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G20 Research Group
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International Organisations Research Institute
at the National Research University Higher School of Economics, Moscow
present the

2014 Brisbane G20 Summit Final Compliance Report

17 November 2014 to 1 October 2015

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“The University of Toronto ... produced a detailed analysis to the extent of which each G20 country has met its commitments since the last summit ... I think this is important; we come to these summits, we make these commitments, we say we are going to do these things and it is important that there is an organisation that checks up on who has done what.”

— *David Cameron, Prime Minister, United Kingdom, at the 2012 Los Cabos Summit*

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8. Energy: Fossil Fuels

“We reaffirm our commitment to rationalise and phase out inefficient fossil fuel subsidies that encourage wasteful consumption, recognising the need to support the poor.”

G20 Brisbane Leaders’ Declaration

Assessment

Country	No Compliance	Work in Progress	Full Compliance
Argentina	-1		
Australia	-1		
Brazil		0	
Canada	-1		
China	-1		
France			+1
Germany	-1		
India		0	
Indonesia		0	
Italy	-1		
Japan	-1		
Korea		0	
Mexico		0	
Russia	-1		
Saudi Arabia	-1		
South Africa	-1		
Turkey	-1		
United Kingdom		0	
United States			+1
European Union		0	
Average Score		-0.45	

Background

At Brisbane Summit G20 leaders reiterated their commitment to rationalize and phase out, over the medium term, inefficient fossil fuel subsidies that encourage wasteful consumption.

At the Toronto Summit in 2010, Finance and Energy ministers completed a comprehensive review of fossil fuel subsidy programs for their respective countries in which they discussed the various ways to address social and economic impacts of possible reforms. Among the members invited to submit progress reports in 2011, eleven members failed to report any fossil fuel subsidies. Other members however, reported continued progress and notable progress is being made with regards to implementation of strategies that will phase out fossil fuel. Summary of Progress Reports to G-20 Leaders on the Commitment to Rationalize and Phase Out Inefficient Fossil Fuel Subsidies. Because such statements are declarative and not supported by material evidence, this report will not consider them as credible sources. Thus, they will not be taken into account towards the setting of G20 members’ scores.

G20 members continued their discussion of possible next steps in the second half of 2012 and beyond. The discussions included the possibility of a peer-review process whereby a member could invite another member to assess its fossil fuel subsidy reform progress. They would seek to improve the definition of fossil fuel subsidies while finding a way to standardize reporting from G20 countries. The G20 finance ministers agreed at their 15-16 February 2013 meeting to undertake a voluntary peer-review process for fossil fuel subsidies and report outcomes to Leaders in St. Petersburg in 2013.

Commitment Features

This commitment requires G20 members to rationalize and phase out inefficient fossil fuel subsidies over the medium term. Specific policies depend on the member state's national circumstances and require the concurrent provision of targeted support for the poor.

There is currently no common benchmark or definition of inefficient fossil fuel subsidies that may encourage wasteful consumption.¹¹⁸⁴

In 2011, the Organisation for Economic Co-operation and Development (OECD) Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels identified types of government support for energy production.¹¹⁸⁵ These are:

- Intervening in markets in a way that affects costs or prices;
- Transferring funds to recipients directly ;
- Assuming part of their risk;
- Selectively reducing the taxes governments would otherwise have to pay;
- Undercharging for the use of government-supplied goods or assets.

There is also no single approach to measure subsidy efforts. The two most common approaches are 1) price-gap measurements to “examine differences between the observed price for a good ... against what the price ‘should be’ without the government programs”; and 2) transfer measurements that “quantify the subsidy flows associated with particular government programs, regardless of whether they end up changing fuel prices.”¹¹⁸⁶ These two methods can track the potential decline of a member's fossil fuel subsidy program.

In this commitment, the G20 also recognized the need to support the poor. The World Bank found that even though fossil fuel subsidies are economically inefficient, “price increases from the removal of fossil-fuel subsidies are likely to adversely affect lower-income households who are already struggling.”¹¹⁸⁷ The report by the World Bank, submitted to the G20, identified two broad types of approaches available to countries seeking to reduce subsidies and support the poor: 1) improving the poverty targeting of existing subsidies, including limiting the number of subsidized goods to those used by the poor or limiting the quantities subsidized; and 2) introducing or strengthening other forms of support for the livelihoods of the poor, in cash or in-kind.¹¹⁸⁸

Given the absence of a common structure, the compliance of each G20 member will be assessed on its individual implementation strategy and recent progress. Members that have declared that they do not have inefficient fossil fuel subsidies will be subject to different criteria. These members will still be evaluated on their efforts to provide support for the poor. However, research will be conducted to ensure that members

¹¹⁸⁴ 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, OECD (Paris) 14 October 2011. Access: 2 February 2015. www.oecd.org/dataoecd/14/18/49006998.pdf.

¹¹⁸⁵ Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels, OECD (Paris) 2011. Access: 2 February 2015. <http://www.oecd.org/site/tadffss/48805150.pdf>.

¹¹⁸⁶ Measuring Energy Subsidies Using the Price-Gap Approach: What Does it leave out?, International Institute for Sustainable Development (Winnipeg) August 2009. Access: 2 February 2015. http://www.iisd.org/gsi/sites/default/files/bali_2_copenhagen_ff_subsidies_pricegap.pdf.

¹¹⁸⁷ Transitional Policies to Assist the Poor While Phasing Out Inefficient Fossil Fuels that Encourage Wasteful Consumption, World Bank (Washington D.C.) 18 September 2014. Access: 2 February 2015. <http://www.worldbank.org/content/dam/Worldbank/document/Climate/Transitional-Policies-Assist-Poor-Phasing-Out-Inefficient-Fossil-Fuel-Subsidies.pdf>.

¹¹⁸⁸ Transitional Policies to Assist the Poor While Phasing Out Inefficient Fossil Fuels that Encourage Wasteful Consumption, World Bank (Washington D.C.) 18 September 2014. Access: 2 February 2015. <http://www.worldbank.org/content/dam/Worldbank/document/Climate/Transitional-Policies-Assist-Poor-Phasing-Out-Inefficient-Fossil-Fuel-Subsidies.pdf>.

who have declared to not have inefficient fossil fuel subsidies have not introduced any since their declaration. Members that have declared they have efficient fossil fuel subsidies but are found to have inefficient fossil fuel subsidies will be awarded a score of 0, provided they have take measures to support the poor. If these members have also not taken action to support the poor they will be awarded a score of -1.

Table 6 describes the most recent member-specific implementation strategies from the 2012 Los Cabos Summit.¹¹⁸⁹

Table 6: Member-Specific Implementation Strategies

G20 Member	Implementation Strategy
Argentina	Proposes to reduce household subsidy for propane gas consumption as natural gas access is expanded.
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.
China	Proposes to gradually reduce the urban land use tax relief for fossil fuel producers.
Germany	Proposes to discontinue subsidized coal mining in a socially acceptable manner by the end of 2018.
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 demand 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.
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 World Trade Organization.
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 12 preferential tax provisions related to the production of coal, oil and natural gas.

In this report, Australia, Brazil, France, Japan, Saudi Arabia, South Africa and the United Kingdom all claim to have efficient fossil fuel subsidies.

Scoring Guidelines

-1	Member does not provide any form of support that facilitates access of fossil fuels to vulnerable groups.
0	Member provides indiscriminate support to facilitate access to fossil fuels.
+1	Member provides target support to the vulnerable groups that do not have access on fossil fuels.

Scoring guidelines for members that have specified having inefficient fossil fuel subsidies:

¹¹⁸⁹ G20 Initiative on Rationalizing and Phasing Out Inefficient Fossil Fuel Subsidies. G20 Research Group (Toronto) 4 September 2013. Access: 2 February 2015. <http://www.g20.utoronto.ca/compliance/2012loscabos-final/11-2012-g20-compliance-final.pdf>.

-1	Member takes no action to phase out inefficient fossil fuel subsidies AND does not provide support to its vulnerable groups.
0	Member takes action to phase out inefficient fossil fuel subsidies but does not provide support to its vulnerable groups OR member does not take action to phase out inefficient fossil fuel subsidies but provides support to its vulnerable groups.
+1	Member takes action to phase out inefficient fossil fuel subsidies <i>and</i> provides support to its vulnerable groups.

Argentina: -1

Argentina has not taken measures to rationalize and phase out inefficient fossil fuel subsidies.

On 4 February 2015 Argentina’s government announced it would subsidize oil production and exports by as much as USD 6 a barrel as part of a stimulus program to prevent a drop in output given the context of lower international crude prices. The program is retroactive to 1 January 2015 and is supposed to last until the end of this year, but may be extended for an additional 12 months.¹¹⁹⁰

Strategy Officer Fernando Giliberti said the state-run Argentine energy company YPF was looking for partners to develop. It is particularly looking at the Vaca Muerta shale oil and gas formation.¹¹⁹¹ The former head of Shell Argentina quit his job in June 2015 and criticised the Argentine government for focusing on energy development in Vaca Muerta but the Argentine government has not changed its position. Vaca Muerta is one of the biggest oil and gas reserves in the Western Hemisphere and the third-largest shale formation in the world.¹¹⁹²

Argentina has increased subsidies in the oil production and export sector during this compliance cycle and has not taken any action to support the poor. Thus it receives a score of -1.

Analyst: Nancy Xue

Australia: -1

Australia has not complied with its commitment to phase out inefficient fuel subsidies and to provide targeted support for energy access for the poorest.

Twice this year, during both the reassessment phases, in February 2015 and August 2015 the rates for the fuel tax credit have been increased for liquid fuels, mineral turpentine, white spirit, kerosene, heating oil, liquefied petroleum gas and liquefied natural gas.¹¹⁹³

The Fuel Tax Credit Scheme was introduced in July 2006, and it reduces or removes the fuel tax paid by eligible businesses. It does so by providing these businesses with fuel tax credits exempting heavy vehicles—those over 4.5 tonnes—or private vehicles used for business on public roads. Effectively, this tax break only qualifies to heavy industry, with the government website detailing that, “commercial vehicles are

¹¹⁹⁰ Argentina boosts subsidies for oil output, exports. Argus Media. 4 Feb 2015. Access: 11 May 2015.

¹¹⁹¹ Argentine energy sector good investment amid oil slump: Argentine energy sector good investment amid oil slump: YPF, Reuters (Istanbul) 5 March 2015. Access: 6 October 2015. <http://www.reuters.com/article/2015/03/05/us-argentina-ypf-idUSKBN0M11ZO20150305>

¹¹⁹² How the former head of Shell Argentina turned to clean energy. The Guardian (London) 22 Sept 2015. Access: 6 October 2015. <http://www.theguardian.com/environment/2015/sep/22/how-the-former-head-of-shell-argentina-turned-to-clean-energy>

¹¹⁹³ Fuel Schemes: From 1 July 2014, Australian Taxation Office, 2 February 2015. Access: 2 October 2015 <https://www.ato.gov.au/business/fuel-schemes/fuel-tax-credits---business/>; and Fuel Tax Credits – Six Monthly Indexation Alert, 27 March 2015. Access 18 October 2015 <https://www.ato.gov.au/Media-centre/Articles/Fuel-tax-credits---six-monthly-indexation-alert/>

ineligible.”¹¹⁹⁴ Because of this, the Fuel Tax Credit Scheme exempts Australian businesses from AUD 33 billion in taxes related to fossil fuel use in the heavy industry sector.¹¹⁹⁵

According to a report published by the Australian Conservation Foundation in April 2015, the mining industry received 40 per cent of the total amount of fuel tax credits claimed in 2012-2013. The coal miners are the largest recipients in the mining industry.¹¹⁹⁶ These estimates are based on data publicly available on the website of the Australian Taxation Office (ATO).¹¹⁹⁷ For the federal budget 2014-2015, starting 1st July 2014, the entire scheme is forecast to be the government’s 15th biggest spending program.¹¹⁹⁸

On 12 May 2015, new measures streamlining and expanding the Accelerated Depreciation Taxation Scheme, went into effect. This increases the instant write off from AUD 1,000 per unit to \$20,000 per unit.¹¹⁹⁹ Accelerated depreciation is a tax break for small businesses that allow businesses to write off the cost of depreciating assets which cost less than \$20,000.¹²⁰⁰ This allows resource companies to defer paying taxes on new, or used equipment purchased and used by these companies, which costs Australian tax payers AUD 7 billion annually. When combined with the Fuel Tax Credit Scheme, it provides resource companies strong incentives to continue using older and inefficient machinery, because clean energy alternatives are not eligible for these subsidies.¹²⁰¹

On 24 June 2015, the Australian government reintroduced the Fuel Indexation Bill. This bill ties Australia’s excise fuel tax (per unit sales) on gasoline and liquid fuels to inflation. In 2001 the excise tax was untied from inflation, which has since allowed the effectiveness of the tax to fall relative to the 2001 rate. This bill accounts for the fall in effectiveness and implements biannual adjustments to the tax based upon inflation.¹²⁰² Combined with the tax credit scheme above, the following tax changes inordinately affects Australian consumers while exempting industry.

