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The  
**G20 Research Group**  
at Trinity College at the Munk School of Global Affairs in the University of Toronto  
presents the

## **2015 G20 Antalya Summit Final Compliance Report**

16 November 2015 to 3 September 2016

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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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## Preface

Since the G20 leaders met at their first summit in 2008 in Washington, the G20 Research Group at the University of Toronto and the Center for International Institutions Research of the Russian Presidential Academy of National Economy and Public Administration (RANEPA), formerly with the International Organizations Research Institute at the National Research University Higher School of Economics (HSE), in Moscow have produced reports on their progress in implementing the priority commitments made at each summit. These reports monitor each G20 member's efforts to implement a carefully chosen selection of the many commitments produced at each summit. The reports are offered to the general public and to policy makers, academics, civil society, the media and interested citizens around the world in an effort to make the work of the G20 more transparent, accessible and effective, and to provide scientific data to enable the meaningful analysis of the causes of compliance and the impact of this important informal international institution. Previous reports are available at the G20 Information Centre at <http://www.g20.utoronto.ca/analysis>.

The G20 Research Group has been working with Marina Larionova's team at RANEPA and previously at HSE since initiating this G20 compliance research in 2009, after the Washington Summit in November 2008. The initial report, covering only one commitment made at that summit, tested the compliance methodology developed by the G8 Research Group and adapted it to the G20.

To make its assessments, the G20 Research Group relies on publicly available information, documentation and media reports. To ensure accuracy, comprehensiveness and integrity, we encourage comments from stakeholders. Indeed, scores can be recalibrated if new material becomes available. All feedback remains anonymous. Responsibility for the contents of this report lies exclusively with the authors and analysts of the G20 Research Group. Due to extenuating circumstances, stakeholders had limited time to submit feedback. This report reflects feedback submitted as of 5 September 2016. It includes seven commitments that could not be distributed for stakeholder feedback.

The interim report, published in July 2016, assessed performance by G20 members with 10 priority commitments among the total of 113 commitments made at the 2015 Antalya Summit, held on 15-16 November 2015. It covered the first part of China's G20 presidency up to 5 April 2016.

This final report assesses performance by G20 members on those same 10 commitments plus the seven that did not receive stakeholder feedback, for a total of 17.

I am most grateful to Sarah Scott and our G20 Research Group team, as well as Marina Larionova, Mark Rakhmangulov and their team in Moscow at RANEPA.

Professor John Kirton  
Co-director, G20 Research Group

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## 1. Energy: Fossil Fuel Subsidies

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

*G20 Antalya Leaders’ Communiqué*

### Assessment

	No Compliance	Partial Compliance	Full Compliance
Argentina			+1
Australia	-1		
Brazil	-1		
Canada		0	
China		0	
France		0	
Germany		0	
India			+1
Indonesia	-1		
Italy		0	
Japan	-1		
Korea		0	
Mexico	-1		
Russia	-1		
Saudi Arabia		0	
South Africa	-1		
Turkey	-1		
United Kingdom	-1		
United States			+1
European Union	-1		
Average		-0.35	

### Background

At the 2015 Antalya Summit, G20 leaders reiterated their commitment to rationalise and phase-out, over the medium term, inefficient fossil fuel subsidies that encourage wasteful consumption.

At the 2009 Pittsburgh Summit, this commitment was first introduced. National Energy and Finance Ministers committed to assess their respective national circumstances in order to develop implementation strategies and a timeframe, and G20 members asked the International Energy Agency, Organization of the Petroleum Exporting Countries, Organisation for Economic Co-operation and Development, and World Bank (hereafter referred to as the IGO-4) to analyze the existing scope of energy subsidies and provide suggestions for initiative implementation.

At the 2010 Toronto Summit, thirteen G20 members provided specific implementation strategies, and seven remaining members stated that they did not have inefficient fossil fuel subsidies (see Table 1). The IGO-4 presented a report with the analysis and suggestions requested by G20 members at the previous summit.<sup>1</sup>

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<sup>1</sup> Analysis of the Scope of Energy Subsidies and Suggestions for the G20 Initiative. IEA, OPEC, OECD, World Bank (Toronto) 16 June 2010. Access Date: 15 February 2016. <http://www.oecd.org/env/45575666.pdf>.

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At the 2010 Seoul Summit, G20 members re-committed to rationalise and phase-out over the medium term inefficient fossil fuel subsidies, and the IGO-4 released a second report providing 2009 data on fossil fuel consumption subsidies as well as strategies for their phase-out.<sup>2</sup>

At the 2011 Cannes Summit, the IGO-4 provided a third report highlighting the extent of subsidies and other support to fossil-fuel production and consumption, potential economic and environmental benefits of subsidy reform, and guidance on how countries could undertake the reforms while still protecting the poor.<sup>3</sup>

At the 2012 Los Cabos Summit, G20 members requested Finance Ministers to explore options for a voluntary peer review process to assess commitment progress and report progress by the next summit.

At the 2013 St. Petersburg Summit, Finance Ministers presented the “Methodology for G-20 Voluntary Peer Reviews on Inefficient Fossil Fuel Subsidies That Encourage Wasteful Consumption.”<sup>4</sup>

At the 2014 Brisbane Summit, China and the US agreed to be the first countries to engage in mutual peer reviews. As well, the World Bank Group prepared a report on transitional policies to assist the poor while rationalizing and phasing out inefficient fossil fuel subsidies that encourage wasteful consumption.

At the 2015 Energy Ministers Meeting, a report providing updates on recent progress relating to this commitment was presented to the G20 Energy Sustainability Working Group.<sup>5</sup> The same year, Germany announced it would serve on both the Chinese and American peer review teams and undergo a peer review of its own. Mexico announced that it would serve on the American peer review team and undergo a peer review as well.

**Table 6: Country-Specific Implementation Strategies, Delivered at the 2012 Los Cabos Summit<sup>6</sup>**

These summaries describe G20 members’ self-reported implementation strategies pertaining to the progressive phase-out of inefficient fossil fuel subsidies and are not supported by material evidence. As such they will *not* be used to establish members’ compliance scores, and are provided for informative purposes only. In this report, Australia, Brazil, France, Japan, Saudi Arabia, South Africa and the UK all claimed to have efficient fossil fuel subsidies.

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<sup>2</sup> The Scope of Fossil Fuel Subsidies in 2009 and a Roadmap for Phasing out Fossil Fuel Subsidies. IEA, OECD and World Bank (Seoul) 2010. Access Date: 15 February 2016. <http://www.oecd.org/env/cc/46575783.pdf>.

<sup>3</sup> Joint Report by IEA, OPEC, OECD and World Bank on Fossil Fuel and Other Energy Subsidies: An update of the G20 Pittsburgh and Toronto Commitments. IEA, OPEC, OECD, World Bank (Paris) 2011. Access Date: 15 February 2016. <http://www.oecd.org/site/tadffss/49006998.pdf>.

<sup>4</sup> Methodology for G20 Voluntary Peer Reviews on Inefficient Fossil Fuel Subsidies that Encourage Wasteful Consumption. G20 (Toronto) 2010. Access Date: 15 February 2016. <http://www.g20.org/English/Documents/PastPresidency/201512/P020151228453233373904.pdf>.

<sup>5</sup> Update on Recent Progress in Reform of Inefficient Fossil Fuel Subsidies that Encourage Wasteful Consumption. IEA, OECD (Istanbul) 2 October 2015. Access Date: 15 February 2016. <http://www.g20.org/English/Documents/PastPresidency/201512/P020151228338573300315.pdf>.

<sup>6</sup> G20 Initiative on Rationalizing and Phasing Out Inefficient Fossil Fuel Subsidies. G20 Research Group (Toronto) 4 September 2013. Access Date: 15 February 2016. <http://www.g20.utoronto.ca/compliance/2012loscabos-final/11-2012-g20-compliance-final.pdf>.

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 with 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 the planned expiration of subsidies for certain cogeneration plants, and negotiate on a voluntary basis with private operators of these plants the timing of their recess from the subsidy scheme.
Korea	Proposes to phase-out subsidies to anthracite coal and briquette producers.
Mexico	Proposes to continue current policies. Based on current market conditions, subsidies to gasoline, diesel, and liquid petroleum gas are expected to disappear in the medium term.
Russia	Proposes to implement the commitment to rationalise 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 accession to the World Trade Organization.
Turkey	Proposes to work on a restructuring plan to rationalise 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.

### Commitment Features

This commitment has two parts: 1) rationalizing and phasing out fossil fuel subsidies over the medium term and 2) providing support for the poor.

#### *Part 1 — Fossil Fuel Subsidies (FFS):*

According to the 2015 United Nations Environmental Programme “Fossil Fuel Subsidy Policy Brief,”<sup>7</sup> fossil fuel subsidies have important policy objectives because, in theory, they can protect the poor from fluctuating fuel prices, exploit natural resources for the benefit of the citizens of energy rich countries, and boost the competitiveness of domestic industries. In reality, however, subsidies have negative impacts on the environment, absorb substantial fiscal resources, fail to benefit targeted groups, and encourage excessive consumption of energy. Furthermore, FFS are highly regressive in that the richest 20 per cent of households receive more than 40 per cent of the benefits from energy subsidies. This drains public finances and reduces funds available for addressing social and developmental objectives. Cheap fossil fuels also render low-carbon energy options more expensive and undermine progress towards a green economy.

<sup>7</sup> Fossil Fuel Subsidies Policy Brief (Geneva) 2015 Access Date: 15 February 2016  
[http://www.unep.org/greeneconomy/Portals/88/documents/GE\\_BriefFossilFuelSubsidies\\_EN\\_Web.pdf](http://www.unep.org/greeneconomy/Portals/88/documents/GE_BriefFossilFuelSubsidies_EN_Web.pdf).

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While there is no universal definition of a subsidy, the WTO has developed a general definition that is accepted by 153 member states. There are various types of FFS:<sup>8</sup>

Direct financial transfers: e.g. fuel vouchers or grants to producers or consumers

Trade instruments: e.g. tariffs on imports of crude oil and petroleum products, making domestic fuel production more lucrative, quotas and restrictions

Regulations: e.g. gasoline prices regulated at below international market levels, regulations that prioritise the use of domestic coal for power generation, market-access restrictions

Tax breaks: e.g. favourable tax deductions for depletion or investment in oil and gas fields and coal deposits, excise exemptions for fuels used in international air, rail or water transport

Credits: e.g. loan guarantees to finance energy infrastructure or preferential rates on loans to producers

Risk transfers: e.g. insurance or indemnification provided to fossil-fuel producers at below-market levels, limitation of financial liability

Below-full cost access to government goods and services: e.g. provision of seismic data for oil and gas exploration.

We will undergo compliance analysis with the understanding that all subsidies are inefficient and hence all FFS encourage wasteful consumption.

#### *Part 2 — Targeted Support for the Poor:*

In this commitment, the G20 also recognized the need to support the poor. The World Bank found that even though FFS are economically inefficient, “price increases from the removal of fossil-fuel subsidies are likely to adversely affect lower-income households who are already struggling.” The report by the World Bank, submitted to the G20, identified two broad types of approaches available to members 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.

Compensation measures for vulnerable households and businesses can help cushion them against the adverse impacts of rising fuel prices following subsidy removal, but they need to be adapted to each member’s domestic circumstances. Complementary measures such as broader energy sector improvements, communication campaigns to inform the public about reform objectives and expected impacts, and a supportive administrative apparatus will ensure smooth implementation of subsidy reforms.

In addition to assessing whether action is taken to rationalise and phase-out fossil fuel subsidies, G20 members will also be evaluated on their efforts to provide support for the poor.

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<sup>8</sup> Fossil Fuel Subsidies Policy Brief (Geneva) 2015 Access Date: 15 February 2016  
[http://www.unep.org/greeneconomy/Portals/88/documents/GE\\_BriefFossilFuelSubsidies\\_EN\\_Web.pdf](http://www.unep.org/greeneconomy/Portals/88/documents/GE_BriefFossilFuelSubsidies_EN_Web.pdf).

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## Scoring Guidelines

-1	Member did not rationalise or phase-out fossil fuel subsidies over the medium term AND did not support the poor.
0	Member rationalised and phased-out fossil fuel subsidies over the medium term BUT did not support the poor.
+1	Member rationalised and phased-out fossil fuel subsidies over the medium term AND provided support to the poor.

*Lead Analyst: Grace Lee*

### Argentina: +1

Argentina has fully complied with its commitment to rationalise and phase-out inefficient fossil fuel subsidies, over the medium term, while recognizing the need to support the poor.

On 27 January 2016, Argentina implemented a new electricity price scheme, “Régimen Tarifario de Transición.” It will result in the gradual phasing out of electricity price subsidies.<sup>9</sup> The phasing out of subsidies will result in big hikes in wholesale electricity rates starting in February 2016.<sup>10</sup> Analysts have predicted that electricity bills will increase by as much as 500 per cent,<sup>11</sup> but the government has promised to provide rate discounts to homes that reduce their power consumption compared with the same period of the previous year, or if consumption is less than 300 kilowatts per month.<sup>12</sup> Despite these promised fee reductions for all consumers, Argentina has yet to develop a specific plan to support the poor.

On 11 March 2016, the energy ministry announced that “considering that the price of crude oil has been in sharp decline over the past two years, it is necessary to apply stimulus measures to mitigate the impact of such reductions on the level of activity and local employment.” The Ministry confirmed that exporters of heavy crude from Argentina would receive a subsidy of USD7.50 per barrel from the government as long as international prices remain under USD47.50 per barrel.<sup>13</sup>

On 18 March 2016, the Government of Argentina and the World Bank concluded an agreement that will provide Argentina with USD6.3 billion in financing for various projects related to the government’s ‘zero poverty’ initiative.<sup>14</sup> Projects such as infrastructure development, practically in

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<sup>9</sup> President Mauricio Macri lifts Argentina’s capital controls, Financial Times 17 December 2015. Access Date: 15 June 2016. <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1461&title=Commission-imposes-duties-to-prevent-imports-of-dumped-and-subsidised-Chinese-solar-panel-components-via-Taiwan-and-Malaysia>.

<sup>10</sup> Argentina announces big hikes in electric rates, removes subsidies, Fox News Latino (Argentina) 27 January 2016. Access Date: 22 February 2016. <http://latino.foxnews.com/latino/news/2016/01/27/argentina-announces-big-hikes-in-electric-rates-removes-subsidies/>.

<sup>11</sup> Argentina to raise electricity bills by as much as 500 per cent, Bloomberg Business (New York) 29 January 2016. Access Date: 22 February 2016. <http://www.bloomberg.com/news/articles/2016-01-29/argentina-to-raise-electricity-bills-by-as-much-as-500-per-cent>.

<sup>12</sup> Argentina announces big hikes in electric rates, removes subsidies, Fox News Latino (Argentina) 27 January 2016. Access Date: 22 February 2016. <http://latino.foxnews.com/latino/news/2016/01/27/argentina-announces-big-hikes-in-electric-rates-removes-subsidies/>.

<sup>13</sup> Argentina to subsidize oil exports to compensate for low prices, Reuters, 11 March 2016, Date Accessed 11 April 2016 <http://www.reuters.com/article/us-argentina-oil-idUSKCN0WD1FM>.

<sup>14</sup> Press: The government agreed with the World Bank projects 6.300 million for infrastructure, social programs, innovation and SME financing, Ministry of Finance (Buenos Aires) 18 December 2015. Access Date: 20 July 2016. <http://www.economia.gob.ar/el-gobierno-acordo-con-el-banco-mundial-proyectos-por-6-300-millones-de-dolares-para-infraestructura-planes-sociales-innovacion-y-financiamiento-de-pymes/>.

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rural areas, expansion of the Child Allowance (AUH) as well as projects in water works, health, social housing and renewable energy.<sup>15</sup>

On 1 April 2016, the government announced subsidy cuts as part of a new fiscal austerity plan, whereby Argentines will pay higher rates for natural gas consumption. In some areas, it is expected that heating prices will go up by 300 per cent.<sup>16</sup>

Argentina has rolled back fossil fuel subsidies as well as provided targeted support for the poor.

