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present the

## **2014 Brisbane G20 Summit Interim Compliance Report**

17 November 2014 to 1 March 2015

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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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## 8. Energy: Fossil Fuels

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

*G20 Brisbane Leaders' Declaration*

### Assessment

| Country        | Lack of Compliance | Work in Progress | Full Compliance |
|----------------|--------------------|------------------|-----------------|
| Argentina      | -1                 |                  |                 |
| Australia      | -1                 |                  |                 |
| Brazil         |                    | 0                |                 |
| Canada         | -1                 |                  |                 |
| China          | -1                 |                  |                 |
| France         |                    | 0                |                 |
| Germany        | -1                 |                  |                 |
| India          |                    | 0                |                 |
| Indonesia      |                    | 0                |                 |
| Italy          | -1                 |                  |                 |
| Japan          | -1                 |                  |                 |
| Korea          |                    | 0                |                 |
| Mexico         |                    | 0                |                 |
| Russia         |                    |                  | +1              |
| Saudi Arabia   | -1                 |                  |                 |
| South Africa   | -1                 |                  |                 |
| Turkey         | -1                 |                  |                 |
| United Kingdom |                    | 0                |                 |
| United States  |                    |                  | +1              |
| European Union |                    |                  | +1              |
| Average Score  | -0.35              |                  |                 |

### Background

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

At the Toronto Summit in 2010, Finance and Energy ministers completed a comprehensive review of fossil fuel subsidy programs for their respective countries in which they discussed the various ways to address social and economic impacts of possible reforms. Among the members invited to submit progress reports in 2011, eleven members failed to report any fossil fuel subsidies. Other members however, reported continued progress and notable progress is being made with regards to implementation of strategies that will phase out fossil fuel. Summary of Progress Reports to G-20 Leaders on the Commitment to Rationalize and Phase Out Inefficient Fossil Fuel Subsidies. Because such statements are declarative and not supported by material evidence, this report will not consider them as credible sources. Thus, they will not be taken into account towards the setting of G20 members' scores.

G20 members continued their discussion of possible next steps in the second half of 2012 and beyond. The discussions included the possibility of a peer-review process whereby a member could invite another member to assess its fossil fuel subsidy reform progress. They would seek to improve the definition of fossil fuel subsidies while finding a way to standardize reporting from G20 countries.

The G20 finance ministers agreed at their 15-16 February 2013 meeting to undertake a voluntary peer-review process for fossil fuel subsidies and report outcomes to Leaders in St. Petersburg in 2013.

### **Commitment Features**

This commitment requires G20 members to rationalize and phase out inefficient fossil fuel subsidies over the medium term. Specific policies depend on the member state's national circumstances and require the concurrent provision of targeted support for the poor.

There is currently no common benchmark or definition of inefficient fossil fuel subsidies that may encourage wasteful consumption.<sup>855</sup>

In 2011, the Organisation for Economic Co-operation and Development (OECD) Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels identified types of government support for energy production.<sup>856</sup> These are:

- Intervening in markets in a way that affects costs or prices;
- Transferring funds to recipients directly ;
- Assuming part of their risk;
- Selectively reducing the taxes governments would otherwise have to pay;
- Undercharging for the use of government-supplied goods or assets.

There is also no single approach to measure subsidy efforts. The two most common approaches are 1) price-gap measurements to “examine differences between the observed price for a good ... against what the price ‘should be’ without the government programs”; and 2) transfer measurements that “quantify the subsidy flows associated with particular government programs, regardless of whether they end up changing fuel prices.”<sup>857</sup> These two methods can track the potential decline of a member's fossil fuel subsidy program.

In this commitment, the G20 also recognized the need to support the poor. The World Bank found that even though fossil fuel subsidies are economically inefficient, “price increases from the removal of fossil-fuel subsidies are likely to adversely affect lower-income households who are already struggling.”<sup>858</sup> The report by the World Bank, submitted to the G20, identified two broad types of approaches available to countries 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

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<sup>855</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, OECD, World Bank, OPEC, OECD (Paris) 14 October 2011. Date of Access: 2 February 2015. [www.oecd.org/dataoecd/14/18/49006998.pdf](http://www.oecd.org/dataoecd/14/18/49006998.pdf).

<sup>856</sup> Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels, OECD (Paris) 2011. Date of Access: 2 February 2015. <http://www.oecd.org/site/tadffss/48805150.pdf>.

<sup>857</sup> Measuring Energy Subsidies Using the Price-Gap Approach: What Does it leave out?, International Institute for Sustainable Development (Winnipeg) August 2009. Date of Access: 2 February 2015. [http://www.iisd.org/gsi/sites/default/files/bali\\_2\\_copenhagen\\_ff\\_subsidies\\_pricegap.pdf](http://www.iisd.org/gsi/sites/default/files/bali_2_copenhagen_ff_subsidies_pricegap.pdf).

<sup>858</sup> Transitional Policies to Assist the Poor While Phasing Out Inefficient Fossil Fuels that Encourage Wasteful Consumption, World Bank (Washington D.C.) 18 September 2014. Date of Access: 2 February 2015. <http://www.worldbank.org/content/dam/Worldbank/document/Climate/Transitional-Policies-Assist-Poor-Phasing-Out-Inefficient-Fossil-Fuel-Subsidies.pdf>.

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.<sup>859</sup>

Given the absence of a common structure, the compliance of each G20 member will be assessed on its individual implementation strategy and recent progress. Members that have declared that they do not have inefficient fossil fuel subsidies will be subject to different criteria. These members will still be evaluated on their efforts to provide support for the poor. However, research will be conducted to ensure that members who have declared to not have inefficient fossil fuel subsidies have not introduced any since their declaration. Member countries that have declared they have efficient fossil fuel subsidies but are found to have inefficient fossil fuel subsidies will be awarded a score of 0, provided they have take measures to support the poor. If these members have also not taken action to support the poor they will be awarded a score of -1.

Table 6 describes the most recent member-specific implementation strategies from the 2012 Los Cabos Summit.<sup>860</sup>

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<sup>859</sup> Transitional Policies to Assist the Poor While Phasing Out Inefficient Fossil Fuels that Encourage Wasteful Consumption, World Bank (Washington D.C.) 18 September 2014. Date of Access: 2 February 2015. <http://www.worldbank.org/content/dam/Worldbank/document/Climate/Transitional-Policies-Assist-Poor-Phasing-Out-Inefficient-Fossil-Fuel-Subsidies.pdf>.

<sup>860</sup> G20 Initiative on Rationalizing and Phasing Out Inefficient Fossil Fuel Subsidies. G20 Research Group (Toronto) 4 September 2013. Date of Access: 2 February 2015. <http://www.g20.utoronto.ca/compliance/2012loscabos-final/11-2012-g20-compliance-final.pdf>.

**Table 6: Member-Specific Implementation Strategies**

| G20 Member    | Implementation Strategy  |
|---------------|--|
| 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 through 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 planned expiration of subsidy for certain cogeneration plants, and negotiate on a voluntary basis with private operators of these plants on the timing of their recess from the subsidy scheme.  |
| Korea         | Proposes to phase out subsidies to anthracite coal and briquette producers.  |
| Mexico        | By continuing current policies and based on current market conditions, subsidies to gasoline, diesel, and LP gas are expected to disappear in the medium term.   |
| Russia        | Proposes to implement the commitment to rationalize 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 joining the World Trade Organization. |
| Turkey        | Proposes to work on a restructuring plan to rationalize the inefficient producer subsidies transferred to a state-owned producing enterprise.  |
| United States | Proposes to pass legislation to eliminate 12 preferential tax provisions related to the production of coal, oil, and natural gas.  |

In this report, Australia, Brazil, France, Japan, Saudi Arabia, South Africa, and the United Kingdom all claim to have efficient fossil fuel subsidies.

### Scoring Guidelines

|    |   |
|----|---|
| -1 | Member does not provide any form of support that facilitates access of fossil fuels to vulnerable groups. |
| 0  | Member provides indiscriminate support to facilitate access to fossil fuels.                              |
| +1 | Member provides target support to the vulnerable groups that do not have access on fossil fuels.          |

Scoring guidelines for members that have specified having inefficient fossil fuel subsidies

|    |   |
|----|---|
| -1 | Member takes no action to phase out inefficient fossil fuel subsidies AND does not provide support to its vulnerable groups.  |
| 0  | Member takes action to phase out inefficient fossil fuel subsidies but does not provide support to its vulnerable groups OR member does not take action to phase out inefficient fossil fuel subsidies but provides support to its vulnerable groups. |
| +1 | Member takes action to phase out inefficient fossil fuel subsidies <i>and</i> provides support to its vulnerable groups.  |

*Lead Analyst: Anthony Marchese*

### **Argentina: -1**

Argentina has not taken measures to rationalize and phase out inefficient fossil fuel subsidies.

On 4 February 2015 Argentina's government announced it would subsidize oil production and exports by as much as USD6 a barrel as part of a stimulus program to prevent a drop in output given the context of lower international crude prices. The program is retroactive to 1 January 2015 and is supposed to last until the end of this year, but may be extended for an additional 12 months.<sup>861</sup>

Argentina has increased subsidies in the oil production and export sector during this compliance cycle and has not taken any action to support the poor. Thus it receives a score of -1.

*Analyst: Nancy Xue*

### **Australia: -1**

Australia has not complied with its commitment to phase out inefficient fuel subsidies and to provide targeted support for energy access for the poorest.

