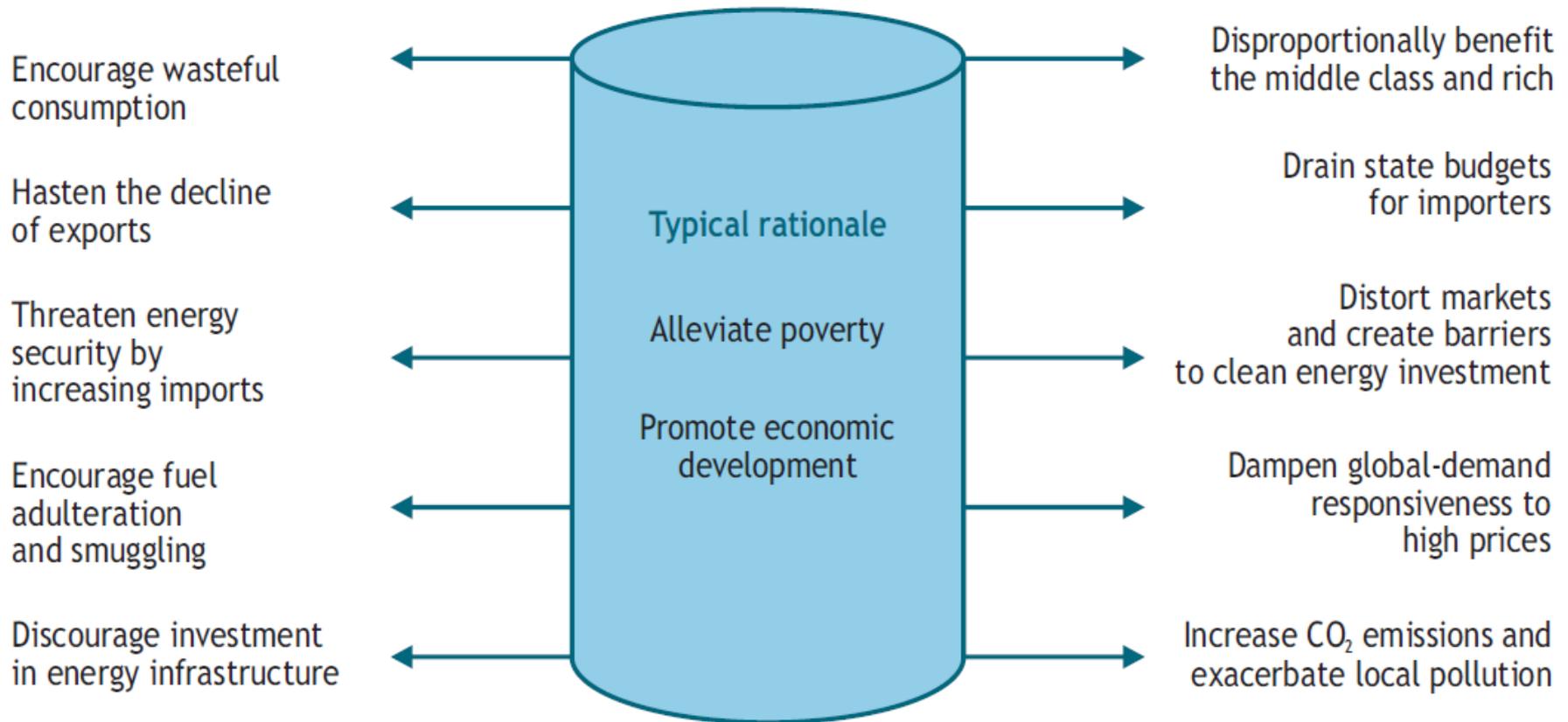


IEA analysis of fossil-fuel subsidies

International Energy Agency
Paris , 4 October 2011

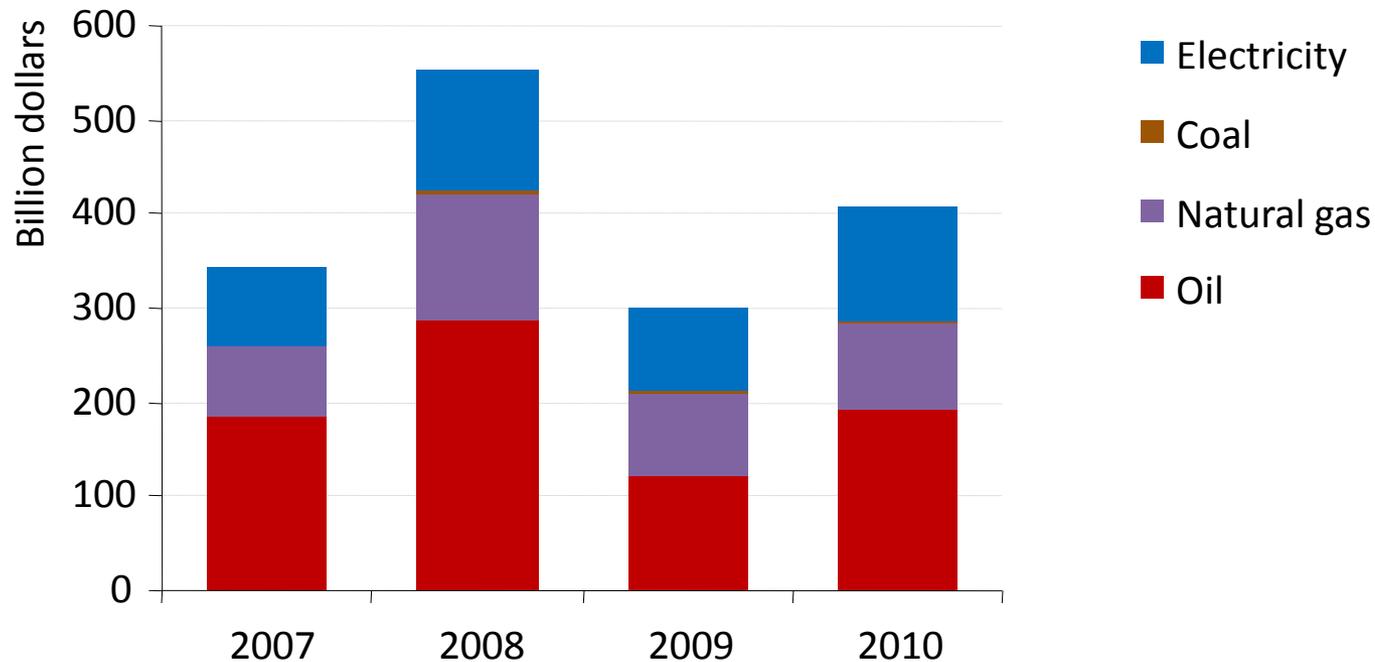
Fossil-fuel subsidies can have unintended effects