Thus, Argentina has received a score of +1.

*Analyst: Rinchen-Dolma Karma*

### **Australia: -1**

Australia has failed to comply with its commitment to rationalise and phase-out inefficient fossil fuel subsidies, over the medium term, while recognizing the need to support the poor.

On 30 November 2015, it was reported that the Australian government is continuing to subsidize diesel to farmers and miners.<sup>17</sup> The government pays 38 cents per liter of diesel, and has allocated USD3.9 billion in its annual budget.<sup>18</sup>

On 1 December 2015, Australia refused to sign the communiqué supporting the reform of fossil fuel subsidies at the Paris Climate Summit, where 40 countries agreed to phase-out inefficient government subsidies for the use of coal, gas, and oil.<sup>19</sup> It cited concern for its current multi-billion-dollar diesel fuel rebate for farmers and miners.<sup>20</sup>

On 24 February 2016, the Australian Minister for Industry, Innovation and Science, Christopher Pyne said that “the Australian Government was investing USD15.4 million over four years in the growth centre.”<sup>21</sup> This Growth Centre will “drive innovation, competitiveness and productivity across the oil, gas, coal and uranium sectors.”<sup>22</sup> In particular, the centre will focus on “improving

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<sup>15</sup> Press: The government agreed with the World Bank projects 6.300 million for infrastructure, social programs, innovation and SME financing, Ministry of Finance (Buenos Aires) 18 December 2015. Access Date: 20 July 2016. <http://www.economia.gob.ar/el-gobierno-acordo-con-el-banco-mundial-proyectos-por-6-300-millones-de-dolares-para-infraestructura-planes-sociales-innovacion-y-financiamiento-de-pymes/>.

<sup>16</sup> Argentine home heating prices to rise after years of subsidies, Reuters, 1 April 2016. Access Date: 11 April 2016. <http://af.reuters.com/article/energyOilNews/idAFL2N1741JR>.

<sup>17</sup> COP21 Paris climate talks: Australia U-turn on fossil-fuel reform, Financial Times 30 November 2015. Access Date: 28 February 2016. <http://www.ft.com/intl/cms/s/0/2e7b7b34-9764-11e5-9228-87e603d47bdc.html#axzz41RF8l6rz>.

<sup>18</sup> COP21 Paris climate talks: Australia U-turn on fossil-fuel reform, Financial Times 30 November 2015. Access Date: 28 February 2016. <http://www.ft.com/intl/cms/s/0/2e7b7b34-9764-11e5-9228-87e603d47bdc.html#axzz41RF8l6rz>.

<sup>19</sup> Paris UN Climate Conference 2015: Australia rejects fossil fuel pledge, Sydney Morning Herald 1 December 2015. Access Date: 28 February 2016. <http://www.smh.com.au/environment/un-climate-conference/paris-un-climate-conference-2015-australia-rejects-fossil-fuel-pledge-20151130-glbw4s.html#ixzz41QTOT4A>.

<sup>20</sup> Paris climate talks: Australia won't sign fossil fuel missive due to Nationals concerns about diesel rebate, ABC News 30 November 2015. Access Date: 28 February 2016. <http://www.abc.net.au/news/2015-11-30/australia-won't-sign-fossil-fuel-deal-at-paris-talks/6988380>.

<sup>21</sup> Energy Resources Growth Centre Launched, Pyne Online 24 February 2016. Access Date: 9 March 2016. <https://www.pyneonline.com.au/media-centre/media-releases/energy-resources-growth-centre-launched>.

<sup>22</sup> Energy Resources Growth Centre Launched, Pyne Online 24 February 2016. Access Date: 9 March 2016. <https://www.pyneonline.com.au/media-centre/media-releases/energy-resources-growth-centre-launched>.

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knowledge and techniques needed to unlock Australia’s marginal gas resources like coal-seam gas.”<sup>23</sup> The centre will be headed by “long-time oil and gas executive, Ken Fitzpatrick.”

Australia has publicly refused to support the reform of current fossil fuel subsidies and made a direct investment into the fossil fuel industry. They have also failed to take any measures to provide targeted support to the poor.

Thus, Australia has received a score of –1.

*Analyst: Yalda Mehran and Ethan Tsai*

### **Brazil: –1**

Brazil has failed to comply with its commitment to rationalise and phase-out inefficient fossil fuel subsidies, over the medium term, while recognizing the need to support the poor.

In January 2016, the World Bank produced a report entitled Fossil Fuel Subsidy and Pricing Policies. The report criticized the Brazilian governments relationship of Petrobras stating, “The official position of the Government of Brazil is that the downstream petroleum sector was completely deregulated effective January 2002. The government has nevertheless continued its informal policy of keeping domestic prices of petroleum products artificially low through losses suffered by Petrobras, a semi-public oil company that controls more than 99 per cent of the refining capacity in the country.”

<sup>24</sup> Furthermore, the report cited that state-owned energy companies such as Petrobras, have come under political pressure to set artificially low prices without an official re-introduction of price subsidies. These artificially low prices aim to curb competition and aim to increase consumption.<sup>25</sup>

On 9 March 2016, President Rousseff approved a new stimulus package as are part of a resolution by the National Council of Energy Policies (CNPE), unlocking up to USD120 billion of investment in the country’s oil sector.<sup>26</sup> These measures include extending the term of concession contracts for exploration and tax exemptions for the industry until 31 December 2020, which aim to benefit the entire industry chain according to Energy Minister Eduardo Braga.<sup>27</sup>

On 22 April 2016, the government reported that it would pay its debt owed to energy transmission companies starting in 2017, a surprise decision given that in March 2016, the government said it

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<sup>23</sup> Coalition digs deeper into fossil fuels with new “growth centre”, Renew Economy 25 February 2016. Access Date: 9 March 2016. <http://reneweconomy.com.au/2016/coalition-digs-deeper-into-fossil-fuels-with-new-growth-centre-82395>.

<sup>24</sup> Fossil Fuel Subsidy and Pricing Policies Recent Developing Country Experience, World Bank Group January 2016, Access Date: 21 July 2016. <http://poseidon01.ssrn.com/delivery.php?ID=266082064082024029090020103093002000069015002033002030090053015123058034007051106099097126118119065001033040063006028072105001001000070016086067089018126086098087096087112125110090021124094&EXT=pdf>.

<sup>25</sup> Fossil Fuel Subsidy and Pricing Policies Recent Developing Country Experience, World Bank Group January 2016, Access Date: 21 July 2016. <http://poseidon01.ssrn.com/delivery.php?ID=266082064082024029090020103093002000069015002033002030090053015123058034007051106099097126118119065001033040063006028072105001001000070016086067089018126086098087096087112125110090021124094&EXT=pdf>.

<sup>26</sup> Brazil Extends Contracts and Tax Breaks for Oil & Gas Industry, riotimesonline 10 March 2016. Access Date: 10 April 2016. <http://riotimesonline.com/brazil-news/rio-business/brazil-extends-contracts-and-tax-breaks-for-oilgas-industry/#>.

<sup>27</sup> Brazil Extends Contracts and Tax Breaks for Oil & Gas Industry, riotimesonline 10 March 2016. Access Date: 10 April 2016. <http://riotimesonline.com/brazil-news/rio-business/brazil-extends-contracts-and-tax-breaks-for-oilgas-industry/#>.

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would only start repaying debts in 2019, as it did not want to raise prices for consumers.<sup>28</sup> It is not yet clear how much consumer tariffs will increase as a result of this decision or what the impact on consumers, including the poor will be.<sup>29</sup>

On 2 June 2016, Brazil's energy ministry said it supported full independence for Petrobras to set domestic fuel prices without government interference.<sup>30</sup> This was reiterated on 14 June 2016 by the new chief executive officer of Petrobras, Pedro Parente, who stated that the period of government-subsidized domestic gasoline is over.<sup>31</sup>

In 2015, according to the International Monetary Fund, Brazil's post-tax subsidies as a per cent of Gross Domestic Product amounted to 2.35 per cent or USD 271.17 per capita.<sup>32</sup> No evidence was found suggesting that these subsidies were rolled back during the compliance period.

Brazil has increased subsidies to oil producers and has not supported the poor.

Thus, Brazil has received a score of -1.

*Analyst: Laila Kanji*

### **Canada: 0**

Canada has partially complied with its commitment to rationalise and phase-out inefficient fossil fuel subsidies, over the medium term, while recognizing the need to support the poor.

On 30 November 2015, Prime Minister Justin Trudeau outlined that support for and implementation of policies that contribute to a low-carbon economy is one of the five foundational principles upon which Canada's actions against climate change is based.<sup>33</sup> He stated that Canada had "endorsed the Fossil Fuel Subsidy Reform Communiqué, in support of accelerating action to eliminate inefficient fossil fuel subsidies."<sup>34</sup>

In early January 2016, Financial Minister Bill Morneau's federal budget consultation tour across the country reported that the Liberal Party's promise to "continue phasing out fossil fuel subsidies is projected to save CAD125 million in 2017-2018 and CAD250 million the following year."<sup>35</sup> This was confirmed by the newly appointed Minister of Environment and Climate Change Catherine McKenna, who indicated that the plan of "phasing out of fossil fuel subsidies," along with an endowment to the Low Carbon Economy trust of CAD2 million and a boost to investment in green

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<sup>28</sup> "Brazil to Pay Debt Owed to Energy Companies from 2017", Reuters 22 April 2016. Access Date: 24 July 2016. <http://www.reuters.com/article/brazil-power-debt-idUSL2N17P14F>.

<sup>29</sup> "Brazil to Pay Debt Owed to Energy Companies from 2017", Reuters 22 April 2016. Access Date: 24 July 2016. <http://www.reuters.com/article/brazil-power-debt-idUSL2N17P14F>.

<sup>30</sup> "Brazil Energy Ministry Backs Petrobras Fuel-Pricing Independence", Reuters 4 June 2016. Access Date: 24 July 2016. <http://www.reuters.com/article/brazil-petrobras-prices-idUSL1N18X00U?feedType=RSS>.

<sup>31</sup> "Brazil Energy Ministry Backs Petrobras Fuel-Pricing Independence", Reuters 4 June 2016. Access Date: 24 July 2016. <http://www.reuters.com/article/brazil-petrobras-prices-idUSL1N18X00U?feedType=RSS>.

<sup>32</sup> IMF Survey : Counting the Cost of Energy Subsidies, IMF 17 July 2015. Access Date: 21 July 2016. <http://www.imf.org/external/pubs/ft/survey/so/2015/NEW070215A.htm>.

<sup>33</sup> Address by Prime Minister Justin Trudeau in Canada, Minister of Environment and Climate Change (Ottawa) 12 December 2015. Access Date: 22 February 2016. <http://news.gc.ca/web/article-en.do?nid=1024629>.

<sup>34</sup> Address by Prime Minister Justin Trudeau in Canada, Minister of Environment and Climate Change (Ottawa) 12 December 2015. Access Date: 22 February 2016. <http://news.gc.ca/web/article-en.do?nid=1024629>.

<sup>35</sup> The Big Shortfall: Preparing the budget promises to be a mammoth financial headache for Liberals, National Post Canadian Politics Section (Toronto) 23 January 2016. Access Date: 22 February 2016. <http://news.nationalpost.com/news/canada/canadian-politics/the-big-shortfall-preparing-the-budget-promises-to-be-a-mammoth-financial-headache-for-liberals>.

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infrastructure by CAD6 billion in the next 4 years, is scheduled to be realized over the course of the medium term of 2 to 5 years.<sup>36</sup> Despite these promises the 2016 Budget did not make the cuts to fossil fuel subsidies. The Budget did however, lock in one recent liquefied natural gas subsidy until 2025.<sup>37</sup>

On 25 February 2016, Export Development Canada (EDC), a federal crown corporation, stated that it had designated CAD750 million to provide financial services, including loans and guarantees, to small and medium-sized Canadian energy firms to weather them through low oil prices.<sup>38</sup> However, the EDC does not receive funding from the federal government but is self-financed through the fees and interest charged on its loans and insurance policies. EDC spokesman Phil Taylor said the crown corporation's board and chief executive made this decision to proceed with this program and "this is not a political thing."<sup>39</sup>

On 23 March 2016, Canada's Natural Resources Minister Jim Carr announced that given the decline in oil prices, now was not the moment to phase out fossil fuel subsidies, despite a campaign promise to "phase out subsidies to the fossil fuel industry over the medium-term." He further went on to state that "there are all kinds of issues that are important in the oil and gas industry right now and the government wants to express its support for the industry in a variety of ways...Those are the priorities the government has chosen."<sup>40</sup>

On 27 May 2016, the Group of Seven (G7) for the first time set a deadline for the ending most fossil fuel subsidies, saying that government support for coal, oil and gas should end by 2025.<sup>41</sup> The leaders of the UK, US, Canada, France, Germany, Italy, Japan and the European Union encouraged all countries to join them in eliminating "inefficient fossil fuel subsidies" within a decade.<sup>42</sup> "Given the fact that energy production and use account for around two-thirds of global greenhouse gas emissions, we recognise the crucial role that the energy sector has to play in combatting climate change," said the leaders' declaration, issued at the end their summit in Japan.<sup>43</sup> The pledge first entered into G7 declarations in 2009 but has until now lacked a firm timeline.<sup>44</sup>

On 29 June 2016, Canadian Prime Minister Justin Trudeau, American President Barack Obama, and Mexican President Enrique Peña Nieto issued a statement following the North American Leaders'

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<sup>36</sup> Meet Your New Climate Change Minister, Green Business Canada Magazine (Edmonton) 23 November 2015. Access Date: 21 February 2016. <http://businessofgreen.ca/meet-your-new-climate-change-minister/>.

<sup>37</sup> Fossil Fuel Subsidies to Remain in Place, Despite Liberal's 'Greenest' Budget Ever, The Huffington Post 24 March 2016. Access Date: 15 April 2016. [http://www.huffingtonpost.ca/2016/03/24/oil-patch-woes-give-federal-liberals-cold-feet-on-cutting-fossil-fuel-subsidies\\_n\\_9535232.html](http://www.huffingtonpost.ca/2016/03/24/oil-patch-woes-give-federal-liberals-cold-feet-on-cutting-fossil-fuel-subsidies_n_9535232.html).

<sup>38</sup> EDC earmarks \$750 million to help energy firms weather oil price drop, The Globe and Mail 25 February 2016. Access Date: 15 April 2016. <http://www.theglobeandmail.com/report-on-business/industry-news/energy-and-resources/edc-earmarks-750-million-to-help-energy-firms-weather-oil-price-drop/article28920058/>.

<sup>39</sup> EDC earmarks \$750 million to help energy firms weather oil price drop, The Globe and Mail 25 February 2016. Access Date: 15 April 2016. <http://www.theglobeandmail.com/report-on-business/industry-news/energy-and-resources/edc-earmarks-750-million-to-help-energy-firms-weather-oil-price-drop/article28920058/>.

<sup>40</sup> Fossil Fuel Subsidies to Remain in Place, Despite Liberal's 'Greenest' Budget Ever, The Huffington Post 24 March 2016. Access Date: 15 April 2016. [http://www.huffingtonpost.ca/2016/03/24/oil-patch-woes-give-federal-liberals-cold-feet-on-cutting-fossil-fuel-subsidies\\_n\\_9535232.html](http://www.huffingtonpost.ca/2016/03/24/oil-patch-woes-give-federal-liberals-cold-feet-on-cutting-fossil-fuel-subsidies_n_9535232.html).