During the compliance cycle, Australia has not made any efforts to phase out, reform, or reduce the impact of these tax credit schemes. No evidence of support for energy access for the poor has been found for the duration of the compliance cycle. Thus, Australia has been awarded a score of –1.

Analyst: Kyle Van Hooren

Brazil: 0

Brazil has partially complied with its commitment to phase out inefficient fossil fuel subsidies and provide targeted support for vulnerable groups.

¹¹⁹⁴ Fossil Fuel Subsidies, Australian Conservation Foundation, Access: 14 May 2015 <http://www.acfonline.org.au/be-informed/climate-change/fossil-fuel-subsidies>

¹¹⁹⁵ Budget chooses big polluters over community, Access: 13 October 2015. <http://www.acfonline.org.au/news-media/media-release/budget-chooses-big-polluters-over-community>

¹¹⁹⁶ Fossil Fuel Subsidies, Australian Conservation Foundation, Access: 14 May 2015 <http://www.acfonline.org.au/be-informed/climate-change/fossil-fuel-subsidies>

¹¹⁹⁷ Taxation Statistics 2012-2013 Detailed Tables. Australian Taxation Office (Canberra), 2012-2013. Access: 14 May 2015 <http://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Tax-statistics/Taxation-statistics-2012-13>

¹¹⁹⁸ Budget 2014-2015. Statement 6: Expenses and Net Capital Investment. Australian Government (Canberra). Access: 18 October 2015. http://budget.gov.au/2014-15/content/bp1/html/bp1_bst6-01.htm

¹¹⁹⁹ Small Business – expanding accelerated depreciation for small businesses, Access 13 October 2015. <https://www.ato.gov.au/General/new-legislation/in-detail/direct-taxes/income-tax-for-businesses/small-business---expanding-accelerated-depreciation/>

¹²⁰⁰ Simplified depreciation rules: Australian Taxation Office, Access: 13 October 2015. <https://www.ato.gov.au/Business/Small-business-entity-concessions/In-detail/Income-tax/Simplified-depreciation-rules/>

¹²⁰¹ Big polluters need to pay their dues (Canberra Times) Access: October 18 2015. <http://www.acfonline.org.au/news-media/opinions/big-polluters-need-pay-their-dues-canberra-times>

¹²⁰² Excise Tariff Amendment (Fuel Indexation) Bill 2014, Parliament of Australia, Access: 13 October 2015. http://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bld=r5285

An inefficient fuel subsidy has been identified as being paid by the state-owned oil company Petrobras. Neither the company nor the government have disclosed a clear policy for phasing out this subsidy. Since 2011, Petrobras has been forced by the government to sell diesel and gasoline at below market prices as an inflation fighting measure. As a result, the company has lost USD 35 billion in operating losses.^{1203,1204}

On 7 November 2014, Petrobras sought to correct its pricing policy to regain the confidence of investors and reduce their losses. Petrobras decided to adjust the prices of petrol and diesel oil (3% and 5% on 6 November 2014) while global oil prices were decreasing.¹²⁰⁵

On 2 December 2014, the losses caused by the payment of the subsidy resulted in a 20% fall in profits from the previous year.¹²⁰⁶ Negative effects of this encompass a lack of competitiveness on the energy market as well as rising debt.

On 13 January 2015, the Brazilian Finance Minister indicated that Petrobras will decide the prices of petrol and diesel without outside interference, but did not confirm if it means further increases. “Petrobras will make the decision to prices as a company. My sensitivity indicates that [the state] will decide according to the business reality of it.”¹²⁰⁷

On 18 January 2015 the Brazilian Finance Minister Joaquim Levy announced tax increases for diesel and gasoline to take effect on 1 February 2015. Taxes on petrol would increase by R\$0.22 per litre and it would translate into an approximate 8.5% increase in the cost of petrol at the pump. The tax on diesel would increase by R\$0.15 and it would translate into an approximate 6.25% increase in the pump cost.¹²⁰⁸ The declaration also mentioned a secondary tax on fossil fuels to come into force 90 days after 1 February.¹²⁰⁹

On 24 September 2015 Petrobras announced that it will increase the price of liquefied petroleum gas (LPG) for industrial, commercial and bulk consumption by 11%. The change in price has been implemented on 25 September 2015.¹²¹⁰

On 29 September 2015 Brazilian Finance Minister Joaquim Levy said that Petrobras “is making progress on increasing the professionalism of its management team and cutting costs”¹²¹¹. There was no mention of how this would affect the subsidy the state pays oil producers through Petrobras profits.

On 30 September 2015 Petrobras announced that it will increase the price of gasoline by 6% and that of diesel by 4% at midnight. The price readjustment does not include federal (CIDE and PIS/Cofins) or state

¹²⁰³ “Petrobras Turns to USD 15 Billion Question with Graft Cost Answered”, Bloomberg Business, 23 April 2015, Date Accessed 9 October 2015 <http://www.bloomberg.com/news/articles/2015-04-22/petrobras-books-brl6-19b-loss-on-graft-in-delayed-earnings>

¹²⁰⁴ “Next Petrobras CEO will have an unexpected ally”, Financial Times, February 2015, Date Accessed 9 October 2015 <http://www.ft.com/intl/fastft/273171/lower-oil-prices-can-just-be-succor-petrobras-needs>

¹²⁰⁵ “Petrobras Lifts Fuel Prices in Rousseff Subsidy Relief”, Bloomberg Business, 7 November 2014, Date Accessed 9 October 2015 <http://www.bloomberg.com/news/articles/2014-11-06/petrobras-raising-prices-as-rousseff-gives-subsidy-relief>

¹²⁰⁶ “Petrobras earnings fall 20%; subsidized fuel strangling the economy”, Merco Press 2014, Accessed 2 March 2015, <http://en.mercopress.com/2014/08/12/petrobras-earnings-down-20-subsidized-fuels-strangling-the-company>

¹²⁰⁷ “Petrobras decidira preco da gasoline como empresa, diz Levy”, Agencia Brasil, 13 January 2015, Date Accessed 10 October 9, 2015 <http://agenciabrasil.ebc.com.br/economia/noticia/2015-01/petrobras-decidira-preco-da-gasolina-como-empresa-diz-levy>

¹²⁰⁸ “Petrol price increases inflation fears”, Financial Times, 7 November 2014, Date Accessed 2 March 2015 <http://www.ft.com/intl/cms/s/0/ff3c9d22-a032-11e4-aa89-00144feab7de.html#axzz3T0MD0gxf>

¹²⁰⁹ “Brazil Announces Tax Increases for 2015”, The Wall Street Journal, 19 January 2015, Date Accessed, 1 March 2015, <http://www.wsj.com/articles/brazil-announces-tax-increases-for-2015-1421707755>

¹²¹⁰ “Petrobras eleva em 11% preco do gas para uso industrial e commercial” Reuters Brasil, 24 September 2015, Date Accessed 9 October 2015 <http://br.reuters.com/article/businessNews/idBRKCNORO2PA20150924?pageNumber=1&virtualBrandChannel=0>

¹²¹¹ “Brazil’s Levy says Petrobras taking right steps”, Reuters, 29 September 2015, Date Accessed 9 October 2015 <http://www.reuters.com/article/2015/09/29/brazil-levy-petrobras-idUSE6N10I02W20150929>

taxes (ICMS).¹²¹² The adjustment is meant to signal the market that Petrobras now has autonomy to set its own price policy.¹²¹³

No evidence has been found to indicate that Brazil has taken steps to facilitate energy access for its vulnerable population. No fossil fuel price volatility measures or energy access policies for vulnerable groups have been identified in either case. However, Brazil has taken steps to remove existing fossil fuel subsidies.

Therefore, Brazil has been awarded a compliance score of 0.

Analyst: Andrei Burloiu

Canada: -1

Canada has failed to comply with its commitment to rationalize and phase out inefficient fossil fuel subsidies and to recognize the need to support the poor.

On 18 November 2014, the Canadian government announced Canada's strategy for its extractive sector operating abroad, including mining, oil, and gas. The strategy aimed "to ensure that energy will continue to represent an engine of economic growth for Canadians."¹²¹⁴ This is a continuation of the Canadian Government's pledge "to ensure the long-term success of Canada's mining and oil and gas sectors by keeping taxes low, eliminating red tape, and modernizing the regulatory regime for major projects."¹²¹⁵

On 2 March 2015, the Canadian government proposed changes in the treatment of the Canadian Exploration Expenses (CEE), a tax credit that facilitates petroleum and natural gas exploration in Canada. The changes proposed are in the order of CAD 21 million over the next five years and would ensure that "CEE treatment is not denied for the cost of otherwise eligible environmental studies and community consultations solely because they are a pre-condition to obtaining an exploration permit or license."¹²¹⁶

Ahead of the 2015 Canada federal elections, which are set to take place on 19 October, all national parties made public statements on fossil fuel subsidies and agreed on the need to reform them.¹²¹⁷ Moreover, the Conservative party, acting as the Government of Canada, reiterated its commitment to eliminate "inefficient fossil fuel subsidies" during the 2015 G7 Summit in Elmau, Germany.¹²¹⁸

¹²¹² "Price Readjustments", Petrobras – Investor Relations, 30 September 2015, Date Accessed 9 October 2015

<http://www.investidorpetrobras.com.br/en/press-releases/price-readjustment>

¹²¹³ "Petrobras aumenta gasolina em 6% e diesel em 4% nas refinarias" 29 September 2015, Date Accessed 9 October 2015

<http://www.valor.com.br/empresas/4248554/petrobras-aumenta-gasolina-em-6-e-diesel-em-4-nas-refinarias>

¹²¹⁴ Harper Government Announces Latest Actions to Support Canadian Extractive Sector Abroad, Ministry of Natural Resources (Ottawa) 18 November 2014. Access: 3 October 2015. <http://news.gc.ca/web/article-en.do?crtr.sj1D=&crtr.mnthndVI=9&mthd=advSrch&crtr.dpt1D=6683&nid=905749&crtr.lc1D=&crtr.tp1D=1&crtr.yrStrtVI=2014&crtr.kw=&crtr.dyStrtVI=1&crtr.aud1D=&crtr.mnthStrtVI=1&crtr.page=3&crtr.yrndVI=2020&crtr.dyndVI=4>

