IEA, OPEC, OECD, World Bank report “Analysis of the Scope of Energy Subsidies and Suggestions for the G-20 Initiative” prepared to the G20 Toronto Summit in 2010 there are no inefficient fossil-fuel subsidies in South Africa.<sup>1853</sup> And no such subsidies have been introduced since then. However, the study by IEA estimated the cost of support mechanisms to fossil fuel consumption in South Africa at US\$2.12 billion in 2010. The entire sum was allocated to support the electricity consumption.<sup>1854</sup>

South Africa provides support to the national vulnerable groups who do not have access to the subsidized fossil fuels: households connected to the grid can get free basic electricity of 50kWh monthly; consumers without access to grid are provided with non-grid energy by their municipalities.<sup>1855</sup>

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<sup>1851</sup> Annex of the G20 Initiative on Rationalizing and Phasing out Inefficient Fuel Subsidies, G20 Energy Experts Working Group 11 June 2010. Date of Access: 2 April 2012.

[http://www.hse.ru/data/2012/04/17/1250180042/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.hse.ru/data/2012/04/17/1250180042/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf)

<sup>1852</sup> Fossil Fuel Consumption Subsidy Rates as a Proportion of the Full Cost of Supply, IEA October 2011. Date of Access: 20 April 2012. <http://www.iea.org/subsidy/index.html>

<sup>1853</sup> G20 Initiative on Rationalizing and Phasing Out Inefficient Fossil Fuel Subsidies, G-20 Toronto Summit, Canada 26–27 June 2010. Date of Access: 14 April 2012.

[http://www.eenews.net/assets/2010/06/28/document\\_cw\\_03.pdf](http://www.eenews.net/assets/2010/06/28/document_cw_03.pdf)

<sup>1854</sup> Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels, OECD October 2011. Date of Access: 20 April 2012.

[http://www.oecd.org/document/41/0,3746,en\\_2649\\_34183\\_48813609\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/41/0,3746,en_2649_34183_48813609_1_1_1_1,00.html)

<sup>1855</sup> South African Government Information. Last modified: 15 March 2012. Date of Access: 29 March 2012. <http://www.info.gov.za/faq/services.htm>

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On 21 March 2012, an oversight on the program for free basic electricity was performed. The Department of Energy decided to review the policy in the future to incorporate new policy developments.<sup>1856</sup>

Since South Africa has specified it does not have inefficient fossil fuels subsidies and it has provided support to the national vulnerable groups who do not have access to the subsidized fossil fuels, the score is +1.

*Analyst: Tatyana Lanshina*

**Turkey: 0**

Turkey has partially complied with its commitment on fossil fuel subsidies.

The government subsidizes directly hard coal mining producer TTK (the monopoly state-owned hard coal producer).<sup>1857</sup> Support is mostly provided through transfer payments from the Turkish Treasury to Turkish Hard-Coal Enterprises.

The government plans to phase out this subsidy with the planned restructuring of TTK.<sup>1858</sup>

However, no facts that Turkey is taking action aimed at the TTK restructuring during the compliance period have been found.

Turkey provides support to the national vulnerable groups who do not have access to the subsidized fossil fuels.

The Ministry of Energy and Natural Resources distributes coal for heating purposes to assist poor families.<sup>1859</sup>

Thus Turkey has been awarded a score of 0 for failing to rationalize its inefficient fossil fuel subsidies, but providing support to the national vulnerable groups who do not have access to the subsidized fossil fuels.

*Analyst: Nadezhda Sporysheva*

**United Kingdom: +1**

The UK has fully complied with its commitment on clean energy.

At the G20 Toronto Summit in June 2010 the United Kingdom stated that it did not have inefficient fossil-fuel subsidies and no new evidence of such subsidies introduction during the compliance period has been found. However, the UK has some forms of indirect subsidies for heating and electricity including those based on fossil fuel as all fuel and power for households' domestic use, i.e. heating and electricity has a reduced VAT rate of 5%, below the standard rate

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<sup>1856</sup> Free Basic Electricity / Alternative Energy: oversight; Electrical Power Interruptions: solutions and strategies, [South African Integrated Energy](http://irp2.wordpress.com/2012/03/29/free-basic-electricity-alternative-energy-oversight-electrical-power-interruptions-solutions-and-strategies/) 21 March 2012. Date of Access: 30 March 2012. <http://irp2.wordpress.com/2012/03/29/free-basic-electricity-alternative-energy-oversight-electrical-power-interruptions-solutions-and-strategies/>

<sup>1857</sup> World Energy Outlook 2011, International Energy Agency. Date of Access: 30 March 2012. Date of Access: 1 April 2012. <http://www.iea.org/w/bookshop/add.aspx?id=428>

