



**Asia-Pacific
Economic Cooperation**

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What Fossil Fuel Subsidies Standstill Commitments Could Mean for APEC Economies

Submitted by: International Institute for Sustainable Development



**Workshop on Potential Options for a
Voluntary Standstill on Inefficient Fossil
Fuel Subsidies
19 August 2021**



What FFS Standstill commitments could mean for APEC Economies

IISD Energy
August 2021

Current Fossil Fuel Subsidies in APEC Economies



Data sources for FFS

- www.fossilfuelsubsidytracker.org (OECD & IISD)
 - OECD (Inventory approach, 50 Economies)
 - IEA and IMF estimates of Consumer Subsidies (using price-gap methodology)
- OECD Inventory of Support Measures for Fossil Fuels
 - Quantified vs. Unquantified
- Government Publications

Disclaimer: APEC Economies being assessed are currently only those that are listed in OECD inventory of support measures for fossil fuels & www.fossilfuelsubsidytracker.org

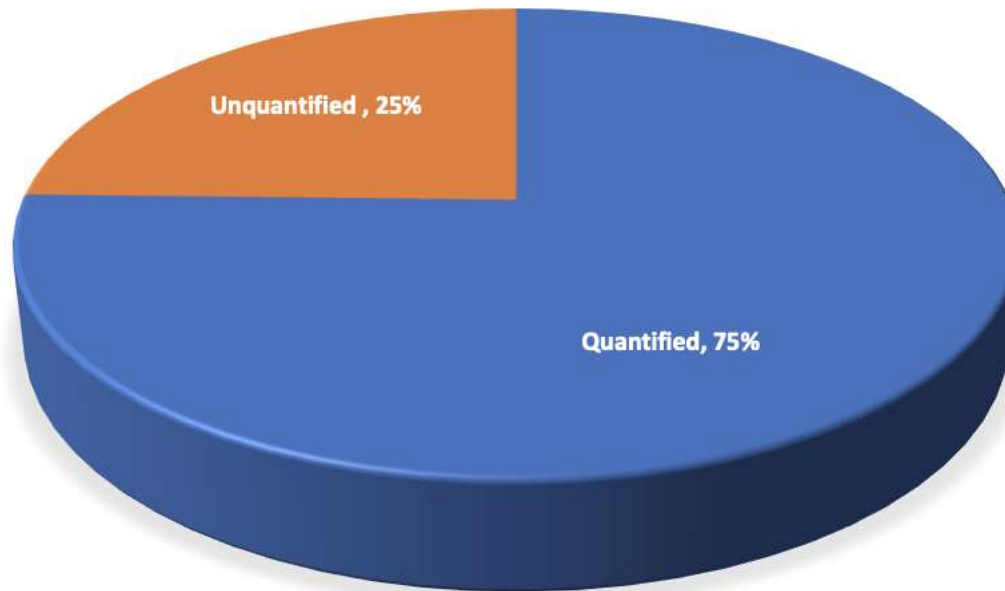
www.fossilfuelsubsidytracker.org incorporates estimates of fossil-fuel subsidies and other support measures from three international databases: [OECD Inventory of Support Measures for Fossil Fuels](#), [IEA Energy subsidies](#), [IMF Fossil Fuel Subsidies](#)

Current Fossil Fuel Subsidies in APEC Economies



How many of them can be quantified?

