

Topics (<https://www.iea.org/topics>) / Fossil Fuel Subsidies (</topics/fossil-fuel-subsidies>)

Tracking the impact of government support Fossil Fuel Subsidies

(</commentaries/the-global-energy-crisis-pushed-fossil-fuel-consumption-subsidies-to-an-all-time-high>)

The global energy crisis pushed fossil fuel consumption subsidies to an all-time high

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The IEA has been monitoring fossil fuel subsidies for more than a decade. The Agency’s systematic analysis highlights their scale and characteristics. It also explores how removing inefficient fossil fuel subsidies could have a positive impact on energy markets, government budgets and efforts to tackle climate change.

At the height of the global energy crisis in 2022, fossil fuel subsidies soared to new heights. Those for natural gas and electricity consumption more than doubled compared with 2021, while oil subsidies rose by around 85%. The total value of subsidies declined in 2023 as some government

provisions expired. Meanwhile, many others are tied directly to energy prices, which pulled back from record highs in many parts of the world. However, fossil fuel subsidies for consumers remain elevated compared with their historical averages.

While subsidies generally aim to make energy more affordable for consumers, many are poorly targeted and disproportionately benefit higher-income groups. Our data and analysis provide crucial insights for policy makers looking to pivot away from inefficient fossil fuel subsidies, a key objective set at forums such as COP and the G20.

Key findings

Distortions in today's energy system favour incumbent fuels

The need to keep energy affordable is a reason why many governments intervene to keep regulated fuel and electricity prices low. During the global energy crisis, short-term affordability measures soared. By April 2023, these expenditures reached some \$900 billion in direct grants, vouchers, tax reductions and price regulations.

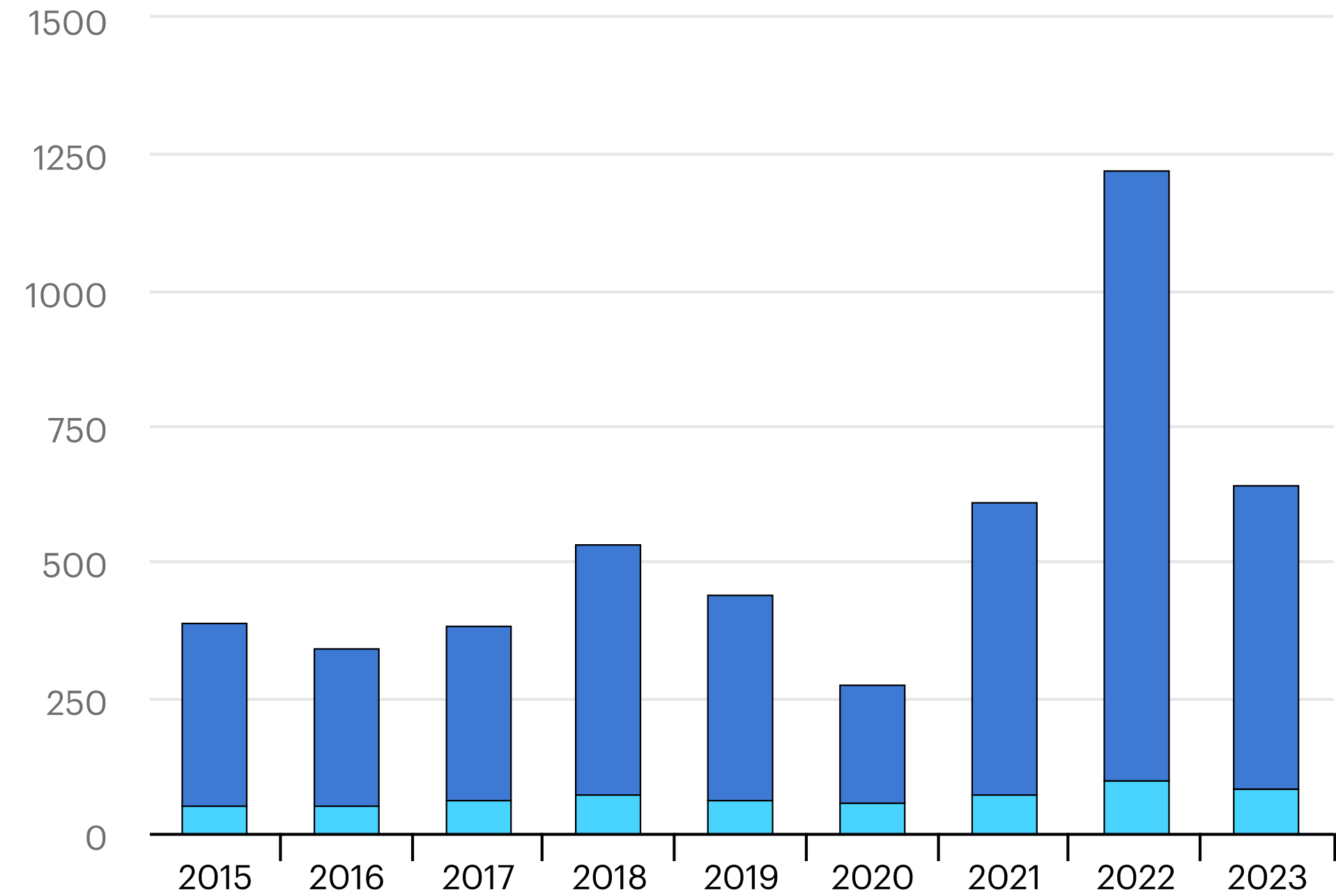
In 2023, governments – especially in emerging and developing economies – continued to heavily subsidise the use of fossil fuels, spending \$620 billion. This amount is significantly above the \$70 billion that was spent on support for consumer-facing clean energy investments including grants or rebates for electric vehicles, efficiency improvements or heat pumps.