<sup>1858</sup> World Energy Outlook 2011. Date of Access: 1 April 2012. <http://www.iea.org/w/bookshop/add.aspx?id=428>

<sup>1859</sup> Inventory of estimated budgetary support and tax expenditures for fossil fuels, OECD 2011. Date of Access: 1 April 2012. <http://www.oecd.org/dataoecd/40/35/48805150.pdf>

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of 17.5%. According to the international organizations' estimates, the tax revenue thereby foregone is equivalent to 0.25% of GDP.<sup>1860</sup> According to more recent estimates, due to reduced VAT gas producers received about GBP3 billion in subsidy, while oil producers — GBP500 million and coal producers — GBP72 million.<sup>1861</sup>

The UK also undertakes some actions to support the national vulnerable groups who do not have access to the subsidized fossil fuels. On 15 March 2012, the Independent Report on Fuel Poverty commissioned by the Department of Energy and Climate Change was published. The report contains recommendations for the government how to tackle the problem of fuel poverty. The UK Government committed to adopt a revised approach to the fuel poverty basing on this Report.<sup>1862</sup> In the Report it was also stated that the UK Government had already introduced some discount schemes to support low income and vulnerable households.<sup>1863</sup> For example, the Warm Home Discount scheme had to support about 2 million low income and vulnerable households in winter 2012.<sup>1864</sup>

The UK has fossil fuel subsidies though it stated that it did not have inefficient fossil-fuel subsidies, it has taken steps to provide support to the national vulnerable groups. Therefore, the UK score is +1.

*Analyst: Natalia Churkina*

#### **United States: 0**

The United States has partially complied with its commitment to rationalise and phase-out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption.

In its national implementation strategy presented at Toronto Summit, the US proposed to pass legislation to eliminate twelve preferential tax provisions related to the production of coal, oil and natural gas. According to President Obama's plan to create jobs now "The American Jobs Act"<sup>1865</sup> assumed to cancel at least 10 tax provisions: Percentage depletion for oil and gas, Expensing of intangible drilling costs (IDCs), Geological and geophysical expenditures, Percentage depletion for hard mineral fossil fuels, Royalty taxation of coal, Expensing of exploration and development costs for hard mineral fuels, Passive loss exception for working

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<sup>1860</sup> Analysis of the Scope of Energy Subsidies and Suggestions for the G-20 Initiative, IEA, OPEC, OECD, World Bank Joint Report 16 June 2010. Date of Access: 26 April 2012.  
[http://www.hse.ru/data/2012/04/17/1250178060/G20\\_Energy\\_Subsidy\\_Joint\\_Report.pdf](http://www.hse.ru/data/2012/04/17/1250178060/G20_Energy_Subsidy_Joint_Report.pdf).

<sup>1861</sup> Wind power still gets lower public subsidies than fossil fuel tax breaks, The Guardian 27 February 2012. Date of Access: 14 April 2012.  
<http://www.guardian.co.uk/environment/2012/feb/27/wind-power-subsidy-fossil-fuels>.

<sup>1862</sup> Written Ministerial Statement on the publication by Professor Hills of the final report of his independent review of fuel poverty, Department of Energy and Climate Change 15 March 2012. Date of Access: 14 April 2012.  
[http://www.decc.gov.uk/en/content/cms/news/wms\\_hills\\_rpt/wms\\_hills\\_rpt.aspx](http://www.decc.gov.uk/en/content/cms/news/wms_hills_rpt/wms_hills_rpt.aspx).

<sup>1863</sup> Independent review on Fuel Poverty final report published, Department of Energy and Climate Change 15 March 2012. Date of Access: 14 April 2012.  
[http://www.decc.gov.uk/en/content/cms/news/pn12\\_024/pn12\\_024.aspx](http://www.decc.gov.uk/en/content/cms/news/pn12_024/pn12_024.aspx).

<sup>1864</sup> Minister's Winter Warmth Appeal, Department of Energy and Climate Change 12 February 2012. Date of Access: 14 April 2012.  
[http://www.decc.gov.uk/en/content/cms/news/pn2012\\_005/pn2012\\_005.aspx](http://www.decc.gov.uk/en/content/cms/news/pn2012_005/pn2012_005.aspx).

<sup>1865</sup> The American Jobs Act, President Obama's plan to create jobs now 12 September 2011. Date of Access: 15 April 2012  
<http://www.whitehouse.gov/sites/default/files/omb/legislative/reports/american-jobs-act.pdf>.