Fossil-fuel subsidies result in an economically inefficient allocation of resources and market distortions, while often failing to meet their intended objectives

Fossil-fuel consumption subsidies remain big

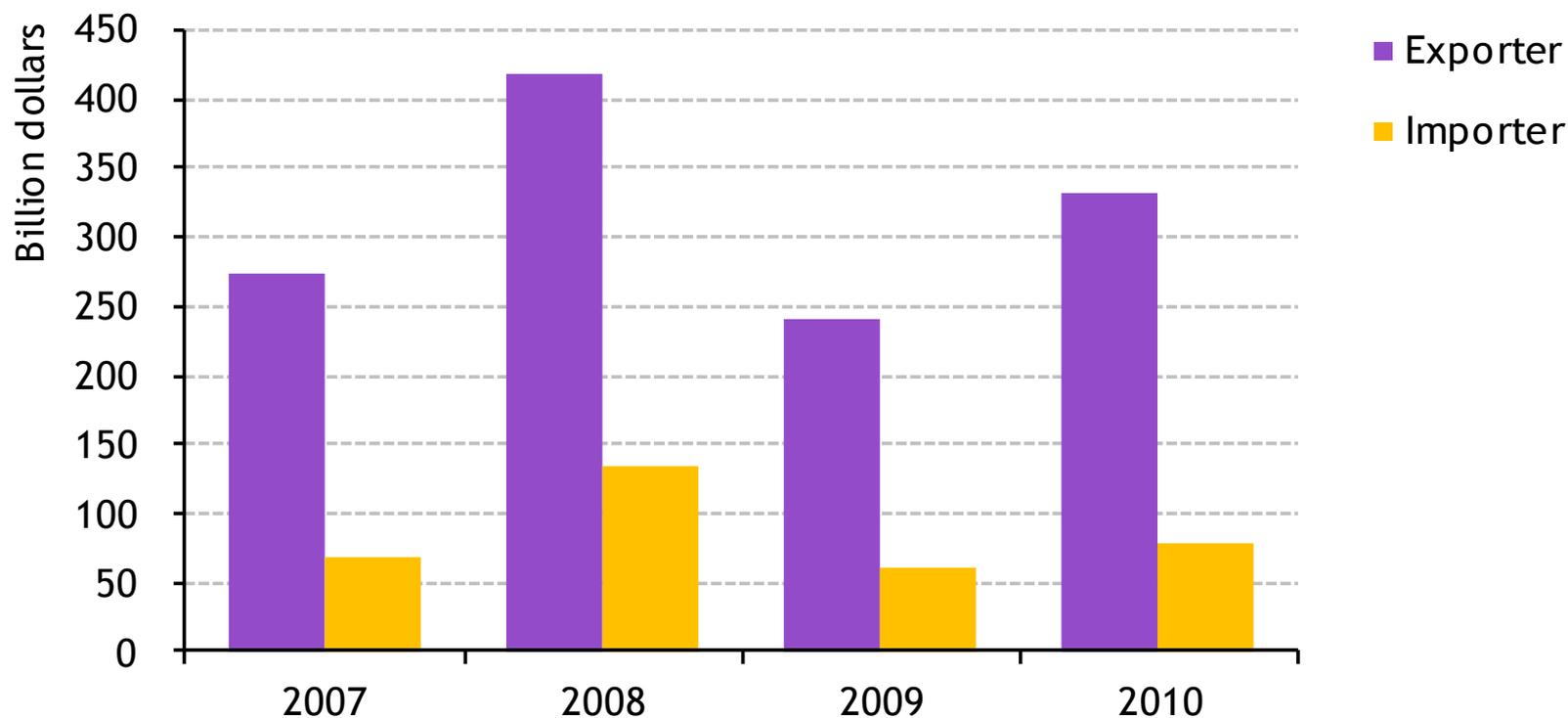
World subsidies to fossil-fuel consumption



