

# Measuring and monitoring fossil fuel subsidies: Understanding the methodology of SDG indicator 12.c.1”

Friends of Fossil Fuels Webinar  
5 April 2019  
Joy A. Kim  
UN Environment

## Measuring & reporting SDGs

*The 2030 Agenda calls for a “robust, voluntary, effective, participatory, transparent and integrated follow-up and review framework” to monitor progress against the SDGs (United Nations, 2015).*

- 17 SDGs
- 169 Targets
- 230 Indicators
- 96 indicators are directly related to the environment



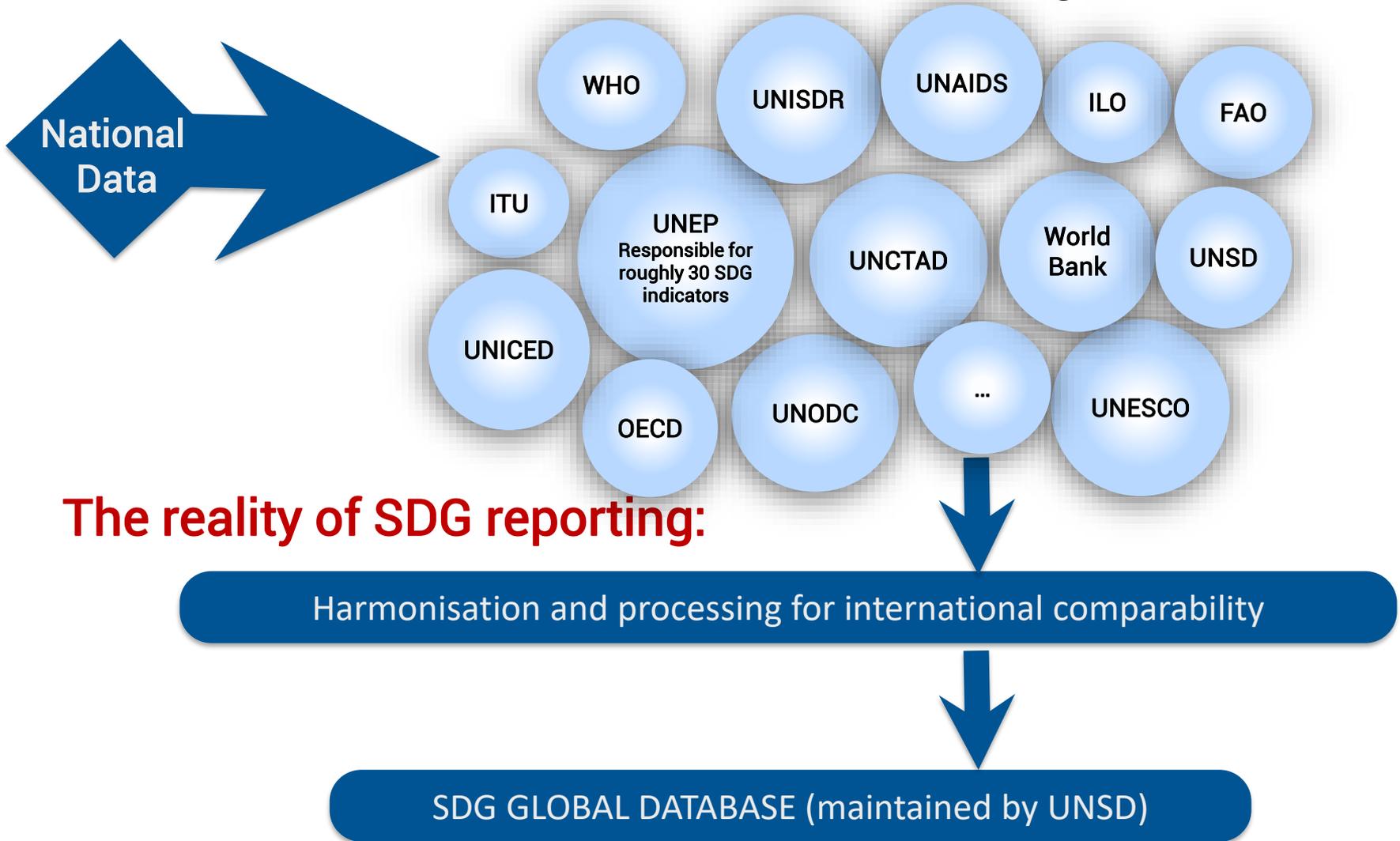
# Measuring & reporting SDGs

- UN Environment: custodian of 26 SDG indicators
- Methodology development and data collection
- Reporting to UN Statistics every year
- SG's report on SDGs



