



SDG 12c1

Methodology and Reporting

Himanshu Sharma
Economic and Trade Policy Unit, UNEP

10 June 2021

OUTLINE

Target 12.c: Rationalize inefficient fossil-fuel subsidies that encourage wasteful consumption by removing market distortions, in accordance with national circumstances, including by restructuring taxation and phasing out those harmful subsidies, where they exist, to reflect their environmental impacts, taking fully into account the specific needs and conditions of developing countries and minimizing the possible adverse impacts on their development in a manner that protects the poor and the affected communities

- **Indicator 12.c.1:** Amount of fossil-fuel subsidies (production and consumption) per unit of GDP

Subsidy category	Data availability	Complexity	Acceptance	Recommendation for SGDs	
				National	Global
Direct transfer of funds	++	++	++	Yes	Yes
Introduced transfers (price support)	+	+	++	Yes	Yes
Tax expenditure, other revenue foregone, and under-pricing of goods and services	+	0	+	Yes, but optional*	Yes, but optional*
Transfer of risk	-	-	0	No	No

++ (green) means "excellent" or "low degree of complexity"

+ (yellow) means "good" or "moderate degree of complexity"

0 (orange) means "neutral"

- (red) means "poor" or "difficult"

* Countries are invited to report existing information and build up information on this category progressively. In 2025 it should be considered whether this indicator can be fully included.

Direct Transfer of Funds

Data availability	Complexity	Acceptance
++	++	++
<p>Direct budgetary transfers are well documented by governments, and often in publicly available documents.</p>	<p>Do not need to be estimated by analysts, only reported.</p> <p>Some analysis may be required to allocate the amount to fossil fuel-related industries.</p>	<p>Included in all international definitions, accepted by governments in case study countries.</p>
<p>++ (green) means "excellent" or "low degree of complexity" + (yellow) means "good" or "moderate degree of complexity" o (orange) means "neutral" - (red) means "poor" or "difficult"</p>		

Induced Transfers

Data availability	Complexity	Acceptance
+	+	++
<p>Good, as data on energy prices is available for most countries. Data to calculate the reference price could be improved.</p>	<p>Moderate and can vary, depending on the size of the market and fuels.</p>	<p>Price support is widely recognized as a component of total government support in estimates of total support under the WTO Agreement on Agriculture, the OECD's work on support for different sectors, the IEA's work on fossil fuel subsidies, the IMF's and in the economic literature more generally.</p> <p>However, low-cost producer countries argue that the reference price for making comparisons, even for tradable commodities such as petroleum products, should be production cost, not export-price parity.</p>
<p>++ (green) means "excellent" or "low degree of complexity" + (yellow) means "good" or "moderate degree of complexity" o (orange) means "neutral" - (red) means "poor" or "difficult"</p>		

Tax Expenditures

Data availability	Complexity	Acceptance
+	o	+
<p>Government estimates of tax expenditures relevant to the production of fossil fuels are reported by most developed countries, but not by many others.</p> <p>Data that would permit the valuation of exemptions, reductions and rebates of consumption-side taxes – VAT and excise taxes in particular – should be obtainable with a moderate amount of effort.</p> <p>Data on financing can be opaque but is increasingly being collected.</p>	<p>Tax expenditures: relatively complex to measure.</p> <p>Under-pricing of goods and services: relatively non-complex to measure.</p> <p>Methods for estimating the subsidy element of loans have been developed, but not systematically applied.</p>	<p>Tax expenditures: Included in national monitoring in some countries and G20 peer-reviews, but not widespread.</p> <p>Can be controversial, because differences in national tax systems make interpretation necessary.</p> <p>Under-pricing of goods and services: included in most definitions, and accepted, though in practice not widely measured.</p>
<p>++ (green) means "excellent" or "low degree of complexity" + (yellow) means "good" or "moderate degree of complexity" o (orange) means "neutral" - (red) means "poor" or "difficult"</p>		

Reporting



شكراً