¹²¹⁵ Harper Government Announces Latest Actions to Support Canadian Extractive Sector Abroad, Ministry of Natural Resources (Ottawa) 18 November 2014. Access: 3 October 2015. <http://news.gc.ca/web/article-en.do?crtr.sj1D=&crtr.mnthndVI=9&mthd=advSrch&crtr.dpt1D=6683&nid=905749&crtr.lc1D=&crtr.tp1D=1&crtr.yrStrtVI=2014&crtr.kw=&crtr.dyStrtVI=1&crtr.aud1D=&crtr.mnthStrtVI=1&crtr.page=3&crtr.yrndVI=2020&crtr.dyndVI=4>

¹²¹⁶ Harper Government Reinforces Support for the Mining Industry during PDAC 2015, Natural Resources Canada (Toronto) 2 March 2015. Access: 3 October 2015. <http://news.gc.ca/web/article-en.do?crtr.sj1D=&crtr.mnthndVI=9&mthd=advSrch&crtr.dpt1D=6683&nid=941379&crtr.lc1D=&crtr.tp1D=1&crtr.yrStrtVI=2014&crtr.kw=&crtr.dyStrtVI=1&crtr.aud1D=&crtr.mnthStrtVI=1&crtr.page=1&crtr.yrndVI=2020&crtr.dyndVI=4>

¹²¹⁷ Fossil Fuel Subsidies Reform in Canada: A Post-Partisan Issue. International Institute for Sustainable Development (Winnipeg), 4 September 2015. Access: 18 October 2015. <http://www.iisd.org/commentary/fossil-fuel-subsidy-reform-canada-post-partisan-issue>

¹²¹⁸ Leader's Declaration G7 Summit, 7-8 June 2015. Bundesregierung (Berlin). Access: 18 October 2015.

https://www.bundesregierung.de/Content/DE/_Anlagen/G8_G20/2015-06-08-g7-abschluss-eng.pdf?__blob=publicationFile&v=6

However, no evidence was found that the Canadian Government has made some progress during the compliance cycle on this agenda. Thus, Canada is awarded a score of –1.

Analysts: Frédérique Bouchard and Kabir Bhatia

China: –1

China has not complied with its commitment to phase out its inefficient land use subsidy for energy producers while providing support to the national vulnerable groups.

Between 28 November 2014 and 29 January 2015, the Ministry of Finance raised the taxes on gasoline, naphtha, solvent oil, lubricating oil, diesel, jet fuel and fuel oil three times.^{1219,1220} The current tax level is RMB 1.2 per litre for gasoline, naphtha, solvent oil and lubricating oil and RMB 1.52 per litre for diesel, jet fuel and fuel oil.¹²²¹ The country increased its fuel-consumption tax for the first time in five years amid falling global oil prices as steps to “control environmental pollution, tackle climate change, promote energy conservation and encourage the development of new energy automobiles.”¹²²² However, the government has come under a lot of scrutiny over its declared objectives and the legal procedure has been questioned.¹²²³

While announcing the tax increases, the Chinese government pledged “to continue and refine subsidy policies for some groups who are in difficulties ... in order to support the healthy development of relevant industries and maintain social stability.” Yet, no evidence was found that it has taken new measures to facilitate access to energy for the vulnerable groups.¹²²⁴

On 26 December 2015, the Chinese government announced that it would extend subsidies for new green vehicles to 2020 with the overall goal of having replaced 5 million cars with electric ones by 2020. The subsidies will only target locally manufactured electric cars and not imported ones and are aimed at offsetting China’s fossil fuel consumption for transportation.¹²²⁵ The untargeted nature of this measure makes it non-compliant with the commitment.

On 16 September 2015, the International Institute for Sustainable Development organized an event in Beijing, gathering governmental agencies, NGOs and academics, to discuss the role of coal subsidies in China’s shift to a cleaner energy mix. On this occasion, the Institute revealed their first estimate of coal subsidies to producers, totaling RMB 35.7 billion (USD 5.6 billion) in 2013. Combined with the subsidies to coal consumers, the total amount — CNY 100 billion (USD 15.7 billion) — almost equals the annual level of subsidies provided for renewable energy.

While China has increased consumption tax on oil products, it has failed to formulate a clear strategy to phase out its inefficient subsidies, especially those provided for coal consumers and producers. Furthermore, the

¹²¹⁹ “Chinese tax hikes slash fuel oil imports 30 pct so far this year”. Reuters (London), 25 March 2014. Date Accessed: 17 May 2015. <http://www.reuters.com/article/2015/03/25/china-oil-fueloil-idUSL3N0WP2Z720150325>

¹²²⁰ “Promote Air Pollution Control and Transformation of Development Patterns, The State Adjusts Consumption Tax Policy for Product Oil”. State Administration of Taxation (Beijing), 19 January 2015. Date Accessed: 18 May 2015 <http://www.chinatax.gov.cn/2013/n2925/n2957/c1465330/content.html>

¹²²¹ “Fuel Tax Adjustment Must Follow Statutory Tax”. Financial Times China (Beijing), 20 January 2015. Date Accessed: 17 May 2015, <http://www.ftchinese.com/story/001060207?full=y>

¹²²² “Promote Air Pollution Control and Transformation of Development Patterns, The State Adjusts Consumption Tax Policy for Product Oil”. State Administration of Taxation (Beijing), 19 January 2015. Date Accessed: 18 May 2015 <http://www.chinatax.gov.cn/2013/n2925/n2957/c1465330/content.html>

¹²²³ “Fuel Tax Adjustment Must Follow Statutory Tax”. Financial Times China (Beijing), 20 January 2015. Date Accessed: 17 May 2015, <http://www.ftchinese.com/story/001060207?full=y>

¹²²⁴ “Promote Air Pollution Control and Transformation of Development Patterns, The State Adjusts Consumption Tax Policy for Product Oil”. State Administration of Taxation (Beijing), 19 January 2015. Date Accessed: 18 May 2015 <http://www.chinatax.gov.cn/2013/n2925/n2957/c1465330/content.html>

¹²²⁵ “China plans to extend green vehicle subsidies until 2020”, Reuters, 30 December 2014, Date Accessed 27 February 2015, <http://www.reuters.com/article/2014/12/30/us-china-autos-environment-idUSKBN0K806B20141230>

government hasn't taken any measures to provide support to its vulnerable groups. Thus, China has been awarded a score of -1.

Analyst: Andrei Burloiu

France: +1

France has fully complied with its commitment to rationalize and phase out inefficient subsidies that encourage wasteful consumption, while recognizing the need to support the poor.

On 8 January 2015, the National Institute of Statistics and Economic Studies issued a study that reveals 5.9 million of households or 22% in metropolitan France are in vulnerable situation in terms of affordability of energy generating resources. On average, households spend more than 8% of their total income on heating and hot water and over 4.5% on travel. In three regions energy vulnerability is the median range and represents over 25%: (1) Franche-Comté (26.0%); Auvergne (27.0%); and Lorraine (27.4%).

On 4 February 2015, Prime Minister Manuel Valls and Minister of Environment Ségolène Royal presented a new roadmap from the third environmental conference to the National Council for Ecological Transition.¹²²⁶ The project includes 74 measures focused on sustainable transportation, mobility, health and the environment.¹²²⁷ Measures in the roadmap included: 1) withdrawal of export subsidies for the coal-fired power plant projects in developing countries not equipped “without CO2 capture and storage” systems; 2) the implementation of a fund of up to EUR 10,000 for the replacement of diesel vehicles; 3) the introduction of air quality certificates — green stickers to identify clean vehicles — beginning April 2015.¹²²⁸

However, Prime Minister Valls did not specify the timing or schedule for termination of export credit for coal-fired plants.¹²²⁹ President Hollande had made a similar announcement in 2013, when he pledged that the Agence Française de Développement (AFD) would no longer provide support for coal-fired power stations in developing countries. This pledge was incorporated into the framework law on international development and solidarity in July 2014.¹²³⁰ According to an OECD report, which was not made publicly available, France was the fifth-largest subsidizer of coal energy exports between 2007 and 2013 in the organisation.¹²³¹

On 25 February 2015, the French government launched Mon Projet Renovation, an online tool for French homeowners and residents. The project was developed by the French Agency for the Environment and Energy Management (ADEME) and consists of a customized online questionnaire, custom energy conservation and efficiency tips. The project also intends to provide useful information on financial aid available to homeowners based on their responses.¹²³²

¹²²⁶ The Ecological Transition: This Is a Profound Transformation of Our Ways Of Life, and The French People Are Becoming Increasingly Aware of This. Government of France (Paris), 4 February 2015. Access: 26 February 2015.

<http://www.gouvernement.fr/en/the-ecological-transition-this-is-a-profound-transformation-of-our-ways-of-life-and-the-french>.

¹²²⁷ The Ecological Transition: This Is a Profound Transformation of Our Ways Of Life, and The French People Are Becoming Increasingly Aware of This, Government of France (Paris) 4 February 2015. Access: 26 February 2015.

<http://www.gouvernement.fr/en/the-ecological-transition-this-is-a-profound-transformation-of-our-ways-of-life-and-the-french>.

¹²²⁸ The Ecological Transition: This Is a Profound Transformation of Our Ways Of Life, and The French People Are Becoming Increasingly Aware of This, Government of France (Paris) 4 February 2015. Access: 26 February 2015.

<http://www.gouvernement.fr/en/the-ecological-transition-this-is-a-profound-transformation-of-our-ways-of-life-and-the-french>.

¹²²⁹ The Ecological Transition: This Is a Profound Transformation of Our Ways Of Life, and The French People Are Becoming Increasingly Aware of This, Government of France (Paris) 4 February 2015. Access: 26 February 2015.

<http://www.gouvernement.fr/en/the-ecological-transition-this-is-a-profound-transformation-of-our-ways-of-life-and-the-french>.

¹²³⁰ <http://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000029210384&categorieLien=id>

¹²³¹ France to Axe Coal Subsidies while EU Stalls, EurActiv (Brussels) 9 February 2015. Access: 25 February 2015.

<http://www.euractiv.com/sections/development-policy/france-axe-coal-subsidies-while-eu-stalls-311878>.

¹²³² Actualités, Comment Rénover? Par où Commencer? L'Agence de l'Environnement et de la Maîtrise de l'Énergie (Paris), 25 February 2015. Access: 26 February 2015. <http://www.ademe.fr/actualites>

On 14 April 2015, France became the first country outside the Friends of Fossil Fuel Subsidy Reform, a group of eight countries, to endorse the Fossil-Fuel Subsidies Reform Communiqué encouraging governments to prioritize the reform of fossil-fuel subsidies ahead of the United Nations Climate Change Conference in Paris this year,¹²³³ stressing the importance of fossil fuel reform as a key component energy measure to combat global warming, while also calling for the accelerated reform to protect the poor and vulnerable groups from the impact of higher energy price.¹²³⁴

On 22 July 2015, the French Parliament adopted the bill on *transition énergétique*. It came into force on 17 August 2015. The 66 articles of the new “action and mobilization” legislation foresee new targets including a 40 per cent reduction of GHG by 2030; a reduction of energy consumption by 20 per cent by 2030 and 50 per cent by 2050; 32 per cent of renewables by 2030. The law also addresses fuel poverty by introducing new measures, such as interest-free credits for private building renovation, totalling EUR 10 million.¹²³⁵

On 10 September 2015, French Energy and Environment Minister Ségolène Royal and Prime Minister Manuel Valls announced that France would end subsidies allocated to firms exporting coal power plants which do not have carbon dioxide capture and stock mechanisms. This decision came after several months of prevarication, caused by concerns over the possible impact on jobs at Alstom, one of the country’s biggest energy companies and a large beneficiary of French export credits for coal projects in the global South.¹²³⁶

Starting from October 2015, the Schneider Electric Foundation and Ashoka, under the aegis of the Fondation de France, launched a call for projects to identify and support social innovations to fight against fuel poverty in 6 European countries: Belgium, France, Great Britain, Italy, Poland and Czech Republic.¹²³⁷

Thus, France is awarded a score of +1.

