SUBSIDY WATCH
A roundup of news, views and ideas on subsidies and sustainable development

GSI Global Subsidies Initiative

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COMMENTARY:

Hope on the horizon: Will the G-20 really start the final countdown on unsustainable energy subsidies?

by Cees van Beers and André de Moor

For decades there has existed a community of researchers – spanning government ministries, international organisations, academia and civil society – working to increase the world's understanding and awareness of harmful subsidies. Since September 2009, when the G-20 committed to phase out and rationalize inefficient fossil-fuel subsidies that lead to wasteful consumption and distorted long-term energy investments, much attention has turned to the subject. Marking just over a year after this agreement was reached, and in the run-up to the G-20's Seoul Summit on 11–12 November, Subsidy Watch *contacted Professor Cees van Beers and André de Moor, part of the fossil-fuel subsidy research community since the 1990s, and asked for a retrospective: how far have we come and how far have we yet to go?*

In the early 1990s we started researching public subsidies as part of an Earth Council project, initiated by Emile van Lennep, former Secretary General of the Organisation for Economic Co-operation and Development (OECD). This was an eye-opener as government subsidies were generally thought to be benevolent but many turned out to be fiscal, environmental and social failures. Some years later, our work culminated in a book entitled *Public Subsidies and Policy Failures*, published in 2001. In the preface we wrote, "Our decision to write a book on public subsidies has been triggered by the continuing examples around us of subsidies with perverse implications. Although the political and social significance of the issue has become abundantly clear, it is still insufficiently recognized…"

> *"Now, more than a decade later, what has become of our findings? The results are mixed: some good news, real disappointment and a spark of hope and optimism."*

We estimated global energy subsidies at US$ 240 billion, reflecting a severe addiction on the part of governments. Furthermore, we emphasized two key points. First, most energy subsidies were not directly visible in government budgets but given off-budget and hidden in policies and regulations. For example, tax breaks for depletion of oil and gas fields, low tax rates on diesel, minimum requirements to use domestic fossil fuels, price regulations that keep prices below market level and so on. The hidden nature of these policies is a huge impediment to subsidy reform, so we recommended increased transparency regarding the size and impact of energy subsidies.

Second, it appeared that in developed

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countries energy subsidies tended to benefit producers, while in developing nations the main beneficiaries were energy consumers. Common for both types, though, was that fossil fuels received by far the largest share of the support: around 80% of total spending, equal to some US$ 150 billion annually. The overall conclusion was that the large majority of producer and consumer energy subsidies did not serve their purposes and at the same time undermined economic efficiency and environmental quality. Reforming energy subsidies offered an enormous challenge for political leaders to mobilize these public funds for more sustainable purposes.

Now, more than a decade later, what has become of our findings? The results are mixed: some good news, real disappointment and a spark of hope and optimism. On the positive side, more transparency has been achieved as regards the hidden character of energy subsidies. At both national and international levels, disclosure of energy subsidies has improved. The disappointing news is that the addiction to energy subsidies is worse than we thought in 2001. Recent ballpark estimates by the Global Subsidies Initiative (GSI) indicate that global energy subsidies may be more than double the amount we previously estimated, at some US$ 500 billion per year. Consumer subsidies have increased, which could be a reflection of the improved information about subsidy mechanisms, as well as policies to keep energy prices low for consumers. When oil prices were at their highest, in 2008, the IEA estimated that fossil fuel consumer subsidies alone were worth US$ 557 billion. Producer subsidies have also increased. Even after correcting for inflation, our estimate for the 1990s of nearly US$ 60 billion annually seems out-dated and it now apprears closer to US$ 100 billion in current prices. The true amount may be even higher, as hidden subsidies in the United States and Europe continue to be unearthed.

> *"So, after years and years of subsidy research and debate, we are cautiously optimistic about the removal of harmful energy subsidies. Optimistic, because finally G-20 countries are officially facing the challenge to phase out fossil-fuel subsidies; cautious, as we realize the persistence of subsidy addiction."*

Another disappointment is the poor progress that has been made in revealing the implications of energy subsidies. This is important because it raises further awareness of the problem at the policy level. We co-authored a tractable and practical modelling attempt at this in 2006 for eight important subsidies in the Netherlands. The study revealed that subsidies are undermining environmental policies because they increase CO_2 emissions. On a global level, the OECD's Jean-Marc Burniaux and Jean Chateau calculated in 2009 that removing all consumer energy subsidies would reduce greenhouse gas emissions by 10 % in 2050. More such work is required.

Our overall view concerning the political challenge is mixed. In 2001 we proposed a Grand Bargain on reforming energy subsidies to be closed within the UN framework of the climate-change negotiations. Considering the poor situation the UNFCCC now finds itself in, this is not a viable way forward anymore. The spark of hope is the positive step taken forward at the G-20 summit at Pittsburgh in 2009. Political leaders of the 20 largest economies committed to phasing out fossil-fuel subsidies and put the responsibility on their Energy and Finance Ministers to monitor implementation and report on progress towards meeting this goal. Surely, such commitment calls for optimism, as several of the 20 leading countries are also among the biggest energy subsidizers. However, the G-20 countries now really need to push forward and deliver on their commitment soon. This requires close and critical monitoring.

And there we touch upon a key conclusion in our book. We paid a great deal of attention to the question of how subsidies could persist if their fiscal, social and environmental implications were so harmful, and identified key barriers and mechanisms that inhibit subsidy reform. Most prominent, as has long been observed in many other sectors, is that public subsidies reflect vested interests that are a lock-in mechanism against any reform. These interests represent real economic benefits and create addiction of both subsidy providers and recipients. These interests need to be addressed in subsidy reform, both at the national and international level. Today, the policy strategies we formulated in 2001 are still relevant. A process of desubsidization requires transparency, control of subsidies and a solid transition policy, to be realized through economic, institutional and political reform. Transparency should also reveal the winners and losers of reform and lead to sustainable but temporary policies to compensate the losers. This is in

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our view the key to successful subsidy reform.

So, after years and years of subsidy research and debate, we are cautiously optimistic about the removal of harmful energy subsidies. Optimistic, because finally G-20 countries are officially facing the challenge to phase out fossil-fuel subsidies; cautious, as we realize the persistence of subsidy addiction. More transparency and bringing vested interests to a solution are the keys to turning our reservations into sheer optimism. We, like many others, will be closely watching the G-20 Summits at Seoul in 2010 and at Paris in 2011 to see what practical news – if any – emerges to show that the countries are seriously committed to pursuing their agreement on fossil-fuel subsidy reform and changing course from plans towards concrete actions. In the end, the final proof of the pudding is an actual reduction of energy subsidies; that will be the real breakthrough.