<sup>41</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>42</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>43</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>44</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

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Summit stating, “We commit to phase out inefficient fossil fuel subsidies by 2025 and call on the other members of the G20 to do the same. We also urge the G20 to make commitments to reduce methane emissions in the oil and gas sector and to improve the environmental performance of heavy-duty vehicles. Canada, the U.S., and Mexico will promote universal energy access and work together to address the challenges of energy security and integration, clean energy investment, and regional energy cooperation in the Caribbean and Central America. Canada, the US and Mexico will align approaches to account for the social cost of carbon and other greenhouse gas emissions when assessing the benefits of emissions-reducing policy measures.”<sup>45</sup> The Action Plan produced by the three countries at the summit includes several initiatives that aim to support the poor as well as consumers generally have access to clean energy.<sup>46</sup>

In 2015, the International Monetary Fund (IMF), in its global report on energy subsidies, found that Canada provides a CAD46.4 billion in subsidies to the energy sector in either direct support or uncollected taxes on externalized costs. The IMF is including all untaxed externalized costs of energy use under their definition of subsidies. The figures flagged for Canada still include CAD1.4 billion in direct pre-tax subsidies. The remaining CAD44.6 billion is in the form of externalized costs to society from dirty and dangerous fossil fuels such as air pollution, traffic congestion and climate change.<sup>47</sup>

While Canada has announced initiatives to support the poor and publicly endorsed the phasing out of fossil fuel subsidies over the medium term, it has not phased out subsidies to the oil and gas sector.

Thus, Canada has received a score of 0.

*Analyst: Rinchen-Dolma Karma*

### **China: 0**

China has partially complied with its commitment to rationalise and phase-out inefficient fossil fuel subsidies, over the medium term, while recognizing the need to support the poor.

On 23 December 2016, the State Council announced that the price of electricity generated by coal-fired power plants would be cut by RMB0.03/kWh in order to “reduce the burden on enterprises and cut emissions,” and to “reduce the price for businesses, upgrade power plants to ones with low emissions and to increase supply of renewable energy.”<sup>48</sup>

In January 2016, China introduced a floor price restricting the cost of fuel. The price of fuels, such as gasoline and diesel, will not be adjusted as long as crude is below USD40/bbl, the National Development and Reform Commission (NDRC), the country’s top economic planner, said in a statement. Profits from fuel sales below the USD40 level will go to a fund to promote energy conservation and security and improve fuel quality, according to the NDRC. “As a country that’s both a big oil importer and consumer, as well as a large producer, prices that are too high or too low will have a negative impact on China’s economy,” the NDRC said. Low prices would be a short-term

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<sup>45</sup> Leaders’ Statement on a North American Climate, Clean Energy, and Environment Partnership, Government of Canada 29 June 2016. Access Date: 18 July 2016. <http://pm.gc.ca/eng/news/2016/06/29/leaders-statement-north-american-climate-clean-energy-and-environment-partnership>.

<sup>46</sup> Leaders’ Statement on a North American Climate, Clean Energy, and Environment Partnership, Government of Canada 29 June 2016. Access Date: 18 July 2016. <http://pm.gc.ca/eng/news/2016/06/29/leaders-statement-north-american-climate-clean-energy-and-environment-partnership>.

<sup>47</sup> Psst, Trudeau: IMF Now Pegs Our Fossil Fuel Subsidies at \$46 Billion, Tyee 16 February 2016. Access Date: 09 August 2016 <http://thetyee.ca/Opinion/2016/02/01/IMF-Fossil-Fuel-Subsidies/>

<sup>48</sup> China cuts coal-fired power price, Xinhua News (Beijing) 23 December 2015. Access Date: 20 February 2016. [http://news.xinhuanet.com/english/2015-12/23/c\\_134945743.htm](http://news.xinhuanet.com/english/2015-12/23/c_134945743.htm).

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benefit “but it may put constraints on China’s domestic oil production and reduce supply,” it said.<sup>49</sup> The higher price does not encourage consumption and is not a subsidy, however will have a negative impact on the poor.

In May 2016, the US and China reaffirmed their 2013 agreement to undergo a peer review of each other’s fossil fuel subsidies, to be presented in the G20 summit in China in September 2016.<sup>50</sup>

On 18 May 2016, the Ministry of Finance announced it has earmarked a special fund of RMB100 billion to subsidize local governments and state-owned enterprises (SOEs) in reducing steel and coal overcapacity. The ministry said in a statement that 80 per cent of the funds will be distributed to local governments and centrally administered SOEs based on their respective capacity reduction assignments, as well as the number of laid-off workers that must be resettled and the difficulty of doing so. The remainder will be allocated based on how well local governments and SOEs fulfill their assignments.<sup>51</sup>

China has taken steps to phase out fossil fuel subsidies. However, there is no evidence that it has taken any measures to ensure support for vulnerable populations.

Thus, China has received a score of 0.

*Analyst: Anju Xing*

#### **France: 0**

France has partially complied with its commitment to rationalise and phase-out inefficient fossil fuel subsidies, over the medium term, while recognizing the need to support the poor.

In 2014, France introduced a carbon component, called the Climate-Energy Tax (CCE), in its energy taxes (domestic taxes on the consumption of energy products, natural gas and coal) to reduce emissions in these sectors. This tax has been ramped up over time, from EUR7 per ton of CO<sub>2</sub> in 2014, to EUR14.50 per ton in 2015, to EUR22 per ton in 2016, and will rise to EUR30.50 per ton in 2017. Furthermore, the Energy Transition and Green Growth Act of 17 August 2015 set the long-range targets for the tax in 2020 (EUR56 per ton) and 2030 (EUR100 per ton), in addition to increasing the Climate-Energy Tax.<sup>52</sup> On 30 November 2015, France, along with 40 other countries endorsed the Fossil Fuel Subsidy Reform Communiqué presented to the United Nations Framework Convention on Climate Change (UNFCCC).<sup>53</sup> The Communiqué “calls on the international community to increase efforts to phase-out subsidies for fossil fuel production and use.”<sup>54</sup>

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<sup>49</sup> China sets oil price floor at \$40 to protect domestic supply, World Oil 13 January 2016. Access Date: 8 August 2016. <http://www.worldoil.com/news/2016/01/13/china-sets-oil-price-floor-at-40-to-protect-domestic-supply>

<sup>50</sup> US and China ready peer reviews on fossil fuel subsidies, Chinadialogue. 19 May 2016. Access Date: 20 July 2016. <https://www.chinadialogue.net/article/show/single/en/8932-US-and-China-ready-peer-reviews-of-fossil-fuel-subsidies>.

<sup>51</sup> China earmarks funds to help reduce overcapacity, The State Council 18 May 2016. Access Date: 2 September 2016. [http://english.gov.cn/state\\_council/ministries/2016/05/19/content\\_281475352712538.htm](http://english.gov.cn/state_council/ministries/2016/05/19/content_281475352712538.htm)

<sup>52</sup> Stability Report, Government of France July 2016. Access Date: 3 October 2016. <http://www.aft.gouv.fr/documents/%7BC3BAF1F0-F068-4305-821D-B8B2BF4F9AF6%7D/publication/attachments/24959.pdf>

<sup>53</sup> Fossil-Fuel Subsidy Reform Communiqué Presented to UNFCCC (New Zealand) 30 November 2015. Access Date: 21 February 2016. <http://climate-l.iisd.org/news/fossil-fuel-subsidy-reform-communique-presented-to-unfccc/>.

<sup>54</sup> Fossil-Fuel Subsidy Reform Communiqué Presented to UNFCCC (New Zealand) 30 November 2015. Access Date: 21 February 2016. <http://climate-l.iisd.org/news/fossil-fuel-subsidy-reform-communique-presented-to-unfccc/>.

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On 1 January 2016, the government instituted the principle of aligning taxes on diesel oil and petrol. To this end, excise tax on diesel oil was raised by 0.01 per litre and will rise by the same amount on 1 January 2017, in addition to the tax increases resulting from the Climate-Energy Tax.<sup>55</sup>

On 3 August 2016, PTZ, which is a zero-interest loan dedicated to poor households to finance works improving the energy performance of buildings, was extended to 2018 PTZ loans are available to individuals whose financial resources satisfy certain conditions and the property's energy performance must meet certain criteria. The loan cannot be used to finance 100 per cent of the purchase and the borrower will have to take out an additional loan or loans.<sup>56</sup>

On 27 May 2016, the Group of 7 (G7) for the first time set a deadline for the ending most fossil fuel subsidies, saying that government support for coal, oil and gas should end by 2025.<sup>57</sup> The leaders of the UK, US, Canada, France, Germany, Italy, Japan and the European Union encouraged all countries to join them in eliminating “inefficient fossil fuel subsidies” within a decade.<sup>58</sup> “Given the fact that energy production and use account for around two-thirds of global greenhouse gas emissions, we recognise the crucial role that the energy sector has to play in combatting climate change,” said the leaders’ declaration, issued at the end their summit in Japan.<sup>59</sup> The pledge first entered into G7 declarations in 2009 but has until now lacked a firm timeline.<sup>60</sup>

On 15 July 2016, the French Government has accepted a recommendation from an advisory panel that a carbon tax be imposed on electricity generation from coal fired power plants starting next year. The new levy on coal is slated for introduction on 1 January 2017.<sup>61</sup>

During 2016, the Government of France introduced the creation of an energy voucher to help low-income households pay their bills. The legislation is in an experimental phase before a full roll-out by early 2018.<sup>62</sup>

France has introduced taxation plans on coal plants however it has not shown dedication to helping the poor through significant measures.

Thus, France has received a score of 0.

*Analyst: Olivier Li and Laila Kanji*

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<sup>55</sup> Stability Report, Government of France July 2016. Access Date: 3 October 2016.

<http://www.aft.gouv.fr/documents/%7BC3BAF1F0-F068-4305-821D-B8B2BF4F9AF6%7D/publication/attachments/24959.pdf>

<sup>56</sup> Qu'est-ce que l'éco-prêt à taux zéro ? CEDEF 29 September 2016. Access Date: 3 October 2016.

<http://www.economie.gouv.fr/cedef/eco-pret-a-taux-zero>

<sup>57</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016.

<https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>

<sup>58</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016.

<https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>

<sup>59</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016.

<https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>

<sup>60</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016.

<https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>

<sup>61</sup> France Unveils Carbon Tax Plans, Tax-News 15 July 2016. Access Date: 7 August 2016. [http://www.tax-news.com/news/France\\_Unveils\\_Carbon\\_Tax\\_Plans\\_\\_\\_\\_71708.html](http://www.tax-news.com/news/France_Unveils_Carbon_Tax_Plans____71708.html)

<sup>62</sup> ENERGY TRANSITION FOR GREEN GROWTH ACT, The Government of France October 2015. Access Date: 3 October 2016. [http://www.developpement-durable.gouv.fr/IMG/pdf/14123-8-GB\\_loi-TE-mode-emploi\\_DEF\\_light.pdf](http://www.developpement-durable.gouv.fr/IMG/pdf/14123-8-GB_loi-TE-mode-emploi_DEF_light.pdf)

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## Germany: 0

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

On 30 November 2015, Germany, along with 40 other countries endorsed the Fossil Fuel Subsidy Reform Communiqué presented to the United Nations Framework Convention on Climate Change (UNFCCC).<sup>63</sup> The Communiqué “calls on the international community to increase efforts to phase-out subsidies for fossil fuel production and use.”<sup>64</sup>

On 30 November 2015, the World Bank reported that Germany, along with three other European countries and the World Bank Group announced a USD500 million initiative for developing countries to tackle climate change.<sup>65</sup> Developing countries that remove or reduce fossil fuel subsidies and replace them with more renewable forms of energy would be paid for emission cuts, leading to low carbon development and a reduction in carbon cities.<sup>66</sup> The initiative is stated to start operating in 2016.<sup>67</sup>

In November 2015, Germany was reported to be the only country to successfully “integrate tax expenditures with subsidies in their annual budget.”<sup>68</sup> It has remained determined to eliminate its coal industry and has effective plans in place for stakeholders in coal production, including early retirement schemes for current workers, and sharing costs of closures and liabilities with the industry.<sup>69</sup>

On 3 December 2015, German consumers were reported to be bearing the costs of transitions to renewable energy, reflected in its higher electricity rates compared to other countries.<sup>70</sup> The price of government projects is estimated to be EUR550 billion, or about USD97 billion, by 2050.<sup>71</sup>

On 27 May 2016, the G7 for the first time set a deadline for the ending most fossil fuel subsidies, saying that government support for coal, oil and gas should end by 2025.<sup>72</sup> The leaders of the UK,

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<sup>63</sup> Fossil-Fuel Subsidy Reform Communiqué Presented to UNFCCC (New Zealand) 30 November 2015. Access Date: 21 February 2016. <http://climate-l.iisd.org/news/fossil-fuel-subsidy-reform-communicue-presented-to-unfccc/>.

<sup>64</sup> Fossil-Fuel Subsidy Reform Communiqué Presented to UNFCCC (New Zealand) 30 November 2015. Access Date: 21 February 2016. <http://climate-l.iisd.org/news/fossil-fuel-subsidy-reform-communicue-presented-to-unfccc/>.

<sup>65</sup> Press Release: New \$500 million initiative to boost large scale climate action in developing countries, The World Bank 30 November 2015. Access Date: 23 February 2016. <http://www.worldbank.org/en/news/press-release/2015/11/30/new-500-million-initiative-to-boost-large-scale-climate-action-in-developing-countries>.

<sup>66</sup> Press Release: New \$500 million initiative to boost large scale climate action in developing countries, The World Bank 30 November 2015. Access Date: 23 February 2016. <http://www.worldbank.org/en/news/press-release/2015/11/30/new-500-million-initiative-to-boost-large-scale-climate-action-in-developing-countries>.

<sup>67</sup> Press Release: New \$500 million initiative to boost large scale climate action in developing countries, The World Bank 30 November 2015. Access Date: 23 February 2016. <http://www.worldbank.org/en/news/press-release/2015/11/30/new-500-million-initiative-to-boost-large-scale-climate-action-in-developing-countries>.

<sup>68</sup> Empty promises: G20 subsidies to oil, gas and coal production, Overseas Development Institute November 2015. Access Date: 23 February 2016. <http://www.odi.org/publications/10058-production-subsidies-oil-gas-coal-fossil-fuels-g20-broken-promises>.

<sup>69</sup> Empty promises: G20 subsidies to oil, gas and coal production, Overseas Development Institute November 2015. Access Date: 23 February 2016. <http://www.odi.org/publications/10058-production-subsidies-oil-gas-coal-fossil-fuels-g20-broken-promises>.

<sup>70</sup> Germany May Offer Model for Reining In Fossil Fuel Use, The New York Times 3 December 2015. Access Date: 23 February 2016. [http://www.nytimes.com/2015/12/04/world/europe/germany-may-offer-model-for-reining-in-fossil-fuel-use.html?\\_r=0](http://www.nytimes.com/2015/12/04/world/europe/germany-may-offer-model-for-reining-in-fossil-fuel-use.html?_r=0).

<sup>71</sup> Germany May Offer Model for Reining In Fossil Fuel Use, The New York Times 3 December 2015. Access Date: 23 February 2016. [http://www.nytimes.com/2015/12/04/world/europe/germany-may-offer-model-for-reining-in-fossil-fuel-use.html?\\_r=0](http://www.nytimes.com/2015/12/04/world/europe/germany-may-offer-model-for-reining-in-fossil-fuel-use.html?_r=0).

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US, Canada, France, Germany, Italy, Japan and the EU encouraged all countries to join them in eliminating “inefficient fossil fuel subsidies” within a decade.<sup>73</sup> “Given the fact that energy production and use account for around two-thirds of global greenhouse gas emissions, we recognise the crucial role that the energy sector has to play in combatting climate change,” said the leaders’ declaration, issued at the end their summit in Japan.<sup>74</sup> The pledge first entered into G7 declarations in 2009 but has until now lacked a firm timeline.<sup>75</sup>

On 27 May 2016, the European Commission approved nearly EUR4 billion in subsidies to close down Spain’s unprofitable coal mines and Germany’s lignite-fired power stations. Brussels gave Madrid the green light to spend EUR2.1 billion closing 26 coal mines that are no longer profitable. This state aid will be permitted on the condition that the closure of the mines is completed by 2019. In Germany, Brussels has authorised the government to subsidise the closure of power stations fuelled by lignite, a soft form of sedimentary rock often known as ‘brown coal’. Merkel’s cabinet negotiated the closure of eight lignite-burning installations owned by Mibrag, Vattenfall and RWE between 2016 and 2019. Together, these eight power stations represent 13 per cent of Germany’s lignite-burning capacity. By 2020, the closure of these power stations cut the annual carbon emissions of Germany’s electricity sector by 11 to 12 million tonnes. In return, the federal government in Berlin will compensate the electricity companies to the tune of EUR1.6 billion for their loss of revenue.<sup>76</sup>

On July 2016, Germany was criticized by the United Nations for continuing to finance power companies who use coal and diesel to produce electricity, as well as for offering compensation for coal power.<sup>77</sup> While Germany signed the Paris Agreement in 2015 and has been providing aid to developing countries to help them phase out fossil fuel subsidies, it has been accused of not doing so itself.<sup>78</sup> “Germany says it’s on track to end coal subsidies by 2018 but the German government is also introducing new mechanisms that provide payment to power companies for their ability to provide a constant supply of electricity, even if they are polluting forms, such as diesel and coal,” said Mary Robinson, the former president of Ireland and UN special envoy on climate change and El Niño. She called on Germany to make a real commitment to get out of coal.<sup>79</sup> No specific evidence was cited in the report detailing the specific policies that Robinson was eluding to.

