Introduction to Fossil-Fuel Subsidies in Southeast Asia

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What is a fossil-fuel subsidy?

WTO Agreement on Subsidies and Countervailing Measures (ASCM):

• Direct transfer of funds or liabilities
• Revenue is foregone or not collected
• Provision of below-cost goods or services
• Provision of income or price support
What is a fossil-fuel subsidy?

Typical objectives:

- Support low-income consumers
- Improve energy access
- Distribute resource wealth
- Support key economic sectors

Upstream

Downstream

Production subsidies

Consumption subsidies
Fossil-Fuel Subsidies in Southeast Asia: IEA estimates 2011

- Total: US$ 10.3 b
- 3% GDP
- Total: US$ 7.2 b
- 2.6% GDP
- Total: US$ 4.1 b
- 3.4% GDP
- Total: US$ 1.5 b
- 0.7% GDP

• Total: US$ 21.3 b
• 2.5% GDP
Trends over time

Fuel subsidies in Southeast Asia: 2009-2011

Prices for diesel

- Philippines
- Vietnam
- Malaysia
- Thailand
- Indonesia


Units: US cents per litre
Typical problems

- Fiscal burden
- Failure to achieve objectives effectively and efficiently
- Unintended impacts:
  - Energy efficiency
  - Investment in the energy sector
  - Environmental impacts