Cees van Beers is professor of Innovation Management and head of the section Technology, Strategy and Entrepreneurship at the Delft University of Technology. In addition to his work on subsidies, his research focus is on the impact of information technology investments and adoption, innovation performance, entrepreneurship and export behaviour, government policy failures and sustainability.

André de Moor is now senior policy advisor at the Netherland's Ministry of Education, Culture and Science. Previously, over a period of 10 years he worked on public subsidies and published extensively on the subject. He has also worked and published on environmental policy and climate change issues.

COMMENTARY

How big are your fossil-fuel subsidies? An interview with the International Budget Partnership on government transparency and the right to access information

This October, the International Budget Partnership (IBP), part of the U.S. non-profit organisation the Center on Budget and Policy Priorities, published preliminary findings from the Ask Your Government! initiative, an ambitious research project to investigate what happens when citizens around the world ask their governments for specific budgetary information relating to key international development commitments – including the enquiry, "What was the total amount actually incurred during the past three fiscal years on subsidies for oil, gas and coal production and consumption?"

Subsidy Watch *had the chance to speak about the results of this exercise with Helena Hofbauer, the IBP's manager for Partnership Development, and Libby Haight, one of* Ask Your Government!*'s coordinators. We also asked several of the IBP's partner organisations to talk about their experiences taking the project forward at the country-level, including coordinator Victoria Anderica, based in the European non-profit Access Info Europe, and in-country researchers Sakti Golder, Ralph Ndigwe and Renata Terrazas.*

> *"It was surprising how many governments failed to answer the questions. Most are obliged to provide some kind of response. [...] Just ignoring the question is a fairly shocking result and it actually happened in the majority of cases."*

SW: Thank you – everyone – for agreeing to share your experiences with us about this project. Helena, could you begin by giving us some background information? How did the IBP come to undertake a survey on budgetary transparency that included a question on subsidies for oil, gas and coal production and consumption?

Helena: Every two years the IBP releases the results of the *Open Budget Survey* (OBS), an evaluation of the extent to which governments publish the eight documents we consider to be basic in providing budgetary information. (The latest OBS was published just this month and is available on our website.) At some point, we thought it would be good to see what happens when citizens *require* information – not looking at published documents, but asking very specific budgetary questions. To make this happen, two IBP programs, the Open Budget Initiative and the Partnership Initiative, worked together. Early on, we decided that our questions should be relevant to movements that could use the answers to strengthen their own research and advocacy.

Working together with nine international

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organisations and 80 national-level partners, we asked six questions in a total of 80 countries: two focused on maternal health, directly linked to the Millennium Development Goals Summit in September 2010; two questions looked at aid; and two at environmental issues. Within this latter category, the question on fossil-fuel subsidies came out of our interactions with the Global Subsidies Initiative, and our belief that the reform movement would find this information interesting, particularly in the light of recent commitments to phase out such subsidies. It's not a comprehensive exploration of government data and transparency, but it's a first glimpse.

SW: This sounds like a massive exercise – you must be exhausted. How did it work? How was the survey organised?

Libby: We began by collaborating with Access Info Europe and the Centre for Law and Democracy, experts in the right to access public information. They drafted a protocol that we asked all researchers to follow. It used prevailing international standards for access to public information: establishing that 30 days is a reasonable timeframe for a government to send an answer or some sort of response; and also establishing that governments will be given up to three opportunities to respond to requests.

The protocol clearly detailed how to go about drafting the information-request letter based on the regime in place in the country: either having an existing information access law; having a constitutional right to information access, but no specific legislation bringing it into force; or no legal standard, in which case an appeal to international standards was made.

> *"While the question on subsidies might be considered complex, a well-functioning, well-structured government would have to know what it is spending and ceasing to earn because of specific subsidies, which has a direct impact on the size of the budget that can be allocated to everything else."*

Each individual question was then inserted into the letter, with instructions as to which agency would be most appropriate to answer the question. Researchers were also asked to check online to see if the information they sought was already available.

The protocol provided guidelines on how researchers should follow up on their requests and keep detailed notes along the way. Each time a researcher had contact with government officials, we'd keep a record – how the interaction went from the point of submission to either getting an answer or exhausting all of the three attempts. All researchers were in contact with either me, Victoria Anderica, the coordinator from Access Info Europe, or Caroline Poirrier, researcher of the OBI team who was responsible for coordinating with all francophone countries.

The first request was submitted at the end of January 2010 and we got some of our last answers in July. In some countries, things went very smoothly, but in other countries it was very difficult, so researchers needed extra time to feel they'd had the opportunity to go through the steps to reach a final conclusion. In the case of Angola, for example, there was a massive change in government, so that slowed the process.

SW: Have you reached any preliminary conclusions? Can you tell us anything about the types of responses you received?

Helena: What we can say at this point is very limited because of the kind of information we have and the understanding that we have of that information. We can talk about the fact that there was only one government that provided all the information that was requested in a timely way, out of 80 − already a pretty daunting conclusion. We can say how many governments didn't provide any kind of answer to the questions that were posed. We can also illustrate how many governments were in-between. But what we don't know yet, and this is important, is − what do the responses we actually got *mean*? What does it mean when a government says 'we don't have any subsidies to oil, coal, whatever' and we know that country does have subsidies? Similarly, how do we evaluate the quality of the response?

Libby: Yes, I think that right now our first steps have been to separate out how well countries responded from the fact that citizens were asking for this fairly practical budget information. It was surprising how many governments failed to answer the questions. Most are obliged to provide some kind of response. If they judge that the information requested is confidential or cannot be provided, it's their obligation to justify that decision. Just ignoring

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the question is a fairly shocking result and it actually happened in the majority of cases. At least one question out of six didn't get any response in most countries. From a right to information perspective, that very internationally recognised right wasn't met. The next step is: of those who did answer, what does that information tell us? How complete is that information? We can only measure how complete the response was in terms of how much of the question was answered. We're not necessarily experts in aid transparency for example.

SW: Unfortunately, we don't have room to highlight more than a few representative examples here, but Victoria, Sakti, Ralph and Renata – tell us, with respect to fossil-fuel subsidies specifically, what sort of experiences did you come across at a country level?