Strategies for Affordable and Fair Clean Energy Transitions ➤

Fossil fuel consumption subsidies, 2015-2023

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billion USD (2023, MER)



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● Targeted ● Untargeted

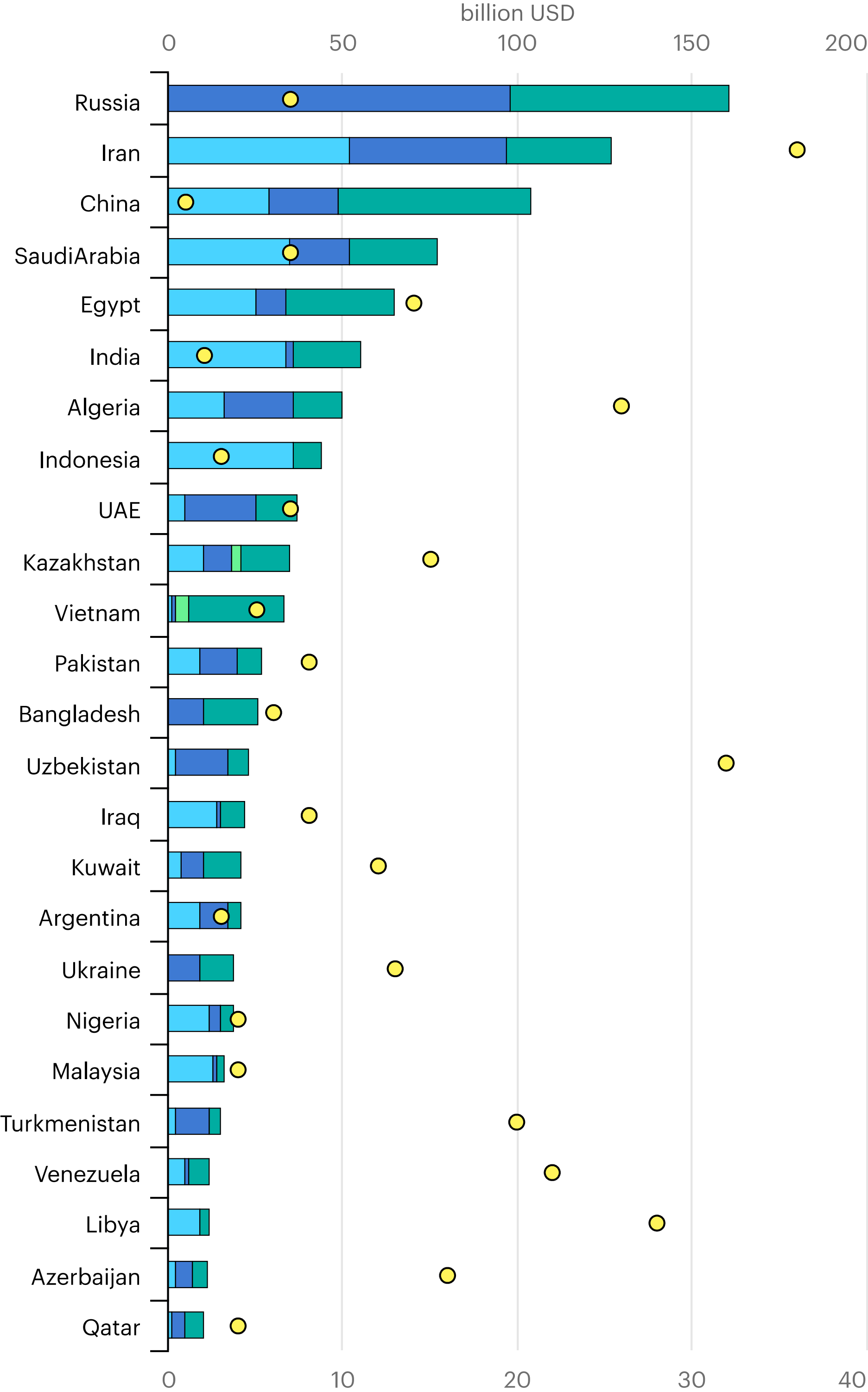
Fossil fuel subsidies hit record levels in 2022

In 2022, global subsidies for fossil fuel consumption exceeded \$1 trillion for the first time, marking a significant increase. This surge was a result of disruptions in energy markets that led to international fuel prices surpassing the actual costs paid by many consumers. The unprecedented subsidies in 2022 were double those of 2021, which were already almost five times higher than the levels recorded in 2020. This jump was particularly pronounced due to the global energy crisis triggered by Russia's invasion of Ukraine. The IEA has long advocated removing or at least reducing fossil fuel subsidies because they distort markets, send the wrong price signals to users, widen fiscal deficits in emerging and developing economies, and discourage the adoption of cleaner renewable energies.

The global energy crisis pushed fossil fuel consumption subsidies to an all-time high in 2022 

Value of fossil-fuel subsidies by fuel in the top 25 countries, 2022

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Share of GDP (MER)

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- Oil
- Gas
- Coal
- Electricity
- Total subsidies as % of GDP (MER)

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Fossil Fuel Subsidies Database

Fossil fuel consumption subsidies for selected countries, 2010-2022

Data set **FREE**



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