SUBSIDY POLICIES IN THE APEC ECONOMIES

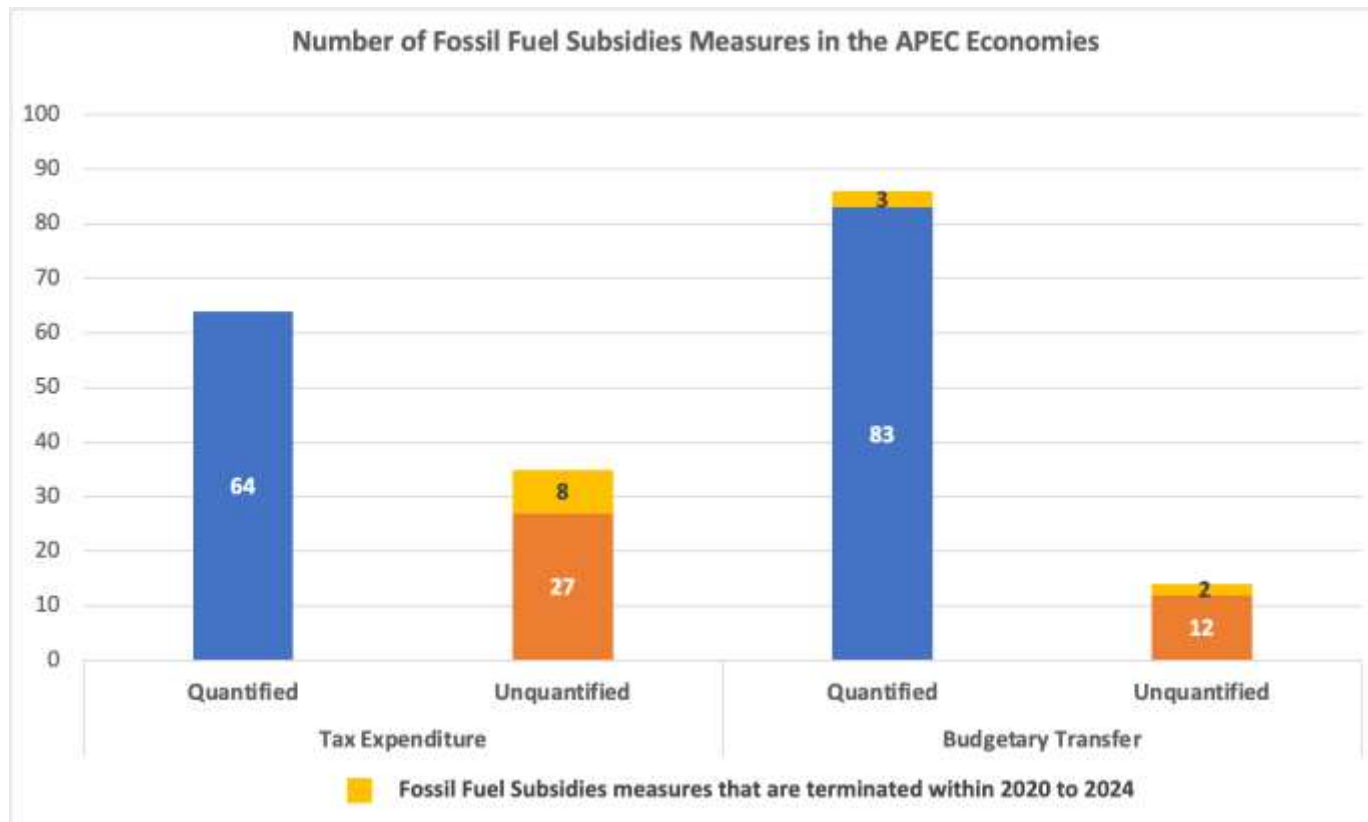


The APEC Economies assessed in this graph are those that are covered by the OECD inventory.