Victoria: in Europe, 23 countries were asked the question about fossil-fuel subsidies and, generally, the results were not bad, as almost 60% gave a comprehensive answer. There were cases, though, where information was not delivered or was delivered with problems. In Portugal for example, an Amnesty International researcher reported that they had received several angry phone calls from the Minister's office, who could not understand why they wanted to access information regarding the environment. After the reason for the question was clarified, some information was received, but it was very incomplete. This reaction directly undermines the right of access to information, as by law everyone has the right to ask and no reason should be demanded. In some countries, such as Spain, France and Norway, we did not get any answer to our questions, even though we made all three attempts.

Sakti: the only difficulty I faced in India was identifying the appropriate Ministry – otherwise my experience was good. Initially, I thought that the Ministry of Finance would be the appropriate authority, but after filing an appeal I was promptly informed that my request had been transferred to the Ministry of Petroleum and Natural Gas. After a month I got no response, so I filed again, but this time directly to the Ministry of Petroleum and Natural Gas. The Ministry replied and gave detailed information on oil and gas subsidies. Since they didn't give any information on coal, I filed to the Ministry of Coal and they transferred the letter to a government-owned company, Singareni Collieries Company Limited, who finally gave me the last piece of information.

Although it was a lengthy process, I didn't get any especially negative reaction from the institutions − rather, I'd say I got positive ones, to the extent that I received suggestions about who could provide me with the required information and had requests forwarded on my behalf.

Ralph: in Nigeria, we went to the Ministry many times and we couldn't even get past the junior officer. They just said that it would be forwarded to the directors and that the directors would meet and instruct the officials to give us the information we required. In some Ministries, they said they couldn't find the file we were seeking, that we had to come back at another time. One Ministry would say come back in a week, another three days, while another would say come back in two weeks. When we did, they'd say the director had travelled abroad. When he came back they would tell us to come back again anyway. That's all we did for three months.

There was one representative who told us, "I see you have been coming here again and again, but let me tell you this – if you come here until next year, you won't get anything." They were telling us the truth. In the end, we received not one piece of information from any of the Ministries. We were not surprised because we knew what was happening but we were excited to take part in this project because we need to document this type of behaviour. Right now, when you ask any government official, they will deny that they do these things. So this result was an eye-opener.

Renata: In Mexico, we first approached the Ministry of Economy. They answered that it was not within their competency to respond to the question and recommended that we contact the Ministry of Finance. We did this, but they also refused to answer on the same grounds as the Ministry of Economy, saying that we should contact the Ministry of Energy and state-owned petroleum company PEMEX. By this time, the IBP exercise had come to a finish so it was not possible to continue.

It is very common for agencies to answer that they cannot answer a question because it is not their responsibility. The same happened when we requested information on subsidies to agriculture (in a separate research project conducted by Fundar). At the end of the day, it turned out that the Ministry of Finance was responsible.

SW: Subsidy Watch *had an opportunity to look through some of the results, and it appears that in many cases ministries claimed that the data on fossil-fuel subsidies was not their responsibility, was*

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held in more than one ministry, or may not have been known at all. What can we say about this result? Is it a government's responsibility to make sure this information is housed in one place?

Helena: While the question on subsidies might be considered complex, a well-functioning, well-structured government would have to know what it is spending and ceasing to earn because of specific subsidies, which has a direct impact on the size of the budget that can be allocated to everything else.

Libby: This question was particularly revealing of the fact that there is often a bureaucratic logic to organising information that doesn't make it easy for citizens to find out what's happening to public money. It's a complex issue, and it can be hard to order the information, but there's a responsibility to make it accessible for those who don't run the policies – everyone has a right to know how their money is being spent in terms that non-experts can understand.

SW: What is the next step for the Ask Your Government! *initiative?*

Libby: the immediate next step is to begin disseminating the overall results and make them available online, where we can give an increased level of detail about the questions in each country. Access Info Europe is also preparing a report that analyses in much more detail what the results mean for access to public information. The next step is to tease out, if possible, what these results mean for the issues that were covered by the survey. Another thing that we're planning on doing is to offer some case studies that allow people to see the detail that went into accessing this information. Sometimes boiling down the information into a final result doesn't do justice to the experience that the researchers have had.

SW: What can be done to encourage countries to improve their budget transparency?

Helena: Uh-oh – that is the one million dollar question! For me, getting citizens to actually ask questions is very important. Governments are used to not giving information, not being asked information, and to even consider public information as private. Basically, I think it has to become standard that if you're interested in some kind of public service, you'll be interested in what the government spends on it. This exercise illustrates best the need for citizens to start asking questions.

Libby: Yes, and I think that the flip-side is that governments need to recognise that there's an obligation. If citizens ask a question, they should provide an answer. Not doing so is unacceptable. They need to acknowledge that they have a responsibility to make information available in a way that is timely, accessible, understandable and neither costly nor time-consuming for a citizen to request. Making information available is a place where there's a lot of work to be done.

Helena Hofbauer is the IBP's manager for Partnership Development. She is based at IBP-Mexico City and works with groups throughout Africa, Asia and Latin America in the development of capacities for civil society budget work and a South-South transfer and sharing of knowledge in the field.

Libby Haight is a program officer at the IBP, responsible for coordinating the Ask Your Government! *initiative. Since 2004, she has worked in Mexico on transparency and accountability issues in public spending on rural development policy.*

Victoria Anderica is Access Info Europe's coordinator for the Ask Your Government! *initiative. She also works on an anti-corruption program, the Tell Us What You've Done initiative, and has conducted analysis of the legal framework for the right of access to information in a number of European countries.*

Sakti Golder is a research officer for the Indian NGO the Centre for Budget and Governance Accountability. In addition to his contributions to the Ask Your Government! *initiative, Sakti has coordinated a UNICEF-supported project Public Spending for Children and issues related to health, centre state fiscal transfers and marginalized groups.*

Ralph Ndigwe is a member of the Civil Resource Development and Documentation Centre (CIRDDOC) Nigeria, an independent, non-governmental and not-for-profit organisation established in 1996 for the protection and promotion of human rights and women's human rights and the strengthening of civil society.

Renata Terrazas is the Assistant Executive Director of Mexican NGO the FUNDAR Centre of Analysis and Research. She works on issues that include migration, human rights and security.