Analysts: Julia Kochneva and Yixin Guam

Germany: –1

Germany has not complied with its commitment to rationalize and phase out inefficient fossil fuel subsidies while providing targeted support for the poorest.

On 28 September 2010, the Federal Government of Germany launched the Energy Concept, a long term strategy to guide Germany’s energy supply towards expansion of renewable energy and boosting energy efficiency up to the year 2050. Total hard coal subsidies are expected to fall from EUR 1,649 million in 2014 to EUR 1,503 million in 2015 under this policy framework, known as *Energiewende*. Germany has also gradually scaled back production and is expected to phase out hard coal mining by 2018.¹²³⁸

Germany remains heavily involved in the production and consumption of lignite (brown coal), accounting for 25.4 per cent of electricity generation, while hard coal accounted for 17.8 per cent in 2014.¹²³⁹

¹²³³ Governments Call for the Removal of Harmful Fossil-Fuel Subsidies. International Institute for Sustainable Development (Winnipeg), 17 April 2015. Access: 10 October 2015. <https://www.iisd.org/media/governments-call-removal-harmful-fossil-fuel-subsidies>

¹²³⁴ Fossil Fuel Subsidy Reform Communiqué. International Institute for Sustainable Development (Winnipeg), 17 April 2015. Access: 10 October 2015. http://www.iisd.org/sites/default/files/publications/FFSR_Communique_17_4_2015.pdf

¹²³⁵ La transition énergétique pour la croissance verte. French Government (Paris), 21 April 2015. Access: 10 October 2015. <http://www.gouvernement.fr/action/la-transition-energetique-pour-la-croissance-verte>

¹²³⁶ COP21 : l’État supprime ses subventions aux centrales à charbon. Le Figaro (Paris), 10 September 2015. Access: 10 October 2015. <http://www.lefigaro.fr/conjoncture/2015/09/10/20002-20150910ARTFIG00057-cop21-l-etat-arrete-ses-subventions-aux-centrales-a-charbon.php>

¹²³⁷ Un appel à projets pour lutter contre la précarité énergétique. French Ministry of Environment (Paris), 7 October 2015. Access: 16 October 2015. <http://www.developpement-durable.gouv.fr/Un-appel-a-projets-pour-lutter.html>

¹²³⁸ G7 Coal Phase Out: Germany, Oxfam International (London) June 2015. Access: 4 October 2015.

¹²³⁹ G7 Coal Phase Out: Germany, Oxfam International (London) June 2015. Access: 4 October 2015.

On 3 December 2014, the German government passed the Climate Action Programme 2020 (CAP) in response to forecasting that claimed Germany would not reach its goal of reducing CO₂ emissions by 40 per cent compared to 1990 levels.¹²⁴⁰ CAP measures included a reduction of 22 million tonnes of carbon dioxide emissions from the energy sector, in addition to measures already in place. This was met with opposition from power suppliers and trade unions.¹²⁴¹

In March 2015, Germany's Energy Minister proposed a levy on old, inefficient coal-fired power plants if they exceeded a certain threshold in order to help reach carbon dioxide emissions targets.¹²⁴² Industry and trade unions lobbied strongly against the levy, claiming the levy posed a threat to livelihoods in the coal industry. This led to lengthy negotiations and a counterproposal by the industry.

On 1 July 2015, the German government agreed to a compromise with the energy industry, dropping the levy in favour of an alternative strategy to reduce emissions. Instead, some of the most harmful lignite power plants would be put on reserve, and then later decommissioned.¹²⁴³ This plan will account for half of the requisite reduction of 22 million tonnes of carbon dioxide and will be funded by consumers. The remaining balance will come from an array of smaller measures in various industries, mainly focussing on energy efficiency.¹²⁴⁴ It is questioned whether this strategy qualifies as a subsidy, which would require an exception from the European Commission.¹²⁴⁵

On 2 September 2015, the German government approved the 25th subsidy report, outlining increasing subsidies for 2016, which includes subsidies for the national climate initiative. Green Budget Germany commented on the report, saying the government has no plans to fundamentally change environmentally harmful subsidies.¹²⁴⁶

Germany has taken actions to phase out inefficient fossil fuel subsidies and support vulnerable groups through the Energiewende, however these actions have taken place prior to the compliance cycle. Thus, Germany has been awarded a score of -1.

Analyst: Sayed Mustafa Sayedi

India: 0

India has partially complied with its commitment to rationalize and phase out inefficient subsidies that encourage wasteful consumption, while recognizing the need to support the poor.

It has completely removed subsidies on fossil fuels — petrol and diesel, and has instead levied taxes on them, transforming itself from “a carbon subsidy regime into one of carbon taxation.”¹²⁴⁷

While releasing the Economic Survey 2014-2015 on 27 February 2015, Indian Finance Minister, Arun Jaitley said that price subsidies are regressive and are not benefitting the poor. He goes on to explain how

¹²⁴⁰ Details of New Climate Action Programme, Clean Energy Wire, 3 December 2014. Access: 10 October 2015.

<https://www.cleanenergywire.org/factsheets/details-new-climate-action-programme>

¹²⁴¹ Details of New Climate Action Programme, Clean Energy Wire, 3 December 2014. Access: 10 October 2015.

<https://www.cleanenergywire.org/factsheets/details-new-climate-action-programme>

¹²⁴² Climate Levy – the debate and proposals for cutting CO₂ emissions, Clean Energy Wire, 18 September 2015. Access: 11 October 2015. <https://www.cleanenergywire.org/news/climate-levy-debate-and-proposals-cutting-co2-emissions>

¹²⁴³ Government opts for alternative to coal levy, Clean Energy Wire, 2 July 2015. Access: 11 October 2015.

<https://www.cleanenergywire.org/factsheets/government-opts-alternative-coal-levy>

¹²⁴⁴ Government opts for alternative to coal levy, Clean Energy Wire, 2 July 2015. Access: 11 October 2015.

<https://www.cleanenergywire.org/factsheets/government-opts-alternative-coal-levy>

¹²⁴⁵ German coal reserve plan may break EU rules, experts say, EurActiv, 13 August 2015. Access: 11 October 2015.

<http://www.euractiv.com/sections/energy/german-coal-reserve-plan-may-break-eu-rules-experts-say-316850>

¹²⁴⁶ Nachhaltigkeitsprüfung von Subventionen darf nicht Symbolpolitik bleiben, Green Budget Germany, 26 August 2015. Access: 11 October 2015. <http://www.foes.de/pdf/2015-08-26-PM-Subventionsbericht.pdf>

¹²⁴⁷ Press Information Bureau. Government of India, 27 Feb. 2015.

price subsidies distort and lead to leakages (intended beneficiaries do not receive the benefits) by giving examples like kerosene and electricity.¹²⁴⁸

On 28 February 2015, the Finance Minister of India presented the Union Budget of India for 2015-2016. In his official speech, he talked of India raising its duty on coal to USD 3.2 a ton, starting 1 April 2015, since India is the world's third largest emitter of green-house gases. He indicated India's commitment to fight global warming by adding that the money will be used to promote clean energy. The Union Budget, 2015-16 slashes petroleum subsidy by 50 per cent. The estimated the petroleum subsidy for 2015-16 at USD 4.9 billion.¹²⁴⁹

In terms of welfare for the poor, the Economic Survey talks of reducing the number of government departments involved in the distribution process, so as to curtail leakage. It also argues that income transfers can compensate consumers and producers for exactly the welfare benefits they derive from price subsidies without distorting their incentives.¹²⁵⁰

In January 2015, the Oil Ministry has also urged all ministers, to give up the subsidies they are entitled to when buying LPG. Although this is mostly symbolic and not significant financially, it is still a positive gesture.¹²⁵¹

The Economic Survey has introduced the "JAM Trinity," consisting of "Jan Dhan Yojana, Aadhaar and Mobile numbers" JAM has potential to "wipe every tear from every eye" with direct transfer of benefits.¹²⁵²

While India has reduced inefficient subsidies for fossil fuels, it has not shown enough substantial indication to use the fund for the support of the poor and development. Hence, India is awarded a score of 0.

Analyst: Ujwal Ganguly

Indonesia: 0

Indonesia has partially complied with its commitment to rationalize and phase out inefficient fossil fuel subsidies, while providing targeted support for vulnerable groups.

On 17 November 2014, Indonesian President Joko Widodo raised subsidized fuel prices by more than 30 per cent, which raised Indonesian fuel prices by IDR 2,000 (USD 0.16) per litre. Subsidized gasoline now costs IDR 8,500 per litre and diesel costs IDR 7,500 per litre. This decision is expected to save the Indonesian economy IDR 200 trillion (USD 8 billion).¹²⁵³

The following information is from the Indonesia Energy Subsidy Briefing (IESB) February 2015 report published by the Global Subsidies Initiative (GSI) of the International Institute for Sustainable Development (IISD).

On 31 December 2014, the Coordinating Ministers of Economic and Maritime Affairs and the Ministers of Energy and Mineral Resources, Finance, and State Owned Enterprises announced that Indonesia's fuel prices would be lowered as of 1 January 2015. Specifically, the price of premium gasoline dropped from IDR 8,500 (USD 0.68) to IDR 7,600 (USD 0.61) per litre, the price of solar-brand automotive diesel also dropped from IDR 7,500 (USD 0.60) to IDR 7,250 (USD 0.20) per litre, and the price of kerosene remained at IDR 2,500 (USD 0.20) per litre.

¹²⁴⁸ "Subsidies Helping the Rich More: Economic Survey." *The Indian Express*. 27 Feb. 2015

¹²⁴⁹ Singh, Rajesh Kumar. "Modi Commits to Clean Environment by Doubling India's Coal Tax." *Bloomberg.com*. Bloomberg

¹²⁵⁰ Economic Survey 2015 32 Key Highlights." *Parivarthan*. 27 Feb. 2015

¹²⁵¹ "Ministers Voluntarily Opt out LPG Subsidy." *DNA India*. 14 Jan. 2015

¹²⁵² Economic Survey 2015 32 Key Highlights." *Parivarthan*. 27 Feb. 2015

¹²⁵³ Indonesia Hikes Fuel Prices, Saving Government \$8 Billion Next Year, Reuters (London) 17 November 2014. Access: 24 October 2015. <http://www.reuters.com/article/2014/11/17/us-indonesia-subsidies-hike-idUSKCN0J11KN20141117>

Also, the Coordinating Minister of Economic Affairs, Sofyan Djalil, declared that the new premium gas prices from 1 January onwards will be free of subsidies. The new prices are to be determined based on predictions of crude oil prices at USD 60 per barrel and an IDR 12,380 per USD 1 exchange rate.

On 16 January 2015, the government announced that the price of automotive fuels would be decreased once more, as of 19 January. On 19 January, the price of premium fuel was lowered from IDR 7,600 (USD 0.61) to IDR 6,600 (USD 0.53) per litre, and the price of solar-brand diesel also dropped from IDR 7,250 (USD 0.60) to IDR 6,500 (USD 0.51) per litre.

The government's 31 December announcement also introduced a new fuel subsidy scheme. The scheme introduces three classifications of fuel products: specific fuel, designated fuel and general fuel. The first category includes kerosene and solar diesel. Kerosene prices will be uniform across Indonesia at IDR 2,500 (USD 0.20) per litre, with value added tax included in the price. Solar prices will be determined by a base market price plus taxes (value added tax and a motor fuel tax) and includes a fixed subsidy at the rate of IDR 1,000 (USD 0.08) per litre. The second two categories include premium gasoline. Premium gasoline price will be determined by a base market price plus taxes (value added tax and a motor fuel tax) and includes a 2 per cent subsidy, to compensate distribution costs, paid to the distributor. The exact retail price is to be decided by individual marketing companies with a profit margin pegged at between 5 to 10 per cent of the base market price used by the government.