Germany has reduced inefficient subsidies for fossil fuels. However, it has also been criticized for implementing new subsidies and has not supported the poor. Thus, Germany receives a score of 0.

*Analyst: Novera Khan*

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<sup>72</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>73</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>74</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>75</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>76</sup> Brussels authorises subsidies to end dependence on coal, Euro Activ 1 June 2016. Access Date” 10 August 2016. <https://www.euractiv.com/section/energy/news/brussels-authorises-subsidies-to-end-dependence-on-coal/>

<sup>77</sup> UN criticizes UK and Germany for betraying Paris climate deal, The Guardian 18 July 2016. Access Date: 21 July 2016. [https://www.theguardian.com/environment/2016/jul/18/un-criticises-uk-and-german-for-betraying-the-spirit-of-the-paris-climate-deal?CMP=share\\_btn\\_tw](https://www.theguardian.com/environment/2016/jul/18/un-criticises-uk-and-german-for-betraying-the-spirit-of-the-paris-climate-deal?CMP=share_btn_tw).

<sup>78</sup> UN criticizes UK and Germany for betraying Paris climate deal, The Guardian 18 July 2016. Access Date: 21 July 2016. [https://www.theguardian.com/environment/2016/jul/18/un-criticises-uk-and-german-for-betraying-the-spirit-of-the-paris-climate-deal?CMP=share\\_btn\\_tw](https://www.theguardian.com/environment/2016/jul/18/un-criticises-uk-and-german-for-betraying-the-spirit-of-the-paris-climate-deal?CMP=share_btn_tw).

<sup>79</sup> UN criticizes UK and Germany for betraying Paris climate deal, The Guardian 18 July 2016. Access Date: 21 July 2016. [https://www.theguardian.com/environment/2016/jul/18/un-criticises-uk-and-german-for-betraying-the-spirit-of-the-paris-climate-deal?CMP=share\\_btn\\_tw](https://www.theguardian.com/environment/2016/jul/18/un-criticises-uk-and-german-for-betraying-the-spirit-of-the-paris-climate-deal?CMP=share_btn_tw).

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## India: +1

India has fully complied with its commitment to rationalise and phase-out inefficient fossil fuel subsidies, over the medium term, while recognizing the need to support the poor.

On 30 November, Prime Minister Narendra Modi addressed India's role in climate change at the United Nations Climate Change Conference to be held in December.<sup>80</sup> He addressed phasing out fossil fuels in his speech, stating: "We are reducing dependence on fossil fuel through levies and reduction in subsidies; switching sources of fuel where possible; and, transforming cities and public transportation."<sup>81</sup>

On 1 January 2016, the Indian government announced a scheme to implement Direct Benefit Transfers (DBT) for Kerosene Subsidies, which are set to start 1 April 2016.<sup>82</sup> DBT is an attempt to change the mechanism of transferring subsidies launched by Government of India on 1 January 2013. This program aims to transfer subsidies directly to the people through their bank accounts therefore avoid leakages and target the poor to fully integrate underprivileged sectors.<sup>83</sup> Where such transfer is introduced, the consumer will pay the un-subsidised price of kerosene at the time of purchase. Subsequently, the amount of subsidy will be directly transferred to the bank account of the beneficiary. To avoid any inconvenience to the beneficiary through payment of un-subsidised price, subsidy will be credited to eligible beneficiaries in advance during the initial purchase.<sup>84</sup>

On 9 January 2016, in hopes of setting an example, Finance Minister Arun Jaitley has voluntarily given up use of subsidised liquefied petroleum gas (LPG), joining a growing list of well-to-do people who have opted to buy cooking gas at market rate. "Hon'ble Finance Minister has set an example by giving up subsidy on LPG; other colleagues & people who can afford should join this initiative," Oil Minister Dharmendra Pradhan tweeted.<sup>85</sup> The government has asked the rich to give up subsidies on LPG to make them available to people who deserve it. Several industrialists, politicians and bureaucrats have voluntarily given up the subsidised cooking gas.<sup>86</sup>

On 17 February 2016, the Indian government proposed subsidy cuts for higher income households.<sup>87</sup> The Oil Ministry issued a statement indicating that "there will be no subsidy for cooking gas

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<sup>80</sup> Narendra Modi's at COP21 in Full, The Wall Street Journal India edition (Paris) 1 December 2015. Access Date: 25 February 2016. <http://blogs.wsj.com/indiarealtime/2015/12/01/narendra-modis-speech-at-cop21-in-full/>.

<sup>81</sup> Narendra Modi's at COP21 in Full, The Wall Street Journal India edition (Paris) 1 December 2015. Access Date: 25 February 2016. <http://blogs.wsj.com/indiarealtime/2015/12/01/narendra-modis-speech-at-cop21-in-full/>.

<sup>82</sup> Government Announces Direct Transfer Benefits Scheme for Kerosene Subsidy, Business Standard (New Delhi) 1 January 2016. Access Date: 18 February 2016. [http://www.business-standard.com/article/economy-policy/govt-announces-direct-benefit-transfer-scheme-for-kerosene-subsidy-116010100799\\_1.html](http://www.business-standard.com/article/economy-policy/govt-announces-direct-benefit-transfer-scheme-for-kerosene-subsidy-116010100799_1.html).

<sup>83</sup> Government Announces Direct Transfer Benefits Scheme for Kerosene Subsidy, Business Standard (New Delhi) 1 January 2016. Access Date: 18 February 2016. [http://www.business-standard.com/article/economy-policy/govt-announces-direct-benefit-transfer-scheme-for-kerosene-subsidy-116010100799\\_1.html](http://www.business-standard.com/article/economy-policy/govt-announces-direct-benefit-transfer-scheme-for-kerosene-subsidy-116010100799_1.html).

<sup>84</sup> Government Announces Direct Transfer Benefits Scheme for Kerosene Subsidy, Business Standard (New Delhi) 1 January 2016. Access Date: 18 February 2016. [http://www.business-standard.com/article/economy-policy/govt-announces-direct-benefit-transfer-scheme-for-kerosene-subsidy-116010100799\\_1.html](http://www.business-standard.com/article/economy-policy/govt-announces-direct-benefit-transfer-scheme-for-kerosene-subsidy-116010100799_1.html).

<sup>85</sup> Jaitley Gives up Subsidised LPG, The Hindu (New Delhi) 9 January 2015. Access Date: 18 February 2016. <http://www.thehindu.com/news/national/jaitley-gives-up-subsidised-lpg/article6772175.ece>.

<sup>86</sup> Jaitley Gives up Subsidised LPG, The Hindu (New Delhi) 9 January 2015. Access Date: 18 February 2016. <http://www.thehindu.com/news/national/jaitley-gives-up-subsidised-lpg/article6772175.ece>.

<sup>87</sup> No more LPG Subsidy If You Earn Above Rs 10 Lakh A Year, Times of India (New Delhi) 29 December 2015. Access Date: 17 February 2016. <http://timesofindia.indiatimes.com/india/No-more-LPG-subsidy-if-you-earn-above-Rs-10-lakh-a-year/articleshow/50360841.cms>.

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cylinders if either the registered consumer, or his/her spouse have an annual taxable income of more than Rs10 lakh.”<sup>88</sup>

On 29 February 2016, Finance Minister Arun Jaitley presented the annual Union Budget 2016-2017.<sup>89</sup> It posits petroleum subsidies at a 10.76 per cent share from overall subsidies, a decrease from last year’s share of 11.64 per cent.<sup>90</sup> The budget also includes increased taxes on fuels, with its “clean energy cess increased from Rs200 per ton to Rs400 per ton on coal, lignite and peat.”<sup>91</sup>

In line with the proposals in the Budget, the Finance Minister has “proposed phase-out of tax concession to commissioned projects under Section 80-IA of the Income Tax Act, raising costs of power firms.”<sup>92</sup> In addition, another proposal is a “tax on large dividends” of companies including Coal India, which received Rs13,000 from its subsidiaries last year.”<sup>93</sup>

On 4 March 2016, Prime Minister Narendra Modi spoke at the International Conference on Rule of Law for supporting the 2030 Development Agenda and Sustainable Development Goals, held in New Delhi.<sup>94</sup> He outlined India’s commitment to phase out inefficient fuel subsidies, stating that “India has moved from a regime of carbon subsidy to one of carbon taxes. India is one of the few countries to have a carbon tax in the form of a cess on coal. The coal cess has been doubled in the Budget of 2016-17.”<sup>95</sup>

On 17 April 2016, the Indian government confirmed its timely implementation of Direct Benefit Transfers for Kerosene subsidies.<sup>96</sup> Speaking to the International Monetary Fund, the Finance Minister said that the government “is delivering subsidy to 153 million households for use of LPG directly in their bank accounts through the world’s largest cash transfer programme.”<sup>97</sup>

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<sup>88</sup> No more LPG Subsidy If You Earn Above Rs 10 Lakh A Year, Times of India (New Delhi) 29 December 2015. Access Date: 17 February 2016. <http://timesofindia.indiatimes.com/india/No-more-LPG-subsidy-if-you-earn-above-Rs-10-lakh-a-year/articleshow/50360841.cms>.

<sup>89</sup> Budget 2016, Where the money comes from and where it goes, The Hindu 1 March 2016. Access Date: 1 March 2016. <http://www.thehindu.com/business/budget/budget-2016-where-the-money-comes-from-and-where-it-goes/article8297149.ece?homepage=true>.

<sup>90</sup> Budget 2016, Where the money comes from and where it goes, The Hindu 1 March 2016. Access Date: 1 March 2016. <http://www.thehindu.com/business/budget/budget-2016-where-the-money-comes-from-and-where-it-goes/article8297149.ece?homepage=true>.

<sup>91</sup> All you need to know about Budget 2016 in under 60 points, Daily News & Analysis, 1 March 2016. Access Date: 1 March 2016. <http://www.dnaindia.com/money/report-key-highlights-from-the-budget-2016-2183855>.

<sup>92</sup> Budget 2016: Coal cess in line with India’s climate commitments, The Economic Times- India (New Delhi/ Kolkotta) 1 March 2016. Access Date: 1 March 2016. <http://economictimes.indiatimes.com/industry/indl-goods/svs/metals-mining/budget-2016-coal-cess-in-line-with-indias-climate-commitments/articleshow/51202168.cms>.

<sup>93</sup> Budget 2016: Coal cess in line with India’s climate commitments, The Economic Times- India (New Delhi/ Kolkotta) 1 March 2016. Access Date: 1 March 2016. <http://economictimes.indiatimes.com/industry/indl-goods/svs/metals-mining/budget-2016-coal-cess-in-line-with-indias-climate-commitments/articleshow/51202168.cms>.

<sup>94</sup> My Dream is Of A Transformed India, Modi says at IMF Meet, The Huffington Post- India (New Delhi) 4 March 2016. Access Date: 15 July 2016. [http://www.huffingtonpost.in/2016/03/12/imf-modi\\_n\\_9444766.html](http://www.huffingtonpost.in/2016/03/12/imf-modi_n_9444766.html).

<sup>95</sup> My Dream is Of A Transformed India, Modi says at IMF Meet, The Huffington Post- India (New Delhi) 4 March 2016. Access Date: 15 July 2016. [http://www.huffingtonpost.in/2016/03/12/imf-modi\\_n\\_9444766.html](http://www.huffingtonpost.in/2016/03/12/imf-modi_n_9444766.html).

<sup>96</sup> India’s Mantra is to ‘Reform to Transform’ , The Indian Express, (Washington) 17 December 2016. Access Date : 15 July 2016 <http://indianexpress.com/article/business/economy/indias-mantra-is-reform-to-transform-arun-jaitley-to-imf/>.

<sup>97</sup> India’s Mantra is to ‘Reform to Transform’ , The Indian Express, (Washington) 17 December 2016. Access Date : 15 July 2016 <http://indianexpress.com/article/business/economy/indias-mantra-is-reform-to-transform-arun-jaitley-to-imf/>.

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On 22 April 2016, the Oil Minister said that since the launch of ‘ Give-it- Up’ Campaign last year, “1.13 crore people have given up LPG subsidies and are buying cooking gas at market price.”<sup>98</sup>

On 4 May 2016, the International Institute for Sustainable Development (IISD) organized an event in New Delhi, aimed at promoting dialogue and research on ‘subsidies for energy access.’<sup>99</sup> The Oil Minister “used the opportunity to encourage IISD and local partners in India to continue their research and support to the government on issues around energy subsidies and energy access. [He] acknowledged the role that such research plays in shaping and evaluating government schemes, particularly in the case of energy subsidy policies such as those for liquefied petroleum gas (LPG) and kerosene.”<sup>100</sup> The IISD, in one of its released reports on India’s changing fuel use and challenges, found that the implementation of Direct Benefit Transfer for LPG was “fairly successful, with high levels of enrollment and customer satisfaction.”<sup>101</sup>

By July 2016, the Indian government had reduced kerosene subsidies by almost “50 per cent in the past 12 months.”<sup>102</sup> Simultaneously, large investments had been made in solar energy: energy expert Narendra Taneja testified that “the government is investing thousands of crores in solar lamps to poor families.”<sup>103</sup> This been done alongside reducing fuel subsidies, so as to avoid hurting poorer populations of the country.

India has created and implemented policies that phase-out inefficient fuel subsidies, while also supporting the poor.

Thus, India has received a score of +1.

*Analyst: Nidhi Varma*

#### **Indonesia: -1**

Indonesia has failed to comply with its commitment to rationalise and phase-out inefficient fossil fuel subsidies, over the medium term, while recognizing the need to support the poor.

On 17 December 2015, Indonesian Senior Minister Coordinating Energy and Mining announced an improvement to the Production Sharing Contract (PSC) scheme to attract more oil and gas investment in Indonesia. The new planned scheme “will give the oil companies a 5 per cent higher in

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<sup>98</sup> PM Narendra Modi to launch Rs, 8,000 crore scheme for free LPG connections to poor, The Economic Times, (New Delhi) 22 April 2016. Access Date: 15 July 2016. <http://economictimes.indiatimes.com/news/economy/policy/pm-narendra-modi-to-launch-rs-8000-crore-scheme-for-free-lpg-connections-to-poor/articleshow/51943231.cms>.

<sup>99</sup> How are governments encouraged to to initiate subsidy reform? Through research!, Global Studies Initiative-International Institute for Sustainable Development, (New Delhi) 13 July 2016. Access Date: 20 July 2016. <https://www.iisd.org/gsi/news/how-are-governments-encouraged-initiate-subsidy-reform-through-research>.

<sup>100</sup> How are governments encouraged to to initiate subsidy reform? Through research!, Global Studies Initiative-International Institute for Sustainable Development, (New Delhi) 13 July 2016. Access Date: 20 July 2016. <https://www.iisd.org/gsi/news/how-are-governments-encouraged-initiate-subsidy-reform-through-research>.

<sup>101</sup> How are governments encouraged to to initiate subsidy reform? Through research!, Global Studies Initiative-International Institute for Sustainable Development, (New Delhi) 13 July 2016. Access Date: 20 July 2016. <https://www.iisd.org/gsi/news/how-are-governments-encouraged-initiate-subsidy-reform-through-research>.