COMMENTARY:

Some concerns on the fossil-fuel subsidies debate in the G-20

By Carlos Galperín, María Victoria Lottici and María Cecilia Pérez Llana

Editor's note: This article is based on C. Galperín, M. V. Lottici and M. C. Pérez Llana (2010), 'Los subsidios a los combustibles fósiles en la agenda del G-20', CEI Journal 18, available at: http://www.cei.gov.ar/revista/18/parte%205b.pdf. The opinions expressed herein are the sole responsibility of the authors and do not necessarily reflect the views of the Centre for International Economy of the Argentine Ministry of Foreign Affairs, International Trade and Worship.

Energy subsidies are a long-debated issue as regards their efficacy, efficiency and relationship with the problem of climate change. These questions have been recently included on the agenda of the G-20, after the Leaders' Summit held in Pittsburgh in September 2009. Paragraphs 29 and 31 of the Leaders' Statement set forth a course of action for member countries. In those paragraphs, fossil-fuel subsidies are questioned on the grounds that they can be inefficient and encourage wasteful consumption, and it is therefore proposed to phase them out over the medium-term, while recognizing the importance of providing those in need with essential energy services.

However, the question of fossil-fuel subsidies is a very complex issue and from our perspective the way it is being discussed within the G-20 raises some concerns.

First, this commitment might be understood as if all G-20 countries were assuming greenhouse gas (GHG) emission reduction commitments, regardless of the actual outcome of a Post-Kyoto agreement on climate change. A G-20 agreement made on this basis might eventually not be compatible with the objectives and principles contained in the United Nations Framework Convention on Climate Change (UNFCCC) regarding the establishment of differentiated obligations according to each member's development level.

> *"On this note, the different consumption tax rates (both specific taxes and general sales and value-added taxes) on oil derivatives charged by each country should be considered. A lower tax rate constitutes an incentive to increase consumption, as happens with a consumption subsidy."*

The profile of the emissions from fuel combustion in the G-20 shows that its members accounted for 81% of the world carbon dioxide (CO_2) emissions in 2007, but that there are significant differences among its members. China, the United States, the European Union, Russia and India – the five largest CO_2 emitters – accounted together for 64% of world emissions. On the other hand, Saudi Arabia, Brazil, South Africa, Turkey and Argentina, the G-20's five lowest CO_2 emitters, accounted for only 5% of world emissions.

It should also be borne in mind that the reduction of CO_2 emissions resulting from this commitment is limited to subsidies that are "inefficient" and "encourage wasteful consumption", but recognizing at the same time, "the importance of providing those in need with essential energy services". Furthermore, there is no agreed definition of these terms: each country decides which subsidies to rationalize and phase-out.

Second, the definition of subsidy is not a minor issue because the G-20's debates are expected to have consequences for member countries' energy policies. The definitions proposed so far by several countries differ from the definition for subsidies agreed within the World Trade Organization (WTO). Why should a different definition be developed? The definition established in the WTO Agreement on Subsidies and Countervailing Measures (ASCM) was: (i) negotiated in the Uruguay Round, (ii) the result of several years of debate, (iii) intended for goods (and fuels are goods), and (iv) accepted by all 153 WTO members according to WTO rules.

Third, not all fossil fuels contribute to CO_2 emissions in equal measure: coal for the generation of energy and oil derivatives for road transport account for roughly half of the G-20's total emissions (33% and 16% respectively). However, a distinction should be made at a country level: although most G-20 members depend on fossil fuels to generate energy − at least 62% of the energy is generated from these fuels in 17 of the G-20 countries − some of them (for example, South Africa, China, Australia and India) rely heavily on coal, the most CO_2-intensive fossil fuel, while others (for example, Italy,

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Argentina, Turkey, Mexico and Russia) resort to cleaner fuels, such as natural gas. Regarding road transport, which relies almost entirely on oil, it should be noted that the United States represents around 42% of the G-20's CO_2 emissions produced by the use of oil-based fuels in 2007. Therefore, the greatest impact on greenhouse gas emission reductions should be achieved by changing both explicit subsidies and measures − for example, financial transfers and tax deductions − and implicit ones − such as very low tax rates − which encourage the use of coal to generate electricity and of oil products for transport.

On this note, the different consumption tax rates (both specific taxes and general sales and value-added taxes) on oil derivatives charged by each country should be considered. A lower tax rate constitutes an incentive to increase consumption, as happens with a consumption subsidy. An example of this is the estimated ad-valorem-equivalent total tax rate of 15% imposed in the United States on lead-free premium gasoline (which includes an estimated national weighted average of general sales taxes and an average of federal and state excise taxes), which is much lower than the rate charged in most developed and many G-20 developing countries (Germany's consumption tax rates accounts for 62% of the final price paid by consumers, while in Argentina tax rates are above 44%), with the exception of some oil-producing countries (such as Mexico, Russia and Saudi Arabia), where the tax rates are normally low.

These varied levels of taxation are also reflected in different prices. Gasoline prices measured in purchasing power parity dollars are lower in the United States and several oil-producing developing countries (such as Russia and Mexico) than in other G-20 countries. Once again, this shows that taxes can have as much of a bearing on fuel consumption as subsidies.

> *"Regardless of the concerns discussed above, the G-20 initiative constitutes an important tool for countries to find the best way to reduce greenhouse gas emissions resulting from the use of fossil fuels."*

Fourth, excluding subsidies to renewable sources of energy means disregarding the significant support currently given to biofuels, which in the cases of the United States and the European Union amounts to several billion dollars and is expected to grow substantially as increasingly demanding mandatory national goals regarding biofuel usage have to be met. Since these subsidies involve a direct incentive to continue consuming fossil-fuels (currently, gasoline is blended with ethanol and diesel-oil with biodiesel) as well as an indirect incentive on fossil-fuel demand (mainly through the fossil-fuel inputs needed in the biofuel production process) it is possible that they might partially counter-act the proposed reduction in fossil-fuel subsidies and its effect on greenhouse-gas emissions.

Regardless of the concerns discussed above, the G-20 initiative constitutes an important tool for countries to find the best way to reduce greenhouse gas emissions resulting from the use of fossil fuels. Thus, discussions on policy reforms should involve the consideration of subsidies, taxation and relative price changes addressed to those sectors that are the largest emitters of greenhouse gases. It is therefore important that the process be voluntary and pursued by each country in view of its particular needs and capabilities, aiming at the highest level of coordination.

Carlos Galperín works as a senior economist at the Centre for International Economy (CEI) within the Ministry of Foreign Affairs, International Trade and Worship of Argentina. He has been published in academic journals in the country and abroad on trade policy, economic integration, environmental economics, agricultural biotechnology and agricultural policies, among other topics.