# Indicator Reporting Information System

## SDG Custodian Agencies



**The reality of SDG reporting:**

Harmonisation and processing for international comparability

SDG GLOBAL DATABASE (maintained by UNSD)

# Fossil fuel subsidies



- Rationalize inefficient fossil-fuel subsidies that encourage wasteful consumption by removing market distortions (**T12.c**);
- ***12.c.1 Amount of fossil-fuel subsidies per unit of GDP (production and consumption) and as a proportion of total national expenditure on fossil fuels***

# SDG indicators

## Tier Classification criteria/definition



- **Tier 1:** Indicator is conceptually clear, has *an internationally established methodology* and standards are available, and *data are regularly produced by countries for at least 50 per cent of countries* and of the population in every region where the indicator is relevant.
- **Tier 2:** Indicator is conceptually clear, has *an internationally established methodology and standards are available*, but data are not regularly produced by countries.
- **Tier 3:** *No internationally established methodology or standards* are yet available for the indicator, but methodology/standards are being (or will be) developed or tested.

# SDG 12c1. Methodology development (June 2017-April 2018)

- Country consultations
  - Two technical expert group consultations: June 2017 and September 2017
- Pilot testing (Egypt, India and Zambia)
- Draft methodology paper (with GSI and OECD)
- Methodology has been reviewed by Expert Group and consulted with the statistical communities (March 2018)
- Submission for an endorsement of the UNCEEA (June 2018)
- Submission for an approval by the IAEG-SDG (June 2018)
- ***Approval by the IAEG-SDG (17 September 2018)***

# Definition of the term ‘fossil fuel’

## Recommendation

- Include secondary commodities (electricity and heat) based on the definition provided in the IEA Statistics manual
- Include non-energy uses of fossil fuels, but its reporting optional

## Justification

- Definitions by the IEA, IPCC, OECD and most of G20 peer-review include secondary commodities

# Definition of 'subsidies'

## Recommendation

- WTO definition of subsidies in the Agreement on subsidies and counterveiling measures (ASCM)
- Use the four classifications of subsidies

## Justification

- WTO definition is the most widely recognized one of a subsidy and the only definition that is legally binding for all WTO members.
- A simplified version of the ASCM was used by several G20 review countries (US, China, Mexico and Germany) and many others including NGOs and OECD.

# Definitions of production and consumption

## Recommendation

- Use OECD definition (*producer support estimate; consumer support estimates; general services support estimate*)
- Monitor data on production and consumption separately; but could be reported together

## Justification

- OECD definition is making a statistically clear distinction b/w consumer and producer subsidies
- The system of national accounts distinguishes two categories, but referring only to 'payments made'

# Estimating subsidies to fossil fuels

## Recommendation

- Use a combination of both Price-gap and Inventory approaches, while taking measures to avoid ***double-counting***

## Justification

- While not mutually exclusive, complementary
- Both approaches are necessary to provide a complete picture of FF subsidies

# Three sub-indicators recommended for reporting

Subsidy category	Data availability	Complexity	Acceptance	Recommendation for SDGs	
				National	Global
Direct transfer of funds	++	++	++	Yes	Yes
Induced transfers (price support)	+	+	++	Yes	Yes
Tax expenditure, other revenue foregone, and under-pricing of goods and services	+	o	+	Yes, but optional	Yes, but optional <sup>1</sup>
Transfer of risk	-	-	o	No	No
<p>++ (green) means "excellent" or "low degree of complexity"            + (yellow) means "good" or "moderate degree of complexity"            o (orange) means "neutral"            - (red) means "poor" or "difficult"</p>					

<sup>1</sup> Countries are invited to report existing information and build up information on this category progressively. In 2025 it should be considered whether this indicator can be fully included.

# Needs for guidance notes and capacity-building

## Guidance notes on specific types of subsidies

- Calculation of the price gap, i.e. reference prices
- Best practices of measuring tax expenditures (i.e. quantification), building on SEEA processes
- Develop guidance notes on how different types of subsidies could be clearly captured statistically

## Capacity building

- Improving national accounting of tax expenditures
- Undertaking a survey of the nature and scope of the finance-related support in the country to determine complexity of risk transfer

# Conclusion and a way forward

---

- This indicator will continue to undergo methodological evolution
- Accompanying capacity building and dissemination of the methodology
- Phased approach to data collection (2020-30)
  - 2018-2020: Globally available data (IMF, OECD)
  - 2020-: gradually replace with national data