Current Fossil Fuel Subsidies in APEC Economies



Subsidy measures which remain unquantified

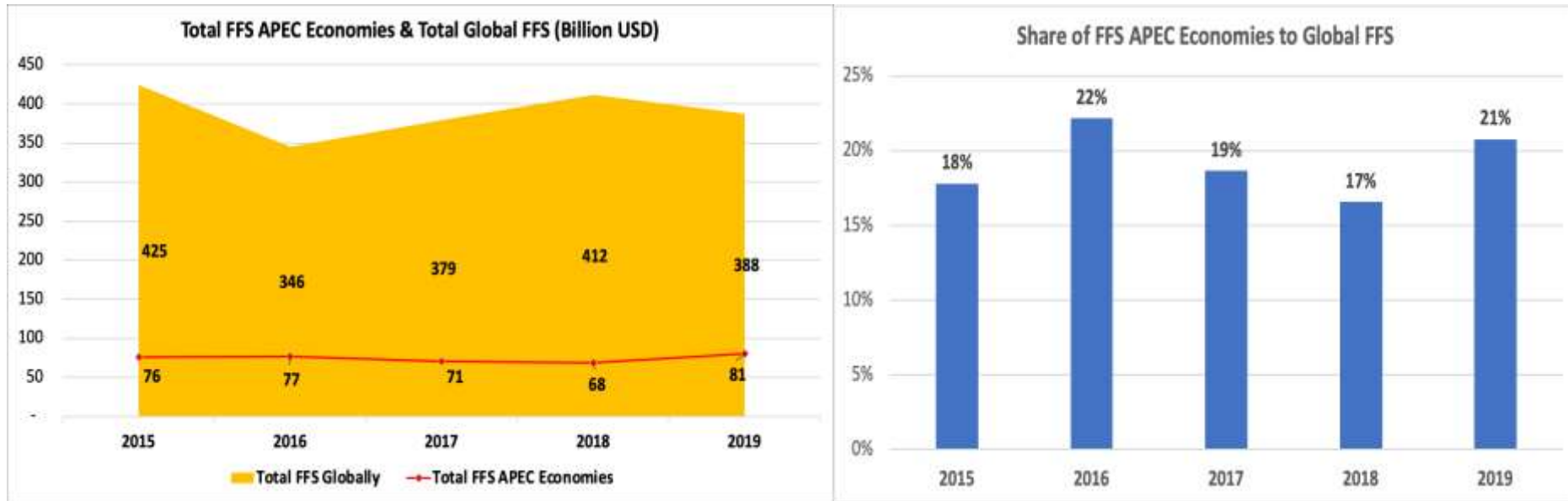


The APEC Economies assessed in this graph are those that are covered by the OECD inventory.