In February 2015 the rates for the fuel tax credit have been increased for liquid fuels, mineral turpentine, white spirit, kerosene, heating oil, liquefied petroleum gas and liquefied natural gas.<sup>862</sup> The fuel tax credit was introduced in July 2006 and is currently used as a subsidy by the construction, mining, agriculture, fishing, forestry, marine transport, rail transport, nursing, and medical industries. The functionality of the credit is that the Goods and Services Tax (GST) can be reclaimed by businesses that qualify. As it currently stands only the GST from fuel used in machinery, plant, equipment and heavy vehicles can be reclaimed.<sup>863</sup> For a vehicle to qualify it needs to exceed 4.5 tons and it cannot be driven on a public road. The Australian Conservation Foundation estimates that around AUS 2 billion are claimed annually by the mining sector through this credit.<sup>864</sup>

Accelerated depreciation is a tax break used by businesses to claim the difference between the buying price of an asset and the current depreciated value.

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<sup>861</sup> Argentina boosts subsidies for oil output, exports. Argus Media. 4 Feb 2015. Date of Access: 11 May 2015.

<sup>862</sup> Fuel Schemes: From 1 July 2014, Australian Taxation Office, 2 February 2015. Date of Access: 14 May 2015  
<https://www.ato.gov.au/Business/Fuel-schemes/Fuel-tax-credits---business/Rates/From-1-July-2014/>

<sup>863</sup> Fuel Schemes: About Fuel Tax Credits, Australian Taxation Office, 2 February 2015. Date of Access: 14 May 2015  
<https://www.ato.gov.au/Business/Fuel-schemes/Fuel-tax-credits---business/About-fuel-tax-credits/>

<sup>864</sup> Fossil Fuel Subsidies, Australian Conservation Foundation, Date of Access: 14 May 2015  
<http://www.acfonline.org.au/be-informed/climate-change/fossil-fuel-subsidies>

No effort to phase out these tax credit schemes has been made during the compliance period. No evidence of support for energy access for the poor has been found for the duration of the compliance cycle. Thus, Australia has been awarded a score of -1.

*Analyst: Andrei Burloiu*

### **Brazil: 0**

Brazil has been awarded a score of 0 as a result of its compliance with phasing out inefficient fossil fuel subsidies and providing targeted support for the poorest affected population.

An inefficient fuel subsidy has been identified as being paid by the state-owned Petrobras. The company has failed to disclose a clear policy for phasing out the inefficient fuel subsidy.

On 2 December 2014, the losses caused by the payment of the subsidy resulted in a 20% fall in profits from the previous year.<sup>865</sup> Negative effects of this encompass a lack of competitiveness on the energy market as well as rising debt.

On 18 January 2015 the Brazilian Finance Minister Joaquim Levy announced tax increases for diesel and gasoline to take effect on 1 February 2015. Taxes on petrol would increase by R\$0.22 per litre and it would translate into an approximate 8.5% increase in the cost of petrol at the pump. The tax on diesel would increase by R\$0.15 and it would translate into an approximate 6.25% increase in the pump cost.<sup>866</sup> The declaration also mentioned a secondary tax on fossil fuels to come into force 90 days after 1 February.<sup>867</sup>

Brazil has taken steps to facilitate energy access for its population.

On 23 February 2015, Brazil's Energy Research Company (EPE) has reported that it received applications for the registration of 521 projects for electricity generation that total 18,929 megawatts. The projects are scheduled to start in July 2105.<sup>868</sup> Wind energy consists of 11,476 megawatts out of the total and encompasses 475 projects; natural gas based projects total 6,648 megawatts through 18 projects; hydro power consists of 201 megawatts through 15 projects; biomass projects total 604 megawatts over 13 projects.<sup>869</sup>

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<sup>865</sup> 'Petrobras earnings fall 20%; subsidized fuel strangling the economy', Merco Press 2014, Accessed 2 March 2015, <http://en.mercopress.com/2014/08/12/petrobras-earnings-down-20-subsidized-fuels-strangling-the-company>

<sup>866</sup> "Petrol price increases inflation fears", Financial Times, 7 November 2014, Date Accessed 2 March 2015 <http://www.ft.com/intl/cms/s/0/ff3c9d22-a032-11e4-aa89-00144feab7de.html#axzz3TOMD0gxf>

<sup>867</sup> "Brazil Announces Tax Increases for 2015", The Wall Street Journal, 19 January 2015, Date Accessed, 1 March 2015, <http://www.wsj.com/articles/brazil-announces-tax-increases-for-2015-1421707755>

<sup>868</sup> "EPE cadastra 18.929 megawatts de 521 projetos para Leilão A-3", Ministry of Mines and energy, 23 February 2015, Date Accessed 25 February 2015 [http://www.mme.gov.br/web/guest/pagina-inicial/terceiro-destaque/-/asset\\_publisher/aJoleC7YEIJA/content/epe-cadastra-18-929-megawatts-de-521-projetos-para-leilao-a-3;jsessionid=A450119E0F41029CD0143200B01C44C5.srv154?redirect=http://www.mme.gov.br/web/guest/pagina-inicial/terceiro-destaque;jsessionid=A450119E0F41029CD0143200B01C44C5.srv154?p\\_p\\_id=101\\_INSTANCE\\_aJoleC7YEIJA&p\\_p\\_lifecycle=0&p\\_p\\_state=normal&p\\_p\\_mode=view&p\\_p\\_col\\_id=\\_118\\_INSTANCE\\_Z6riVXO2ZrIF\\_\\_column-3&p\\_p\\_col\\_count=1](http://www.mme.gov.br/web/guest/pagina-inicial/terceiro-destaque/-/asset_publisher/aJoleC7YEIJA/content/epe-cadastra-18-929-megawatts-de-521-projetos-para-leilao-a-3;jsessionid=A450119E0F41029CD0143200B01C44C5.srv154?redirect=http://www.mme.gov.br/web/guest/pagina-inicial/terceiro-destaque;jsessionid=A450119E0F41029CD0143200B01C44C5.srv154?p_p_id=101_INSTANCE_aJoleC7YEIJA&p_p_lifecycle=0&p_p_state=normal&p_p_mode=view&p_p_col_id=_118_INSTANCE_Z6riVXO2ZrIF__column-3&p_p_col_count=1)

<sup>869</sup> "EPE Cadastra", Empresa de Pesquisa Energetica, 23 February 2015, Date Accessed 25 February 2015, <http://www.epe.gov.br/leiloes/Documents/LeilaoA32015cadastrados.pdf>



On 31 October 2014 Aneel, Brazil's energy regulator, has concluded its first solar power auction that will result in the construction of 31 solar parks bound to be operational by 2017. The projected installed capacity of all of the parks is 1048 megawatts and the overall cost is USD 1.67 billion.<sup>870</sup>

On 28 November 2014 GDF Suez won a state-run auction and will now build the Campo Largo wind energy complex by 2019. The wind farm project will yield around 330 megawatts out of which 150 are for the free market and 180 are part of a 20 year power purchase agreement.<sup>871</sup>

On 8 December 2014 Brazil's EPE has published a summary of the alternative sources of energy. According to EPE a total of 530 wind farms are to be installed totalling 12895 megawatts along with 40 thermal biomass plants totalling 2076 megawatts.<sup>872</sup>

On 19 February 2015, Enel Green Energy has issued a press release stating that it will begin construction on two solar parks, Fontes Solar I and II, in the state of Pernambuco. The two parks will have a combined installed capacity of 11 megawatts and are supported by a 20-year power purchase agreement.<sup>873</sup>

As a result Brazil has only partial compliance with the energy commitment. Thus, Brazil has been awarded a compliance score of 0.

*Analyst: Andrei Burloiu*

#### **Canada: -1**

Canada has failed to comply with its commitment to rationalize and phase out inefficient fossil fuel subsidies and to recognize the need to support the poor.

On 18 November 2014, the Canadian government announced Canada's strategy for its extractive sector operating abroad, including mining, oil, and gas. The strategy aimed "to ensure that energy will continue to represent an engine of economic growth for Canadians."<sup>874</sup> This is a continuation of the Canadian Government's pledge "to ensure the long-term success of Canada's mining and oil and gas sectors by keeping taxes low, eliminating red tape, and modernizing the regulatory regime for major projects."<sup>875</sup>

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<sup>870</sup> "Brazil gives go-ahead to 31 solar parks in push for new energy", Reuters, 31 October 2014, Date Accessed 25 February 2015, <http://www.reuters.com/article/2014/10/31/us-brazil-solar-auction-idUSKBN0IK2FB20141031>

<sup>871</sup> "GDF SUEZ wins power contracts for 535 MW in Brazil New Energy Auction", GDF Suez, 28 November 2014, Date Accessed 26 February 2015, <http://www.gdfsuez.com/en/journalists/press-releases/power-contracts-brazil-auction/>

<sup>872</sup> "570 projetos são cadastrados para o Leilão de Fontes Alternativas 2015", Empresa de Pesquisa Energetica, 8 December 2014, Date Accessed 28 February 2015, <http://www.epe.gov.br/leiloes/Documents/LeilaoFA2015/LeilaoFA2014.pdf>

<sup>873</sup> "Enel Green Power Begins Construction On Two Photovoltaic Plants In Brazil", Enel Green Power, 19 February 2015, Date Accessed 25 February 2015, [https://www.enelgreenpower.com/en-GB/media\\_investor/press\\_releases/release.aspx?iddoc=1663313](https://www.enelgreenpower.com/en-GB/media_investor/press_releases/release.aspx?iddoc=1663313)