<sup>102</sup> Government’s focus on renewable energy is changing landscape in rural areas : Narendra Taneja, energy expert , The Economic Times (New Delhi) 13 July 2016. Access Date 15 July 2016. <http://economictimes.indiatimes.com/markets/expert-view/governemnts-focus-on-renewable-energy-is-changing-landscape-in-rural-areas-narendra-taneja-energy-expert/articleshow/53190988.cms>.

<sup>103</sup> Government’s focus on renewable energy is changing landscape in rural areas : Narendra Taneja, energy expert , The Economic Times (New Delhi) 13 July 2016. Access Date 15 July 2016. <http://economictimes.indiatimes.com/markets/expert-view/governemnts-focus-on-renewable-energy-is-changing-landscape-in-rural-areas-narendra-taneja-energy-expert/articleshow/53190988.cms>.

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cost recovery given they invest in country's oil exploration. The current cost recovery scheme is 15 per cent."<sup>104</sup>

On 4 January 2016, the Minister of Energy Sudirman Said announced that Indonesia would postpone implementing a new levy on fossil fuels which was intended to support development of renewable energy resources and improve energy security, a day before it had been due to come into effect. "Everyone agrees — it's just the timing of the implementation that needs to be managed," Said told reporters, referring to a discussion of the matter with President Joko Widodo and other members of his cabinet.<sup>105</sup>

On 5 January 2016, the Indonesian government announced a cut in fuel prices due to falling global oil prices.<sup>106</sup> President Director of state owned energy company Pertamina Dwi Sutjipto announced that the cuts were larger than what was previously expected, with the price of diesel cut to IDR5650 per liter from IDR6700 a liter previously, likely increasing consumption of fossil fuels.<sup>107</sup>

On 30 March 2016, the Indonesian government announced new prices of subsidized fuels effective 1 April 2016.<sup>108</sup> Both gasoline and automotive diesel were lowered by IDR500 per litre.<sup>109</sup> These price changes are the second round of price adjustments the government announced since November.<sup>110</sup>

On 22 April 2016, the Ministry of State-Owned Enterprises announced that in early July 2016, all state-owned oil and gas companies would be grouped under the holding company of Pertamina.<sup>111</sup> Huge efficiency savings are expected from the merger, leading to savings of around USD1.6 billion in investments and better coordination of national energy planning as well as in gas distribution and operations.<sup>112</sup>

On 31 May 2016, Marketing Director of Pertamina Ahmed Bambang announced that the company would not increase fuel prices during Ramadan, which fell during the months of June and July.<sup>113</sup> The Ministry of Energy and Mineral Resources emphasized this by announcing that fuel prices would

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<sup>104</sup> Indonesia to Improve Cost Recovery Scheme to Increase Oil and Gas Investment, Berita Migas 17 Dec 2015. Access Date: 9 March 2016. <http://beritamigas.com/HOME/indonesia-to-improve-cost-recovery-scheme-to-increase-oil-and-gas-investment>.

<sup>105</sup> Indonesia postpones new levy on gas and diesel, Reuters 4 January 2016. Access Date: 21 February 2016. <http://sustainability.thomsonreuters.com/2016/01/05/indonesia-postpones-new-levy-on-gasoline-and-diesel/>.

<sup>106</sup> Good News for Customers, Indonesia Govt Cuts Fuel Price from Jan 5, RanbuEnergy 5 January 2016. Access Date: 7 March 2016. <http://www.rambuenergy.com/2016/01/good-news-for-customers-indonesia-govt-cuts-fuel-price-from-jan-5/>.

<sup>107</sup> Good News for Customers, Indonesia Govt Cuts Fuel Price from Jan 5, RanbuEnergy 5 January 2016. Access Date: 7 March 2016. <http://www.rambuenergy.com/2016/01/good-news-for-customers-indonesia-govt-cuts-fuel-price-from-jan-5/>.

<sup>108</sup> Indonesia Energy Subsidy Briefing, Global Subsidies Initiative, International Institute of Sustainable Development 1 April 2016. Access Date: 10 April 2016. <https://www.iisd.org/gsi/news/indonesia-news-briefing-april-2016>.

<sup>109</sup> Indonesia Energy Subsidy Briefing, Global Subsidies Initiative, International Institute of Sustainable Development 1 April 2016. Access Date: 10 April 2016. <https://www.iisd.org/gsi/news/indonesia-news-briefing-april-2016>.

<sup>110</sup> Indonesia Energy Subsidy Briefing, Global Subsidies Initiative, International Institute of Sustainable Development 1 April 2016. Access Date: 10 April 2016. <https://www.iisd.org/gsi/news/indonesia-news-briefing-april-2016>.

<sup>111</sup> Indonesia Energy Subsidy Briefing, International Institute for Sustainable Development, Global Subsidies Initiative June 2016. Access Date: 22 July 2016. <https://www.iisd.org/GSI/news/indonesia-news-briefing-june-2016>.

<sup>112</sup> Indonesia Energy Subsidy Briefing, International Institute for Sustainable Development, Global Subsidies Initiative June 2016. Access Date: 22 July 2016. <https://www.iisd.org/GSI/news/indonesia-news-briefing-june-2016>.

<sup>113</sup> Indonesia Energy Subsidy Briefing, International Institute for Sustainable Development, Global Subsidies Initiative June 2016. Access Date: 22 July 2016. <https://www.iisd.org/GSI/news/indonesia-news-briefing-june-2016>.

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remain at current levels until after Eid, and the government would examine prices again in September.<sup>114</sup>

On 2 June 2016, during state budget revision talks with the parliament, the government proposed to reduce subsidies on automotive diesel from IDR1000 to IDR350 per litre.<sup>115</sup> On 21 June 2016, the House of Representatives budgetary board agreed to cut the diesel fuel subsidy allocation from IDR1000 to IDR500 per litre on 1 July 2016.<sup>116</sup> According to the Ministry of Energy and Mineral Resources, “the price [for subsidized diesel fuel] will remain at IDR5150 per liter for the next three months.”<sup>117</sup> Funds saved from these subsidy cuts are expected to be re-directed towards an energy security fund and infrastructure development.<sup>118</sup>

In early June 2016, Minister of Finance Bambang Brodjonegoro announced that implementation of electricity subsidy reforms would again be postponed due to difficulty with targeting appropriate recipients.<sup>119</sup> In parliament, Minister Brodjonegoro noted that the government will be asking for an additional electricity subsidy allocation of IDR18.8 trillion to cover the costs of prolonging the subsidy scheme.<sup>120</sup> Nonetheless, the government rejected calls from the Indonesian Coal Mining Association (APBI-ICMA) to introduce coal subsidies, based on the cost of production and a 15–25 per cent profit margin.<sup>121</sup>

Indonesia has decreased some fossil fuel subsidies however, has increased others. There is no evidence suggesting Indonesia has supported vulnerable groups.

Thus, Indonesia has received a score of -1.

*Analyst: Laila Kanji*

### **Italy: 0**

Italy has partially complied with its commitment to rationalize and phase out inefficient fossil fuel subsidies, over the medium term, while recognizing the need to support the poor.

On 30 November 2015, Italy, along with 40 other countries, endorsed The Fossil Fuel Subsidy Reform Communiqué presented to the United Nations Framework Convention on Climate Change

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<sup>114</sup> Indonesia Energy Subsidy Briefing, International Institute for Sustainable Development, Global Subsidies Initiative June 2016. Access Date: 22 July 2016. <https://www.iisd.org/GSI/news/indonesia-news-briefing-june-2016>.

<sup>115</sup> Indonesia Energy Subsidy Briefing, International Institute for Sustainable Development, Global Subsidies Initiative June 2016. Access Date: 22 July 2016. <https://www.iisd.org/GSI/news/indonesia-news-briefing-june-2016>.

<sup>116</sup> Indonesia Energy Subsidy Briefing, International Institute for Sustainable Development, Global Subsidies Initiative June 2016. Access Date: 22 July 2016. <https://www.iisd.org/GSI/news/indonesia-news-briefing-june-2016>.

<sup>117</sup> Govt to Cut Diesel Subsidy on July 1, Consumer Price Unchanged, The Jakarta Post, 22 June 2016. Access Date: 22 July 2016. <http://www.thejakartapost.com/news/2016/06/21/govt-to-cut-diesel-subsidy-on-july-1-consumer-price-unchanged.html>.

<sup>118</sup> Indonesia Mulls Scrapping Diesel Subsidies-Energy Ministry Official, Reuters 15 March 2016. Access Date: 22 July 2016. <http://af.reuters.com/article/commoditiesNews/idAFL3N16N1Z9>.

<sup>119</sup> How are governments encouraged to to initiate subsidy reform? Through research!, Global Studies Initiative-International Institute for Sustainable Development (New Delhi) 13 July 2016. Access Date: 20 July 2016. <https://www.iisd.org/gsi/news/how-are-governments-encouraged-initiate-subsidy-reform-through-research>.

<sup>120</sup> How are governments encouraged to to initiate subsidy reform? Through research!, Global Studies Initiative-International Institute for Sustainable Development (New Delhi) 13 July 2016. Access Date: 20 July 2016. <https://www.iisd.org/gsi/news/how-are-governments-encouraged-initiate-subsidy-reform-through-research>.

<sup>121</sup> Indonesia Energy Subsidy Briefing, International Institute for Sustainable Development, Global Subsidies Initiative June 2016. Access Date: 22 July 2016. <https://www.iisd.org/GSI/news/indonesia-news-briefing-june-2016>.

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(UNFCCC).<sup>122</sup> The Communiqué “calls on the international community to increase efforts to phase out subsidies for fossil fuel production and use.”<sup>123</sup>

On 2 February 2016 a package of measures to promote the Green Economy in Italy comes officially into force, after approval by the Italian Parliament in December 2015. Among provisions on sustainable transport, waste management and protected marine areas, the Italian government commits to becoming the first EU country to track and publish all of its environmentally harmful subsidies on a yearly basis. These include, but are not limited to, incentives, tax-breaks, subsidised loans and exemptions intended for the production and use of fossil fuels. The introduction of this provision is in line with a 2011 Communication from the European Commission, recommending all Member States “identify the most significant environmentally harmful subsidies pursuant to established methodologies, and prepare plans and timetables to phase out environmentally harmful subsidies and report on these as part of their [annual] National Reform Programmes.”<sup>124</sup>

On 27 May 2016, the Group of 7 (G7) for the first time set a deadline for the ending most fossil fuel subsidies, saying that government support for coal, oil and gas should end by 2025.<sup>125</sup> The leaders of the UK, US, Canada, France, Germany, Italy, Japan and the EU encouraged all countries to join them in eliminating “inefficient fossil fuel subsidies” within a decade.<sup>126</sup> “Given the fact that energy production and use account for around two-thirds of global greenhouse gas emissions, we recognise the crucial role that the energy sector has to play in combatting climate change,” said the leaders’ declaration, issued at the end their summit in Japan.<sup>127</sup> The pledge first entered into G7 declarations in 2009 but has until now lacked a firm timeline.<sup>128</sup>

On 23 June 2016, Italy approved a EUR9 billion subsidy scheme for renewable energy to be rolled out over the next 20 years. “The quality and quantity of renewable energy will be enough to increasingly replace coal and fossil fuels though it will be a slow process,” President Renzi said at a conference presenting the government’s green energy strategy.<sup>129</sup> Renzi in 2014, cut back support for renewable energy due to the price of the subsidies passed on to consumers through their bills, a move the industry said would alienate investors. “After many months of waiting this is undoubtedly good news,” said Agostino Re Rebaudengo, president of the Italian renewable association Assorinnovabili.<sup>130</sup> The effects of the subsidies on consumers bills, including the poor, is not yet known. No measures of targeted support were announced.

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<sup>122</sup> Fossil-Fuel Subsidy Reform Communiqué Presented to UNFCCC (New Zealand) 30 November 2015. Access Date: 21 February 2016. <http://climate-l.iisd.org/news/fossil-fuel-subsidy-reform-communicue-presented-to-unfccc/>.

<sup>123</sup> Fossil-Fuel Subsidy Reform Communiqué Presented to UNFCCC (New Zealand) 30 November 2015. Access Date: 21 February 2016. <http://climate-l.iisd.org/news/fossil-fuel-subsidy-reform-communicue-presented-to-unfccc/>.

<sup>124</sup> Italy commits to track Environmentally Harmful Subsidies, Green Budget Europe 2 February 2016. Access Date: 10 August 2016. <http://green-budget.eu/italy-commits-to-becoming-the-first-eu-country-to-track-environmentally-harmful-subsidies/>

<sup>125</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>126</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>127</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>128</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>129</sup> Italy signs off on 9 bln euro green energy plan, Reuters 23 June 2016. Access Date: 10 August 2016. <http://af.reuters.com/article/energyOilNews/idAFL8N19F2V7>

<sup>130</sup> Italy signs off on 9 bln euro green energy plan, Reuters 23 June 2016. Access Date: 10 August 2016. <http://af.reuters.com/article/energyOilNews/idAFL8N19F2V7>

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Italy has affirmed its commitment to end fossil fuel subsidies and begun steps to rationalize subsidies however, no evidence was found suggesting support of the poor.

Thus, Italy has received a score of 0.

*Analysts: Hasna Sami and Jennifer Kou*

### **Japan: -1**

Japan has failed to comply with its commitment to rationalise and phase-out inefficient fossil fuel subsidies, over the medium term, while recognizing the need to support the poor.

On 18 November 2015, members of the Organization of Economic Cooperation and Development (OECD) including Japan reached an agreement about restrictions on subsidies used to export technology for coal-fired power plants.<sup>131</sup> However, Minister of Environment Tamayo Marukawa stated that Japan would focus on promoting the development of efficient technology rather than on restricting subsidies on fossil fuel exports.<sup>132</sup> She has shown uncertainties about whether there would be an increase in Japan's export of coal-fired stations.<sup>133</sup>

On 27 May 2016, the Group of 7 (G7) for the first time set a deadline for the ending most fossil fuel subsidies, saying that government support for coal, oil and gas should end by 2025.<sup>134</sup> The leaders of the UK, US, Canada, France, Germany, Italy, Japan and the EU encouraged all countries to join them in eliminating "inefficient fossil fuel subsidies" within a decade.<sup>135</sup> "Given the fact that energy production and use account for around two-thirds of global greenhouse gas emissions, we recognise the crucial role that the energy sector has to play in combatting climate change," said the leaders' declaration, issued at the end their summit in Japan.<sup>136</sup> The pledge first entered into G7 declarations in 2009 but has until now lacked a firm timeline.<sup>137</sup>

On 28 June 2016, at the meeting of energy ministers from the G20 countries in Beijing, China, Japan came under attack for resisting efforts by the Organization for Economic Cooperation and Development to phase out coal export credits, and preferentially financing companies that export coal technology, such as Toyota.<sup>138</sup>

Japan has taken no action to reduce existing fossil fuel subsidies and did not provide any targeted support to the poor.

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<sup>131</sup> OECD Countries Agree to Restrict Financing for Overseas Coal Power Plants, The Guardian 18 November 2015. Access Date: 25 February 2015. <http://www.theguardian.com/environment/2015/nov/18/oecd-countries-agree-to-restrict-financing-for-overseas-coal-power-plants>.

<sup>132</sup> Japan to Push Coal Technology Despite OECD Subsidy Cut, Japan's Environment Minister Says, The Japan Times 26 November 2015. Access Date: 25 February 2015. <http://www.japantimes.co.jp/news/2015/11/26/national/politics-diplomacy/japan-push-coal-technology-despite-oecd-subsidy-cut-japans-environment-minister-says/#.VtKTddbrSp4>.

<sup>133</sup> Japan to Push Coal Technology Despite OECD Subsidy Cut, Japan's Environment Minister Says, The Japan Times 26 November 2015. Access Date: 25 February 2015. <http://www.japantimes.co.jp/news/2015/11/26/national/politics-diplomacy/japan-push-coal-technology-despite-oecd-subsidy-cut-japans-environment-minister-says/#.VtKTddbrSp4>.