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NEWS:

Fossil-fuel subsidies round-up: September and October 2010

Following announcements that fossil-fuel subsidies will be phased out, from the G-20, the Asian-Pacific Economic Cooperation (APEC) and a number of independent countries, including Iran, Nigeria and Bahrain, Subsidy Watch *has decided each month to highlight important news stories that touch on this theme…*

1 September Angolan authorities reduce fuel subsidies, increasing prices of gasoline and diesel by 50% and 38% respectively, reports Reuters news agency. The country is said to spend around US$ 4.8 billion on fuel subsidies annually. Its current goal is to reduce this spending by an average of 20% each year and to reinvest the savings in improving living standards. It also aims to liberalize its upstream and downstream oil markets. Later in the week, further coverage from Reuters adds that the move will lead to a rise in taxi fares, with one commentator speculating that the price rise could be as high as 100%. It is thought that this could trigger protests, as many poor Angolans rely on 14-seater taxis in order to get to work.

3 September Finance Minister Olusegun Aganga announces that Nigeria's government intends to invest NGN 10 billion (around US$ 660 million) in a mass transit system for the poor and then remove subsidies on domestic fuel prices by the end of 2011, reports news website Bloomberg. The moves would see gasoline prices rise by around 80-90%. According to the article, central bank Governor Lamido Sanusi has estimated that the cost of fuel subsidies in 2010 will amount to US$ 3.4 billion, over a quarter of the budget deficit, and the government is already said to be engaged in talks to gain the support of labour unions. According to newspaper the *Saturday Tribune*, Finance Minister Aganga also announced that work was underway to create a Nigerian sovereign wealth fund by October.

5 September The United States' Energy Information Administration (EIA) provides news website *Emirates 24|7* with analysis concluding that a number of countries in the Gulf region will be forced to do away with energy subsidies because of shortages in their gas supplies, brought on in part by the artificially low pricing and in part by increased economic activity and large investments in new infrastructure.

6 September The organisation representing Nigerian workers, the Nigeria Labour Congress (NLC), speaks out against the government's plan to reform subsidies, according to news service the Pan-African News Wire. Their official statement objects: "We wish to make it abundantly clear that the implications of the removal of subsidy go far beyond the question of availability of mass transit system or whatever amount of money government would be saving". The NLC further admonish the government for not having engaged with all stakeholders and argue that the most serious challenge to the Nigerian oil sector is corruption. They warn that if subsidy reform goes ahead, they "will not be able to guarantee industrial peace in the country".

7 September Mozambique announces plans to introduce subsidies on virtually all basic necessities, including energy, in the aftermath of serious riots incited by rising living costs, reports US news network CNN.

7 September According to the AFP news service, Iran's main audit body "slams" the government's plan to reform subsidies, on the basis that it will lead to a rise in prices, contributing to the country's existing problems with inflation and potentially causing serious political disputes. The plan, backed by Supreme Leader Ayatollah Khamenai, is set to be implemented later in the month, at which time compensation payments will be distributed to a significant percentage of the population in specially set-up bank accounts. The article states that the exact size of the payments has yet to be announced.

8 September Indonesian state oil company Pertamina announces that its program to convert kerosene users to liquefied petroleum gas (LPG) has saved IDR 21.38 trillion (around US$ 2.4 billion) since 2007, reports the *Jakarta Globe*. The next day, an opinion piece run by The *Jakarta Post* argues that the Indonesian President's intention to increase the price of 3-kilogram liquefied petroleum gas (LPG) canisters must be combined with policies to support the poor households that are unfairly affected by this change. The reason for the move is reported to be a number of recent deaths due to people trying to inject LPG from subsidized 3-kilogram canisters into non-subsidized 12-kilogram canisters.

9 September Finance Minister Ernesto Cordero tells a news conference that Mexico will continue to eliminate its costly fuel subsidies, reports Reuters news agency. The subsidies, on transport, heating and cooking fuel, are reported to have already cost US$ 2.7 billion in 2010, and are expected to amount to US$ 1.3 billion next year. The Finance Ministry

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has confirmed, however, the prices will remain below international levels in 2011.

13 September According to newspaper the *Business Standard*, the Indian government launches its pilot program to provide LPG to families below the poverty line. Minister of State for Petroleum Jitin Prasada announces that the scheme will be rolled out on a country-wide basis from 14 November.

14 September IEA Chief Economist Fatih Birol says that oil prices are likely to rise as the global economy recovers, in part due to subsidies dampening the price signals that normally keep rising demand in check, reports Reuters news agency. Birol also identifies rising production costs and demand growth more generally as chief factors in the expected price increases.

15 September News agency AFP reports that Iran's scheduled price reforms have been postponed for at least a month, despite plans to begin implementation by late September. According to the article, the Iranian government has still not released the details of its plan or the eventual price rises, although speculation abounds, with some Iranian citizens recently claiming to have received electricity bills with seven-fold price increases. It is said that the exact date for implementation will be decided by the President.

16 September News website euobserver.com reports that there may be a "realistic chance" for the EU to extend Germany's deadline on the dismantling of coal subsidies from 2014 to 2018. According to EU energy commissioner Guenther Oettinger, "if there is a credible end [to the subsidy policy], then Germany could still get an extension". Such a decision would require the support of the EU's competition ministers.

16 September Minister of Energy and Mineral Resources, Darwin Zahedy Saleh, announces that the Indonesian government will begin restricting the supply of subsidized fuel from next month through a "soft campaign", reports news website TempoInteractive.com. The following day, the International Monetary Fund (IMF) releases a series of reports which find that one third of total central government spending over the past decade went to fuel subsidies, according to the *Jakarta Globe*. The IMF describes this allocation of funds as "inefficient, inequitable and environmentally unfriendly".

18 September The federal government of Pakistan assures the IMF that electricity subsidies will be withdrawn, according to Geo Television Network.

19 September Newspaper *The Mercury* reports that the Australian government may be wasting money by subsidizing the electricity bills of households in the state of Tasmania that remain unconnected to the gas network. According to TasGas retail manager Russell Reid, of the 100,000 households promised connections in 2003, around 67,000 households are still waiting, with network expansion having ground to a halt. He argues that the cumulative cost of compensating disadvantaged households could have paid for the completion of the original commitment within three years.