<sup>874</sup> Harper Government Announces Latest Actions to Support Canadian Extractive Sector Abroad, Ministry of Natural Resources (Ottawa) 18 November 2014. Date of Access: 27 February 2015. <http://news.gc.ca/web/article-en.do?crtr.sj1D=&crtr.mnthndVI=9&mthd=advSrch&crtr.dpt1D=6683&nid=905749&crtr.lc1D=&crtr.tp1D=1&crtr.yrStrtVI=2014&crtr.kw=&crtr.dyStrtVI=1&crtr.aud1D=&crtr.mnthStrtVI=1&crtr.page=3&crtr.yrndVI=2020&crtr.dyndVI=4>

<sup>875</sup> Harper Government Announces Latest Actions to Support Canadian Extractive Sector Abroad, Ministry of Natural Resources (Ottawa) 18 November 2014. Date of Access: 27 February 2015. <http://news.gc.ca/web/article-en.do?crtr.sj1D=&crtr.mnthndVI=9&mthd=advSrch&crtr.dpt1D=6683&nid=905749&crtr.lc1D=&crtr.tp1D=1&crtr.yrStrtVI=2014&crtr.kw=&crtr.dyStrtVI=1&crtr.aud1D=&crtr.mnthStrtVI=1&crtr.page=3&crtr.yrndVI=2020&crtr.dyndVI=4>

On 2 March 2015, the Canadian government proposed changes in the treatment of the Canadian Exploration Expenses (CEE), a tax credit that facilitates petroleum and natural gas exploration in Canada. The changes proposed are in the order of CAD21 million over the next five years and would ensure that “CEE treatment is not denied for the cost of otherwise eligible environmental studies and community consultations solely because they are a pre-condition to obtaining an exploration permit or license.”<sup>876</sup>

Canada has not taken action to rationalize and phase out inefficient fossil fuel subsidies that encourage wasteful consumption nor has it encouraged effective policies that recognize the need to support the poor. Thus, Canada is awarded a score of –1.

*Analyst: Frédérique Bouchard*

### **China: –1**

China has not complied with its commitment to phase out fossil fuel subsidies while providing support to the national vulnerable groups.

Between 28 November 2014 and 29 January 2015, the Chinese Ministry of Finance raised the taxes on gasoline, naphtha, solvent oil, lubricating oil, diesel, jet fuel and fuel oil three times.<sup>877,878</sup> The current tax level is RMB 1.2 per litre for gasoline, naphtha, solvent oil and lubricating oil and RMB 1.52 per litre for diesel, jet fuel and fuel oil.<sup>879</sup> The country increased its fuel-consumption tax for the first time in five years amid falling global oil prices as steps to “control environmental pollution, tackle climate change, promote energy conservation and encourage the development of new energy automobiles.”<sup>880</sup> However, the government has come under a lot of scrutiny over its declared objectives and the legal procedure has been questioned.<sup>881</sup>

While announcing the tax increases, the Chinese government pledged “to continue and refine subsidy policies for some groups who are in difficulties ... in order to support the healthy development of relevant industries and maintain social stability.” Yet, no evidence was found that it has taken new measures to facilitate access to energy for the vulnerable groups.<sup>882</sup>

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<sup>876</sup> Harper Government Reinforces Support for the Mining Industry during PDAC 2015, Natural Resources Canada (Toronto) 2 March 2015. Date of Access: 2 March 2015. <http://news.gc.ca/web/article-en.do?crtr.sj1D=&crtr.mnthndVI=9&mthd=advSrch&crtr.dpt1D=6683&nid=941379&crtr.lc1D=&crtr.tp1D=1&crtr.yrStrtVI=2014&crtr.kw=&crtr.dyStrtVI=1&crtr.aud1D=&crtr.mnthStrtVI=1&crtr.page=1&crtr.yrndVI=2020&crtr.dyndVI=4>.

<sup>877</sup> “Chinese tax hikes slash fuel oil imports 30 pct so far this year”. Reuters (London), 25 March 2014. Date Accessed: 17 May 2015.

<http://www.reuters.com/article/2015/03/25/china-oil-fueloil-idUSL3N0WP2Z720150325>

<sup>878</sup> “Promote Air Pollution Control and Transformation of Development Patterns, The State Adjusts Consumption Tax Policy for Product Oil”. State Administration of Taxation (Beijing), 19 January 2015. Date Accessed: 18 May 2015

<http://www.chinatax.gov.cn/2013/n2925/n2957/c1465330/content.html>

<sup>879</sup> “Fuel Tax Adjustment Must Follow Statutory Tax”. Financial Times China (Beijing), 20 January 2015. Date Accessed: 17 May 2015, <http://www.ftchinese.com/story/001060207?full=y>

<sup>880</sup> “Promote Air Pollution Control and Transformation of Development Patterns, The State Adjusts Consumption Tax Policy for Product Oil”. State Administration of Taxation (Beijing), 19 January 2015. Date Accessed: 18 May 2015

<http://www.chinatax.gov.cn/2013/n2925/n2957/c1465330/content.html>

<sup>881</sup> “Fuel Tax Adjustment Must Follow Statutory Tax”. Financial Times China (Beijing), 20 January 2015. Date Accessed: 17 May 2015, <http://www.ftchinese.com/story/001060207?full=y>

<sup>882</sup> “Promote Air Pollution Control and Transformation of Development Patterns, The State Adjusts Consumption Tax Policy for Product Oil”. State Administration of Taxation (Beijing), 19 January 2015. Date Accessed: 18 May 2015

<http://www.chinatax.gov.cn/2013/n2925/n2957/c1465330/content.html>

On 26 December 2015, the Chinese government announced that it would extend subsidies for new green vehicles to 2020 with the overall goal of having replaced 5 million cars with electric ones by 2020. The subsidies will only target locally manufactured electric cars and not imported ones and are aimed at offsetting China's fossil fuel consumption for transportation.<sup>883</sup> The untargeted nature of this measure makes it non-compliant with the commitment.

While China has increased consumption tax on oil products, it has failed to formulate a clear strategy to phase out its inefficient fossil fuel subsidies. Furthermore, the government hasn't taken any measures to provide support to its vulnerable groups. Thus, China has been awarded a score of -1.

*Analyst: Andrei Burloiu*

## **France: 0**

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

On 8 January 2015, the National Institute of Statistics and Economic Studies issued a study that reveals 5.9 million of households or 22% in metropolitan France are in vulnerable situation in terms of affordability of energy generating resources. On average, households spend more than 8% of their total income on heating and hot water and over 4.5% on travel. In three regions energy vulnerability is the median range and represents over 25%: (1) Franche-Comté (26.0%); Auvergne (27.0%); and Lorraine (27.4%).

On 4 February 2015, Prime Minister Manuel Valls and Minister of Environment Ségolène Royal presented a new roadmap from the third environmental conference to the National Council for Ecological Transition.<sup>884</sup> The project includes 74 measures focused on sustainable transportation, mobility, health and the environment.<sup>885</sup> Measures in the roadmap included: 1) withdrawal of export subsidies for the most polluting coal-fired power plant projects in developing countries; 2) the implementation of a fund of up to EUR10,000 for the replacement of diesel vehicles; 3) the introduction of air quality certificates — green stickers to identify clean vehicles — beginning April 2015.<sup>886</sup>

In the same presentation, Prime Minister Valls did not specify the timing or schedule for termination of export credit for coal-fired plants. While not many projects in the world are equipped with trapping emissions technology, France will continue to fund developing countries where carbon

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<sup>883</sup> "China plans to extend green vehicle subsidies until 2020", Reuters, 30 December 2014, Date Accessed 27 February 2015, <http://www.reuters.com/article/2014/12/30/us-china-autos-environment-idUSKBN0K806B20141230>

<sup>884</sup> The Ecological Transition: This Is a Profound Transformation of Our Ways Of Life, and The French People Are Becoming Increasingly Aware of This. Government of France (Paris), 4 February 2015. Date of Access: 26 February 2015. <http://www.gouvernement.fr/en/the-ecological-transition-this-is-a-profound-transformation-of-our-ways-of-life-and-the-french>.

<sup>885</sup> The Ecological Transition: This Is a Profound Transformation of Our Ways Of Life, and The French People Are Becoming Increasingly Aware of This, Government of France (Paris) 4 February 2015. Date of Access: 26 February 2015. <http://www.gouvernement.fr/en/the-ecological-transition-this-is-a-profound-transformation-of-our-ways-of-life-and-the-french>.

<sup>886</sup> The Ecological Transition: This Is a Profound Transformation of Our Ways Of Life, and The French People Are Becoming Increasingly Aware of This, Government of France (Paris) 4 February 2015. Date of Access: 26 February 2015. <http://www.gouvernement.fr/en/the-ecological-transition-this-is-a-profound-transformation-of-our-ways-of-life-and-the-french>.

dioxide capture and storage systems have been implemented.<sup>887</sup> The Organisation for Economic Co-operation and Development (OECD) ranked France the fifth-largest subsidizer of coal energy exports between 2007 and 2013.<sup>888</sup> The measure to end fossil fuel subsidies in developing countries was also announced in the past, on March 2013, by French President François Hollande with no timeline for policy implementation.<sup>889</sup>

On 25 February 2015, the French government launched Mon Projet Renovation, an online tool for French homeowners and residents. The project was developed by the French Agency for the Environment and Energy Management (ADEME) and consists of a customized online questionnaire, custom energy conservation and efficiency tips. The project also intends to provide useful information on financial aid available to homeowners based on their responses.<sup>890</sup>

On 3 March 2015, the French Senate adopted a law on energy transition. The new “action and mobilization” legislation aims to 1) strengthen energy independence; 2) reduce gas emissions; 3) provide specific measures to foster growth of green energy; and 4) create new jobs. The law also seeks to address fuel poverty by introducing new measures, which focus on building energy efficiency.<sup>891,892</sup>

Although, France has created a number of strategies to phase out fossil fuel subsidies, there is little evidence of policy implementation and lack of specific timeline. Thus, France is awarded a score of 0.