Current Fossil Fuel Subsidies in APEC Economies



(1) Size and global share of FFS

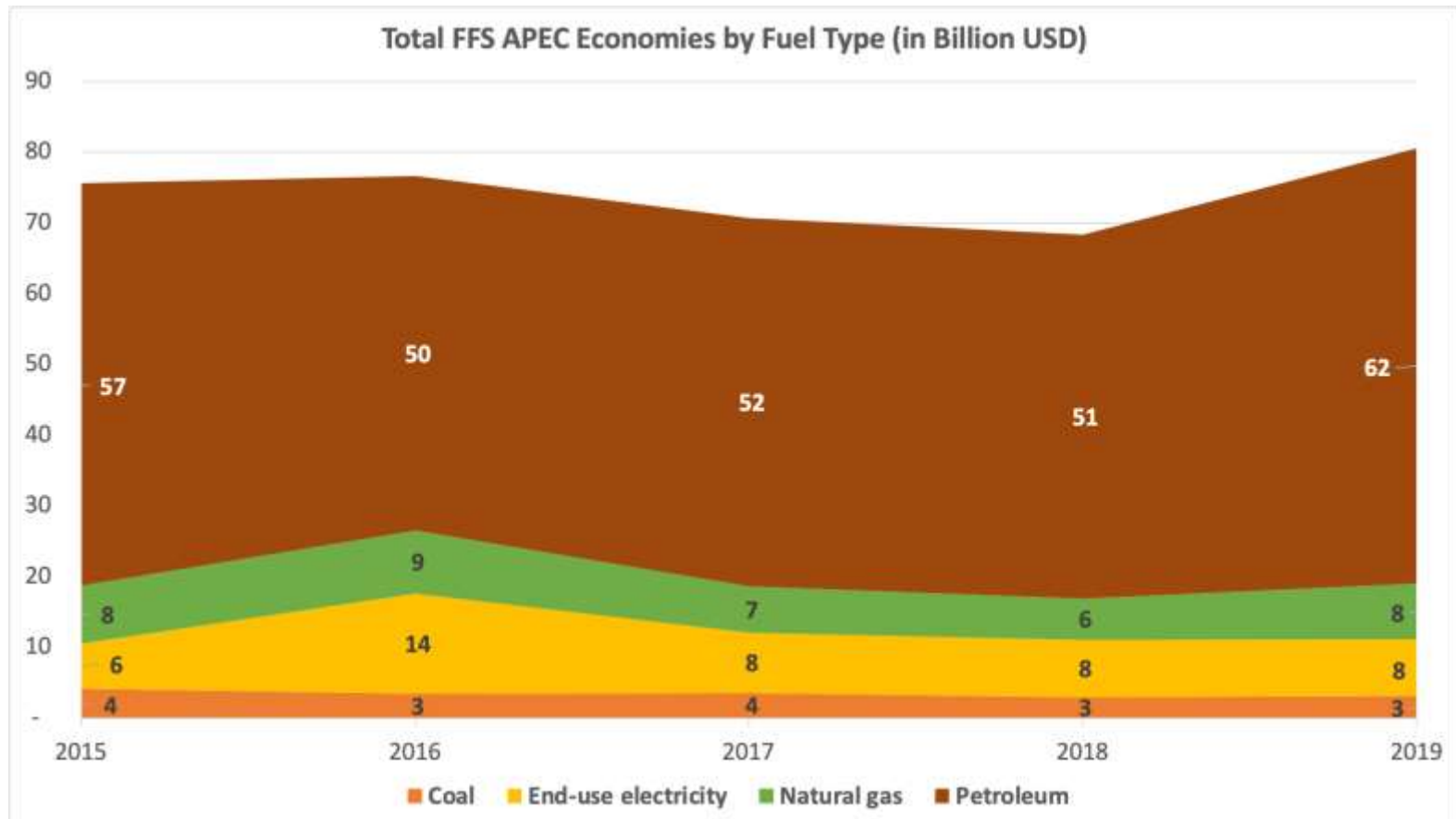


The APEC Economies assessed in this graph are those that covered by OECD, IEA and IMF estimates within www.fossilfuelsubsidytracker.org