23 September The Royal Automobile Association of South Australia Inc. (RAA) criticises the decision of Australian state Port Augusta to abolish a subsidy scheme targeted at petrol purchased more than 100 kilometres from Adelaide, arguing that this will unfairly affect people who can least afford increases in the cost of goods and services, reports online newspaper *The Transcontinental*. Government representatives defend the decision, saying it will save AU$ 50 million over four years and follows many other states that have also abolished their petroleum subsidies.

29 September The European Commission agrees to let Spain ensure that electricity producers will purchase some of their energy input from domestic mines, after weeks of strikes, according to news agency AFP. Mining companies claim that they have been unable to pay their workers as a consequence of a government decision to end aid in February this year.

30 September An international group of senior financiers and leaders of powerful energy companies collectively blame oil and gas subsidies for the clean-energy industry's difficulties in recovering from the global economic crisis, reports the New York Times. One of the group, Mr. John Browne, stated, "No politician can stop subsidies to fossil fuels overnight, but I think governments could be levelling the playing field a great deal faster".

1 October The Indonesian government announces that it will indefinitely postpone plans to limit the distribution of subsidized fuels, reports The *Jakarta Post* in a scathing editorial. The paper describes the government as "weak" and the House of Representatives lacking "the political courage to bite the bullet". It concludes, "As long as the government and parliament are not united in their aims and do not have the political will to gradually phase out energy subsidies, the state budget will never be able to

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allocate a sizeable sum for investment in such key sectors as education, health and infrastructure."

2 October Economy and Finance Minister Shamseddin Hosseini announces that compensation payments as part of Iran's program to phase out subsidies on food and energy will begin on 7 October, reports news website Bloomberg. Around 80% of the population is said to have applied for the payments, but it is still unknown how many people will qualify or how much they will receive. The timing and the size of the subsidy cuts are not known, although the government has previously announced its intention to save US$ 20 billion in the first year of the phase-out. According to Middle East division of Yahoo!, Yahoo! Maktoob, the head of Iran's Transport and Fuel Management Office has said that the biggest cut in the first phase will be on car fuel.

4 October According to AFP news agency, Malaysia has said it would consider cutting its diesel subsidy next year in order to make its biofuel industry more attractive.

4 October Trinidad and Tobago's Prime Minister Kamla Persad-Bissessar reveals that the country will have spent US$ 2.7 billion on gasoline subsidies in 2010, reports *Trinidad Express Papers*. She stressed that the government was not considering reform, but wanted to encourage the use of compressed natural gas (CNG) to help reduce the subsidy burden.

5 October *Ghana Business News* runs an analysis of Ghana's problem with LPG shortages, focusing on two of the suggestions that have been made to resolve the issue: banning the use of LPG in vehicles and removing LPG price subsidies.

6 October In an article in bimonthly magazine *The Broker,* Mark Halle, director of trade and investment at the International Institute for Sustainable Development (IISD), advocates for the phase out of fossil-fuel subsidies, arguing for a collaborative approach among a broad range of international actors, including the G-20, APEC, the group of fossil-fuel subsidy reform 'Friends' and non-G-20 governments.

14 October The Global Subsidies Initiative (GSI) and the United Nations Environment Programme (UNEP) hold a two-day conference on fossil-fuel subsidy reform, at the World Trade Organisation (WTO) in Geneva, Switzerland. The AFP news agency reports on the event, picking up on the introductory words of WTO Deputy Director General Harsha Vardhana Singh, "Fossil-fuel subsidy reform is undoubtedly one of the major tools in the hands of the international community to fight climate change". The event was attended by representatives from a number of G-20 countries and a number of international organisations, including the OECD, APEC, the World Bank, WTO and the German technical institute GTZ, as well as non-governmental organisations Earth Track, Oil Change International and farmsubsidy.org. All of the presentations are available on the GSI's website.

14 October According to weekly online newspaper *Al-Ahram* the debate over subsidy reform in Egypt has moved from 'if' to 'how', in its summary of a workshop organised by the Egyptian Centre for Economic Studies (ECES). Magda Kandil, Executive Director of ECES, said the richest one fifth of the urban population currently benefits from 33% of fuel subsidy spending, while the poorest urban quintile benefits from only 3.8%, and suggested various strategies that might be used to begin reform. Three days later, website Biyamasr covers the release of a recent World Bank report concluding that nearly half of all subsidies in Egypt go to the richest 60% of the population.

15 October Malaysian Prime Minister and Finance Minister Najib Razak presents a 2011 budget plan that would see subsidies on fuel and other essential goods and services fall by 4.9%, reports news website Bloomberg.

19 October Iranians households begin receiving the first cash payments organised by the government as compensation for upcoming price increases, according to news website Bloomberg. The state-run news agency Mehr is said to have announced that eligible households in three provinces will be credited with US$ 80. A few days later, the *Tehran Times* reports that Mohammad Hassan Abutorabifard, Deputy Speaker of the Iranian parliament, has urged high-income families not to apply for the payments, in order to make more support available for low-income families.

20 October Taxi drivers' associations and unions complain to the Taiwanese government over its decision to stop subsidizing gasoline-LPG hybrid vehicles next year, having previously encouraged their purchase, reports newspaper the *Taipei Times*.

23 October News website Istockanalyst reports that the Indian government has released US$ 2.24 billion to compensate state-run oil companies for losses borne in the first half of the fiscal year due to fuel subsidies. The companies originally requested US$ 3.36 billion, which they claim is equal to 50% of the revenue they have lost.

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23 October A G-20 meeting of Finance Ministers and central bank Governors in South Korea publishes its communiqué, saying, "We noted the progress made on rationalizing and phasing out inefficient fossil-fuel subsidies and promoting energy market transparency and stability and agreed to monitor and assess progress towards this commitment at the Seoul Summit."

24 October The IMF releases a Regional Economic Outlook for the Middle East and Asia, in which it estimates that the United Arab Emirates' implicit fuel subsidies equal 7-8% of its GDP, reports news website *Emirates 24|7*. According to the article, the IMF recommends that countries reform these subsidies, though in a way that minimizes the impact on the poorest parts of society.

26 October According to a Time Magazine article, the distribution of compensation payments to Iranian households is still ongoing, but the money – now sitting in specially created bank accounts – cannot be withdrawn until the government specifies. It reports that apprehension has been growing about the reforms, due to the lack of information about the size and timing of price increases, and the repeated delays. A range of goods are already said to have increased in price between 5−20%, in anticipation of the subsidy cuts.

