

Call for Proposals

Norwegian Case Study: Subsidies to the Oil and Gas Industry

1. The GSI's research on subsidies for fossil fuels

The International Institute for Sustainable Development (IISD) is conducting a program on fossil-fuel subsidies as part of its Global Subsidies Initiative (GSI). The GSI is dedicated to research and awareness building on government subsidies and their impacts on sustainable development. In cooperation with a growing international network of research and media partners, the GSI seeks to lay bare just what good or harm public subsidies are doing and to encourage public debate and awareness of the options that are available for reform.¹

The GSI has given priority to fossil-fuel subsidies because of their central role in economic development, environmental change and social welfare. Good management of energy resources will be critical in achieving sustainable development; however, in many cases, government intervention in the sector could be encouraging over-exploitation of resources and inefficiency.

In both developed and developing countries, subsidies to the production and consumption of fossil fuels exist in a wide variety of forms, including direct budgetary transfers, tax exemptions, and price controls. Although subsidies to fossil fuels are often justified as having an overall benefit for social welfare, research has found that many fossil-fuel subsidies have a net negative effect, both nationally and internationally. Fossil-fuel subsidies distort the market, resulting in a host of negative impacts including greater greenhouse gas emissions, high costs imposed on government budgets, and reduced incentives for energy efficiency and conversion to alternative energy sources.

While there are global estimates for consumer subsidies, very little is known about subsidies that benefit the producers of fossil fuels. The GSI estimates that globally, about US\$ 100 billion is provided to fossil-fuel producers each year. Nobody knows the real number, however, because there is no international framework for regularly monitoring fossil-fuel subsidies. The GSI's research series *Fossil Fuels – At What Cost?* aims to provide new data and analysis on

¹ Further information on the IISD and the GSI can be found at www.iisd.org and www.globalsubsidies.org.

producer subsidies through detailed country studies, while developing a consistent methodology that can be applied to the analysis of producer subsidies in any country. The first two country case studies in the series looked at subsidies for upstream oil and gas activities in Indonesia and upstream oil subsidies in three Canadian provinces². This Norwegian case study will be the third study in the series.

2. Objectives of the case study

The GSI is undertaking this case study to provide up-to-date estimates of Norway’s subsidies to the oil and gas industry. The study will:

- a. identify and classify the types of subsidies that industry receive;
- b. identify data gaps and areas where transparency could be improved;
- c. quantify the subsidies identified;
- d. assess the economic, environmental and social impacts of the subsidies; and
- e. develop a range of policy recommendations to reform perverse subsidies, and to improve the transparency and reporting of subsidies.

The study must ensure that it covers the key issues concerning subsidies. These include new conditions which may be granted for the development of new fields off the northern coast of Norway (including in Lofoten), the tax treatment of “mosquito” companies involved in exploration activities, the role of Statoil as production partner, and public expenditure limits that apply to sectors other than oil. For outreach of the results, it would be advantageous if the consultant could establish links with Dagen Næringsliv (www.dn.no), which has published a series of articles on potential subsidies in Norway. The researcher is also expected to work collaboratively with the relevant Norwegian ministries.

3. Research proposals

The GSI is requesting proposals (maximum 10 pages) outlining how the researcher proposes to undertake the case study. Proposals shall include:

- a description of how the researcher meets each of the selection criteria outlined below;
- a description of the research methods for data collection and analysis;
- a chart depicting a breakdown of research tasks over time;
- a table outlining how many hours the researcher will assign to each task;
- the research team structure, including time and tasks allocated to each person and short resumes for each person.

² Both studies are available on the GSI’s website:

Indonesia: http://www.globalsubsidies.org/research/ffs_atwhatcost_indonesia

Canada: <http://www.globalsubsidies.org/research/fossil-fuels-at-what-cost-government-support-upstream-oil-activities-three-canadian-provinc>

4. Selection criteria

Research proposals will be selected on the basis of:

- Evidence of the researcher's:
 - in-depth knowledge of the oil and gas sector in Norway;
 - knowledge of public finances and economics;
 - network of contacts within government and industry;
 - awareness of the relevant political, economic, social and environmental implications of fossil-fuel subsidies;
 - previous written publications in this or relevant fields;
 - clarity of analysis and written expression;
 - familiarity with Norwegian and fluency in English.

