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

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## Taking Stock of Recent Experiences: a menu of options

### A Guidebook to Reviews of Fossil Fuel Subsidies: From self-reports to peer learning


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<th>Context</th>
<th>Country</th>
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FFS Reviews Emerged within the Context of International Commitments

From 2009: commitment to “phase out and rationalise over the medium term inefficient FFS” “that encourage wasteful consumption” “while providing targeted support for the poorest”.
FFS Reviews are mostly voluntary assessments that can serve many purposes & audiences depending on the country’s needs & preferences:

- Create a baseline
- Increase transparency and accountability
- Provide understanding
- Facilitate comparing and contrasting
- Increase opportunities to seek expert advice & targeted assistance
- Highlight success and good practice
- Facilitate policy dialogue
- Create precedents

Provide understanding
FFS Reviews: Some essentials

- Since reviews are voluntary, their format is owned by the volunteering country. The format is expected to rely on **Established Practices** and **Combinable Options** (next slides)

- Determine a lead Ministry or Agency to coordinate the review (e.g. Ministry of Finance, Ministry of Industry, Ministry of Environment)

- Identify resources within government: budget, technical expertise

- Allow sufficient time for homework and coordination (at least half a year)

- Prepare a well-researched self-report for the panel

- Use a **template** for subsidy descriptions

- Use the review to support reforms. The value of review is not exhausted with its publication: a lot depends on how the country uses it.
Policy name: An excise tax policy of “refund after payment” for refined oil produced by oil (gas) field enterprises for own use

Policy number: T-c-2

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

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

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

Eligible subsidy recipients: oil (gas) field enterprises

Duration of the subsidy program: since 2009

Annual cost estimates: CNY 2.7 billion

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

Information sources: websites of MOF and SAT

Source: G20, 2016b
Established Practices: a high-level overview

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

Identifying and Defining FFS

Subject matter:
- (Fossil fuels; electricity and heat)

Definitions:
- (FFS; Environment; Harmful Subsidies reform efforts; etc.)

Agencies involved

Geography:
- (national, subnational and local level)

Review Scope

Subject matter:
- FFS

Subsidy Measurement

Data collection:
- (templates)

Method

“Inefficient”

“Wasteful consumption”

“Providing targeted support for the poorest”

FFS Evaluation

Next Steps on Subsidies Under Review

Identification of need for reform and required action;

Publication and wider discussion with stakeholders.

Translation into a national language
ANNEX
Fossil Fuel Subsidies: Several definitions

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