*Analyst: Julia Kochneva*

### **Germany: –1**

Germany has not complied with its commitment to rationalize and phase out inefficient fossil fuel subsidies while providing targeted support for the poorest.

The German government has reduced subsidies to hard-coal mining from EUR2.1 billion in 2009 from to EUR1.9 billion in 2011.<sup>893</sup> Germany has also gradually scaled back production and in 2014,

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<sup>887</sup> France to Axe Coal Subsidies while EU Stalls, EurActiv (Brussels) 9 February 2015. Date of Access: 25 February 2015. <http://www.euractiv.com/sections/development-policy/france-axe-coal-subsidies-while-eu-stalls-311878>.

<sup>888</sup> France to Axe Coal Subsidies while EU Stalls, EurActiv (Brussels) 9 February 2015. Date of Access: 25 February 2015. <http://www.euractiv.com/sections/development-policy/france-axe-coal-subsidies-while-eu-stalls-311878>.

<sup>889</sup> La France plus ambitieuse que l'UE sur l'interruption des subventions au charbon. EurActive (Brussels), 5 February 2015. Date of Access: 21 May 2015. <http://www.euractiv.fr/sections/aide-au-developpement/la-france-plus-ambitieuse-que-lue-sur-linterruption-des-subventions>.

<sup>890</sup> Actualités, Comment Réover? Par où Commencer? L'Agence de l'Environnement et de la Maîtrise de l'Énergie (Paris), 25 February 2015. Date of Access: 26 February 2015. <http://www.ademe.fr/actualites>

<sup>891</sup> La transition énergétique pour la croissance verte, 21 April 2015. Date of Access: 23 May 2015. <http://www.gouvernement.fr/action/la-transition-energetique-pour-la-croissance-verte>

<sup>892</sup> La précarité énergétique concerne près de 6 millions de ménages en France. Le Figaro (Paris), 8 janvier 2015. Date of Access: 23 May 2015. <http://www.lefigaro.fr/conso/2015/01/08/05007-20150108ARTFIG00322-la-precarite-energetique-concerne-pres-de-6-millions-de-menages-en-france.php>

<sup>893</sup> Germany: Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil-Fuels, Organisation for Economic Co-operation and Development (Paris), 2013. Date of Access: 1 March 2015. <http://www.oecd.org/site/tadffss/DEU.pdf>.

Germany's coal-producing states eliminated subsidies.<sup>894</sup> The government now assumes payment of all production subsidies, but is expected to phase them out by 2018.<sup>895</sup>

In 2010, the regulation permitting coal subsidies expired in Germany. The government successfully negotiated a deadline extension to 2018 to cut subsidies completely.<sup>896</sup> On 2 July 2014, the German government announced EUR1.2 billion to phase out subsidies for hard-coal mining and the transition to more sustainable energy sources.<sup>897</sup> The reductions to subsidies are, in part, due to increased market prices, which the German Hard Coal Corporation (RAG) expects to see increased revenues. These increased revenues are expected to help further reduce subsidies by EUR200 million in 2015 and EUR50 million in 2016.<sup>898</sup>

The German government is actively introducing incentives to encourage all households, including vulnerable groups, to purchase electricity from the renewable energy sector.<sup>899</sup> In the draft budget for 2015, EUR255 million will be available for the market incentive program (MAP) for renewable energy installations to harness electricity and geothermal energy and biomass.<sup>900</sup> Also, EUR568 million is earmarked towards construction of energy-efficient buildings and retrofitting.<sup>901</sup> These programs aim to shift the overall demand for energy, and to strengthen the German government's goal of reducing fossil fuel subsidies.

Germany has taken actions to phase out inefficient fossil fuel subsidies and support vulnerable groups through its active renewable energy subsidies however these actions have taken place prior to the compliance cycle. Thus, Germany has been awarded a score of -1.

*Analyst: Emily Tsui*

## **India: 0**

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

On 27 February 2015, the Ministry of Finance released an official statement saying that "India shifted from a carbon subsidization regime to one of significant carbon taxation regime, from a negative

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<sup>894</sup> Germany: Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil-Fuels, Organisation for Economic Co-operation and Development (Paris) 2013. Date of Access: 1 March 2015. <http://www.oecd.org/site/tadffss/DEU.pdf>.

<sup>895</sup> Germany: Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil-Fuels, Organisation for Economic Co-operation and Development (Paris) 2013. Date of Access: 1 March 2015. <http://www.oecd.org/site/tadffss/DEU.pdf>.

<sup>896</sup> Germany Wins Extension of Coal Subsidies, Financial Times International Edition (Brussels) 10 December 2010. Date of Access: 1 March 2015. <http://www.ft.com/intl/cms/s/0/5f1fa75e-047c-11e0-a99c-00144feabdc0.html#axzz3TBZpVXqw>.

<sup>897</sup> Draft Budget for 2015, Federal Ministry for Economic Affairs and Energy (Berlin) 2 July 2014. Date of Access: 1 March 2015. <http://www.bmwi.de/EN/Ministry/budget,did=646316.html>.

<sup>898</sup> Draft Budget for 2015, Federal Ministry for Economic Affairs and Energy (Berlin) 2 July 2014. Date of Access: 1 March 2015. <http://www.bmwi.de/EN/Ministry/budget,did=646316.html>.

<sup>899</sup> Draft Budget for 2015, Federal Ministry for Economic Affairs and Energy (Berlin) 2 July 2014. Date of Access: 1 March 2015. <http://www.bmwi.de/EN/Ministry/budget,did=646316.html>.

<sup>900</sup> Draft Budget for 2015, Federal Ministry for Economic Affairs and Energy (Berlin) 2 July 2014. Date of Access: 1 March 2015. <http://www.bmwi.de/EN/Ministry/budget,did=646316.html>.

<sup>901</sup> Draft Budget for 2015, Federal Ministry for Economic Affairs and Energy (Berlin), 2 July 2014. Date of Access: 1 March 2015. <http://www.bmwi.de/EN/Ministry/budget,did=646316.html>.

price to an implicit positive price on carbon emissions. India has cut subsidies and increased taxes on fossil fuels, turning a carbon subsidy regime into one of carbon taxation.”<sup>902</sup>

On 28 February 2015, Finance Minister Arun Jaitley, in an official press release, said that the money will be used to promote clean energy. “With regard to coal, there’s a need to find a balance between taxing pollution and the price of power.”<sup>903</sup>

On 8 March 2015, as a part of the official 2015 budget, the government of India “is to decontrol diesel prices while at the same time increasing excise duty on petrol and diesel periodically to match the declining global prices.” It also says that “a measure of the subsidy arising from lower domestic prices compared to international prices have been eliminated. And in a series of actions since October 2014, excise duties have been imposed on diesel and petrol.”<sup>904</sup>

While India has reduced inefficient subsidies for fossil fuels, it has shown no indication to use the fund for the support of the poor and development. Thus, India is awarded a score of 0.

*Analyst: Ujwal Ganguly*

### **Indonesia: 0**

Indonesia has partially complied with its commitment to rationalize and phase out inefficient fossil fuel subsidies, while providing targeted support for vulnerable groups.

On 18 November 2014, Indonesian President Joko Widodo announced the trimming of petrol and diesel subsidies to increase the price by IDR2000 per litre.<sup>905</sup> On 1 January 2015, President Widodo fully abolished gasoline and diesel subsidies, freeing up an estimated IDR200 trillion.<sup>906</sup> Under the new pricing mechanism, gasoline will be sold at market price while solar diesel will be sold at IDR1,000 below the market price.<sup>907</sup>

On 4 November 2014, Executive Secretary Bambang Widianto of the National Team for the Acceleration of Poverty Reduction (TNP2K) announced a series of programmes aimed at up to 15.5 million poor families in Indonesia. This includes the Family Welfare Deposit Program, which gives financial assistance via a deposit account “to improve welfare levels through the equitable distribution of funds.”<sup>908</sup>

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<sup>902</sup> Press Information Bureau. Government of India, 27 Feb. 2015.

<sup>903</sup> Singh, Rajesh Kumar. "Modi Commits to Clean Environment by Doubling India's Coal Tax." Bloomberg.com. Bloomberg

<sup>904</sup> Jaitley, Arun. Budget 2015-2016 (n.d.): n. pag. Government of India, 28 Feb. 2015. Web. 21 Mar. 2015. <<http://indiabudget.nic.in/ub2015-16/bs/bs.pdf>

<sup>905</sup> Energy Prices in Indonesia: Fuel’s Errand, The Economist (London) 22 November 2014. Date of Access: 23 March 2015. <http://www.economist.com/news/asia/21633877-jokowi-trims-indonesias-inefficient-popular-petrol-subsidies-fuels-errand>

<sup>906</sup> Ending Rhetoric Politics, Gasoline Subsidy Abolished, The Jakarta Post (Jakarta) 8 January 2015. Date of Access: 28 February 2015. <http://www.thejakartapost.com/news/2015/01/08/ending-rhetoric-politics-gasoline-subsidy-abolished.html>.

