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## Estimating support for fossil fuel subsidies in the EU-28



The need to reform ineffective or harmful subsidies to fossil fuels is increasingly recognised as an important element of coherent and cost-effective action to address climate change. Fossil fuel subsidy reform can also contribute to wider policy objectives such as the need for fiscal consolidation and energy security concerns. A number of commitments have been adopted at the EU and international level to rationalize and phase out such subsidies. However, progress remains slow and has been constrained by various obstacles including a lack of accurate and comparable data on the amount of public expenditure on fossil fuel production and use.

A new study by IVM, VITO, IFFP and BIO IS for the European Commission (DG Environment) seeks to

The study finds that direct budgetary support to fossil fuel energy users and producers is rather limited. It estimates that in all EU Member States, total direct support for energy users does not exceed EUR 1 billion per year, while total direct support for producers is less than EUR 5 billion per year. In contrast, tax expenditures on excise taxes (i.e. tax revenue foregone from reduced excise tax rates) are substantial. When using a benchmark of tax rates proposed in the revised Energy Tax Directive, estimated support levels are between EUR 100 million and several billion Euros each year in most Member States, with an EU wide total of almost EUR 28 billion. A benchmark of the highest prevailing rate per unit of energy in each Member State leads to estimates of more than EUR 10 billion per year in several Member States and over EUR 200 billion across the EU. This is mainly due to the significant differences in tax rates between different fuels (e.g. petrol and other motor fuels) and different user types (e.g. small and large electricity users), as well as the inclusion of excise tax exemptions for international aviation and shipping. Some countries also apply reduced VAT rates on fossil fuels and/or fossil fuel based electricity, as well as favourable corporate income tax and royalty schemes.

By applying a common methodology in the calculations, the study provides comparable estimates of public support to fossil fuels in the 28 EU Member States and enables a measurement of progress in phasing out fossil fuel subsidies over time. The study helps to highlight where there is most potential scope for action among Member States and could provide a helpful focus to country efforts to reform fossil fuel subsidies in light of their European and international commitments. The findings of the study can also be used to inform on-going monitoring and reporting processes on wider issues of environmental fiscal and harmful subsidy reform, including the 2015 European Semester.

## DOWNLOADS

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[Enhancing\\_comparability\\_of\\_FFS\\_final\\_report.pdf](#)

2.7 MB

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