- Methodology, in particular:
 - access to data and information sources, including good contacts within government (particularly Statistics Norway) and industry;
 - approach to quantifying types of subsidies;
 - access to a CGE model, preferably one recognized or used by the Norwegian government.

Proposals should be submitted no later than 31 January 2011.

5. Assignment

The consultant will undertake research to identify what subsidies the oil and gas industry receives from federal and local governments in Norway, using the GSI's framework for identifying subsidies (see table 1), which is based on the WTO's definition of subsidy in the Agreement on Subsidies and Countervailing Measures.

This comprehensive framework forms the basis of all GSI's country case studies. Not all subsidies types listed may be relevant for Norway. The research should cover all relevant ministries, departments and public bodies at federal and more local levels.

The researcher will work closely with the GSI in selecting their methods for calculating subsidies in order to ensure they meet the GSI's criteria for promoting consistency across the series *Fossil Fuels – At What Cost?*³

³ The GSI has a number of tools to assist the researcher, including a subsidy manual with methods for calculating subsidies: <http://www.globalsubsidies.org/en/resources/subsidy-estimation-a-survey-current-practice>



Table 1: Typology of subsidies

Direct and indirect transfer of funds and liabilities	Direct spending	Earmarks: Special disbursements targeted at the sector.
		Agency appropriations and contracts: Targets spending on the sector through government budgets.
		Research and Development support: Funding for research and development programs
	Government ownership of energy-related enterprises	Security-related enterprises: Strategic petroleum reserve; securing foreign energy shipments or key assets.
		Municipal utilities and public power: Significant public ownership of coal- and natural gas-fired electricity stations; some transmission and distribution systems for both natural gas and electric power
	Credit support	Government loans and loan guarantees: market or below-market lending to energy-related enterprises, or to energy-intensive enterprises such as primary metals industries
		Subsidized credit to domestic infrastructure and power plants
		Subsidized credit to oil and gas related exports
	Insurance and indemnification	Government insurance/indemnification: market or below-market risk management/risk shifting services
		Statutory caps on commercial liability: can confer substantial subsidies if set well below plausible damage scenarios
	Occupational health & accidents	Assumption of occupational health and accident liabilities
	Environmental costs	Responsibility for closure and post-closure risks: facility decommissioning and clean-up; long-term monitoring; remediation of contaminated sites; natural resource restoration; litigation
Waste management: avoidance of fees payable to deal with waste.		
Environmental damages: avoidance of liability and remediation to make the environment whole.		
Government revenue foregone	Tax breaks and special taxes	Tax expenditures: Tax expenditures are foregone tax revenues, due to special exemptions, deductions, rate reductions, rebates, credits and deferrals that reduce the amount of tax that would otherwise be payable.
		Overall tax burden by industry: Marginal tax rates are lower than other industry.
		Exemptions from excise taxes/special taxes: excise taxes on fuels; special targeted



		taxes on energy industry (e.g., based on environmental concerns or "windfall" profits)
Provision of goods or services below market value	Government-owned energy minerals	Process for mineral leasing: auctions for larger sites; sole-source for many smaller sites
		Royalty relief or reductions in other taxes due on extraction: reduced, delayed or eliminated royalties are common at both national and sub-national levels. Royalties targeted based on type of energy, type of formation, geography or location of reserve (e.g., deep water).
		Process of paying royalties due: allowable methods to estimate and pay public owners for energy minerals extracted from public lands
	Government-owned natural resources or land	Access to government-owned natural resources land: at no charge or for below fair market rate
	Government-owned infrastructure	Use of government-provided infrastructure: at no charge or below fair market rate
	Government procurement	Government purchase of goods or services for above market rates
	Government-provided goods or services	Government-provided goods or services at below market rates
Income or price support	Market price support and regulation	Consumption mandates: fixed consumption shares for total energy use.
		Border protection or restrictions: controls on imports or exports leading to unfair advantages.
		Regulatory loopholes: any legal loopholes, either in the wording of the statute or in its enforcement, that transfers significant market advantage and financial return to particular energy market participants
		Regulated prices set at below-market rates: for consumers (including where there is no financial contribution by government)
		Regulated prices set at above-market rates: including government regulations or import barriers