<sup>134</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>135</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>136</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>137</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>138</sup> G20 Economies Under Pressure to End Fossil Fuel Subsidies, The Wire 29 June 2016. Access Date: 28 July 2016. <http://thewire.in/46904/g20-economies-under-pressure-to-end-fossil-fuel-subsidies/>

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Thus, Japan has received a score of -1.

*Analyst: Olivier X. Li and Rinchen-Dolma Karma*

### **Korea: 0**

Korea has partially complied with its commitment to rationalise and phase-out inefficient fossil fuel subsidies, over the medium term, while recognizing the need to support the poor.

On 30 November 2015, during the 21st session of the Conference of the Parties Climate Summit, President Park Geun-hye outlined the Korean government's strategies to reduce greenhouse gas emissions, implement new energy industries, and share new technologies and business models with the developing world including implementing "prosumer" markets which would enable the trade of electricity through new and renewable energy facilities.<sup>139</sup>

On 15 December 2015, the Korean government announced a plan to fuel demand for hydrogen cell cars by making them more affordable and building up necessary infrastructure. The plan aims to bring down prices of fuel cell electric vehicle (FCEV) from around KRW85 million as of early this year to around KRW30 million in 2018, that will give it price competitiveness vis-a-vis conventional vehicles, the Ministry of Trade, Industry and Energy said. To meet this target, Seoul will increase the number of buyers who can benefit from KRW27.5 million state subsidies when buying FCEVs, as well as providing exemption from various taxes. The ministry said it is also moving to get regional governments to provide additional support to people buying the eco-friendly cars.<sup>140</sup>

On 18 April 2016, Korea Power Exchange published a report indicating that Korea had paid KRW41.6 trillion to private power generators in 2015, with 35 per cent of that spent on coal-fired power generation, an 11 per cent increase from the year previous.<sup>141</sup> Moreover, 32.3 per cent of governmental revenue was spent on thermal power plants that used liquefied natural gas as a fuel source and 4.7 per cent on renewable energy-based power generation, a 26.4 and 10.6 per cent decrease from the year previous, respectively.<sup>142</sup>

While Korea has not taken any direct steps to phase-out its inefficient subsidies however, it has provided support to vulnerable populations.

Thus, Korea has received a score of 0.

*Analyst: Anju Xing*

### **Mexico: -1**

Mexico has failed to comply with its commitment to rationalise and phase-out inefficient fossil fuel subsidies, over the medium term, while recognizing the need to support the poor.

On 30 November 2015, Mexico, along with 40 other countries endorsed the Fossil Fuel Subsidy Reform Communiqué presented to the United Nations Framework Convention on Climate Change

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<sup>139</sup> President stresses greenhouse gas reduction, Korea.net (Paris) 1 December 2015. Access Date: 20 February 2016. <http://www.korea.net/NewsFocus/Policies/view?articleId=131153>.

<sup>140</sup> S. Korea to make hydrogen cell cars more affordable, fuel demand, Yonhap 15 December 2016. Access Date: 10 August 2016. <http://english.yonhapnews.co.kr/business/2015/12/14/0502000000AEN20151214008400320.html>

<sup>141</sup> S. Korea's dependence on coal-fired power output still high, Yonhap (Seoul). 18 April 2016. Access Date: 20 July 2016. <http://english.yonhapnews.co.kr/business/2016/04/18/0501000000AEN20160418002200320.html>.

<sup>142</sup> S. Korea's dependence on coal-fired power output still high, Yonhap (Seoul). 18 April 2016. Access Date: 20 July 2016. <http://english.yonhapnews.co.kr/business/2016/04/18/0501000000AEN20160418002200320.html>.

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(UNFCCC).<sup>143</sup> The Communiqué “calls on the international community to increase efforts to phase-out subsidies for fossil fuel production and use.”<sup>144</sup>

On 14 April 2016, it was reported that the Mexican government provided Pemex, a large state-owned oil producer, USD4.4 billion in financial aid to help the company sustain itself. Many speculate that aid will increase in coming months.<sup>145</sup>

On 29 June 2016, Canadian Prime Minister Justin Trudeau, American President Barack Obama, and Mexican President Enrique Peña Nieto issued a statement following the North American Leaders’ Summit stating, “We commit to phase out inefficient fossil fuel subsidies by 2025 and call on the other members of the G20 to do the same. We also urge the G20 to make commitments to reduce methane emissions in the oil and gas sector and to improve the environmental performance of heavy-duty vehicles. Canada, the U.S., and Mexico will promote universal energy access and work together to address the challenges of energy security and integration, clean energy investment, and regional energy cooperation in the Caribbean and Central America. Canada, the U.S. and Mexico will align approaches to account for the social cost of carbon and other greenhouse gas emissions when assessing the benefits of emissions-reducing policy measures.”<sup>146</sup>

While Mexico has reaffirmed its commitment to phase-out fossil fuel subsidies no evidence was found suggesting it has implemented policies or support to the poor.

Thus, Mexico has received a score of -1.

*Analyst: Laila Kanji*

#### **Russia: -1**

Russia has failed to comply with its commitment to rationalise and phase-out inefficient fossil fuel subsidies, over the medium term, while recognizing the need to support the poor.

On 22 December 2015, the Russian government approved an action plan for strategic investment in the Vostochny Petrochemical Complex.<sup>147</sup> A number of measures are planned, including “designing and deploying facilities, building infrastructure facilities, including under government and federal targeted programmes, and ensuring the resource base.”<sup>148</sup>

On 28 July 2016, the Ministries of Finance and Energy reached a provisional agreement on a new tax system for the Russian oil industry.<sup>149</sup> The proposals would see a switch from a fixed Mineral Extraction Tax (MET), where a company is taxed based on the amount of oil, gas, or other mineral

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<sup>143</sup> Fossil-Fuel Subsidy Reform Communiqué Presented to UNFCCC (New Zealand) 30 November 2015. Access Date: 21 February 2016. <http://climate-iiisd.org/news/fossil-fuel-subsidy-reform-communiqué-presented-to-unfccc/>.

<sup>144</sup> Fossil-Fuel Subsidy Reform Communiqué Presented to UNFCCC (New Zealand) 30 November 2015. Access Date: 21 February 2016. <http://climate-iiisd.org/news/fossil-fuel-subsidy-reform-communiqué-presented-to-unfccc/>.

<sup>145</sup> Mexico Forced to Rescue Drowning Oil Giant Pemex, CNN 14 April 2016. Access Date: 30 July 2016. <http://money.cnn.com/2016/04/14/investing/mexico-rescue-oil-company-pemex/>.

<sup>146</sup> Leaders’ Statement on a North American Climate, Clean Energy, and Environment Partnership, Government of Canada 29 June 2016. Access Date: 18 July 2016. <http://pm.gc.ca/eng/news/2016/06/29/leaders-statement-north-american-climate-clean-energy-and-environment-partnership>.

<sup>147</sup> Approving an action plan for the Vostochny Petrochemical Complex strategic investment project (Russia) 22 December 2015. Access Date: 20 February 2016. <http://government.ru/en/docs/21196/>.

<sup>148</sup> Approving an action plan for the Vostochny Petrochemical Complex strategic investment project (Russia) 22 December 2015. Access Date: 20 February 2016. <http://government.ru/en/docs/21196/>.

<sup>149</sup> Tax Shake-up ‘provisionally agreed’ for Russia’s Oil Industry, The Moscow Times (Moscow) 28 July 2016. Access Date: 28 July 2016 <https://themoscowtimes.com/articles/tax-shake-up-provisionally-agreed-for-russias-oil-industry-54768>.

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extracted, to an Excess Profits Tax (EPT), which will significantly reduce the tax burden on more mature oil fields while slightly increasing it for newer ones.<sup>150</sup> Under the new calculation formula, old fields could save an estimated RUB40 billion while newer fields may also gain by exchanging customs exemptions for excess profits tax (EPT).<sup>151</sup> Under this new system, taxes on old fields would decrease between 16 and 20 per cent depending on the oil price.<sup>152</sup>

Russia has increased fossil fuel subsidies and no evidence was found of support to the poor.

Thus, Russia has received a score of -1.

*Analysts: Hasna Sami and Jennifer Kou*

### **Saudi Arabia: 0**

Saudi Arabia has partially complied with its commitment to rationalise and phase-out inefficient fossil fuel subsidies, over the medium term, while recognizing the need to support the poor.

On 28 December 2015, the King of Saudi Arabia announced the country's 2016 budget, which includes government plans to privatize "several sectors" and "amend the programs of oil, water and electricity subsidies through re-pricing them gradually over the coming five years."<sup>153</sup> Muhammad bin Salman, the kingdom's deputy crown prince has also stated that the Government of Saudi Arabia is thinking about listing shares in Saudi Aramco, the state-owned oil company that is the world's biggest oil producer.<sup>154</sup>

The Government of Saudi Arabia stated that they are cutting subsidies for energy, water, and electricity for the domestic population, which has resulted in an 8.3 per cent increase in price for these commodities.<sup>155</sup> The former US ambassador to Saudi Arabia has warned that the cut to domestic subsidies will "hurt every single Saudi in their pocketbook."<sup>156</sup> The Saudi Arabian Government has also increased the domestic price of gas by 50 per cent, from 16 cents to 24 cents a litre.<sup>157</sup>

From December 2015 to January 2016, inflation within the country rose from 2.3 per cent to 4.3 per cent, leading to a 12.6 per cent increase in transportation prices and a 5.5 per cent increase in

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<sup>150</sup> Tax Shake-up 'provisionally agreed' for Russia's Oil Industry, The Moscow Times (Moscow) 28 July 2016. Access Date: 28 July 2016 <https://themoscowtimes.com/articles/tax-shake-up-provisionally-agreed-for-russias-oil-industry-54768>.

<sup>151</sup> Tax Shake-up 'provisionally agreed' for Russia's Oil Industry, The Moscow Times (Moscow) 28 July 2016. Access Date: 28 July 2016 <https://themoscowtimes.com/articles/tax-shake-up-provisionally-agreed-for-russias-oil-industry-54768>.

<sup>152</sup> Russian oil industry close to major taxation overhaul, Reuters U.S edition 25 July 2016. Access Date: 28 July 2016 <http://www.reuters.com/article/russia-oil-taxation-idUSL8N1AB3GP?rpc=401>.

<sup>153</sup> Saudi Arabia Plans Subsidy Cuts as King Reveals 2016 Budget, Bloomberg. 28 December 2015. Access Date: 26 February 2016. <http://www.bloomberg.com/news/articles/2015-12-28/saudi-arabia-aims-to-cut-spending-to-840-billion-riyals-in-2016>.

<sup>154</sup> Saudi Arabia is considering an IPO of Aramco, probably the world's most valuable company, The Economist (New York) 7 January 2016. Access Date: 26 February 2016. <http://www.economist.com/news/middle-east-and-africa/21685529-biggest-oil-all-saudi-arabia-considering-ipo-aramco-probably>.

<sup>155</sup> The Geopolitics of Cheap Oil: Economists said the market would save the planet. It didn't., Foreign Policy in Focus (Washington) 6 January 2016. Access Date: 23 February 2016. <http://fpif.org/geopolitics-cheap-oil/>.

<sup>156</sup> Saudi Arabia faces 'economic bomb' and hikes gas prices 50%, CNNMoney (New York) 5 January 2016. Access Date: 23 February 2016. <http://money.cnn.com/2016/01/05/news/economy/saudi-arabia-oil-budget-gas/>.

<sup>157</sup> Saudi Arabia faces 'economic bomb' and hikes gas prices 50%, CNNMoney (New York) 5 January 2016. Access Date: 23 February 2016. <http://money.cnn.com/2016/01/05/news/economy/saudi-arabia-oil-budget-gas/>.

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healthcare costs, which is disproportionately felt by the poor.<sup>158</sup> Jason Tuvey, Middle East economist at Capital Economics in London noted that “the surge in Saudi inflation was almost entirely due to the subsidy cuts that were announced alongside the budget.”<sup>159</sup>

On 4 April 2016, Bloomberg reported that the Saudi government will “accelerate subsidy cuts and impose more levies as part of its plan to boost non-oil revenue by USD100 billion annually by 2020.”<sup>160</sup>

On 26 April 2016, the government of Saudi Arabia released a sweeping set of programs and reforms to be implemented by 2030 called the Saudi Vision 2030.<sup>161</sup> Drafted under the Council of Economic and Development Affairs, this program seeks to diversify the country’s economy and move it toward non-oil income.<sup>162</sup> As part of Vision 2030, Saudi Arabia plans to sell a five per cent stake in the country’s colossal national oil company, Aramco, which will create a USD2 trillion wealth fund for the establishment of an economy beyond oil dependence.<sup>163</sup>

On 6 June 2016, Saudi Arabia approved plans to triple their non-oil revenue by 2020 through the National Transformative Program (NTP) initiative.<sup>164</sup> This initiative would see the creation of 450,000 non-oil jobs by 2020 through five year implementation strategy costing about SAR270 billion.<sup>165</sup> The NTP also involves the introduction of indirect taxation, reduction of subsidies to water and electricity, and cuts to public wages, which while saving the government as much as SAR200 billion will disproportionately affect the poor.<sup>166</sup>

Saudi Arabia has decreased oil subsidies but has not implemented policies to support the inflationary effects of subsidy cuts on the poor.

Thus, Saudi Arabia has received a score of 0.

*Analyst: Bojana Radan*

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<sup>158</sup> Saudi Arabia inflation accelerates in January after subsidy cuts, The National (Washington) 23 February 2016. Access Date: 26 February 2016. <http://www.thenational.ae/business/economy/saudi-arabia-inflation-accelerates-in-january-after-subsidy-cuts>.

<sup>159</sup> Saudi Arabia inflation accelerates in January after subsidy cuts, The National (Washington), 23 February 2016. Access Date: 26 February 2016. <http://www.thenational.ae/business/economy/saudi-arabia-inflation-accelerates-in-january-after-subsidy-cuts>.

<sup>160</sup> Saudi Arabia plans international bond sale as early as September, Bloomberg 4 April 2016. Access Date: 18 April 2016. <http://www.bloomberg.com/news/articles/2016-04-04/saudi-arabia-plans-international-bond-sale-as-early-as-september>.

<sup>161</sup> Full text of Saudi Arabia’s Vision 2030, Saudi Gazette (Riyadh) 26 April 2016. Access Date: 26 July 2016. <http://english.alarabiya.net/en/perspective/features/2016/04/26/Full-text-of-Saudi-Arabia-s-Vision-2030.html>.

<sup>162</sup> Saudi Arabia plans to sell state oil assets to create a \$2tn wealth fund, The Guardian 01 April 2016. Access Date: 26 July 2016. <https://www.theguardian.com/business/2016/apr/01/saudi-arabia-plans-to-sell-state-oil-assets-to-create-2tn-wealth-fund>.

<sup>163</sup> Saudi Arabia plans to sell state oil assets to create a \$2tn wealth fund, The Guardian 01 April 2016. Access Date: 26 July 2016. <https://www.theguardian.com/business/2016/apr/01/saudi-arabia-plans-to-sell-state-oil-assets-to-create-2tn-wealth-fund>.

<sup>164</sup> Saudi Arabia Set to Announce Details of Economic Reforms, The Wall Street Journal 6 June 2016. Access Date: 26 July 2016. <http://www.wsj.com/articles/saudi-arabia-set-to-announce-details-of-economic-reforms-1465222176>.

<sup>165</sup> Saudi Arabia Approves Plan to Diversity Economy, The Wall Street Journal 6 June 2016. Access Date: 26 July 2016. <http://www.wsj.com/articles/saudi-arabias-cabinet-approves-economic-reform-package-1465252667>.

<sup>166</sup> Saudi Arabia Approves Plan to Diversity Economy, The Wall Street Journal 6 June 2016. Access Date: 26 July 2016. <http://www.wsj.com/articles/saudi-arabias-cabinet-approves-economic-reform-package-1465252667>.

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### **South Africa: –1**

South Africa has failed to comply with its commitment to rationalise and phase-out inefficient fossil fuel subsidies, over the medium term, while recognizing the need to support the poor.