<sup>907</sup> Indonesia Energy Subsidy Briefing, International Institute for Sustainable Development (CITY) February 2015. Date of Access 27 February 2015. [http://www.iisd.org/gsi/sites/default/files/ffs\\_newsbriefing\\_indonesia\\_feb2015\\_eng.pdf](http://www.iisd.org/gsi/sites/default/files/ffs_newsbriefing_indonesia_feb2015_eng.pdf).

<sup>908</sup> Government Launches Family Welfare Deposit, KIP and KIS Programmes in Stages, The National Team for the Acceleration of Poverty Reduction (Jakarta) 14 November 2014. Date of Access: 23 March 2015. <http://www.tnp2k.go.id/en/artikel/government-launches-family-welfare-deposit-kip82038203-and-kis-programmes-in-stages/>

A small subsidy of 1000 rupiah, or eight cents, per litre will remain on fuel used for public transport and fishermen, a poorer group in the country. Furthermore, economist Anton Gunawan from the University of Indonesia estimates that cash transfers to the poor and near-poor to make up for the subsidy cut will take up part of the extra budget saved.<sup>909</sup>

Indonesia has completely eliminated inefficient fossil fuel subsidies however, its efforts to support the nation's most vulnerable groups have taken place prior to the compliance cycle. Thus, Indonesia receives a score of 0.

*Analyst: Nancy Xue*

### **Italy: -1**

Italy has not complied with its commitment to reduce inefficient subsidies for fossil fuels, nor has it newly recognized any reason to support the poor.

In December 2014, Climate Actions Network released a report about fossil fuel subsidies in Europe. It clearly states that Italy has not released any official statement after 2012 regarding reduction of fossil fuel subsidies. The 2012 report states that "Italy has begun implementation of its plans to gradually eliminate, ahead of time, previously conceded feed-in tariffs for certain cogeneration facilities by pursuing voluntary agreements with private operators."<sup>910</sup>

In November 2014, the ODI report for fossil fuel exploration stated that it was estimated that Italy uses approximately USD407.4 million for subsidies in fossil fuels that it gives to large corporations like *Eni* and *Shell*. The Italian government also provides a reduction in the excise tax paid on natural gas consumption for oil and gas field operations, including exploration.<sup>911</sup>

There is no record of Italy reducing its subsidies for fossil fuels in the current compliance period or supporting the poor. Thus, Italy is awarded a score of -1.

*Analyst: Ujwal Ganguly*

### **Japan: -1**

Japan has failed to comply with its commitment to provide target support to the vulnerable groups that do not have access to fossil fuels.

Japan has disclosed no evidence of having inefficient fossil fuel subsidies in the G20 summits.<sup>912</sup> However, the November 2014 report from the Oil Change International and the Overseas Development Institute (ODI) indicates that Japan's fossil fuel subsidies were worth USD724 million in 2014. It should be noted that this is a decline from a total of USD2.5 billion in 2007.

The report also points out that with the aid of Japan Oil, Gas and Metals Corporation, the Japan Bank for International Cooperation (JBIC), and Nippon Export and Investment Insurance (NEXI),

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<sup>909</sup> "A Good Scrap," *The Economist*, 10 Jan 2015. <http://www.economist.com/news/asia/21638179-jokowi-abandons-wasteful-fuel-subsidies-fiscal-prospects-brighten-good-scrap>.

<sup>910</sup> Climate Actions Network – Europe "MISSING PIECES: Steps to phasing out dirty fossil fuel subsidies in Europe" Dec. 2014

<sup>911</sup> Makhijani, Shakuntala. Fossil Fuel Exploration Subsidies: Italy

<sup>912</sup> Time to Change the Game: Fossil Fuel Subsidies and Climate (London) November 2013. Date of Access: 15 May 2015. <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8668.pdf>

the Japanese government provided USD21.1 billion in public finance for fossil fuel exploration from 2010 to 2013. That is an annual average of USD2.3 billion.<sup>913</sup>

At the 2014 G20 Brisbane Summit, Japan sided with Australia in its disapproval of the United States' proposal to cut back on export subsidies for fossil fuels in third world countries — a move to curb carbon dioxide emissions. The Australian government argued that the move is inconsiderate of the needs of third world countries: the cut would raise energy prices, and these countries would resort to more inefficient means of generating electricity.<sup>914</sup>

According to 7 November 2013 report from Energy Information Administration (EIA), the 2011 meltdown at Fukushima Dai-ichi and subsequent shutdown of all of its nuclear fleet has led Japan to heavily rely on fossil fuels. The EIA points out that Japan is the second largest net importer of fossil fuels, trailing behind China and in front of the United States.<sup>915</sup>

On 11 February 2015, the EIA report points out that as of 2015, more than 86% of Japan's electricity generation was composed of fossil fuels, and nuclear power composed of 0%.

Furthermore, the EIA indicates that Japan imports virtually all of its fossil fuels. Japan spent 60% more for fossil fuel imports in 2013 compared to 2010, which is an increase of USD270 billion in the span of three years. It should be pointed out that the increase is partly due to the rise in international oil prices in that timespan.<sup>916</sup>

On 2 December 2014, according to the Associated Press, Japan pledged USD1 billion in loans for the construction of coal plants in Indonesian cities of Paiton, Criebon, and Indramayu. Specifically, the JBIC, which is under the control of the Ministry of Finance, pledged USD729 million in loans to Paiton, USD214 million for Criebon, and USD15 million for Indramayu.<sup>917</sup>

Furthermore, JBIC has also pledged USD630 million for India and Bangladesh for a similar cause, and has dozens of other smaller coal projects in Southeast Asia.<sup>918</sup>

As of 2015, according to the *Wall Street Journal*, there are seven ongoing coal power projects. Specifically, Kensai Electric Power Co. and Marubeni Corp. is building a new 1.3 gigawatt coal power plant in the northern prefecture of Japan; Chubu Electric Power Co. plans to replace an old oil power plant near Nagoya with a 1 gigawatt coal power plant; Electric Power Development Co., Osaka Gas Co., and Ube Industries plan to build a 1.2 gigawatt coal power plant in west Japan.

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<sup>913</sup> Fossil Fuel Exploration Subsidies: Japan (London/Washington) November 2014. Date of Access: 15 May 2015. <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9270.pdf>

<sup>914</sup> Abbott Government Resists US Moves Against Coal Power (London) March 2015. Date of Access: 20 May 2015. <http://www.smh.com.au/federal-politics/political-news/abbott-government-resists-us-moves-against-coal-power-20150326-1m7mxr.html>

<sup>915</sup> Japan is the Second Largest Net Importer of Fossil Fuels in the World (Washington, D.C.) 7 November 2013. Date of Access: 20 May 2015. <http://www.eia.gov/todayinenergy/detail.cfm?id=13711#>

<sup>916</sup> Japan Plans to Restart Some Nuclear Plants in 2015 after Fukushima Shutdown (Washington, D.C.) 11 February 2015. Date of Access: 20 May 2015. <http://www.eia.gov/todayinenergy/detail.cfm?id=19951>

<sup>917</sup> Japanese Climate Finance Funds for Coal Highlight Lack of U.N. Rules (New York City) 2 December 2014. Date of Access: 20 May 2015. <http://www.japantimes.co.jp/news/2014/12/02/national/science-health/japanese-climate-finance-funds-coal-highlight-lack-u-n-rules/#.VVzgYEa85QK>

<sup>918</sup> Climate Funds for Coal Highlight Lack of U.N. Rules (New York City) 1 December 2014. Date of Access: 20 May 2015. <https://news.yahoo.com/climate-funds-coal-highlight-lack-un-rules-055042351.html>



Tokyo Electric Power Co. has also announced its plans to build a new coal power plant to replace an old 6 gigawatt oil power plant in Tokyo.<sup>919</sup>

It is unclear whether these private electric utility corporations are receiving subsidies from the Japanese government for their coal power projects.

Japan introduced no new forms of support, nor improved on any of its existing subsidies that target the poor during the compliance-monitoring period. Thus, Japan is awarded a score of -1.

*Analyst: Daniel C. Park*

### **Korea: 0**

Korea has partially complied with its commitment to phase out inefficient fossil fuel subsidies while providing support to its vulnerable groups.

On 18 December 2014, the Ministry of Trade, Industry and Energy (MOTIE) notified the public that it plans to maintain the price floor of 500 KRW per coal briquette set back in 11 November 2009. MOTIE's intention behind the price floor was to stabilize coal briquette prices, and to protect the welfare of the working class.

Currently, due to the high production cost of coal briquettes (647 KRW), MOTIE has been subsidizing 275.3 KRW for every coal briquette sold to maintain the price floor of 500 KRW. Although MOTIE planned on raising the price floor, the 15% decrease in the overall usage of coal briquettes reduced the cost burden of the subsidies. As a result, MOTIE was able to maintain the price floor.

MOTIE also notified that any changes to the price floor will take effect after 31 December 2016, and that the price floor will remain fixed until then.<sup>920</sup>

On 26 February 2015, the Fair Trade Commission (FTC) ruled the operations of budget gas stations as fair business practice.<sup>921</sup> Budget gas stations are the former President Lee Myung-bak's response to high gas prices in 2011, and operate under the government-owned Korea National Oil Corporation (KNOC). A budget gas station is able to offer cheaper gas prices than its competitors due to the subsidies and tax benefits/breaks it receives.

The ruling comes after the Korea Oil Station Association filed a complaint against the KNOC to the FTC for exercising its privilege as a state-run company.<sup>922</sup>

On 17 December 2014, the Ministry of Strategy and Finance announced its plans to raise the import duty of liquefied petroleum gas (LPG) by 2% in 2015. Previously, while there was a 3% import duty

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<sup>919</sup> Japan Continues to Re-embrace Coal (New York City) 12 May 2015. Date of Access: 20 May 2015.