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interests in oil and gas properties, Deduction for tertiary injectants, Enhanced oil recovery (EOR) credit, Marginal wells credit, Domestic manufacturing deduction for oil and gas, Domestic manufacturing deduction for coal and other hard mineral fossil fuels. On 2 March 2012 “Oil and Natural Gas Industry Tax Issues in the FY2013 Budget Proposal” was developed.<sup>1866</sup> But on 26 March 2012 at the initiative of Senator Jim Inhofe the plan was blasted.<sup>1867</sup>

On 14 December 2011 Agriculture Secretary Tom Vilsack announced loans and grants for agricultural producers and rural small businesses across the country to implement renewable energy and energy efficiency measures in their operations. The funding is provided through USDA Rural Development’s Rural Energy for America Program (REAP).<sup>1868</sup>

US has taken actions to phase-out inefficient fossil fuel subsidies but has not provided support to the national vulnerable groups who do not have access to the subsidized fossil fuels, thus it receives a score of 0.

*Analyst: Pavel Zhdanov*

### **European Union: +1**

The EU has fully complied with its commitment on clean energy.

No evidence of introduction of fossil fuel subsidies by the EU have been found. Moreover, according to the Treaty on the Functioning of the European Union, any State aid distorting competition and trade is forbidden in general, including aid for fossil fuels consumptions.<sup>1869</sup>

Though most of actions to support vulnerable consumers of energy are undertaken at the national level of the EU members, the European Commission (EC) monitors and controls such national policies and gives recommendations.<sup>1870</sup>

On 7 February 2012, EU Commissioner for Development Andris Piebalgs confirmed the EC commitment to provide access to energy for the poorest people by 2030 at the official European Launch of UN Year on Sustainable Energy for All. He also said that the EU would increase

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<sup>1866</sup> Oil and Natural Gas Industry Tax Issues in the FY2013 Budget Proposal, CRS Report for Congress 2 March 2012. Date of Access: 15 April 2012  
<http://budget.house.gov/UploadedFiles/CRSR42374.pdf>.

<sup>1867</sup> Inhofe: Menendez Bill Tax Increases Continue Obama's War on Fossil Fuels, U.S. Senate 26 March 2012. Date of Access: 15 April 2012  
[http://epw.senate.gov/public/index.cfm?FuseAction=PressRoom.PressReleases&ContentRecord\\_id=5118BA19-802A-23AD-485B-FC6643A41790](http://epw.senate.gov/public/index.cfm?FuseAction=PressRoom.PressReleases&ContentRecord_id=5118BA19-802A-23AD-485B-FC6643A41790).

<sup>1868</sup> Agriculture Secretary Vilsack Announces Funding To Create Jobs, Reduce Energy Costs for Agricultural Producers and Rural Small Businesses, United States Department of Agriculture 14 December 2011. Date of Access: 15 April 2012  
[http://www.usda.gov/wps/portal/usda/usdahome?contentid=2011/12/0515.xml&navid=NEWS\\_RELEASE&navtype=RT&parentnav=LATEST\\_RELEASES&edeployment\\_action=retrievecontent](http://www.usda.gov/wps/portal/usda/usdahome?contentid=2011/12/0515.xml&navid=NEWS_RELEASE&navtype=RT&parentnav=LATEST_RELEASES&edeployment_action=retrievecontent).

<sup>1869</sup> Analysis of the Scope of Energy Subsidies and Suggestions for the G-20 Initiative, IEA, OPEC, OECD, World Bank Joint Report 16 June 2010.

<sup>1870</sup> Status review of the definitions of vulnerable customer, default supplier and supplier of last resort, European Regulators Group for Electricity & Gas 16 July 2009. Date of Access: 14 April 2012. [http://www.energy-regulators.eu/portal/page/portal/EER\\_HOME/EER\\_PUBLICATIONS/CEER\\_PAPERS/Customers/Tab/E09-CEM-26-04\\_StatusReview\\_16-Jul-09.pdf](http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_PUBLICATIONS/CEER_PAPERS/Customers/Tab/E09-CEM-26-04_StatusReview_16-Jul-09.pdf).

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access to energy services for the poorest through the promotion of its technologies, expertise and aid funding.<sup>1871</sup>

The EU does not have any inefficient fossil fuels subsidies and has undertaken some steps to provide support to the vulnerable groups who do not have access to the subsidized fossil fuels; therefore its score is +1.

*Analyst: Natalia Churkina*

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<sup>1871</sup> Energy tops the Development agenda: Commissioner Piebalgs to attend the European launch of the UN's Year of Sustainable Energy for All, European Commission 7 February 2012. Date of Access: 14 April 2012.  
<http://europa.eu/rapid/pressReleasesAction.do?reference=IP/12/104&format=HTML&aged=0&language=EN&guiLanguage=en>.