On 11 February 2016, in the State of the Nation address, South African President Jacob Zuma stated that the government would be continuing its use of coal for energy and would be selecting preferred bidders for the creation of new coal independent power plants.<sup>167</sup>

On 24 February 2016, the South African government released the 2016 National Budget and announced a fuel levy, which will increase fuel costs by ZAR0.30 per litre, disproportionately affecting the poor.<sup>168</sup> The 2016 National Budget also stated that oil refineries would be able to write off capital expenditure over three years, instead of five, as they upgrade to comply with new fuel specifications.<sup>169</sup>

South Africa has not taken any actions to reduce fossil fuel subsidies nor support the poor.

Thus, South Africa has received a score of –1.

*Analyst: Bojana Radan*

### **Turkey: –1**

Turkey has failed to comply with its commitment to rationalise and phase-out inefficient fossil fuel subsidies, over the medium term, while recognizing the need to support the poor.

On January 20 2016, Turkey offered fuel subsidies of USD6000 per flight to five tourist cities—Antalya, Alanya, Dalaman, Bodrum, and Izmir—in efforts to safeguard tourism revenue after the terrorist attack on January 12, 2016.<sup>170</sup>

On 8 February 2016, Turkey's energy costs decreased by about USD17 billion compared to the previous year.<sup>171</sup> Consumers however faced significant increases in many energy products and complementary transport services.<sup>172</sup> Electricity prices were increased by around 7 per cent and natural gas prices for residential areas were increased by 9 per cent.<sup>173</sup> The energy watchdog, EPDK, increased electricity prices by 6.7 per cent in industrial areas and 3.8 per cent in residential areas

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<sup>167</sup> Address by Prime Minister Jacob Zuma at the State of the Nation Address, Office of the President (Cape Town) 11 February 2016. Access Date: 23 February 2016. <http://www.news24.com/SouthAfrica/News/full-speech-state-of-the-nation-address-2016-20160211>.

<sup>168</sup> Address by Minister of Finance Pravin Gordhan at 2016 Budget Speech, Cabinet Colleagues and Deputy Ministers (Cape Town) 24 February 2016. Access Date: 26 February 2016. <http://www.pwc.co.za/en/assets/pdf/budget-speech-2016.pdf>.

<sup>169</sup> Gordhan Targets South Africa's Wealthy to Boost Tax Revenue, Bloomberg Business (Washington) 24 February 2016. Access Date: 26 February 2016. <http://www.bloomberg.com/news/articles/2016-02-24/gordhan-targets-south-africa-s-wealthy-to-boost-tax-revenue>.

<sup>170</sup> Turkey to offer fuel subsidies for flights to bring back tourists, Reuters 20 January 2016. Access date: 27 July 2016. <http://www.reuters.com/article/turkey-economy-airlines-idUSL8N1542IB>.

<sup>171</sup> Global energy plunge not producing lower prices in Turkey, Hurriyet Daily News 8 February 2016. Date of Access: 23 February 2016. <http://www.hurriyetdailynews.com/global-energy-plunge-not-producing-lower-prices-in-turkey.aspx?pageID=238&nID=94857&NewsCatID=348>.

<sup>172</sup> Global energy plunge not producing lower prices in Turkey, Hurriyet Daily News 8 February 2016. Date of Access: 23 February 2016. <http://www.hurriyetdailynews.com/global-energy-plunge-not-producing-lower-prices-in-turkey.aspx?pageID=238&nID=94857&NewsCatID=348>.

<sup>173</sup> Global energy plunge not producing lower prices in Turkey, Hurriyet Daily News 8 February 2016. Date of Access: 23 February 2016. <http://www.hurriyetdailynews.com/global-energy-plunge-not-producing-lower-prices-in-turkey.aspx?pageID=238&nID=94857&NewsCatID=348>.

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“because of necessary investments and the administrative costs of the electricity distribution companies.”<sup>174</sup> No evidence of support for the poor was found.

On 14 February 2016, the Turkish Economy Minister’s budget plan for 2016 announced “a total of USD2.68 billion-worth of resources is planned to be allocated to Turkish Petroleum’s oil and natural gas searches and production this year.”<sup>175</sup> Furthermore, the budget announced “projects to develop new incentives and revise current incentives in electricity production plans, ultimately generation electricity through domestically mined coal.”<sup>176</sup> The plan also announced that “search and mining efforts for the discovery of local coal fields will be expedited.” The government will create a “new funding method”<sup>177</sup> that allows companies to benefit from large lignite coal fields.

On 11 April 2016, Turkey extended the USD6000 jet fuel subsidies they began offering in January, deciding to continue providing them from June to September 2016.<sup>178</sup>

Turkey has increased subsidies and has not provided support for the poor.

Thus, Turkey has received a score of -1.

*Analyst: Yalda Mehran and Ethan Tsai*

### **United Kingdom: -1**

The United Kingdom has failed to comply with its commitment to rationalise and phase-out inefficient fossil fuel subsidies, over the medium term, while recognizing the need to support the poor.

On 25 November 2015, UK Chancellor George Osborne cut future funding for an energy scheme called the Energy Company Obligation (ECO), which helps reduce carbon emissions and cut family energy bills by the installation of efficient energy measures in the homes of poor and vulnerable consumers.<sup>179</sup> The cost of ECO has been forecasted to rise to GBP55 a year by 2020 but the cheaper version which the Chancellor has implemented will only cover roughly half of the houses that it covered before the cuts.<sup>180</sup>

On 30 November 2015, at the United Nation Climate Change Conference (UNCCC), the UK government stated that they planned to phase-out unabated coal-fired power stations by the year

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<sup>174</sup> Global energy plunge not producing lower prices in Turkey, Hurriyet Daily News 8 February 2016. Date of Access: 23 February 2016. <http://www.hurriyetdailynews.com/global-energy-plunge-not-producing-lower-prices-in-turkey.aspx?pageID=238&nID=94857&NewsCatID=348>.

<sup>175</sup> \$2 billion worth of drilling from Turkish Petroleum, Daily Sabah (Istanbul) 14 February 2016. Access Date: 10 March 2016. <http://www.dailysabah.com/energy/2016/02/15/2-billion-worth-of-drilling-from-turkish-petroleum>.

<sup>176</sup> Wider use of Turkish coal to decrease gas imports by \$7.2 billion, Daily Sabah (Istanbul) 23 February 2016. Access Date: 10 March 2016. <http://www.dailysabah.com/energy/2016/02/24/wider-use-of-turkish-coal-to-decrease-gas-imports-by-72-billion>.

<sup>177</sup> Wider use of Turkish coal to decrease gas imports by \$7.2 billion, Daily Sabah (Istanbul) 23 February 2016. Access Date: 10 March 2016. <http://www.dailysabah.com/energy/2016/02/24/wider-use-of-turkish-coal-to-decrease-gas-imports-by-72-billion>.

<sup>178</sup> Turkey extends due date for fuel subsidies for flights, Hurriyet Daily News, 11 April 2016. Access Date: 27 July 2016. <http://www.hurriyetdailynews.com/turkey-extends-due-date-for-fuel-subsidies-for-flights-tourism-minister.aspx?pageID=238&nID=97628&NewsCatID=349>.

<sup>179</sup> Families promised £30 energy bill savings as Chancellor slashes insulation scheme, The Telegraph (London) 25 November. Access Date: 23 February 2016. <http://www.telegraph.co.uk/news/earth/energy/12017361/autumn-statement-2015-30-energy-bill-saving-as-Chancellor-cuts-insulation.html>.

<sup>180</sup> Families promised £30 energy bill savings as Chancellor slashes insulation scheme, The Telegraph (London) 25 November. Access Date: 23 February 2016. <http://www.telegraph.co.uk/news/earth/energy/12017361/autumn-statement-2015-30-energy-bill-saving-as-Chancellor-cuts-insulation.html>.

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2025.<sup>181</sup> The UK further committed to this statement with their announcement of the closure of five coal-fired power plants in 2016.<sup>182</sup>

On 30 November 2015, the UK, along with 40 other countries endorsed The Fossil Fuel Subsidy Reform Communiqué presented to the UNFCCC.<sup>183</sup> The Communiqué “calls on the international community to increase efforts to phase-out subsidies for fossil fuel production and use.”<sup>184</sup>

On 11 December 2015, the UK government awarded a GBP650 million subsidy to fossil fuel generators including GBP155 million for new diesel plants.<sup>185</sup> The government awarded this subsidy “to ensure sufficient back-up power is available when intermittent energy sources — such as solar or wind — do not produce enough power to meet demand.”<sup>186</sup>

On 17 December 2015, Secretary of State for Energy and Climate Change Amber Rudd announced a 65 per cent cut to renewable energy subsidies, as well as a cap for the total subsidy paid out in the renewable energy sector.<sup>187</sup> These renewable subsidies were expected to halve electricity bills for about 135,000 residents with an anticipated annual saving of GBP200 per household.<sup>188</sup>

On 28 January 2016, Prime Minister David Cameron announced that the UK government would invest GBP250 million in the UK City Deal, subsidizing costs for the oil and gas industry in North eastern Scotland.<sup>189</sup> This investment would be split among both the UK and Scottish governments, and would be used to help diversify the industry, further exploit any remaining North Sea reservoirs, and support oil and gas expansion into the Aberdeen harbour.<sup>190</sup>

On 28 January 2016, Secretary of State for Energy and Climate Change Amber Rudd announced a GBP20 million fund to unlock exploration activity on the UK Continental Shelf to discover new oil

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<sup>181</sup> Countdown to 2025: Tracking the UK coal phase out, Carbon Brief (London) 10 February 2016. Access Date: 22 February 2016. <http://www.carbonbrief.org/countdown-to-2025-tracking-the-uk-coal-phase-out>.

<sup>182</sup> Countdown to 2025: Tracking the UK coal phase out, Carbon Brief (London) 10 February 2016. Access Date: 22 February 2016. <http://www.carbonbrief.org/countdown-to-2025-tracking-the-uk-coal-phase-out>.

<sup>183</sup> Fossil-Fuel Subsidy Reform Communiqué Presented to UNFCCC (New Zealand) 30 November 2015. Access Date: 21 February 2016. <http://climate-iiisd.org/news/fossil-fuel-subsidy-reform-communique-presented-to-unfccc/>.

<sup>184</sup> Fossil-Fuel Subsidy Reform Communiqué Presented to UNFCCC (New Zealand) 30 November 2015. Access Date: 21 February 2016. <http://climate-iiisd.org/news/fossil-fuel-subsidy-reform-communique-presented-to-unfccc/>.

<sup>185</sup> Government award £650 million to fossil fuel subsidies to keep the lights on, Business Green (London) 11 December 2015. Access Date: 23 February 2016. <http://www.businessgreen.com/bg/analysis/2438907/government-awards-gbp650m-in-fossil-fuel-subsidies-to-keep-the-lights-on>.

<sup>186</sup> Government award £650 million to fossil fuel subsidies to keep the lights on, Business Green (London) 11 December 2015. Access Date: 23 February 2016. <http://www.businessgreen.com/bg/analysis/2438907/government-awards-gbp650m-in-fossil-fuel-subsidies-to-keep-the-lights-on>.

<sup>187</sup> UK cuts to renewable energy makes a mockery of its pledge at Paris climate talks, The Guardian (London) 17 December 2015. Access Date: 23 February 2016. <http://www.theguardian.com/environment/damian-carrington-blog/2015/dec/17/uk-cuts-renewable-energy-make-a-mockery-of-its-pledge-paris-climate-talks>.

<sup>188</sup> Thousands of social tenants will lose out if solar subsidies cuts go ahead, The Guardian (London) 18 November 2015. Access Date: 23 February 2016. <http://www.theguardian.com/environment/2015/nov/18/thousands-social-tenants-lose-out-solar-subsidies-cuts-go-ahead>.

<sup>189</sup> UK government confirms £250 million City Deal for Aberdeen, Department of Energy & Climate Change (London) 28 January 2016. Access Date: 22 February 2016. <https://www.gov.uk/government/news/pm-announces-further-boost-for-uk-oil-and-gas-industry>.

<sup>190</sup> PM announces further boost for oil and gas industry, Department of Energy & Climate Change (London) 28 January 2016. Access Date: 22 February 2016. <https://www.gov.uk/government/news/pm-announces-further-boost-for-uk-oil-and-gas-industry>.

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and gas resources and accelerate the drilling of new wells.<sup>191</sup> Rudd further reported that “the UK government is backing our oil and gas industry, the hardworking people it employs and the families it supports.”<sup>192</sup>

On 16 March 2016, Chancellor of the Exchequer George Osborne presented his Budget 2016 to the UK parliament, revealing tax cuts to the oil and gas industries worth GBP1 billion.<sup>193</sup> In his budget statement, he said that the government believed in making the most of the UK’s oil and gas resources and the industry which supports thousands of jobs.<sup>194</sup> Osborne stated: “The Oil and Gas sector employs hundreds of thousands of people in Scotland and across our country. In my Budget a year ago, I made major reductions to their taxes. But the oil price has continued to fall. So we need to act now for the long term. I am today cutting in half the Supplementary Charge on oil and gas from 20% to 10%. And I’m effectively abolishing Petroleum Revenue Tax too. Backing this key Scottish industry and supporting jobs right across Britain. Both of these major tax cuts will be backdated so they are effective from the 1st of January this year, and my HF the Exchequer Secretary will work with the industry to give them our full support.”<sup>195</sup>

On 27 May 2016, the Group of 7 (G7) for the first time set a deadline for the ending most fossil fuel subsidies, saying that government support for coal, oil and gas should end by 2025.<sup>196</sup> The leaders of the UK, US, Canada, France, Germany, Italy, Japan and the EU encouraged all countries to join them in eliminating “inefficient fossil fuel subsidies” within a decade.<sup>197</sup> “Given the fact that energy production and use account for around two-thirds of global greenhouse gas emissions, we recognise the crucial role that the energy sector has to play in combatting climate change,” said the leaders’ declaration, issued at the end their summit in Japan.<sup>198</sup> The pledge first entered into G7 declarations in 2009 but has until now lacked a firm timeline.<sup>199</sup>

On 19 June 2016, the UK government handed out almost GBP30 million to Shell and other companies on work for carbon capture storage (CCS) technology despite scrapping CCS projects and investments earlier in the year.<sup>200</sup>

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<sup>191</sup> UK government shows support for local oil and gas industry, *The Marine Professional* (London), 01 February 2016. Access date: 22 February 2016. <http://www.imarest.org/themarineprofessional/item/2137-uk-government-shows-support-for-local-oil-and-gas-industry>.

<sup>192</sup> PM announces further boost for oil and gas industry, *Department of Energy & Climate Change* (London) 28 January 2016. Access Date: 22 February 2016. <https://www.gov.uk/government/news/pm-announces-further-boost-for-uk-oil-and-gas-industry>.

<sup>193</sup> UK: Oil & gas tax cuts revealed in Budget 2016, *Offshore Energy Today* 16 March 2016. Access Date: 6 August 2016. <http://www.offshoreenergytoday.com/uk-oil-gas-tax-cuts-revealed-in-budget-2016/>.

<sup>194</sup> UK: Oil & gas tax cuts revealed in Budget 2016, *Offshore Energy Today* 16 March 2016. Access Date: 6 August 2016. <http://www.offshoreenergytoday.com/uk-oil-gas-tax-cuts-revealed-in-budget-2016/>

<sup>195</sup> UK: Oil & gas tax cuts revealed in Budget 2016, *Offshore Energy Today* 16 March 2016. Access Date: 6 August 2016. <http://www.offshoreenergytoday.com/uk-oil-gas-tax-cuts-revealed-in-budget-2016/>.

<sup>196</sup> G7 nations pledge to end fossil fuel subsidies by 2025, *The Guardian* 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>197</sup> G7 nations pledge to end fossil fuel subsidies by 2025, *The Guardian* 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>198</sup> G7 nations pledge to end fossil fuel subsidies by 2025, *The Guardian* 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>199</sup> G7 nations pledge to end fossil fuel subsidies by 2025, *The Guardian* 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>200</sup> Carbon capture: UK pays firms £30m despite scrapping projects, *The Guardian* 19 June 2016. Access Date: 25 July 2016. <https://www.theguardian.com/environment/2016/jun/19/carbon-capture-and-storage-uk-government-shell-drax>.