29 October The Global Subsidies Initiative releases a policy brief in anticipation of the up-coming 11–12 November G-20 Summit in Seoul, summarizing activities to date regarding the organisation's agreement to phase out and rationalize inefficient fossil-fuel subsidies that lead to wasteful consumption. The brief outlines a roadmap for progressing with reform and recommends six actions that G-20 members could take to deliver on their commitment. It is available on the GSI's website.

31 October In a television interview, Iranian President Mahmoud Ahmadinejad calls on the Iranian people to brace themselves for an "economic revolution", and explains that the lack of information about reform plans is part of the government's strategy to prevent hoarding in anticipation of price changes, reports news website Bloomberg. Still no concrete details are given about the time or size of subsidy cuts.

NEWS:
WTO subsidy dispute round-up

In the past two months, Japan has accused Canadian province Ontario of breaking WTO rules in its support for renewable energy; and the United States has launched an investigation into Chinese support for green industries more generally. Find out why in the WTO Subsidy Dispute Round-up....

Japan initiates WTO consultations with Canada over domestic content in renewable energy subsidy scheme

The government of Japan has initiated consultations with Canada at the World Trade Organization (WTO) over the province of Ontario's domestic-content requirements in its renewable energy Feed-in Tariff (FIT) Program.

In a 13 September communication to the Canadian delegation to the WTO and the Chairman of the WTO's Dispute Settlement Body, Japan argued that support from the FIT program appears to be provided "contingent upon the use of equipment for renewable energy generation facilities produced in Ontario over such equipment imported from countries such as Japan," in contravention of Article 3 of the Agreement on Subsidies and Countervailing Measures (ASCM), among other WTO rules.

Launched in September 2009, Ontario's FIT Program pays approved projects a fixed price for the electricity generated from renewable energy sources such as wind, sunlight, water and biomass. The price is set higher than the market price for electricity, thus providing a subsidy to encourage renewable-energy production. Ontario's FIT program provides most projects with fixed rates for 20 years, with the exception of hydropower, which has a 40-year contract period.

But the controversial aspect of the program is the domestic-content requirement for the equipment and services used to build some wind and solar projects, something which the province says will help create 50,000 new green jobs in Ontario.

Wind power projects over 10 kilowatts (kW), for example, are required to have a minimum domestic content of 25% if they are operational before 1 January 2012 and 50% if they become operational after that date. Solar projects are required to have minimum domestic content between 40-60% depending on their size and the date they become operational. According to

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WTO subsidy dispute round-up

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a memo released by the CEO of the Ontario Power Authority, calculations of domestic content should include expenditure on equipment, resource assessment, design, transportation, construction material, services and labour, but not operation and maintenance costs or the value of land.

Subsidy Watch spoke to Jim MacDougall, senior manager of the FIT Program, who explained that most of the investment in a renewable power project is made at the beginning of a project and the feed-in tariffs are set at a level to provide each project with a stable, steady stream of income over the contract period that will allow the company to recoup its investment and make a reasonable profit.

Once the contract period is over, the company can then sell electricity at the market rate to cover the relatively small operation and maintenance costs associated with renewable-energy projects whose main inputs (such as wind, water or sunlight) are usually free, added Mr. MacDougall.

Ontario considered setting a cap on the amount of energy that would be supported under the project but decided that the electric grid itself would provide a limit as it can only accommodate an additional 2,500 megawatts (MW) in the province. In this way, Ontario also hopes to encourage investment in the power grid when this limit is reached.

On the question of why only solar and wind power projects were selected for the domestic-content requirement, Mr. MacDougall explained that Ontario already has a strong hydropower sector and saw in wind and solar power, the two fastest growing renewable technologies in the world, an opportunity to develop an industry with great export potential.

The European Union and the United States have also asked to join the consultations with Canada. In its request to join consultations the U.S. stated that it was concerned by Ontario's program because it saw itself as "a primary source of Canadian imports of products used in the production of renewable energy, including solar and wind energy."

Andrew Block of the Ontario Ministry of Energy and Industry said that Canada and Ontario are in the consultations stage of the WTO dispute launched by Japan. "Under WTO rules, these consultations are confidential. We have nothing further to add at this time," he said when contacted by *Subsidy Watch.*

United States Launches Investigation into Chinese support for renewable energy

The Office of the United States Trade Representative (USTR) has launched a wide-ranging investigation into Chinese policies affecting trade and investment in green technologies.

The case was launched in response to a 5,800-page petition filed by the United Steelworkers (USW) on 9 September in which the group alleges, "that China has utilized hundreds of billions of dollars in subsidies, performance requirements, preferential practices and other trade-illegal activities to advance its domination of the sector."

The USW claims that several of China's subsidy programs provide prohibited subsidies to Chinese companies contingent on export performance or domestic content in violation of Article 3 of the ASCM.

One of these is the "Ride the Wind" Program, which provides wind-power projects that use domestically produced equipment access to preferential loans and tax subsidies and priority connection to the power grid, according to the USW.

Under another program, China's Export-Import Bank provides export credits to exporters of green technology under preferential terms that the USW labels WTO-inconsistent. "These rock-bottom terms by the world's biggest export credit agency enable Chinese manufacturers to undercut and outbid U.S. exporters of green technology in markets around the world," says the USW, adding that, "[t]hese concessional terms also make China Ex-Im Bank's export credits prohibited export subsidies under Article 3.1(a) of the SCM Agreement".

According to the USW, China's Ex-Im Bank provided more export credits in 2008 than all of the export credit agencies in the G-7 countries combined, which has resulted in Chinese contractors now being involved in over half of the hydropower projects in the world, as well as many other renewable energy projects.

In a 15 September press release announcing the investigation, the USTR said that because the issues covered in the investigation involve U.S. rights under the WTO Agreement it would consider requesting consultations under the WTO and that "unless consultations result in a mutually acceptable resolution, the U.S. Trade Representative will request the establishment of a WTO panel," the next step in the dispute settlement process.

STUDY:
GSI Policy Brief – Delivering on G-20 Commitments in Seoul

The latest in the GSI's series of Policy Briefs, *Delivering on G-20 Commitments: The path to fossil-fuel subsidy reform*, summarizes what has been done since the G-20 committed to phase out and rationalize inefficient fossil-fuel subsidies that lead to wasteful consumption, including reports to the June 2010 Toronto Summit, and outlines a roadmap for progressing the phase out of harmful fossil-fuel subsidies.