Fossil fuel subsidies have been driven higher by the rebound in international energy prices they totalled \$409 billion in 2010 – about \$110 billion up on 2009

Major energy producers are among the biggest subsidisers

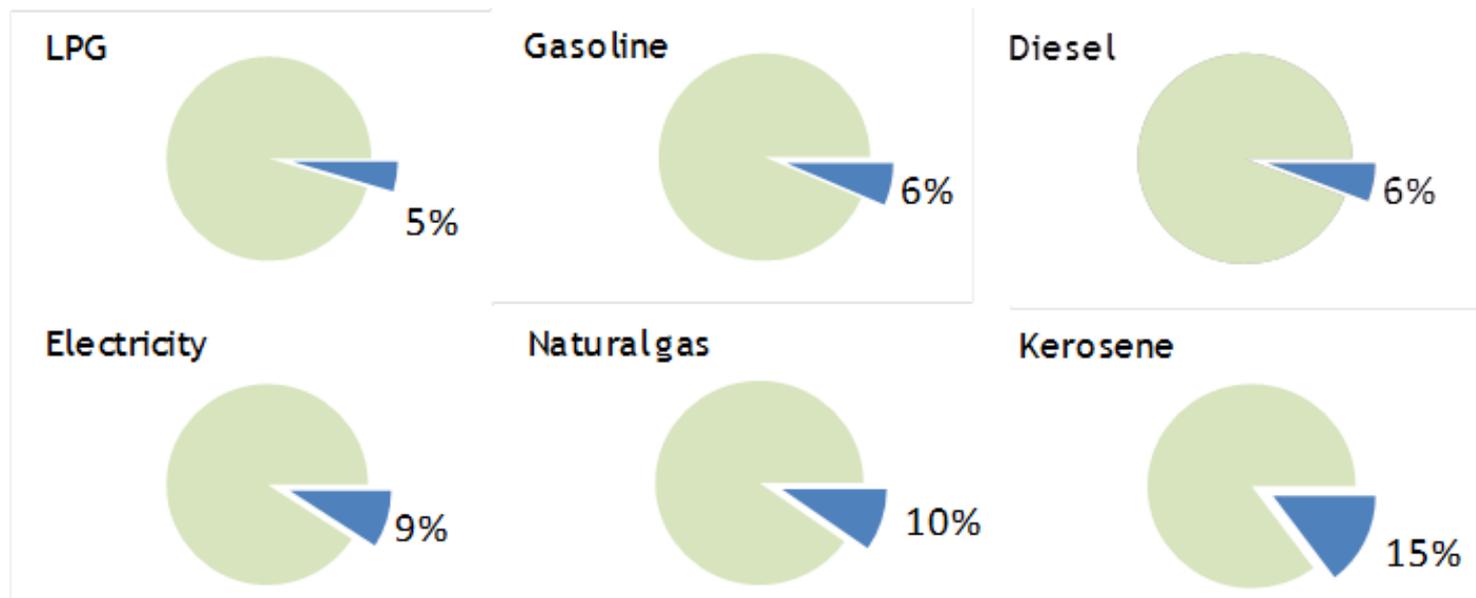
World fossil-fuel consumption subsidies by net oil & gas importer/exporter, 2007-2010



For importers, subsidies can impose a heavy burden on state budgets, while for producers they quicken the depletion of resources, reducing export earnings over the long-term

Fossil-energy subsidies go mostly to the rich

Share of fossil-fuel subsidies received by the lowest 20% income group, 2010



Subsidies are an extremely inefficient means of assisting the poor: only 8% of the \$409 billion spent on fossil-fuel subsidies in 2010 went to the poorest 20% of the population

Cutting fossil-fuel subsidies would bring economic, energy & environmental benefits

- Without further reform, spending on fossil-fuel consumption subsidies is set to reach \$660 billion in 2020, or 0.7% of global GDP
- Phasing-out fossil-fuel consumptions subsidies by 2020 would:
 - slash growth in energy demand by 4.1%
 - reduce growth in oil demand by 3.7 mb/d
 - cut growth in CO₂ emissions by 1.7 Gt
- Many countries have started or planned reforms since early-2010
 - key driver has been fiscal pressure on government budgets
 - G20 & APEC commitments have also underpinned many reform efforts
 - much more remains to be done to realise full extent of benefits