As declared in the APEC Forum in Beijing on 10 November 2014, President Widodo plans to reallocate Indonesia's fuel subsidies and shift the budget from the consumptive to productive sectors. Specifically, Widodo plans to use the savings from the fuel subsidies reduction to increase aid to state-owned enterprises (SOEs). The latest reports indicate that the government plans to inject IDR 48 trillion (USD 3.8 billion) into a range of SOEs. This includes SOEs in the construction and transportation sector, PT Kereta Api Indonesia (SOE railway), Pelindo (SOE seaport), Angkasa Pura (SOE airport), PT Hutama Karya (SOE construction), PT PLN (SOE electricity), and PT Garuda Indonesia (SOE airlines).

The following information is from the IESB September 2015 report published by the GSI of the IISD.

On 14 August 2015, President Widodo addressed the parliament with a 2016 draft budget, which is planned to be negotiated until 5 October. The proposed budget includes an energy subsidy allocation at IDR 120.96 trillion (USD 8.4 billion). This is comprised of IDR 70.6 trillion (USD 5 billion) to subsidies for fuel and LPG, and IDR 50 trillion (USD 3.52 billion) for electricity subsidies. Previously, in the 2014 audited budget, provision for fuel and LPG subsidies stood at IDR 239.99 trillion (USD 16.9 billion). The 2016 budget proposal underlines the fiscal benefits gained from fuel sector reforms in early 2015, and also highlights the government's continued commitment to maintain its diesel and gasoline subsidies at a fixed level.

Although the budgetary savings from diesel and gasoline subsidies are significant, subsidies to LPG continue to increase year-on-year. Specifically, government expenditure to LPG subsidies is expected to reach IDR 28 trillion (USD 1.97 billion) in 2015. Also, due to the proposed increase of the volume of subsidized LPG in 2016, the budgetary expenditure for LPG subsidies is projected to increase in 2016 as well.

On 1 March 2015, following a drop in fuel prices on two occasions in January, the price of gasoline was increased by IDR 200 (USD 0.01) per litre. And, again on 28 March, the price of both gasoline and diesel was increased by IDR 500 (USD 0.03) per litre. On 1 June, the Minister of Energy and Mineral Resources, Surdirman Said, announced that there would be no price adjustments, despite the fact that Indonesian fuel prices had remained fixed for three months since the latest adjustment in March.

On July 2015, Minister Said announced that the government was planning to establish an oil fund to better handle the fluctuations in international oil prices, and to help PT Pertamina, an Indonesian state-owned oil and natural gas corporation, with maintaining domestic prices stable when international prices are high. The fund is not featured in the 2016 budget proposal. However, it will be discussed as part of the revision of the Indonesian Oil and Gas Act, which is planned on being revised in 2016. The government is also considering a

range of additional sources of financial aid for the fund. This includes the state budget pool and the government's revenue from oil and gas production.

On 3 November 2015, according to the IESB February 2015 report, the government launched a social assistance scheme titled Productive Family Program, which aids low income families with financial assistance, education, and healthcare support. However, the funds allocated to this scheme were taken from the 2014 State Budget, and did not represent a reallocation of savings from the recent fuel subsidies reduction

Indonesia has completely eliminated inefficient fossil fuel subsidies however, its efforts to support the nation's most vulnerable groups have taken place prior to the compliance cycle. Thus, Indonesia receives a score of 0.

Analyst: Daniel C. Park

Italy: -1

Italy has not complied with its commitment to reduce inefficient subsidies for fossil fuels, nor has it newly recognized any reason to support the poor.

There is no record of Italy reducing its subsidies for fossil fuels in the current compliance period.

In December, 2014, Climate Actions Network released a report about fossil fuel subsidies in Europe. It clearly states that Italy has not released any official statement after 2012 regarding reduction of fossil fuel subsidies. The 2012 report states that "Italy has begun implementation of its plans to gradually eliminate, ahead of time, previously conceded feed-in tariffs for certain cogeneration facilities by pursuing voluntary agreements with private operators."¹²⁵⁴

Contrary to its pledge, there is evidence of Italy actually increasing its fossil fuel subsidy amount from 195 to 201 Euros per person between 2013 and 2015.¹²⁵⁵

In November 2014, the Overseas Development Institute report for fossil fuel exploration stated that it was estimated that Italy uses approximately \$407.4 million for subsidies in fossil fuels that it gives to large corporations like Eni and Shell. The Italian government also provides a reduction in the excise tax paid on natural-gas consumption for oil and gas field operations, including exploration.¹²⁵⁶

Thus Italy receives a score of -1 for not complying with the commitment to phase out fossil fuel subsidies.

Analyst: Ujwal Ganguly

Japan: -1

Japan has failed to comply with its commitment to provide target support to the vulnerable groups that do not have access to fossil fuels.

Japan has disclosed no evidence of having inefficient fossil fuel subsidies in the G20 summits.¹²⁵⁷ However, the November 2014 report from the Oil Change International and the Overseas Development Institute (ODI) indicates that Japan's fossil fuel subsidies were worth USD 724 million in 2014. It should be noted that this is a decline from a total of USD 2.5 billion in 2007.

The report also points out that with the aid of Japan Oil, Gas and Metals Corporation, the Japan Bank for International Cooperation (JBIC), and Nippon Export and Investment Insurance (NEXI), the Japanese

¹²⁵⁴ Climate Actions Network – Europe "MISSING PIECES: Steps to phasing out dirty fossil fuel subsidies in Europe" Dec. 2014

¹²⁵⁵ Harris, Chris. "Fossil Fuel Subsidies Rising in EU despite Pledges to Phase Them out." *EuroNews*. 4 Aug. 2015.

¹²⁵⁶ Makhijani, Shakuntala. Fossil Fuel Exploration Subsidies: Italy

¹²⁵⁷ Time to Change the Game: Fossil Fuel Subsidies and Climate (London) November 2013. Access: 15 May 2015.

<http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8668.pdf>

government provided USD 21.1 billion in public finance for fossil fuel exploration from 2010 to 2013. That is an annual average of USD 2.3 billion.¹²⁵⁸

At the 2014 G20 Brisbane Summit, Japan sided with Australia in its disapproval of the United States' proposal to cut back on export subsidies for fossil fuels in third world countries — a move to curb carbon dioxide emissions. The Australian government argued that the move is inconsiderate of the needs of third world countries: the cut would raise energy prices, and these countries would resort to more inefficient means of generating electricity.¹²⁵⁹

According to 7 November 2013 report from Energy Information Administration (EIA), the 2011 meltdown at Fukushima Dai-ichi and subsequent shutdown of all of its nuclear fleet has led Japan to heavily rely on fossil fuels. The EIA points out that Japan is the second largest net importer of fossil fuels, trailing behind China and in front of the United States.¹²⁶⁰

On 11 February 2015, the EIA report points out that as of 2015, more than 86% of Japan's electricity generation was composed of fossil fuels, and nuclear power composed of 0%.

Furthermore, the EIA indicates that Japan imports virtually all of its fossil fuels. Japan spent 60% more for fossil fuel imports in 2013 compared to 2010, which is an increase of USD 270 billion in the span of three years. It should be pointed out that the increase is partly due to the rise in international oil prices in that timespan.¹²⁶¹

On 2 December 2014, according to the Associated Press, Japan pledged USD 1 billion in loans for the construction of coal plants in Indonesian cities of Paiton, Criebon, and Indramayu. Specifically, the JBIC, which is under the control of the Ministry of Finance, pledged USD 729 million in loans to Paiton, USD 214 million for Criebon, and USD 15 million for Indramayu.¹²⁶²

Furthermore, JBIC has also pledged USD 630 million for India and Bangladesh for a similar cause, and has dozens of other smaller coal projects in Southeast Asia.¹²⁶³

As of 2015, according to the *Wall Street Journal*, there are seven ongoing coal power projects. Specifically, Kensai Electric Power Co. and Marubeni Corp. is building a new 1.3 gigawatt coal power plant in the northern prefecture of Japan; Chubu Electric Power Co. plans to replace an old oil power plant near Nagoya with a 1 gigawatt coal power plant; Electric Power Development Co., Osaka Gas Co., and Ube Industries plan to build a 1.2 gigawatt coal power plant in west Japan. Tokyo Electric Power Co. has also announced its plans to build a new coal power plant to replace an old 6 gigawatt oil power plant in Tokyo.¹²⁶⁴

¹²⁵⁸ Fossil Fuel Exploration Subsidies: Japan (London/Washington) November 2014. Access: 15 May 2015.

<http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9270.pdf>

¹²⁵⁹ Abbott Government Resists US Moves Against Coal Power (London) March 2015. Access: 20 May 2015.

<http://www.smh.com.au/federal-politics/political-news/abbott-government-resists-us-moves-against-coal-power-20150326-1m7mxr.html>

¹²⁶⁰ Japan is the Second Largest Net Importer of Fossil Fuels in the World (Washington, D.C.) 7 November 2013. Access: 20 May 2015. <http://www.eia.gov/todayinenergy/detail.cfm?id=13711#>

¹²⁶¹ Japan Plans to Restart Some Nuclear Plants in 2015 after Fukushima Shutdown (Washington, D.C.) 11 February 2015. Access: 20 May 2015. <http://www.eia.gov/todayinenergy/detail.cfm?id=19951>

¹²⁶² Japanese Climate Finance Funds for Coal Highlight Lack of U.N. Rules (New York City) 2 December 2014. Access: 20 May 2015. <http://www.japantimes.co.jp/news/2014/12/02/national/science-health/japanese-climate-finance-funds-coal-highlight-lack-u-n-rules/#.VVzgYEa85QK>

¹²⁶³ Climate Funds for Coal Highlight Lack of U.N. Rules (New York City) 1 December 2014. Access: 20 May 2015.

<https://news.yahoo.com/climate-funds-coal-highlight-lack-un-rules-055042351.html>

¹²⁶⁴ Japan Continues to Re-embrace Coal (New York City) 12 May 2015. Access: 20 May 2015.

<http://ktwop.com/2015/03/12/japan-plans-over-13gw-of-new-coal-fired-capacity-till-2025/>

It is unclear whether these private electric utility corporations are receiving subsidies from the Japanese government for their coal power projects.

Japan introduced no new forms of support, nor improved on any of its existing subsidies that target the poor during the compliance-monitoring period. Thus, Japan is awarded a score of -1.

Analyst: Daniel C. Park

Korea: 0

Korea has partially complied with its commitment to phase out inefficient fossil fuel subsidies while providing support to its vulnerable groups.

On 18 December 2014, the Ministry of Trade, Industry and Energy (MOTIE) notified the public that it plans to maintain the price floor of KRW 500 per coal briquette set back in 11 November 2009. MOTIE's intention behind the price floor was to stabilize coal briquette prices, and to protect the welfare of the working class.

Currently, due to the high production cost of coal briquettes (KRW 647), MOTIE has been subsidizing KRW 275.3 for every coal briquette sold to maintain the price floor of KRW 500. Although MOTIE planned on raising the price floor, the 15% decrease in the overall usage of coal briquettes reduced the cost burden of the subsidies. As a result, MOTIE was able to maintain the price floor.

MOTIE also notified that any changes to the price floor will take effect after 31 December 2016, and that the price floor will remain fixed until then.¹²⁶⁵

On 26 February 2015, the Fair Trade Commission (FTC) ruled the operations of budget gas stations as fair business practice.¹²⁶⁶ Budget gas stations are the former President Lee Myung-bak's response to high gas prices in 2011, and operate under the government-owned Korea National Oil Corporation (KNOC). A budget gas station is able to offer cheaper gas prices than its competitors due to the subsidies and tax benefits/breaks it receives.