It recommends six actions that G-20 leaders could take at the upcoming Seoul Summit on 11-12 November 2010:

- Review progress reports against the national implementation plans for subsidy reform and make the reports publicly available.
- Consider options for a monitoring and review mechanism.
- Request a revision of the scope of the national implementation plans, with a report back to the 2011 Paris Summit.
- Re-instate the officials' working group to share information and best practice both within the G-20 membership, and with other groups such as the Asia-Pacific Economic Cooperation (APEC).
- Continue to seek support and technical assistance from international organizations.
- Reaffirm the commitment to reform fossil-fuel subsidies over the medium term, including raising it on the G-20's agendas for the following 12 months.

The full brief is available on the GSI's website: http://www.globalsubsidies.org/research/gsi-policy-brief-delivering-g-20-commitments-the-path-fossil-fuel-subsidy-reform

STUDY:
Fossil Fuels - At What Cost? GSI reports on producer subsidies in Indonesia and Canada

Unlike subsidies to fossil-fuel consumers, there is currently little hard data about the size or impacts of subsidies to fossil-fuel producers. The GSI's new series, *Fossil Fuels - At What Cost?*, aims to rectify this situation by identifying and where possible quantifying these 'producer subsidies', using an internationally agreed definition of subsidy adopted by the WTO. The first and second reports in the series, focusing on Indonesia and Canada, were published this September and October.

Fossil Fuels – At What Cost? Support for upstream oil and gas activities in Indonesia details Indonesia's system of Production Sharing Contracts and concludes that three subsidies can clearly be identified, totalling US$ 1.8 billion in 2008. The study notes that this is a lower-bound figure, as at least seven other potential subsidies were identified that could not be assessed based on the available information.

Fossil Fuels – At What Cost? Government support for upstream oil activities in three Canadian provinces: Alberta, Saskatchewan, and Newfoundland and Labrador identifies 63 subsidies at the federal and provincial level, totalling C$ 2.84 billion (US$ 2.82 billion). The study sets out the financial, economic and environmental costs and benefits of the subsidies and forecasts that the cost of subsidies to governments would double by 2020. It also estimates that they will be responsible for a 2% growth in Canada's greenhouse gas emissions by 2020 and that, with or without the subsidies, the oil industry will double in size by 2020.

The GSI's research on fossil-fuel subsidies is freely available from its website: http://www.globalsubsidies.org/fossil-fuel-subsidies

STUDY:
Fishsubsidy.org launches new interactive map to track subsidies

This November, fishsubsidy.org launched an interactive map that allows users to track €3.4 billion (US$ 4.7 billion) in EU fisheries subsidies: 39,174 payments to vessels from 1994 to 2006 under the Financial Instrument for Fisheries Guidance (FIFG).

Setting a new standard in making information easy to access and understand, the map allows users to search by categories of payment (vessel construction, modernisation, scrapping, etc.) and see clearly the geographical distribution of funds, both across the continent and in member states, including the outermost regions. It also provides summaries of all payments to individual ports with links to the vessel pages at fishsubsidy.org.

Jack Thurston of EU Transparency explained that it only covers payments until 2006 because, "the new system of transparency that applies to the European Fisheries Fund (EFF) is deficient in a number of respects, the most important of which being that data disclosed no longer identifies the vessels for which subsidies were paid."

The map is available on the fishsubsidy.org website: www.fishsubsidy.org/map

STUDY:
IMF working paper reviews research on the distributional impact of fuel-subsidy reform

This September, the International Monetary Fund (IMF) released the working paper *The Unequal Benefits of Fuel Subsidies: A Review of Evidence for Developing Countries*, reviewing research on the distributional impact of fuel-subsidy reform on household welfare in twenty developing countries, ranging across Africa, Asia, the Middle East and Latin America.

The paper concludes that, on average and in absolute terms, the top income quintile captures six times more in subsidies than the bottom. The burden of subsidy reform, however, in relative terms, is neutrally distributed across income groups, as lower quintiles spend a larger percentage of their income on energy: a US$ 0.25 decrease in the per liter subsidy results in an average 6% decrease in income for all groups, with more than half of this effect arising from the indirect impact on the prices of other goods and services consumed by households.

The paper also discusses issues that need to be addressed when undertaking subsidy reform, in particular emphasizing the need to mitigate adverse impacts on the poor, the importance of public information campaigns and the introduction of new fuel-pricing mechanisms.

It can be downloaded from the IMF's website: http://www.imf.org/external/pubs/cat/longres.cfm?sk=24184

STUDY:
Report concludes wasteful subsidies reform could cut US debt by US$ 62 billion

The conservative National Taxpayers Union and the liberal Public Interest Research Group have co-published a report outlining spending cuts that could reduce the United States' debt by US$ 600 billion before 2015, *Toward Common Ground: Bridging the Political Divide to Reduce Spending*. Of this total, the report finds that US$ 62 billion could be saved by scrapping "wasteful subsidies", including export subsidies, agricultural subsidies and energy subsidies.

The study lists 30 specific programs to be cut, as well as the amount of money each program is projected to cost according to official government sources. Within energy subsidies, they recommend cutting tax credits for ethanol (worth US$ 22.65 billion by 2015), a research program for ultra-deepwater natural gas and petroleum (US$ 158 million by 2015) and the Southeastern Power Administration, which it claims subsidizes energy at below-market costs (US$ 1.2 billion by 2015).

The stated aim of the study is to put together a list over which "a consensus… can be reached between political factions that spend a great deal of their time fighting one another" – in other words, finding 'common ground' where both liberals and conservatives would recognise spending as useless or even harmful.

The report is available from the National Taxpayers Union's website: http://www.ntu.org/assets/pdf/policy-papers/p10-10-28-ntu-pirg-spending-cut-paper.pdf

STUDY:
USDA concludes that economy-wide benefits of its biofuel mandate would be greater without the tax credit

The United States Department of Agriculture's (USDA) Economic Research Service recently published a study on biofuel subsidies, *Effects of Increased Biofuels on the U.S. Economy in 2022*. The report examines how key components of the U.S. economy would be affected by the United States' Renewable Fuel Standard, which mandates that 36 billion gallons of biofuel be blended into transportation fuel by 2022.

The authors conclude that if biofuel production advances with cost-reducing technology and petroleum prices continue to rise as projected, greater use of biofuels could provide economy-wide benefits. However, the actual level of benefits (or costs) to the U.S. economy will depend on future oil prices and whether tax credits are retained in 2022. With oil at US$ 80 per barrel and tax credits fully retained, GDP would decrease by US$ 5.8 billion a year, partly because of the forgone revenue from tax credits..

The study is available from the USDA website: http://www.ers.usda.gov/publications/err102/