

Fossil fuel subsidies need global reform, say experts

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Fossil fuels still receive most of the international government support provided to the energy sector despite their "well-known environmental and public health damage," according to new research from Rice University's Baker Institute for Public Policy.

"There is evidence that fossil fuel subsidies are socially inequitable, that they encourage smuggling and waste, and distort economies in ways that undermine economic efficiency while harming the environment and the climate," wrote Jim Krane, the Wallace S. Wilson Fellow for Energy Studies at the Baker Institute, Francisco Monaldi, fellow in Latin American energy policy at the Baker Institute, and Walid Matar of the King Abdullah Petroleum Studies and Research Center.

Their paper tracks fossil fuel usage and government subsidies since the the 2009 G20 summit, during which representatives from 20 countries discussed global financial and socioeconomic issues and agreed to "phase out and rationalize over the medium term inefficient fossil fuel subsidies." A decade later, [fossil fuels](#) continue to constitute 80% of global energy consumed—as they have since about 1910, when coal consumption surpassed that of biofuels, the researchers wrote.

As of 2018, "advanced countries were still spending some \$800 billion per year to support purchases of fossil fuel products and services, versus \$140 billion for all subsidies worldwide on renewable power generation," they wrote. "Retracting [fossil fuel subsidies](#) would bring a huge reduction in CO₂ emissions alongside public health benefits from reduced local pollution and traffic."

The authors wrote that fossil fuel [subsidy](#) reform is "so unambiguously beneficial that it is often described as one of the few areas within the field of economics around which there is widespread agreement among scholars."

Fossil [fuel](#) subsidies are regressive, disproportionately benefiting the "better off," according to the paper—an estimated 61% of gasoline subsidies accrue to the top 20% of income earners, while the bottom 20% receives just 3%. But the subsidies do represent a large portion of income for those in the bottom 20%, so simply removing them without

compensation "would be socially undesirable and politically dangerous," the authors wrote.

Subsidy reform will require a comprehensive communications campaign to publicize its economic and environmental benefits, according to the authors. Talk of higher gas prices tends to incite protest, so further stimuli may be necessary, they argue, including alternate benefits or even cash "basic income" stipends.

Saudi Arabia, for instance, has "successfully reduced its long-standing discounts on fossil fuels, which, compounding over four decades, made it the world No. 5 consumer of oil," Krane said. "The kingdom's two rounds of price increases appear to have reduced oil consumption, an important victory for Riyadh, since oil exports are its main source of government revenue."

More information: Fossil Fuel Subsidy Reform Since the Pittsburgh G20: A Lost Decade? [www.bakerinstitute.org/media/f ... elsubsidy-100620.pdf](http://www.bakerinstitute.org/media/files/subsidy-100620.pdf)

Provided by Rice University

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