The ruling comes after the Korea Oil Station Association filed a complaint against the KNOC to the FTC for exercising its privilege as a state-run company.¹²⁶⁷

On 6 June 2015, the World Wide Fund for Nature (WWF), Oil Change International Council (OCI), and the Natural Resource Defence Council reported that the Korean government has contributed USD 7,000,000,000 through its state-owned export credit agency (ECA) to finance coal projects in Australia.¹²⁶⁸

On 21 June 2015, the Ministry of Trade, Industry and Energy (MOTIE) announced plans to distribute integrated electronic vouchers for energy-related bill payments (electricity, gas and coal briquettes) to its vulnerable populations in the second half of the year. Seniors, infants and toddlers, and the disabled would be eligible for the vouchers, and the bottom 40% of Korea or four-member family units with a monthly medium income of KRW 1,690,000 KRW (USD 1,441) or less would be eligible as well. MOTIE has asked those who are eligible to sign up for vouchers in October in their respected community centres. The vouchers would be

¹²⁶⁵ 연탄가격 내년도 동결 2009년 이후 5년째, 이투뉴스 (Seoul) 18 December 2014. Access: 1 March 2015.

<http://www.e2news.com/news/articleView.html?idxno=79420>

¹²⁶⁶ 공정위, "알뜰주유소 불공정 행위 아냐", 지앤이타임즈 (Seoul) 27 February 2015. Access: 1 March 2015.

<http://www.gnetimes.co.kr/news/articleView.html?idxno=30873>

¹²⁶⁷ 알뜰주유소와 시장경제, 동아일보 (Seoul) 14 February 2015. Access: 1 March 2015.

<http://english.donga.com/srv/k2srv.php3?biid=2015021438738>

¹²⁶⁸ Japan and South Korea top list of biggest coal financiers (London) 2 June 2015. Access: 13 October 2015.

<http://www.theguardian.com/environment/2015/jun/02/japan-and-south-korea-top-list-of-biggest-coal-financiers-by-export-credit>

released in December and expire in February. MOTIE's voucher initiative is estimated to be valued at KRW 106,000 (USD 90) per family and KRW 105,800,000,000 (USD 90,180,746).¹²⁶⁹

On 25 August 2015, the Ministry of Trade, Industry and Energy (MOTIE) extended the compulsory installation deadline for replacing rubber-based LPG (Liquefied Petroleum Gas) pipelines with metal ones, and lowered the fines for violating the deadline. The fines were set at a minimum of KRW 50,000 (USD 42) and a maximum of KRW 2,000,000 (USD 1,706) on 11 March 1996. However, MOTIE now will fine first time violators KRW 200,000 (USD 170 USD), second time violators KRW 400,000 (USD 341), and third time violators KRW 600,000 (USD 511).

On 28 August 2015, the Ministry of Trade, Industry and Energy (MOTIE) has acknowledged to put in effect the requested price increase of natural gas submitted by the Korea Gas Corporation in September of 2015. According to MOTIE, the price would increase by 4.4% or 1 megajoule (Mj) per 0.7181 KRW (USD 0.00061). The price hike is expected to place a financial burden on Korean natural gas consumers.¹²⁷⁰

Korea has failed to rationalize and phase-out fossil fuel subsidies, but has made progress in providing support for its vulnerable groups during the compliance period. Thus, Korea is awarded a score of 0.

Analyst: Daniel C. Park

Mexico: 0

Mexico has partially complied with its commitment to reduce subsidies for fossil fuels and recognize the need to help the poor.

In November 2014, the chief of the International Environmental Agency reported that "At least 27 nations are decreasing or ending the subsidies that hold down costs for fuels used to generate electricity, including coal and natural gas" and that Mexico is increasingly taking advantage of cheap crude-oil by trimming fossil-fuel subsidies, easing the way for renewable power that can help the environment.¹²⁷¹

On January 2nd, 2015, El Universal newspaper reported that Mexico raised fuel prices 1.9 percent and may seek further increases, due to this cut in subsidies. It also stated that the lack of a subsidy leads to increased spending of the average citizen.¹²⁷²

According to the Overseas Development Report report for Mexico, released in November 2014, "State-controlled price-setting mechanism was modified so that gasoline, diesel, and LPG prices increase incrementally on a monthly basis at a constant rate, with the goal of the gradual elimination of subsidies."¹²⁷³

On February 3rd 2015, Amy Myers Jaffe, an energy expert at the University of California, Davis said to the New York times that "They put a strain on federal budgets that are needed to help the poor, and they end up helping the wealthiest and middle class in these societies more."¹²⁷⁴

Thus Mexico receives a score of -1 for not complying with the commitment to phase out fossil fuel subsidies.

Analyst: Ujwal Ganguly

¹²⁶⁹ 600 만가구 7~9 월 전기요금 매월 8000 원씩 내린다, 조선일보 (Seoul) 6 June 2015. Access: 18 September 2015. http://biz.chosun.com/site/data/html_dir/2015/06/19/2015061903101.html?main_hot1

¹²⁷⁰ 가스요금 내달부터 4.4% 인상 '확정', 투데이에너지 (Seoul) 28 August 2015. Access: 18 September 2015. <http://www.todayenergy.kr/news/articleView.html?idxno=106363>

¹²⁷¹ Nicola, Stefan. "Fossil Fuel Subsidies Fall in Gain for Renewables." *Bloomberg.com*. Bloomberg

¹²⁷² Serrano, Noe Cruz. "Precio De La Gasolina En México, El Más Alto En Toda Norteamérica." *El Universal*

¹²⁷³ Makhijani, Shakuntala. "Fossil Fuel Exploration Subsidies: Republic of Mexico." ODI. ODI, 1 Nov. 2014

¹²⁷⁴ Krauss, Clifford. "Low Energy Prices Offer Opening for Subsidy Cuts." *The New York Times*. The New York Times,

Russia: –1

Russia has failed to comply with the commitment on eliminating fossil fuel subsidies.

Russia has failed to take adequate action to eliminate inefficient fossil fuel subsidies or provide support for vulnerable groups.

On 18 March 2015, the Government of the Russian Federation discussed the draft Energy Strategy of Russia for the period up to 2035.¹²⁷⁵ One of the strategy's goals is to eliminate cross-subsidies to domestic consumers of electricity and heat energy. The strategy also provides for the widening of the government's pilot project of targeted subsidies to energy consumers and introducing social consumption norms taking into consideration cross-regional differences.¹²⁷⁶

On 1 October 2015, the draft of the renewed Energy Strategy of the Russian Federation for the period up to 2035 was introduced to the government for further discussion.¹²⁷⁷ The draft at this stage retained all its provisions on the elimination of cross-subsidies as well as reducing subsidies to regional fuel companies.¹²⁷⁸

Although the strategy was drafted and discussed during the compliance period, it has not been finalized.

Russia has taken action towards elimination of inefficient fossil fuel subsidies, while maintaining targeted support for vulnerable groups of energy consumers. Thus Russia is awarded a score of +1.

Analyst: Andrei Sakharov

Saudi Arabia: –1

Saudi Arabia has failed to comply with its commitment to rationalize and phase out inefficient fossil fuel subsidies that encourage wasteful consumption, and to recognize the need to support vulnerable groups.

According to the Annex to the “Analysis of the Scope of Energy Subsidies and Suggestions for the G-20 Initiative,” the report by the International Energy Agency, Organization of Petroleum Exporting Countries, Organisation for Economic Co-operation and Development, and World Bank prepared for the 2010 G20 Toronto Summit, Saudi Arabia declared the G20 fossil fuel phase out commitment does not apply to the kingdom.¹²⁷⁹ It states that it does not use fossil fuel subsidies because it sells petroleum above its domestic production prices, although these prices are far below the rest of fossil fuel prices worldwide.

However, the 2014 World Energy Outlook of the International Energy Agency reports that the Saudi kingdom has the second highest pre-tax fossil fuel subsidy rate in the world.¹²⁸⁰ However, the IEA reports an average subsidization of 77.3 per cent on fuel, totalling USD 48.1 billion alone.¹²⁸¹

¹²⁷⁵ Government's meeting on the draft Energy Strategy of Russia for the period up to 2035, Russian Government 18 March 2015. Access: 15 May 2015. <http://government.ru/news/17269/>.

¹²⁷⁶ Energy Strategy for the period up to 2035 (draft), Russian Ministry of Energy 2014. Access: 15 May 2015. <http://minenergo.gov.ru/upload/iblock/621/621d81f0fb5a11919f912bfa3248d6.pdf>.

¹²⁷⁷ The draft of the renewed Energy Strategy of the Russian Federation introduced to the government, Russian Energy Ministry 1 October 2015. Access: 21 October 2015. http://minenergo.gov.ru/press/min_news/3459.html.

¹²⁷⁸ Russia's Energy Strategy for the period up to 2035, Russian Energy Ministry 1 October 2015. Access: 21 October 2015. <http://minenergo.gov.ru/upload/%D0%9F%D1%80%D0%BE%D0%B5%D0%BA%D1%82%20%D0%AD%D0%BD%D0%B5%D1%80%D0%B3%D0%B5%D1%82%D0%B8%D1%87%D0%B5%D1%81%D0%BA%D0%BE%D0%B9%20%D1%81%D1%82%D1%80%D0%B0%D1%82%D0%B5%D0%B3%D0%B8%D0%B8%20%D0%A0%D0%BE%D1%81%D1%81%D0%B8%D0%B8%20%D0%BD%D0%B0%20%D0%BF%D0%B5%D1%80%D0%B8%D0%BE%D0%B4%20%D0%B4%D0%BE%202035.pdf>.

¹²⁷⁹ Analysis of the Scope of Energy Subsidies and Suggestions for the G-20 Initiative; IE, OPEC, OECD, World Bank Joint Report (Toronto) 16 June 2010. Access: 17 October 2015. <http://www.oecd.org/env/45575666.pdf>.

¹²⁸⁰ Measuring Fossil Fuel Subsidies, European Commission (Brussels) March 2015. Access: 17 October 2015. http://ec.europa.eu/economy_finance/publications/economic_briefs/2015/pdf/eb40_en.pdf.

On 25 December 2014, the Saudi Arabian government revealed its budget for 2015 where it indeed maintained its expenses for fossil fuel subsidies.¹²⁸²

On 29 January 2015, the Saudi Arabia's new ruler, King Salman bin Abdulaziz al Saud, appointed a new deputy oil minister and replaced the Supreme Council for Petroleum and Minerals¹²⁸³ with a new Supreme Council for Economic Development.¹²⁸⁴ These notable changes in one of the two bodies that oversee the oil and gas sector in Saudi Arabia suggest a generational shift in the country's energy and economic strategies.¹²⁸⁵

On 2 May 2015, Saudi Arabia called for the removal of language on the phase-out of fossil fuel subsidies and the need to put a price on carbon during a joint session of the United Nations talks geared towards crafting a post-2015 development agenda.¹²⁸⁶

On 21 May 2015, Saudi Arabia's oil minister, Ali al-Naimi, stated that a nation-wide fossil fuel phase out could occur by 2050 while at the Word at the Business and Climate Summit.¹²⁸⁷ Al-Naimi stated that the kingdom could begin exporting solar and wind electricity power in the future, although not within the next twenty years.¹²⁸⁸ The oil minister rationalized that fossil fuels might not be a necessity in the future, and that solar power could become more economic than petroleum exports.

Despite the announcements by King Salman bin Abdulaziz al Saud and Minister of Oil Ali al-Naimi suggesting a generational shift in energy policies, Saudi Arabia has not taken any concrete measures aimed at phasing out the kingdom's fossil fuel subsidies.