<http://ktwop.com/2015/03/12/japan-plans-over-13gw-of-new-coal-fired-capacity-till-2025/>

<sup>920</sup> 연탄가격 내년도 동결 2009년 이후 5년째, 이투뉴스 (Seoul) 18 December 2014. Date of Access: 1 March 2015.

<http://www.e2news.com/news/articleView.html?idxno=79420>

<sup>921</sup> 공정위, "알뜰주유소 불공정 행위 아냐", 지엔이타임즈 (Seoul) 27 February 2015. Date of Access: 1 March 2015.

<http://www.gnetimes.co.kr/news/articleView.html?idxno=30873>

<sup>922</sup> 알뜰주유소와 시장경제, 동아일보 (Seoul) 14 February 2015. Date of Access: 1 March 2015.

<http://english.donga.com/srv/k2srv.php3?biid=2015021438738>

charge on regular petroleum, LPG was exempt from any import duty charges. The working class uses LPG as motor/heating fuel.<sup>923</sup>

Korea has failed to rationalize and phase-out fossil fuel subsidies, but has made progress in providing support for its vulnerable groups during the compliance period. Thus, Korea is awarded a score of 0.

*Analyst: Daniel C. Park*

### **Mexico: 0**

Mexico has partially complied with its commitment to reduce subsidies for fossil fuels and recognize the need to help the poor.

In November 2014, the chief of the International Environmental Agency reported that “at least 27 nations are decreasing or ending the subsidies that hold down costs for fuels used to generate electricity, including coal and natural gas” and that Mexico is increasingly taking advantage of cheap crude oil by trimming fossil fuel subsidies, easing the way for renewable power that can help the environment.<sup>924</sup>

On 2 January 2015, *El Universal* newspaper reported that Mexico raised fuel prices 1.9% and may seek further increases, due to this cut in subsidies. It also stated that the lack of a subsidy leads to increased spending of the average citizen.<sup>925</sup>

In November 2014, according to the ODI report for Mexico, “state-controlled price-setting mechanism was modified so that gasoline, diesel, and LPG [liquefied petroleum gas] prices increase incrementally on a monthly basis at a constant rate, with the goal of the gradual elimination of subsidies.”<sup>926</sup>

Mexico has taken some action to remove fossil fuel subsidies however, has not taken concrete measures to support the poor. Thus, Mexico is awarded a score of 0.

*Analyst: Ujwal Ganguly*

### **Russia: +1**

Russia has fully complied with the commitment on energy.

Russia has taken actions to eliminate inefficient fossil fuel subsidies and provide support for vulnerable groups.

On 18 March 2015, the government of the Russian Federation discussed the draft Energy Strategy of Russia for the period up to 2035.<sup>927</sup> One of the strategy’s goals is to eliminate cross-subsidies to domestic consumers of electricity and heat energy. The strategy also provides for the widening of the

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<sup>923</sup> ‘서민 연료’ LPG 에 수입관세 2% 붙는다, 서울뉴스 (Seoul) 18 December 2014. Date of Access: 1 March 2015.

<http://www.seoul.co.kr/news/newsView.php?id=20141218012020>

<sup>924</sup> Nicola, Stefan. "Fossil Fuel Subsidies Fall in Gain for Renewables." Bloomberg.com. Bloomberg

<sup>925</sup> Serrano, Noe Cruz. "Precio De La Gasolina En México, El Más Alto En Toda Norteamérica." El Universal

<sup>926</sup> Makhijani, Shakuntala. "Fossil Fuel Exploration Subsidies: Republic of Mexico." ODI. ODI, 1 Nov. 2014

<sup>927</sup> Government’s meeting on the draft Energy Strategy of Russia for the period up to 2035, Russian Government 18 March 2015. Date of access: 15 May 2015. <http://government.ru/news/17269/>.

government's pilot project of targeted subsidies to energy consumers and introducing social consumption norms taking into consideration cross-regional differences.<sup>928</sup>

Russia has taken action towards elimination of inefficient fossil fuel subsidies, while maintaining targeted support for vulnerable groups of energy consumers. Thus Russia is awarded a score of +1.

*Analyst: Andrei Sakharov*

### **Saudi Arabia: –1**

Saudi Arabia has failed to comply with its commitment to rationalize and phase out inefficient fossil fuel subsidies that encourage wasteful consumption, and to recognize the need to support vulnerable groups.

“In November 2014, the International Energy Agency (IEA) reported that 27 countries have been cutting back on fossil-fuel subsidies in some form or other.”<sup>929</sup> However, Saudi Arabia has yet to announce any subsidy reforms.<sup>930</sup>

On 25 December 2015, the Saudi Arabia government revealed its budget for 2015 where it indeed maintained its expenses for fossil fuel subsidies.<sup>931</sup>

On 29 January 2015, the Saudi Arabia's new ruler, King Salman bin Abdulaziz al Saud, appointed a new deputy oil minister and replaced the Supreme Council for Petroleum and Minerals<sup>932</sup> with a new Supreme Council for Economic Development.<sup>933</sup> These notable changes in one of the two bodies that oversee the oil and gas sector in Saudi Arabia suggest a generational shift in the country's energy and economic strategies.<sup>934</sup>

In March 2015, the European Commission published an economic brief highlighting Saudi Arabia's consumption fossil fuel subsidies that will amount to USD62 billion in 2015. Furthermore, the International Monetary Fund estimates the country's post-tax subsidies to amount to USD116 billion for this year.<sup>935</sup> However, the IEA reports an average subsidization of 77.3% on fuel, totalling

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<sup>928</sup> Energy Strategy for the period up to 2035 (draft), Russian Ministry of Energy 2014. Date of access: 15 May 2015. <http://minenergo.gov.ru/upload/iblock/621/621d81f0fb5a11919f912bfafb3248d6.pdf>.

<sup>929</sup> One upside of cheap oil — countries are ditching their fossil-fuel subsidies, Vox Media (Washington) 29 January 2015. Date of Access: 1 March 2015. <http://www.vox.com/2015/1/29/7945525/fossil-fuel-subsidies>.

<sup>930</sup> Fossil fuel subsidies Fall In Gain for Renewables, Bloomberg Business (New York City), 30 January 2015. Date of Access: 2 March 2015. <http://www.bloomberg.com/news/articles/2015-01-30/fossil-fuel-subsidies-fall-in-gain-for-renewables>.

<sup>931</sup> Saudi Arabia sticks to budget despite oil's slide, CNBC (New Jersey), 22 December 2015. Date of Access: 10 May 2015. <http://www.cnbc.com/id/102288637>

<sup>932</sup> Fossil fuel exploration subsidies: Saudi Arabia, Oil Change International (Washington), November 2014. Date of Access: 1 March 2015. <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9268.pdf>.

<sup>933</sup> New bureaucratic restructuring in Saudi oil powerhouse, World Bulletin (Istanbul), 6 February 2015. Date of Access: 2 March 2015. <http://www.worldbulletin.net/news/154519/new-bureaucratic-restructuring-in-saudi-oil-powerhouse>

<sup>934</sup> Analysis - Saudi king keeps close hand on oil in remodelling strategic team, Reuters News (Riyadh) 3 March 2015. Date of Access: 3 March 2015. <http://uk.reuters.com/article/2015/03/03/uk-saudi-oil-policy-idUKKBNOLZ0MM20150303>.

<sup>935</sup> Measuring Fossil Fuel Subsidies, European Commission (Brussels) March 2015. Date of Access: 10 May 2015. [http://ec.europa.eu/economy\\_finance/publications/economic\\_briefs/2015/pdf/eb40\\_en.pdf](http://ec.europa.eu/economy_finance/publications/economic_briefs/2015/pdf/eb40_en.pdf)

USD48.1 billion alone.<sup>936</sup> Although it has recently set minimum standards for energy efficiency, the Saudi government has not yet proceeded to undertake any fossil fuel subsidy reform.

On 2 May 2015, Saudi Arabia called for the removal of language on the phase-out of fossil fuel subsidies and the need to put a price on carbon during a joint session of the United Nations talks geared towards crafting a post-2015 development agenda.<sup>937</sup>

As per its rationalization of inefficient fossil fuel subsidies that encourage wasteful consumption, and the need to support the poor, Saudi Arabia has not complied with this commitment. Thus, Saudi Arabia is thus awarded a –1.

*Analyst: Frédérique Bouchard*

### **South Africa: –1**

South Africa has failed to comply with its commitment to improve fossil fuel access for vulnerable groups.

On 30 January 2015, the South African government released its fuel process adjustment. South Africa continues to provide a subsidy for the consumption of petrol, diesel and illuminating paraffin, with the self-adjusting state levy mechanism rules.<sup>938</sup> Also, the current downward trend of international fossil fuel prices has reduced funds available for petroleum subsidies to N458.68 billion from N971.14 billion in 2014.<sup>939</sup>

South Africa has failed to eliminate fossil fuel subsidies and have not taken any explicit actions to support the poor. Thus, South Africa is awarded a score –1.

*Analyst: Jasper Lim*

### **Turkey: –1**

Turkey has failed to comply with its commitment to phase out inefficient fossil fuel subsidies and provide support to vulnerable groups.