Current Fossil Fuel Subsidies in APEC Economies



(2) FFS by fuel type

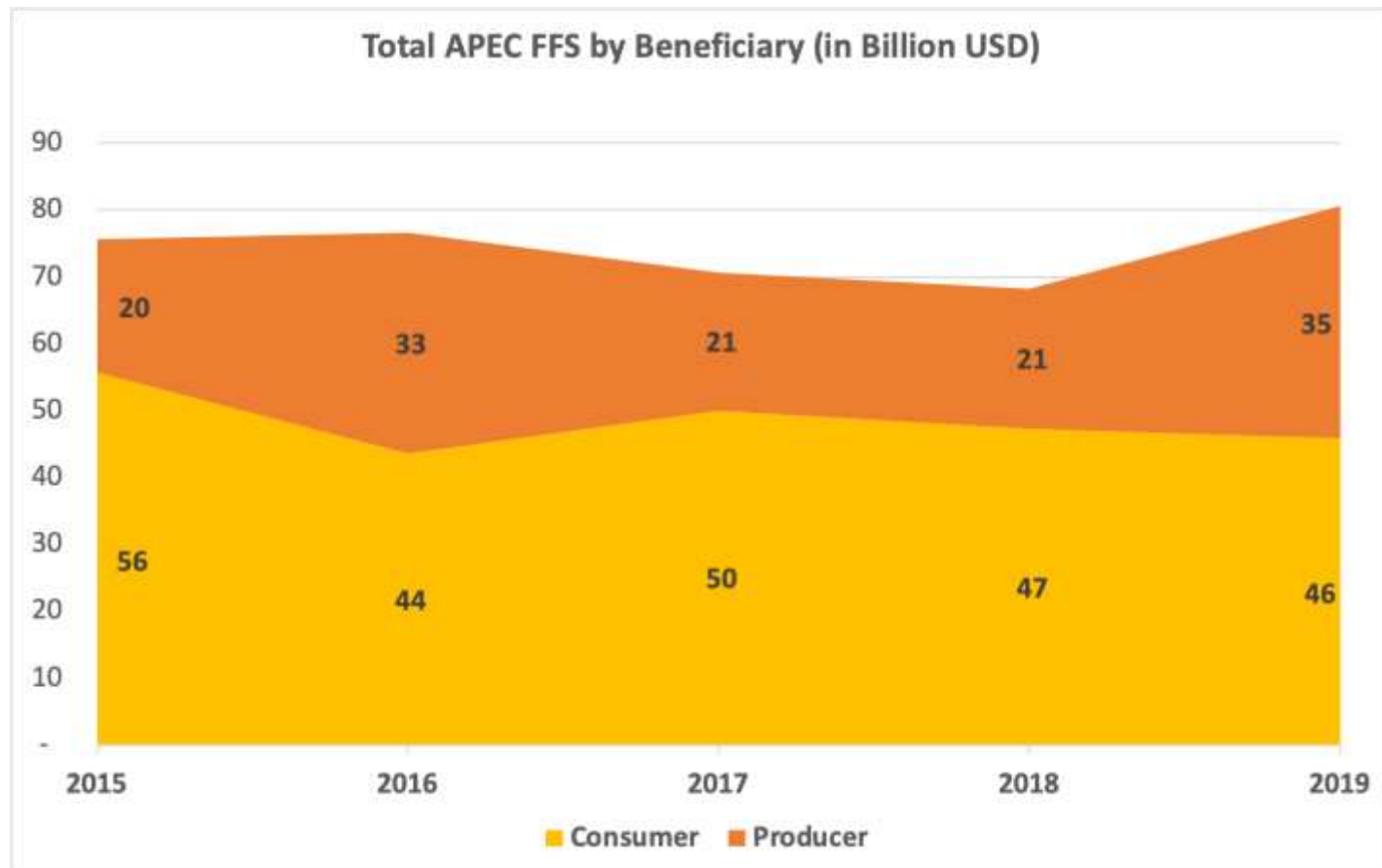


The APEC Economies assessed in this graph are those that covered by OECD, IEA and IMF estimates within www.fossilfuelsubsidytracker.org

Current Fossil Fuel Subsidies in APEC Economies



(3) FFS by beneficiary



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Oil Price Changes and Fossil Fuel Subsidies in APEC Economies

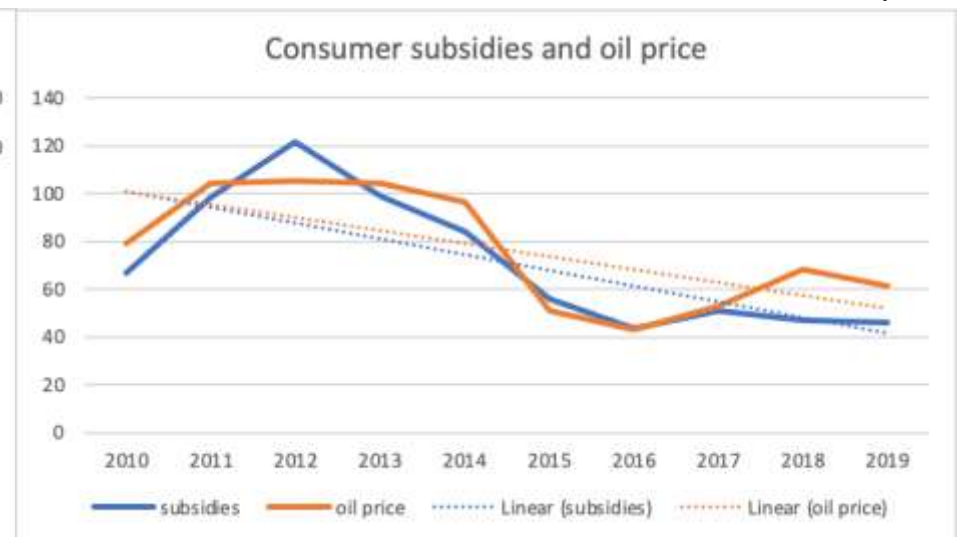
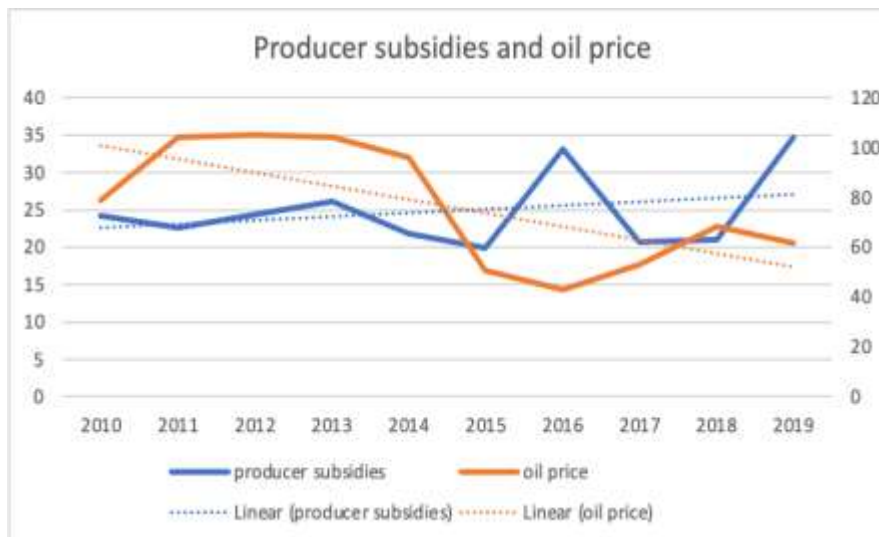