Thus, Saudi Arabia is thus awarded a score of -1.

Analyst: Yashwinie Shivanand

South Africa: -1

South Africa has failed to comply with its commitment to improve fossil fuel access for vulnerable groups.

On 30 January 2015, the South African government released its fuel process adjustment. South Africa continues to provide a subsidy for the consumption of petrol, diesel and illuminating paraffin, with the self-adjusting state levy mechanism rules.¹²⁸⁹ Also, the current downward trend of international fossil fuel prices has reduced funds available for petroleum subsidies to N458.68 billion from N971.14 billion in 2014.¹²⁹⁰

¹²⁸¹ Fossil Fuel Consumption Subsidy Rates as a Proportion of the Full Cost of Supply, International Energy Agency (Paris) 2014. Access: 17 October 2015. <https://www.iea.org/subsidy/>

¹²⁸² Saudi Arabia Maintains Spending Plans in 2015 Despite Oil Slide, The Wall Street Journal (Dammam), 25 December 2015. Access: 18 December 2015. <http://www.wsj.com/articles/saudi-arabia-maintains-spending-plans-in-2015-despite-oil-slide-1419507064>.

¹²⁸³ Fossil Fuel Exploration Subsidies: Saudi Arabia, Oil Change International (Washington), November 2014. Access: 1 March 2015. <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9268.pdf>.

¹²⁸⁴ New Bureaucratic Restructuring in Saudi Oil Powerhouse, World Bulletin (Istanbul), 6 February 2015. Access: 2 March 2015. <http://www.worldbulletin.net/news/154519/new-bureaucratic-restructuring-in-saudi-oil-powerhouse>

¹²⁸⁵ Analysis - Saudi King Keeps Close Hand on Oil in Remodelling Strategic Team, Reuters News (Riyadh) 3 March 2015. Access: 3 March 2015. <http://uk.reuters.com/article/2015/03/03/uk-saudi-oil-policy-idUKKBNOLZ0MM20150303>.

¹²⁸⁶ UN Post-2015, Financing for Development Talks Debate Relationship, International Centre for Trade and Sustainable Development (Geneva) 2 May 2015. Access: 10 May 2015. <http://www.ictsd.org/bridges-news/bridges-africa/news/un-post-2015-financing-for-development-talks-debate-relationship>

¹²⁸⁷ Countries, Stakeholders Gear Up for UN Climate Talks, International Centre for Trade and Sustainable Development () 26 May 2015. Access: 17 October 2015. <http://www.ictsd.org/bridges-news/biores/news/countries-stakeholders-gear-up-for-un-climate-talks/>.

¹²⁸⁸ Kingdom Built on Oil Foresees Fossil Fuel Phase-Out this Century, The Financial Times (Paris) 21 May 2015 . Access: 17 October 2015. <http://www.ft.com/intl/cms/s/0/89260b8a-ffd4-11e4-bc30-00144feabdc0.html#axzz3oMUqUskh>.

¹²⁸⁹ Adjustment to the Fuel Prices – 4 February 2015, Country Department of Energy (CITY) 30 January 2015. Access Date: 23 February 2015. <http://www.energy.gov.za/files/media/fuelprice/2015/Fuel-Adjustment-February2015.pdf>;

South Africa has failed to eliminate fossil fuel subsidies and have not taken any explicit actions to support the poor. Thus, South Africa is awarded a score -1.

Analyst: Jasper Lim

Turkey: -1

Turkey has failed to comply with its commitment to phase out inefficient fossil fuel subsidies and provide support to vulnerable groups.

On 25 November 2014, the Turkish government's amended legislation on environmental impact assessments (EIA) entered into force. Following the amendment, coal power plants are exempt from EIA regulations during the dismantling process after being shut down. Since power plants that do not use coal must follow these regulations, this constitutes an implicit subsidy to fossil fuels.¹²⁹¹

On 23 December 2014, officials from Nebras Power disclosed that the company was in talks with the Turkish government regarding a USD 14 billion investment to develop lignite coal mines in the Afşin-Elbistan region.¹²⁹² An agreement was signed on 22 February 2015, to study the potential of such a development. This included Nebras Power among a consortium of three Japanese companies and two Qatari companies.¹²⁹³

On 2 February 2015, Turkish newspaper *Hürriyet* reported that the Family and Social Policies Ministry had spent TRY 213 million on health care and social protection in 2013. Coal aid for consumers was distributed through the Social Aid and Solidarity Fund, commonly known as the Fak-Fuk-Fon. This conclusion was based in part on data from the Organisation for Economic Co-operation and Development.¹²⁹⁴ During the same year, the Turkish government spent upwards of USD 730 million in subsidies to the coal industry.¹²⁹⁵

On 4 February 2015, the Turkish Energy Commission announced approximately USD 15 billion of investments in coal and natural gas from 2015-18 as part of the country's Tenth Development Plan. This amounts to 30% of the plan's total investment in energy.¹²⁹⁶

On 9 October, 2015, Scientific American reported the Turkish government's intention to nearly double its coal-fired electrical generation capacity by 2019, constructing eighty new plants in addition to the twenty-two

Adjustment to the Fuel Prices – 7 January 2015, Country Department of Energy (CITY) 2 January 2015. Access Date: 23 February 2015. <http://www.energy.gov.za/files/media/fuelprice/2015/Fuel-Adjustment-January2015.pdf>;

Adjustment to the Fuel Prices – 3 December 2014, Country Department of Energy (CITY) 28 November 2015. Access Date: 23 February 2015. <http://www.energy.gov.za/files/media/fuelprice/2014/Fuel-Adjustment-December2014.pdf>.

¹²⁹⁰ Petrol Subsidy Drops to N 0,90/litre...South Africa Cuts Petrol Price by N16, Daily Trust (CITY) 5 January 2015. Access Date: 23 February 2015. <http://www.dailytrust.com.ng/daily/business/43535-petrol-subsidy-drops-to-n-0-90-litre-south-africa-cuts-petrol-price-by-n16>.

¹²⁹¹ Subsidies to Coal and Renewable Energy in Turkey. International Institute for Sustainable Development (Winnipeg, Canada) 24 March 2015. Access: 7 May 2015. http://www.iisd.org/gsi/sites/default/files/ffsandrens_turkey_coal_eng.pdf

¹²⁹² Qatari energy firm to invest \$14bn in Turkey. Turkish Weekly, (Ankara), 23 December 2014. Access: 28 February 2015. <http://www.turkishweekly.net/news/177623/qatari-energy-firm-to-invest-14bn-in-turkey.html>

¹²⁹³ Qatar-Japan consortium to study projects in Turkey's Afşin-Elbistan. Hürriyet Daily News (Istanbul), 23 February 2015. Access: 1 March 2015. <http://www.hurriyetdailynews.com/qatar-japan-consortium-to-study-projects-in-turkeys-afsin-elbistan.aspx?pageID=238&nID=78721&NewsCatID=345>

¹²⁹⁴ Social protection in Turkey, too many words with too little content. Hürriyet Daily News, (Istanbul), Turkey 2 February 2015. Access: March 1, 2015. <http://www.hurriyetdailynews.com/social-protection-in-turkey-too-many-words-with-too-little-content.aspx?PageID=238&NID=77745&NewsCatID=344>

¹²⁹⁵ Turkey's Coal Subsidies Equaled US\$730 Million in 2013. International Institute for Sustainable Development (Winnipeg, Canada) 27 March 2015. Access: 7 May 2015. <https://www.iisd.org/media/turkey%E2%80%99s-coal-subsidies-equaled-us730-million-2013>

¹²⁹⁶ Turkey: Major investment in alternative energy planned. Anadolu Agency (Ankara), 4 February 2015. Access: 1 March 2015. <http://www.aa.com.tr/en/economy/460848--turkey-major-investment-in-alternative-energy-planned>

already present.¹²⁹⁷ This constitutes the third largest coal development plan in the world, behind only China and India.¹²⁹⁸

No evidence was found that the Turkish government has taken any measures to reform its coal subsidies during the compliance cycle. Thus, Turkey receives a score of -1.

Analyst: Colin McEwen

United Kingdom: 0

The United Kingdom has partially complied with its commitment to phase out fossil fuel subsidies while providing support to the national vulnerable groups.

A report published by the House of Commons Environmental Audit Committee in November 2013 estimated the national fossil fuel subsidies at GBP 12 billion per year. It also contains recommendations on how the UK Government should be doing to identify and eliminate fossil fuel subsidies. They include (a.) widening its definition of subsidies as to fit with that elaborated by the International Energy Agency (IEA) (b.) recognizing that the majority of the subsidies are off budget.¹²⁹⁹ In an official response to the report, the Government disputed the estimations on methodological grounds.¹³⁰⁰

On 3 December 2014, Chancellor of the Exchequer George Osborne announced GBP 60 million towards multiple energy commitments in the government's Official Autumn Statement 2014.¹³⁰¹ These commitments included: 1) a commitment to reduce the tax on oil and gas companies operating in the North Sea by 2%; 2) an increase in the maximum duration of the Ring Fence Expenditure Supplement to 10 years from its current level of six; and 3) a tax exemption on 62.5% of capital expenditure for the development of "high pressure, high temperature projects."¹³⁰² According to the UK Government, these projects will promote additional investment, jobs and overall improvements to the UK supply chain.¹³⁰³ Though oil and gas companies in the North Sea pay tax at higher rates than the main Corporation tax rate, according to the Environmental Audit Committee in Parliament "Field allowances for North Sea oil and gas do not fully offset relatively high starting rates of corporation tax and petroleum revenue tax. The allowances nevertheless represent a subsidy because the higher tax rates compensate for the use of state-owned fossil fuel deposits."¹³⁰⁴

On 19 December 2014, Energy Secretary Ed Davey confirmed the implementation of a capacity market subsidy for future energy supply. The subsidy was announced as GBP 19.40 per kilowatt. Approximately 19%

¹²⁹⁷ Can Coal-Powered Turkey Get Serious about Climate Change? Scientific American (Armonk, New York), 9 October 2015. Access: 14 October 2015. <http://www.scientificamerican.com/article/can-coal-powered-turkey-get-serious-about-climate-change/>

¹²⁹⁸ Is it too late to stop Turkey's coal rush? The Guardian (London), 6 August 2015. Access: 14 October 2015. <http://www.theguardian.com/environment/2015/aug/06/is-it-too-late-to-stop-turkeys-coal-rush>

¹²⁹⁹ Energy Subsidies, Ninth Report of Session 2013-14. House of Commons Environmental Audit Committee (London), 2 December 2013. Access: 15 October 2015. <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmenvaud/61/61.pdf>

¹³⁰⁰ Energy subsidies: Government Response to the Committee's Ninth Report of Session 2013-14. House of Commons Environmental Audit Committee (London), 3 March 2014. Access: 15 October 2015. <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmenvaud/1103/1103.pdf>

¹³⁰¹ Autumn Statement 2014. HM Treasury 3 (London), December 2014. Access: 28 February 2015.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/382327/44695_Accessible.pdf

¹³⁰² Autumn Statement 2014. HM Treasury (London), 3 December 2014. Access: 28 February 2015.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/382327/44695_Accessible.pdf

¹³⁰³ Autumn Statement 2014. HM Treasury (London), 3 December 2014. Access: 28 February 2015.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/382327/44695_Accessible.pdf

¹³⁰⁴ Energy Subsidie - Environmental Audit Committee Contents, Parliament.UK (London), 2 December 2013. Access: 15 October 2015. <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmenvaud/61/6106.htm>

of this future supply is expected to come from either coal or biomass.¹³⁰⁵ The capacity market plan is also the subject of a legal challenge at the European Court of Justice for its alleged unfair advantage to fossil fuel producers.¹³⁰⁶

On 9 January 2015, the think tank Policy Exchange released a report entitled *Warmer Homes* on the state of fuel poverty in the United Kingdom. It details that the British government allocated 3.2 billion GBP in the 2014/15 fiscal year to alleviate fuel poverty. However, due to poor targeting, only one third of this amount actually benefited the fuel poor.¹³⁰⁷

On 3 March 2015, the Department of Energy and Climate Change announced a new strategy aimed at reducing fuel poverty — the first proposal for more than 10 years. The document is based on a legally binding target, which stipulates that as “many households as reasonably practicable” should be energy-efficient band C or higher by 2030. Early measures include regulations that will forbid private landlords to rent out inefficient properties and an extension of the ECO scheme until 2017 in order to make 500,000 properties cheaper and easier to heat.¹³⁰⁸

On 8 July 2015, Chancellor of the Exchequer George Osborne announced an expansion of existing investment allowances to additional activities in the North Sea as part of the government’s Summer Budget 2015, which revises the earlier pre-election budget. Officials place the cost GBP 5 million annually until FY2020-21.¹³⁰⁹ The announcement also included a proposal to create a Sovereign Wealth Fund for communities where shale gas extraction already takes place.¹³¹⁰

On 8 July 2015, Chancellor of the Exchequer George Osborne announced intent to change the vehicle excise duty in 2017, replacing the present sliding scale tax with a flat rate.¹³¹¹ By removing the tax counteracting the externalities of carbon emissions, this constitutes an implicit subsidy.