On 25 November 2014, the Turkish government's amended legislation on environmental impact assessments (EIA) entered into force. Following the amendment, coal power plants are exempt from

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<sup>936</sup> Fossil fuel consumption subsidy rates as a proportion of the full cost of supply, International Energy Agency (Paris) 2014. Date of Access: <https://www.iea.org/subsidy/>

<sup>937</sup> UN post-2015, financing for development talks debate relationship, International Centre for Trade and Sustainable Development (Geneva) 02 May 2015. Date of Access: 10 May 2015. <http://www.ictsd.org/bridges-news/bridges-africa/news/un-post-2015-financing-for-development-talks-debate-relationship>

<sup>938</sup> Adjustment to the Fuel Prices – 4 February 2015, Country Department of Energy (CITY) 30 January 2015. Access Date: 23 February 2015. <http://www.energy.gov.za/files/media/fuelprice/2015/Fuel-Adjustment-February2015.pdf>; Adjustment to the Fuel Prices – 7 January 2015, Country Department of Energy (CITY) 2 January 2015. Access Date: 23 February 2015. <http://www.energy.gov.za/files/media/fuelprice/2015/Fuel-Adjustment-January2015.pdf>; Adjustment to the Fuel Prices – 3 December 2014, Country Department of Energy (CITY) 28 November 2015. Access Date: 23 February 2015. <http://www.energy.gov.za/files/media/fuelprice/2014/Fuel-Adjustment-December2014.pdf>.

<sup>939</sup> Petrol Subsidy Drops to N 0,90/litre...South Africa Cuts Petrol Price by N16, Daily Trust (CITY) 5 January 2015. Access Date: 23 February 2015. <http://www.dailytrust.com.ng/daily/business/43535-petrol-subsidy-drops-to-n-0-90-litre-south-africa-cuts-petrol-price-by-n16>.

EIA regulations during the dismantling process after being shut down. Since power plants that do not use coal must follow these regulations, this constitutes an implicit subsidy to fossil fuels.<sup>940</sup>

On 23 December 2014, officials from Nebras Power disclosed that the company was in talks with the Turkish government regarding a USD14 billion investment to develop lignite coalmines in the Afşin-Elbistan region.<sup>941</sup> An agreement was signed on 22 February 2015, to study the potential of such a development. This included Nebras Power among a consortium of three Japanese companies and two Qatari companies.<sup>942</sup>

On 2 February 2015, Turkish newspaper *Hürriyet* reported that the Family and Social Policies Ministry had spent TRY213 million on health care and social protection in 2013. Coal aid for consumers was distributed through the Social Aid and Solidarity Fund, commonly known as the Fak-Fuk-Fon. This conclusion was based in part on data from the Organisation for Economic Co-operation and Development.<sup>943</sup> During the same year, the Turkish government spent upwards of USD730 million in subsidies to the coal industry.<sup>944</sup>

On 4 February 2015, the Turkish Energy Commission announced approximately USD15 billion of investments in coal and natural gas from 2015-18 as part of the country's Tenth Development Plan. This amounts to 30% of the plan's total investment in energy.<sup>945</sup>

No evidence was found that the Turkish government has taken any measures to reform its coal subsidies during the compliance cycle. Thus, Turkey receives a score of -1.

*Analyst: Colin McEwen*

### **United Kingdom: 0**

The United Kingdom has partially complied with its commitment to phase out fossil fuel subsidies while providing support to the national vulnerable groups.

On 3 December 2014, Chancellor of the Exchequer George Osborne announced GBP60 million towards multiple energy commitments in the government's Official Autumn Statement 2014.<sup>946</sup>

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<sup>940</sup> Subsidies to Coal and Renewable Energy in Turkey, International Institute for Sustainable Development, Winnipeg, Canada, 24 March 2015. Date of Access: 7 May 2015.

[http://www.iisd.org/gsi/sites/default/files/ffsandrens\\_turkey\\_coal\\_eng.pdf](http://www.iisd.org/gsi/sites/default/files/ffsandrens_turkey_coal_eng.pdf)

<sup>941</sup> Qatari energy firm to invest \$14bn in Turkey, Turkish Weekly, Ankara, Turkey, 23 December 2014. Date of Access: 28 February 2015.

<http://www.turkishweekly.net/news/177623/qatari-energy-firm-to-invest-14bn-in-turkey.html>

<sup>942</sup> Qatar-Japan consortium to study projects in Turkey's Afşin-Elbistan, Hürriyet Daily News, Istanbul, Turkey 23 February 2015. Date of Access: 1 March 2015.

<http://www.hurriyetdailynews.com/qatar-japan-consortium-to-study-projects-in-turkeys-afsin-elbistan.aspx?pageID=238&nID=78721&NewsCatID=345>

<sup>943</sup> Social protection in Turkey, too many words with too little content, Hürriyet Daily News, Istanbul, Turkey 2 February 2015. Date of Access: March 1, 2015.

<http://www.hurriyetdailynews.com/social-protection-in-turkey-too-many-words-with-too-little-content-.aspx?pageID=238&nID=77745&NewsCatID=344>

<sup>944</sup> Turkey's Coal Subsidies Equaled US\$730 Million in 2013, International Institute for Sustainable Development, Winnipeg, Canada, 27 March 2015. Date of Access: 7 May 2015.

<https://www.iisd.org/media/turkey%E2%80%99s-coal-subsidies-equaled-us730-million-2013>

<sup>945</sup> Turkey: Major investment in alternative energy planned, Anadolu Agency, Ankara, Turkey 4 February 2015. Date of Access: 1 March 2015.

<http://www.aa.com.tr/en/economy/460848--turkey-major-investment-in-alternative-energy-planned>

<sup>946</sup> Autumn Statement 2014. HM Treasury 3 (London), December 2014. Date of Access: 28 February 2015.

These commitments included: 1) a commitment to reduce the tax on oil and gas companies operating in the North Sea by 2%; 2) an increase in the maximum duration of the Ring Fence Expenditure Supplement to 10 years from its current level of six; and 3) a tax exemption on 62.5% of capital expenditure for the development of “high pressure, high temperature projects.”<sup>947</sup> These projects will promote additional investment, jobs and overall improvements to the UK supply chain.<sup>948</sup>

On 19 December 2014, Energy Secretary Ed Davey confirmed the implementation of a capacity market subsidy for future energy supply. The subsidy was announced as GBP 19.40 per kilowatt. Approximately 19% of this future supply is expected to come from either coal or biomass.<sup>949</sup> The capacity market plan is also the subject of a legal challenge at the European Court of Justice for its alleged unfair advantage to fossil fuel producers.<sup>950</sup>

On 9 January 2015, the think tank Policy Exchange released a report entitled *Warmer Homes* on the state of fuel poverty in the United Kingdom. It details that the British government allocated 3.2 billion GBP in the 2014/15 fiscal year to alleviate fuel poverty. However, due to poor targeting, only one third of this amount actually benefited the fuel poor.<sup>951</sup>

On 3 March 2015, the Department of Energy and Climate Change announced a new strategy aimed at reducing fuel poverty — the first proposal for more than 10 years. The document is based on a legally binding target, which stipulates that as “many households as reasonably practicable” should be energy-efficient band C or higher by 2030. Early measures include regulations that will forbid private landlords to rent out inefficient properties and an extension of the ECO scheme until 2017 in order to make 500,000 properties cheaper and easier to heat.<sup>952</sup>

Though the UK did not list any inefficient fossil fuel subsidies at the G20 Los Cabos Summit, the government has enacted policies that introduced new subsidies. Thus, the UK receives a score of 0.

*Analyst: Colin McEwen*

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

The United States has fully complied with its commitment to phase out inefficient fossil fuel subsidies and provide support to its vulnerable groups.

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[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/382327/44695\\_Accessible.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/382327/44695_Accessible.pdf)

<sup>947</sup> Autumn Statement 2014. HM Treasury (London), 3 December 2014. Date of Access: 28 February 2015.

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/382327/44695\\_Accessible.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/382327/44695_Accessible.pdf)

<sup>948</sup> Autumn Statement 2014. HM Treasury (London), 3 December 2014. Date of Access: 28 February 2015.

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/382327/44695\\_Accessible.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/382327/44695_Accessible.pdf)

<sup>949</sup> £1bn subsidy in energy capacity auction will boost coal and nuclear power. The Guardian (London), 10 December 2014. Date of Access: 8 May 2015.

<sup>950</sup> Legal Challenge to Government’s £2.5bn Subsidy Scheme for Fossil Fuel industry, The Independent (London) 5 December 2014. Date of Access: 28 February 2015. <http://www.independent.co.uk/environment/legal-challenge-to-governments-25bn-subsidy-scheme-for-fossil-fuel-industry-9907303.html>.

<sup>951</sup> Warmer Homes: Improving fuel poverty and energy efficiency in the UK. Policy Exchange (London), 9 January 2015. Date of Access: 1 March 2015.