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On 29 June 2016, the UK government cut support to the energy efficiency program ECO from GBP870 million to GBP640 million after 2017.<sup>201</sup> ECO again is a program that “delivers energy efficient measures to homes across Great Britain in order to reduce carbon emissions and improve the ability of low income and vulnerable consumers to heat their homes to comfortable levels.”<sup>202</sup>

Although the UK has reaffirmed its commitment to phase out fossil fuels, it has not done so in practice. The UK has increased fossil fuel subsidies and has not provided support for the poor.

Thus, the United Kingdom has received a score of -1.

*Analyst: Bojana Radan*

### **United States: +1**

The United States has fully complied with its commitment to rationalise and phase-out inefficient fossil fuel subsidies, over the medium term, while recognizing the need to support the poor.

On 30 November 2015, the US, along with 40 other countries endorsed the Fossil Fuel Subsidy Reform Communiqué presented to the United Nations Framework Convention on Climate Change (UNFCCC).<sup>203</sup> The Communiqué “calls on the international community to increase efforts to phase-out subsidies for fossil fuel production and use.”<sup>204</sup>

On 19 February 2016, the US government issued cuts in its 2017 Department of Energy Budget for coal, oil, and gas tax deductions.<sup>205</sup> “Domestic Manufacturing Deduction for Hard Mineral Fossil Fuels” has been cut by USD11 million.<sup>206</sup> The Budget also issued a “repeal [of] Domestic Manufacturing Tax Deduction for Oil and Natural Gas Companies” by USD470 million.<sup>207</sup>

The Budget also proposes a USD10.25 per barrel tax on oil.<sup>208</sup> The burden is to be paid by oil companies to “boost spending on transportation infrastructure, including mass transit and high-speed rail, and autonomous vehicles.”<sup>209</sup> This is in accordance with President Obama’s 21<sup>st</sup> Century Clean Transportation Initiative, which will stimulate the job market.<sup>210</sup> Alongside transportation investments, the Budget notes “15 per cent of revenues would be allocated to provide assistance to

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<sup>201</sup> UK lacks policies to meet more than half its carbon emissions cuts - report, The Guardian 30 June 2016. Access Date: 25 July 2016. <https://www.theguardian.com/environment/2016/jun/30/uk-lacks-policies-to-meet-more-than-half-its-carbon-emissions-cuts-report>.

<sup>202</sup> Energy Company Obligation (ECO): Help to Heat, Department of Energy & Climate Change (London) 29 June 2016. Access Date: 25 July 2016. <https://www.gov.uk/government/consultations/energy-company-obligation-eco-help-to-heat>.

<sup>203</sup> Fossil-Fuel Subsidy Reform Communiqué Presented to UNFCCC (New Zealand) 30 November 2015. Access Date: 21 February 2016. <http://climate-iiisd.org/news/fossil-fuel-subsidy-reform-communication-presented-to-unfccc/>.

<sup>204</sup> Fossil-Fuel Subsidy Reform Communiqué Presented to UNFCCC (New Zealand) 30 November 2015. Access Date: 21 February 2016. <http://climate-iiisd.org/news/fossil-fuel-subsidy-reform-communication-presented-to-unfccc/>.

<sup>205</sup> Fiscal year 2017- Office of Management and Budget, Executive Office of the President 9 February 2016. Access Date: 19 February 2016. <https://www.whitehouse.gov/sites/default/files/omb/budget/fy2017/assets/budget.pdf>.

<sup>206</sup> Fiscal year 2017- Office of Management and Budget, Executive Office of the President 9 February 2016. Access Date: 19 February 2016. <https://www.whitehouse.gov/sites/default/files/omb/budget/fy2017/assets/budget.pdf>.

<sup>207</sup> Obama Proposes \$10 a barrel oil tax, BBC News (Washington) 9 January 2016. Access Date: 20 February 2016. <http://www.bbc.com/news/business-35535385>.

<sup>208</sup> Fiscal year 2017- Office of Management and Budget, Executive Office of the President 9 February 2016. Access Date: 19 February 2016. <https://www.whitehouse.gov/sites/default/files/omb/budget/fy2017/assets/budget.pdf>.

<sup>209</sup> Fiscal year 2017- Office of Management and Budget, Executive Office of the President 9 February 2016. Access Date: 19 February 2016. <https://www.whitehouse.gov/sites/default/files/omb/budget/fy2017/assets/budget.pdf>.

<sup>210</sup> Fiscal year 2017- Office of Management and Budget, Executive Office of the President 9 February 2016. Access Date: 19 February 2016. <https://www.whitehouse.gov/sites/default/files/omb/budget/fy2017/assets/budget.pdf>.

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families with burdensome energy costs, including a focus on supporting households in the Northeast as they transition from fuel oil for heating to cleaner forms of energy.”<sup>211</sup>

On 27 May 2016, the Group of 7 (G7) for the first time set a deadline for the ending most fossil fuel subsidies, saying that government support for coal, oil and gas should end by 2025.<sup>212</sup> The leaders of the UK, US, Canada, France, Germany, Italy, Japan and the EU encouraged all countries to join them in eliminating “inefficient fossil fuel subsidies” within a decade.<sup>213</sup> “Given the fact that energy production and use account for around two-thirds of global greenhouse gas emissions, we recognise the crucial role that the energy sector has to play in combatting climate change,” said the leaders’ declaration, issued at the end their summit in Japan.<sup>214</sup> The pledge first entered into G7 declarations in 2009 but has until now lacked a firm timeline.<sup>215</sup>

In May 2016, the US and China jointly agreed to enter into a round of peer reviewed reports on fossil fuel subsidies.<sup>216</sup> These reports will be presented at the upcoming Summit in China.<sup>217</sup>

On 29 June 2016, Canadian Prime Minister Justin Trudeau, American President Barack Obama, and Mexican President Enrique Peña Nieto issued a statement following the North American Leaders’ Summit stating, “We commit to phase out inefficient fossil fuel subsidies by 2025 and call on the other members of the G20 to do the same. We also urge the G20 to make commitments to reduce methane emissions in the oil and gas sector and to improve the environmental performance of heavy-duty vehicles. Canada, the U.S., and Mexico will promote universal energy access and work together to address the challenges of energy security and integration, clean energy investment, and regional energy cooperation in the Caribbean and Central America. Canada, the U.S. and Mexico will align approaches to account for the social cost of carbon and other greenhouse gas emissions when assessing the benefits of emissions-reducing policy measures.”<sup>218</sup>

On 11-15 July 2016, Brussels hosted the 14th round of negotiations for Transatlantic Trade and Investment Partnership (TTIP), a deal which aims to bring together the EU and US by addressing all kinds of trade barriers.<sup>219</sup> The EU issued a proposal during negotiations reaffirming commitment to its fossil fuel subsidy reduction pledge, stating, “Both Parties will actively promote the development of a sustainable and safe low carbon economy, such as investment in renewable energies and energy-efficient solutions. The Parties share the goal of progressively phasing out inefficient fossil fuel subsidies that encourage wasteful consumption. Such a phasing out may take into account economic

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<sup>211</sup> Fiscal year 2017- Office of Management and Budget, Executive Office of the President 9 February 2016. Access Date: 19 February 2016. <https://www.whitehouse.gov/sites/default/files/omb/budget/fy2017/assets/budget.pdf>.

<sup>212</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>213</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>214</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>215</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>216</sup> US and China ready peer reviews on fossil fuel subsidies, Chinadialogue 19 May 2016. Access Date: 23 May 2016.

<https://www.chinadialogue.net/article/show/single/en/8932-US-and-China-ready-peer-reviews-of-fossil-fuel-subsidies>.

<sup>217</sup> US and China ready peer reviews on fossil fuel subsidies, Chinadialogue 19 May 2016. Access Date: 23 May 2016.

<https://www.chinadialogue.net/article/show/single/en/8932-US-and-China-ready-peer-reviews-of-fossil-fuel-subsidies>.

<sup>218</sup> Leaders’ Statement on a North American Climate, Clean Energy, and Environment Partnership, Government of Canada 29 June 2016. Access Date: 18 July 2016. <http://pm.gc.ca/eng/news/2016/06/29/leaders-statement-north-american-climate-clean-energy-and-environment-partnership>.

<sup>219</sup> US committed to swift conclusion of Transatlantic trade deal, says senior trade negotiator, The Parliament 19 July 2016. Access Date: 22 July 2016. <https://www.theparliamentmagazine.eu/articles/news/us-committed-swift-conclusion-transatlantic-trade-deal-says-senior-trade-negotiator>.

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aspects and security of supply considerations and be accompanied by measures to alleviate the social consequences associated with the phasing out.”<sup>220</sup>

The US has rolled back subsidies and provided support to the poor.

Thus, the United States has received a score of +1.

*Analyst: Nidhi Varma*

### **European Union: -1**

The European Union has failed to comply with its commitment to rationalise and phase-out inefficient fossil fuel subsidies, over the medium term, while recognizing the need to support the poor.

On 20 January 2016, Member States agreed on a Commission proposal to invest EUR217 million in key trans-European energy infrastructure projects. In total, 15 projects were selected with the aim to increase energy security and help end the isolation of Member States from EU-wide energy networks. While some of this funding is allocated to energy efficient projects, some is allocated to the expansion of fossil fuel projects, thus representing noncompliance.<sup>221</sup>

On 16 February 2016, the EU revealed its Energy Union Strategy which proposed subsidies for new pipelines and liquefied natural gas (LNG) terminals.<sup>222</sup> “EU funds can help to make up for the weak commercial viability of terminals that are particularly important for security of supply,” read the LNG strategy paper.

On 27 May 2016, the European Commission approved nearly EUR4 billion in subsidies to close down Spain’s unprofitable coal mines and Germany’s lignite-fired power stations. Brussels gave Madrid the green light to spend EUR2.1 billion closing 26 coal mines that are no longer profitable. This state aid will be permitted on the condition that the closure of the mines is completed by 2019. In Germany, Brussels has authorised the government to subsidise the closure of power stations fuelled by lignite, a soft form of sedimentary rock often known as ‘brown coal’. Merkel’s cabinet negotiated the closure of eight lignite-burning installations owned by Mibrag, Vattenfall and RWE between 2016 and 2019. Together, these eight power stations represent 13 per cent of Germany’s lignite-burning capacity. By 2020, the closure of these power stations cut the annual carbon emissions of Germany’s electricity sector by 11 to 12 million tonnes. In return, the federal government in Berlin will compensate the electricity companies to the tune of EUR1.6 billion for their loss of revenue.<sup>223</sup>

On 27 May 2016, the Group of 7 (G7) for the first time set a deadline for the ending most fossil fuel subsidies, saying that government support for coal, oil and gas should end by 2025.<sup>224</sup> The leaders of the UK, US, Canada, France, Germany, Italy, Japan and the EU encouraged all countries to join them in eliminating “inefficient fossil fuel subsidies” within a decade.<sup>225</sup> “Given the fact that energy production and use account for around two-thirds of global greenhouse gas emissions, we recognise

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<sup>220</sup> Trade favouring low-emission and climate-resilient development, Europa 14 July 2016. Access Date: 22 July 2016. [http://trade.ec.europa.eu/doclib/docs/2016/july/tradoc\\_154800.pdf](http://trade.ec.europa.eu/doclib/docs/2016/july/tradoc_154800.pdf).

<sup>221</sup> EU Invests EUR217 million in energy infrastructure, Energy Global 20 January 2016. Access Date: 8 August 2016. <http://www.energyglobal.com/downstream/gas-processing/20012016/EU-invests-in-energy-infrastructure-2206/>

<sup>222</sup> Green anger as EU prepares to subsidise dash for gas, Climate Home 16 February 2016. Access Date: 10 August 2016. <http://www.climatechangenews.com/2016/02/16/green-anger-as-eu-prepares-to-subsidise-dash-for-gas/>

<sup>223</sup> Brussels authorises subsidies to end dependence on coal, Euro Activ 1 June 2016. Access Date: 10 August 2016. <https://www.euractiv.com/section/energy/news/brussels-authorises-subsidies-to-end-dependence-on-coal/>

<sup>224</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>225</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

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the crucial role that the energy sector has to play in combatting climate change,” said the leaders’ declaration, issued at the end their summit in Japan.<sup>226</sup> The pledge first entered into G7 declarations in 2009 but has until now lacked a firm timeline.<sup>227</sup>

On 11-15 July 2016, Brussels hosted the 14th round of negotiations for Transatlantic Trade and Investment Partnership (TTIP), a deal which aims to bring together the EU and US by addressing all kinds of trade barriers.<sup>228</sup> The EU issued a proposal during negotiations reaffirming commitment to its fossil fuel subsidy reduction pledge, stating, “Both Parties will actively promote the development of a sustainable and safe low carbon economy, such as investment in renewable energies and energy-efficient solutions. The Parties share the goal of progressively phasing out inefficient fossil fuel subsidies that encourage wasteful consumption. Such a phasing out may take into account economic aspects and security of supply considerations and be accompanied by measures to alleviate the social consequences associated with the phasing out.”<sup>229</sup>

On 15 July 2016, EU countries agreed on the European Commission’s proposal to invest EUR263 million in key trans-European energy infrastructure projects. The majority of the money will go to the building of gas infrastructure in the Baltic Sea region, but also to the electricity sector across Europe. In total, nine projects were selected following a call for proposals under the Connecting Europe Facility (CEF), an EU funding programme for infrastructure. Of the nine proposals selected for funding five are in the gas sector (EU support worth EUR210 million) and four are in the electricity sector (EU support worth EUR53 million).

three relate to construction works (EUR236 million) and six to studies (EUR27 million).<sup>230</sup> The selected projects will increase energy security and help end the isolation of EU countries from EU-wide energy networks. They will also help enhance competition on the European energy market and thus contribute to ensuring that consumers get best value for their money.<sup>231</sup>

On 10 August 2016, the European Commission allocated EUR187.5 million for the construction of the Balticconnector, the first Estonia-Finland gas pipeline. The Balticconnector will end the gas isolation of Finland and develop the Baltic regional gas market. It contributes to solidarity and security of supply in the entire Baltic region.<sup>232</sup>

The EU has reaffirmed its commitment to phase out fossil fuel subsidies. However, it has increased subsidies in some instances. Additionally, it has not provided any targeted support for the poor. Thus, the European Union has received a score of -1.

*Analyst: Novera Khan*

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<sup>226</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016 <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>227</sup> G7 nations pledge to end fossil fuel subsidies by 2025, The Guardian 27 May 2016. Access Date: 22 July 2016. <https://www.theguardian.com/environment/2016/may/27/g7-nations-pledge-to-end-fossil-fuel-subsidies-by-2025>.

<sup>228</sup> US committed to swift conclusion of Transatlantic trade deal, says senior trade negotiator, The Parliament 19 July 2016. Access Date: 22 July 2016. <https://www.theparliamentmagazine.eu/articles/news/us-committed-swift-conclusion-transatlantic-trade-deal-says-senior-trade-negotiator>.

<sup>229</sup> Trade favouring low-emission and climate-resilient development, Europa 14 July 2016. Access Date: 22 July 2016. [http://trade.ec.europa.eu/doclib/docs/2016/july/tradoc\\_154800.pdf](http://trade.ec.europa.eu/doclib/docs/2016/july/tradoc_154800.pdf).

<sup>230</sup> EU invests 263 million euros in energy infrastructure, European Commission 15 July 2016. Access Date: 10 August 2016. <https://ec.europa.eu/energy/en/news/eu-invests-263-million-euros-energy-infrastructure>

<sup>231</sup> EU invests 263 million euros in energy infrastructure, European Commission 15 July 2016. Access Date: 10 August 2016. <https://ec.europa.eu/energy/en/news/eu-invests-263-million-euros-energy-infrastructure>

<sup>232</sup> Energy Union: EU invests 187.5 million Euro in first gas pipeline between Estonia and Finland, European Commission 10 August 2016. Access Date: 10 August 2016. <https://ec.europa.eu/energy/en/news/energy-union-eu-invests-1875-million-euro-first-gas-pipeline-between-estonia-and-finland>