Report

The consultant will provide a report based on his or her research findings which will include the following sections:

1. An executive summary
2. Methodology
 - a. Definition and scope
 - b. Approach
3. Overview of the oil and gas sector
 - a. Physical characteristics
 - b. Financial flows and pricing along the supply chain
 - c. Industry structure and ownership
4. Subsidy policies for oil and gas production including:
 - a. objective of each subsidy
 - b. recipient of each subsidy
 - c. organization granting the subsidy
 - d. subsidy instrument
 - e. size of the subsidy (financial or otherwise)
 - f. time period the subsidy has been in place
5. Quantification of subsidies including:
 - a. Total support estimates
 - b. Aggregate subsidies for 2009 (or the latest year if 2009 data is not available)
 - c. Estimates of future subsidies
6. Economic, environmental and social impact assessment
7. Conclusions and Recommendations including:
 - a. A range of policy recommendations to promote the reform of perverse subsidies, and to improve the transparency and reporting of subsidies. The recommendations will promote the better use of public resources and effective government subsidy policy.



6. Destination and audience

The Norwegian case study will contribute to the GSI's core research programme on fossil-fuel subsidies. It will form part of a series of case studies researching subsidies to sector-specific fuels in both developing and developed countries. The study will provide valuable input to GSI's ongoing work to build a global picture of the size and scale of fossil-fuel subsidies with a view to promoting subsidy reform.

The GSI anticipates an in-country launch of the report. The launch will include a presentation of the report's key findings to government representatives, industry and other important stakeholders.

The report will be published on-line and in hard copy, and will be disseminated to a wide network of stakeholders through a variety of channels.

7. Product and Deliverables

The consultant will:

1. Complete the study in six staged deliverables:
 - (i) Detailed outline of the proposed study, methodology and description of supply chains (section 3 of the report);
 - (ii) Short presentation outlining progress of research findings;
 - (iii) First draft report focusing on sections 4, 5 and 6 of the report;
 - (iv) Revised draft report including all sections of the report (as outlined above);
 - (v) Revised report incorporating feedback from peer review.
 - (vi) Final report.
2. Produce a final paper (maximum 100 pages) including relevant tables, graphs and charts. The paper should be written in a style easily understood by policy makers.
3. Revise the paper in line with comments received from IISD and 3-4 external peer reviewers and submit deliverables within the timelines. Note that the GSI will engage leading subsidy experts to review the complete draft report (deliverable iv). The consultant should expect to receive and incorporate substantive comments into their final report.
4. Draft the paper in line with the IISD's style guide (format and referencing).
5. Present the results of the study at a launch event (time and place to be agreed with GSI).



8. Indicative timeline

31 January 2011	Deadline for submitting project proposals
February 2011	Selection process and contract negotiations
7 March 2011	Start date
1 April 2011	Due date for deliverable (i)
8 April 2011	IISD feedback on deliverable (i)
6 May 2011	Due date for deliverable (ii)
3 June 2011	Due date for deliverable (iii)
17 June 2011	IISD feedback on deliverable (iii)
22 July 2011	Due date for deliverable (iv)
26 August 2011	Peer review and IISD feedback on deliverable (iv)
16 September 2011	Due date for deliverable (v)
23 September 2011	IISD feedback on deliverable (v)
30 September 2011	Due date for deliverable (vi), final report

9. Resources

The project budget for the consultant's work in this case study is likely to be within the range of USD 30,000 – USD 50,000.

10. Contacts

The contact person for this project is:

Kerryn Lang
Research Officer, Global Subsidies Initiative
International Institute for Sustainable Development (IISD)

Telephone: +41 22 917 8920

Email: klang@iisd.org

Address: International Environment House II, 9 chemin de Balexert, 1219 Geneva, Switzerland

Websites: <http://www.globalsubsidies.org> <http://www.iisd.org>