<http://www.policyexchange.org.uk/publications/category/item/warmer-homes-improving-fuel-poverty-and-energy-efficiency-policy-in-the-uk>

<sup>952</sup> Press release: A strategy to end cold homes for good. Department of Energy and Climate Change (London), 3 March 2015. Date of Access: 8 May 2015. <https://www.gov.uk/government/news/a-strategy-to-end-cold-homes-for-good>

A 2014 report by Oil Change International found that the US government provided USD21.6 billion worth of subsidies to the oil, gas and coal industries.<sup>953</sup> On 2 February 2015, the Obama administration introduced cuts to fossil fuel tax preferences in the Fiscal Year (FY) 2016 Budget. The proposal would cut approximately USD4.434 billion in fossil fuel tax breaks, including 1) enhanced oil recovery credits; 2) covering expenses of intangible drilling costs; 3) covering expensing of exploration and development costs of coal; and 4) capital gains treatment for royalties.<sup>954</sup> The Office of Management and Budget also projects cuts to fossil fuel tax preferences to total USD28.384 billion by the fiscal year 2020.<sup>955</sup> In addition, the US has committed itself to the voluntary peer-review process on inefficient fuel subsidies.<sup>956</sup>

The United States has also worked to provide support for vulnerable groups. The US government has not increased the federal excise tax on gasoline of USD18.4 cents per gallon since 1993, subsidizing fuel prices for all.<sup>957</sup> As a result, the United States is pays one of the lowest rates for fuel among the members of the Organisation for Economic Co-operation and Development.<sup>958</sup> There are also several continued programs that provide access specifically to vulnerable groups. The Weatherization Assistance Program is a partnership between the United States Department of Energy, all 50 states, the District of Columbia and territories, and three tribal organizations to make homes more energy efficient for about 100,000 low-income families annually.<sup>959</sup>

On 18 March 2015, the Department of Energy granted approximately USD6 million to eleven tribal communities for energy-efficiency retrofit and clean energy projects as a part of their longstanding Tribal Energy Program.<sup>960</sup>

On 21 January 2015, the Office of Community Services, under the Administration of Children and Families announced USD300 million in available funding for the Low Income Home Energy Assistance Program, on top of a previous USD3.05 billion in October 2014.<sup>961</sup> The program provides

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<sup>953</sup> Cashing in on All of the Above: U.S. Fossil Fuel Production Subsidies Under Obama, Oil Change International (Washington D.C.), July, 2014. Access Date: 20 March, 2015.

[http://priceofoil.org/content/uploads/2014/07/OCI\\_US\\_FF\\_Subsidies\\_Final\\_Screen.pdf](http://priceofoil.org/content/uploads/2014/07/OCI_US_FF_Subsidies_Final_Screen.pdf)

<sup>954</sup> The Budget for Fiscal Year 2016, Office of Management and Budget (Washington D.C.) 2 February 2015. Date of Access: 23 March 2015. <https://www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/budget.pdf>

<sup>955</sup> The Budget for Fiscal Year 2016, Office of Management and Budget (Washington D.C.) 2 February 2015. Date of Access: 23 February 2015. <https://www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/budget.pdf>

<sup>956</sup> Fossil Fuel Subsidy Reform Roundtable Highlights a Global Problem, U.S. Department of State (Washington D.C.), 17 April, 2014. Access Date: 19 March, 2015.

<https://blogs.state.gov/stories/2014/04/17/fossil-fuel-subsidy-reform-roundtable-highlights-global-problem>

<sup>957</sup> Petroleum Marketing Explanatory Notes, United States Energy Information Administration (Washington D.C.) July 2014. Date of Access: 23 March 2015. <http://www.eia.gov/petroleum/marketing/monthly/pdf/enote.pdf>

<sup>958</sup> The Real Reason U.S. Gas is So Cheap is Americans Don't Pay the True Cost of Driving, Atlantic: CityLab (Washington D.C.), 5 Jan, 2015. Access Date: 20 March, 2015.

<http://www.citylab.com/commute/2015/01/the-real-reason-us-gas-is-so-cheap-is-americans-dont-pay-the-true-cost-of-driving/384200/>

<sup>959</sup> Weatherization and Intergovernmental, US Department of Energy (Washington D.C.) September 2011. Date of Access: 23 March 2015. [http://energy.gov/sites/prod/files/2014/01/f7/wip\\_factsheet.pdf](http://energy.gov/sites/prod/files/2014/01/f7/wip_factsheet.pdf)

<sup>960</sup> Energy Department Selects 11 Tribal Communities to Deploy Energy Efficiency and Renewable Energy Technologies, US Department of Energy (Washington D.C.) 18 March 2015. Date of Access: 23 March 2015.

<http://apps1.eere.energy.gov/tribalenergy/pdfs/tep-de-foa-0001021.pdf>

<sup>961</sup> LIHEAP Dear Colleague on Second Funding Release FY 2015, Office of Community Services (Washington D.C.) 21 January 2015. Date of Access: 23 March 2015. <https://www.acf.hhs.gov/programs/ocs/resource/liheap-dear-colleague-on-second-funding-release-fy-2015>

assistance for low-income families to manage costs associated with home energy bills, energy crises, and weatherization and energy-related minor home repairs.<sup>962</sup>

The United States has proposed significant action on cutting inefficient fuel subsidies, and has provided support for vulnerable groups. Thus, the United States is awarded the score of +1.

*Analyst: Jasper Lim*

### **European Union: +1**

The European Union has complied with its commitment to rationalize and phase out inefficient fossil fuel subsidies. It has focused on the development of new strategies to reduce reliance on fossil fuels and minimize energy costs.

On 17 November 2014, the EU outlined its energy policy priorities at the Conference on EU Energy Policy and Competitiveness in Brussels. The priorities include 1) building affordable, secure, and sustainable energy by increasing cooperation with EU members in the Mediterranean region, and with non-members such as Norway and Algeria; 2) the common purchase of gas based on World Trade Organization (WTO) rules; and 3) a target at the EU level of at least 27% to improve energy efficiency.<sup>963</sup>

On 25 February 2015, the European Commission announced a strategy to achieve a resilient Energy Union with emphasis on climate change policy. The Energy Union aims to reduce dependence on single suppliers, reliance on neighbouring countries and strives to encourage the free flow of energy across European borders, allowing domestic energy to be easily distributed and consumed.<sup>964</sup> It also ensures European producers can expand their exports and become more competitive in a global market.<sup>965</sup>

On 26 February 2015, the Energy Union announced it would enable EU countries facing an energy shortage to utilize energy surpluses in other member states. This will improve energy consumption efficiency and eliminate the need for governments to buy an excess of production.<sup>966</sup> Under the Capacity Mechanism, governments will provide financial compensation to gas and coal companies for the total amount of power they produce. In the absence of shortages, the program will become a subsidy, and companies will be compensated for their idle capacity.<sup>967</sup>

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<sup>962</sup> LIHEAP Brochure, Office of Community Services (Washington D.C.) 1 November 2009. Date of Access: 23 March 2015. <http://www.acf.hhs.gov/programs/ocs/resource/liheap-brochures>

<sup>963</sup> Opening Speech – EU Energy Policy and Competitiveness, SOURCE (Brussels) 17 November 2015. Date of access: 26 February 2015. [http://europa.eu/rapid/press-release\\_SPEECH-14-1883\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-14-1883_en.htm).

<sup>964</sup> Energy Union: Secure, Sustainable, Competitive, Affordable Energy for Every European, The European Commission (Brussels) 25 February 2015. Date of Access: 27 February 2015. [http://europa.eu/rapid/press-release\\_IP-15-4497\\_en.htm](http://europa.eu/rapid/press-release_IP-15-4497_en.htm).

<sup>965</sup> Energy Union: Secure, Sustainable, Competitive, Affordable Energy for Every European, The European Commission (Brussels) 25 February 2015. Date of Access: 27 February 2015. [http://europa.eu/rapid/press-release\\_IP-15-4497\\_en.htm](http://europa.eu/rapid/press-release_IP-15-4497_en.htm).

<sup>966</sup> Energy Union Targets Renewables Subsidies, Boosts Idle Coal Plants, EurActiv (Brussels) 26 February 2015. Date of Access: 28 February 2015. <http://www.euractiv.com/sections/energy/energy-union-targets-renewables-subsidies-boosts-idle-coal-plants-312280>.

<sup>967</sup> Energy Union Targets Renewables Subsidies, Boosts Idle Coal Plants, EurActiv (Brussels) 26 February 2015. Date of Access: 28 February 2015. <http://www.euractiv.com/sections/energy/energy-union-targets-renewables-subsidies-boosts-idle-coal-plants-312280>.



On 26 February 2015, the Energy Efficiency Financial Institution Group, an expert group established by the European Commission and United Nations Environment Programme Finance Initiative, published its *Final Report Covering Buildings, Industries, and SMEs*. The report recommended creating a cost database and project-rating system for the transparent assessment of energy renovation projects for buildings, and to address barriers to the expansion of the green mortgage market.<sup>968</sup>

On 27 February 2015, Maroš Šefčovič, Vice-President of the Energy Union, announced a new Framework Strategy. The new framework addresses key policy components of the project, including stress tests for the gas sector to ensure a stable supply in the future and transparency practices.<sup>969</sup> The report will be updated every two years to reflect current energy prices. Another component is increasing financial access to improve energy efficiency in the transport and buildings sector, giving priority to low-carbon practices.<sup>970</sup>

The EU has complied with its commitment by implementing policies that will balance energy supply across member states and reduce energy costs for residents. Thus, the European Union is awarded a score of +1.

*Analyst: Julia Kochneva*

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<sup>968</sup> New report: Boosting Finance in Energy Efficiency Investments in Buildings, Industry and SMEs, European Commission (Brussels) 26 February 2015. Date of Access: 28 February 2015. <http://ec.europa.eu/energy/en/news/new-report-boosting-finance-energy-efficiency-investments-buildings-industry-and-smes>.

<sup>969</sup> Driving the EU Forward: the Energy Union, European Commission (Brussels) 27 February 2015. Date of Access: 27 February 2015. [http://europa.eu/rapid/press-release\\_SPEECH-15-4520\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-15-4520_en.htm).

<sup>970</sup> Driving the EU Forward: the Energy Union, European Commission (Brussels) 27 February 2015. Date of Access: 27 February 2015. [http://europa.eu/rapid/press-release\\_SPEECH-15-4520\\_en.htm](http://europa.eu/rapid/press-release_SPEECH-15-4520_en.htm).