(1) Producer Subsidies & Consumer Subsidies

*USD 25 increase in oil price/bbl, decreases **producer subsidies** by USD 1.25 billion (30% change in oil price, would change producer subsidies value by 3%)*

*USD 25 increase in oil price/bbl, increases **consumer subsidies** by USD 26.29 billion (30% change in oil price, would change up to around 50% of the value of consumer subsidies)*

Beneficiary	Correlation with Oil Price	Pearson Coefficient value
Producer Subsidies	Negative correlation (weak)	-0.24
Consumer Subsidies	Positive correlation (strong)	0.92



Degree of correlation (Pearson Coefficient):

Perfect: If the value is near ± 1 , then it said to be a perfect correlation: as one variable increases, the other variable tends to also increase (if positive) or decrease (if negative).

High degree: If the coefficient value lies between ± 0.50 and ± 1 , then it is said to be a strong correlation.

Low degree: If the coefficient value lies between ± 0 and ± 0.50 , then it is said to be a weak correlation/ no correlation.

Oil Price Changes and Fossil Fuel Subsidies in APEC Economies



(2) Consumer Subsidies by fuel type

For a USD 25 increase in oil price/bbl, how much do consumer subsidies change by fuel type?

Type of Subsidies	Pearson Coefficient	Correlation with Oil Price	Change in subsidies (\$ billion)
Coal Consumer Subsidies	0.47	Positive correlation (weak)	0.21 (13%)
Natural Gas Consumer Subsidies	0.85	Positive correlation (strong)	1.01 (20%)
Electricity Consumer Subsidies	0.83	Positive correlation (strong)	4.15 (26%)
Petroleum Consumer Subsidies	0.90	Positive correlation (strong)	20.92 (27%)