On 13 August 2015, a joint statement from the Department for Local Communities and Local Government and Department of Energy and Climate Change announced GBP 1.2 million to assist local communities in planning for shale gas development. The announcement also specified that appeals against refusals of planning permission would be given higher priority.¹³¹²

¹³⁰⁵ £1bn subsidy in energy capacity auction will boost coal and nuclear power. The Guardian (London), 10 December 2014. Access: 8 May 2015. <http://www.theguardian.com/business/2014/dec/19/uk-energy-auction-coal-nuclear-generation>

¹³⁰⁶ Legal Challenge to Government’s £2.5bn Subsidy Scheme for Fossil Fuel industry, The Independent (London) 5 December 2014. Access: 28 February 2015. <http://www.independent.co.uk/environment/legal-challenge-to-governments-25bn-subsidy-scheme-for-fossil-fuel-industry-9907303.html>.

¹³⁰⁷ Warmer Homes: Improving fuel poverty and energy efficiency in the UK. Policy Exchange (London), 9 January 2015. Access: 1 March 2015. <http://www.policyexchange.org.uk/publications/category/item/warmer-homes-improving-fuel-poverty-and-energy-efficiency-policy-in-the-uk>

¹³⁰⁸ Press release: A strategy to end cold homes for good. Department of Energy and Climate Change (London), 3 March 2015. Access: 8 May 2015. <https://www.gov.uk/government/news/a-strategy-to-end-cold-homes-for-good>

¹³⁰⁹ 11 Summer Budget 2015: Policy Costings. HM Government (London), July 2015. Access: 15 October 2015. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443195/Policy_costings_summer_budget_2015.pdf

¹³¹⁰ Summer Budget 2015. HM Treasury (London), 8 July 2015. Access: 3 October 2015. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443232/50325_Summer_Budget_15_Web_Accessible.pdf

¹³¹¹ Budget 2015: Key climate and energy announcements. Carbon Brief (London), 8 July 2015. Access: 15 October 2015. <http://www.carbonbrief.org/budget-2015-key-climate-and-energy-announcements/>

¹³¹² Shale gas and oil policy statement by DECC and DCLG. HM Government (London), 13 August 2015. Access: 4 October 2015. <https://www.gov.uk/government/publications/shale-gas-and-oil-policy-statement-by-decc-and-dclg/shale-gas-and-oil-policy-statement-by-decc-and-dclg#planning>

On 23 September 2015, Minister of State Andrea Leadsom announced that as part of the previously announced Sovereign Wealth Fund, operators will pay GBP 100,000 per exploration site in addition to one per cent of production revenue, estimated at GBP 5-10 million.¹³¹³

Though the UK did not list any inefficient fossil fuel subsidies at the G20 Los Cabos Summit, the government has enacted policies that introduced new subsidies. Thus, the UK receives a score of 0.

Analyst: Colin McEwen

United States: +1

The United States has fully complied with its commitment to phase out inefficient fossil fuel subsidies and provide support to its vulnerable groups.

A 2014 report by Oil Change International found that the US government provided USD 21.6 billion worth of subsidies to the oil, gas and coal industries.¹³¹⁴ On 2 February 2015, the Obama administration introduced cuts to fossil fuel tax preferences in the Fiscal Year (FY) 2016 Budget. The proposal would cut approximately USD 4.434 billion in fossil fuel tax breaks, including 1) enhanced oil recovery credits; 2) covering expenses of intangible drilling costs; 3) covering expensing of exploration and development costs of coal; and 4) capital gains treatment for royalties.¹³¹⁵ The Office of Management and Budget also projects cuts to fossil fuel tax preferences to total USD 28.384 billion by the fiscal year 2020.¹³¹⁶ In addition, the US has committed itself to the voluntary peer-review process on inefficient fuel subsidies.¹³¹⁷

The United States has also worked to provide support for vulnerable groups. The US government has not increased the federal excise tax on gasoline of USD 18.4 cents per gallon since 1993, subsidizing fuel prices for all.¹³¹⁸ As a result, the United States is pays one of the lowest rates for fuel among the members of the Organisation for Economic Co-operation and Development.¹³¹⁹ There are also several continued programs that provide access specifically to vulnerable groups. The Weatherization Assistance Program is a partnership between the United States Department of Energy, all 50 states, the District of Columbia and territories, and three tribal organizations to make homes more energy efficient for about 100,000 low-income families annually.¹³²⁰

¹³¹³ Shale gas – an inconvenient truth for the anti-fracking lobby. Department of Energy and Climate Change blog (London), 23 September 2015. Access: 4 October 2015. <https://decc.blog.gov.uk/2015/09/23/shale-gas-an-inconvenient-truth-for-the-anti-fracking-lobby/>

¹³¹⁴ Cashing in on All of the Above: U.S. Fossil Fuel Production Subsidies Under Obama, Oil Change International (Washington DC), July, 2014. Access Date: 20 March, 2015. http://priceofoil.org/content/uploads/2014/07/OCI_US_FF_Subsidies_Final_Screen.pdf

¹³¹⁵ The Budget for Fiscal Year 2016, Office of Management and Budget (Washington D.C.) 2 February 2015. Access: 23 March 2015. <https://www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/budget.pdf>

¹³¹⁶ The Budget for Fiscal Year 2016, Office of Management and Budget (Washington D.C.) 2 February 2015. Access: 23 February 2015. <https://www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/budget.pdf>

¹³¹⁷ Fossil Fuel Subsidy Reform Roundtable Highlights a Global Problem, U.S. Department of State (Washington D.C.), 17 April, 2014. Access Date: 19 March, 2015. <https://blogs.state.gov/stories/2014/04/17/fossil-fuel-subsidy-reform-roundtable-highlights-global-problem>

¹³¹⁸ Petroleum Marketing Explanatory Notes, United States Energy Information Administration (Washington D.C.) July 2014. Access: 23 March 2015. <http://www.eia.gov/petroleum/marketing/monthly/pdf/enote.pdf>

¹³¹⁹ The Real Reason U.S. Gas is So Cheap is Americans Don't Pay the True Cost of Driving, Atlantic: CityLab (Washington D.C.), 5 Jan, 2015. Access Date: 20 March, 2015. <http://www.citylab.com/commute/2015/01/the-real-reason-us-gas-is-so-cheap-is-americans-dont-pay-the-true-cost-of-driving/384200/>

¹³²⁰ Weatherization and Intergovernmental, US Department of Energy (Washington D.C.) September 2011. Access: 23 March 2015. http://energy.gov/sites/prod/files/2014/01/f7/wip_factsheet.pdf

On 18 March 2015, the Department of Energy granted approximately USD 6 million to eleven tribal communities for energy-efficiency retrofit and clean energy projects as a part of their longstanding Tribal Energy Program.¹³²¹

On 21 January 2015, the Office of Community Services, under the Administration of Children and Families announced USD 300 million in available funding for the Low Income Home Energy Assistance Program, on top of a previous USD 3.05 billion in October 2014.¹³²² The program provides assistance for low-income families to manage costs associated with home energy bills, energy crises, and weatherization and energy-related minor home repairs.¹³²³

The United States has proposed significant action on cutting inefficient fuel subsidies, and has provided support for vulnerable groups. Thus, the United States is awarded the score of +1.

Analyst: Jasper Lim

European Union: 0

The European Union has partially complied with its commitment to rationalize and phase out inefficient fossil fuel subsidies. It has called on member states to cut harmful fossil fuel subsidies in the past, but did not continue to do so in 2015.

Up to and including 2014, the European Commission actively encouraged member states to phase out “environmentally harmful” subsidies.¹³²⁴ The most recent call was published in the country-specific recommendations on 2 June, 2014.

On 25 February 2015, the European Commission proposed its Energy Union Package, which would require member states to submit to “biennial reports on energy prices, with an in-depth analysis of the role of taxes, levies and subsidies, in order to create more transparency on energy costs and prices.” This package also included the measures by which the Energy Union will protect vulnerable consumers and address energy poverty. According to the Energy Union Package, the preferred method for protecting vulnerable consumers is through the “general welfare system,” however it could also be provided through the market with the use of “a solidarity tariff or as a discount on energy bills.”¹³²⁵

On 1 June 2015, the Council of the European Union released its conclusions on the implementation of the Energy Union. In these conclusions all mention of subsidies was dropped, and member states were instead committed to “greater transparency in the composition of energy costs and prices by means of appropriate monitoring.”¹³²⁶

The European Union has previously called on member states to eliminate inefficient fossil fuel subsidies, but its omission of such a call in 2015 is indicative of a halt in progress. Conversely, the European Union has

¹³²¹ Energy Department Selects 11 Tribal Communities to Deploy Energy Efficiency and Renewable Energy Technologies, US Department of Energy (Washington D.C.) 18 March 2015. Access: 23 March 2015. <http://apps1.eere.energy.gov/tribalenergy/pdfs/tep-de-foa-0001021.pdf>

¹³²² LIHEAP Dear Colleague on Second Funding Release FY 2015, Office of Community Services (Washington D.C.) 21 January 2015. Access: 23 March 2015. <https://www.acf.hhs.gov/programs/ocs/resource/liheap-dear-colleague-on-second-funding-release-fy-2015>

¹³²³ LIHEAP Brochure, Office of Community Services (Washington D.C.) 1 November 2009. Access: 23 March 2015. <http://www.acf.hhs.gov/programs/ocs/resource/liheap-brochures>

¹³²⁴ 2014 European Semester: Country-specific recommendations, European Commission 2 June 2014. Access: 20 October 2015. http://climateobserver.org/wp-content/uploads/2015/05/EC_CSR-2014.pdf

¹³²⁵ Energy Union Factsheet, European Commission 25 February 2015. Access: 20 October 2015. http://europa.eu/rapid/press-release_MEMO-15-4485_en.htm

¹³²⁶ Draft Council conclusions on the implementation of the Energy Union: empowering consumers and attracting investments in the energy sector 1 June 2015. Access: 20 October 2015. <http://data.consilium.europa.eu/doc/document/ST-9073-2015-INIT/en/pdf>

continuously required members to address energy poverty by protecting vulnerable groups. Thus, the European Union is awarded a score of 0.

Analyst: Kieran Alkerton