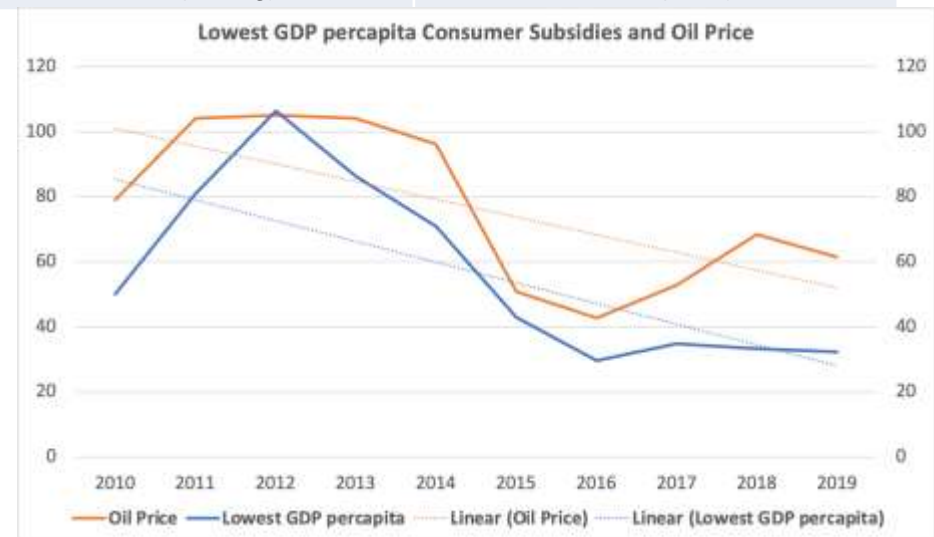
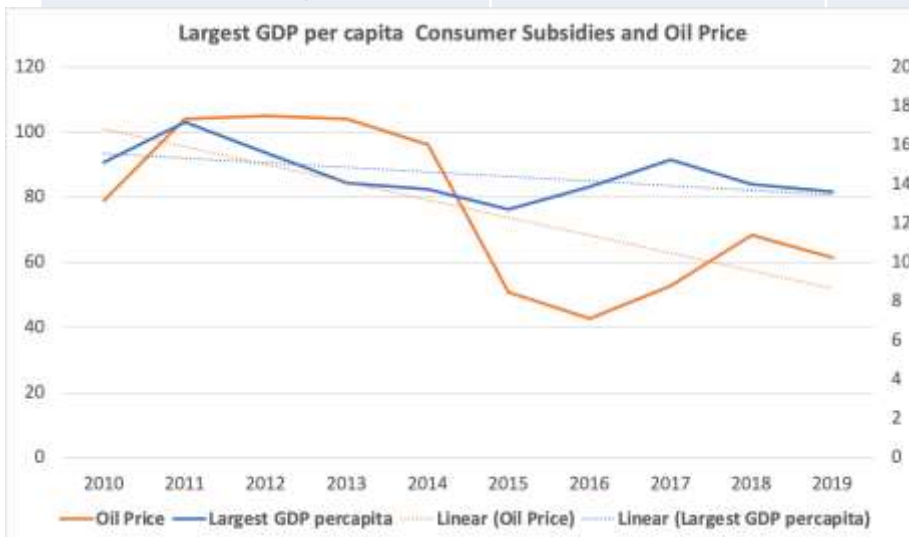


Oil Price Changes and Fossil Fuel Subsidies in APEC Economies

(3) Consumer Subsidies and GDP per capita (Higher and Lower GDP/capita groups of Economies)

For a USD 25 increase in oil price/bbl, how much could consumer subsidies potentially change in both groups?

Type of Subsidies	Pearson Coefficient	Correlation with Oil Price	Change in subsidies (\$ billion)
Higher GDP Per capita	0.52	Positive correlation (strong)	0.68 (25%)
Lower GDP Per capita	0.91	Positive correlation (strong)	25.61 (30%)



There are 11 APEC Economies in the Higher GDP per capita group, and 10 APEC Economies in the Lower GDP per capita group



What impact could FFS Standstill commitments have?

FFS Standstill commitments could preclude Economies from increasing consumer subsidies when the oil price goes up or increasing producer subsidies when the oil price goes down.

Changes in the oil price would potentially affect consumer subsidies significantly.

For a USD 25 increase in oil price/bbl, APEC Economies could see an increase in consumer subsidies of USD 26.29 billion without Standstill commitments

For a USD 25 decrease in oil price/bbl, APEC Economies could see an increase in producer subsidies of USD 1.25 billion without Standstill commitments

Standstill commitments could also have an impact through non-extension of measures with an end date. We identify 13 such measures with end dates between 2020-24 (6.5% out of a total of 199 measures). Only 3 of these 13 measures are quantified