Summary

The Kingdom of Saudi Arabia scores the lowest of the G20 non-Organization for Economic Cooperation and Development (OECD) member countries due to its continued support for oil and gas production and fossil fuel-based power, predominantly due to large capital expenditure (capex) from its state-owned enterprises (SOEs) and continued support for fossil fuel consumption via low energy prices.

Saudi Arabia holds the G20 presidency in 2020, and, despite commitments to remove inefficient fossil fuel subsidies, the government has requested all mentions of the term “subsidy” be removed from the G20 expert briefings and policy proposals (Farand, 2020).

BIGGEST RED FLAG ➔ Saudi Arabia continues to provide significant support for fossil fuels through SOE investments. Saudi Aramco provided around USD 33 billion each year for oil and gas production, and the Saudi Electric Company invested USD 8.2 billion annually in fossil-fuel-based power (2017–2019 average).

Overall ranking and score (out of 8 countries)

<table>
<thead>
<tr>
<th>1. Transparency</th>
<th>8th / Opaque</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Pledges and commitments</td>
<td>8th / Weak</td>
</tr>
<tr>
<td>3. Scale of support for coal exploration, production, processing, and transportation</td>
<td>1st / None identified</td>
</tr>
<tr>
<td>4. Scale of support for oil and gas exploration, production, refining, and transportation</td>
<td>8th / Very high</td>
</tr>
<tr>
<td>5. Scale of support for fossil fuel power</td>
<td>8th / Very high</td>
</tr>
<tr>
<td>6. Scale of support for fossil fuel use</td>
<td>8th / Very high</td>
</tr>
<tr>
<td>7. Progress in ending support for fossil fuels</td>
<td>2nd / Mediocre</td>
</tr>
</tbody>
</table>

$77 billion total government support to fossil fuels, 2017–2019 average, USD ($35.4 billion induced transfers, $600 million public finance, $41 billion SOE investment)

No support identified coal exploration, production, processing, and transportation

$33 billion of support to oil and gas exploration, production, refining, and transportation

$17 billion of support to fossil fuel-based power

$27 billion of support to fossil fuel use

33% decrease in SOE investment relative to the 2014–2016 average

See Table 2 in the main report for score descriptions and their relationship to numerical scores. Estimates in the table are in USD ($) and are annual averages based on the following sources:

- For direct transfers and tax expenditure: OECD (2020) data, 2017–2019 averages
- For public finance: Oil Change International data collected from several sources, 2017–2018 averages
- For SOE investment: capex data collected by Overseas Development Institute (2020) from annual reports, 2017–2019 averages
The government introduced energy subsidy reforms in 2016 and 2018 that increased fuel and electricity prices as part of a larger economic reform package, Vision 2030 (Kingdom of Saudi Arabia, 2019; Krane, 2019; Lahn, 2016). While 2018 price rises were sharp, domestic prices remain a small fraction of international prices—for example, domestic gasoline (91 Octane) and diesel prices were 55% and 18%, respectively, of international benchmark prices in 2018 (Krane, 2019, Table 3). SOE investment dropped by 33% relative to 2014–2016 averages, predominantly due to a drop in investment by Saudi Aramco over the period.

There remains limited publicly available information on direct budgetary transfers or tax expenditures offered to the fossil fuel industry in Saudi Arabia. Therefore government support to oil and gas exploration, production, refining and transportation, and fossil fuel-based power is very likely underestimated in this report (Pickard & Burg, 2015).

In response to the COVID-19 pandemic, the Energy Ministry, at the order of the King, extended a 30% discount on electricity bills for commercial, industrial, and agricultural sectors for April and May 2020 (Energy Policy Tracker, 2020; SPA Services, 2020).

As part of Saudi Arabia’s Vision 2030, the Ministry of Finance increased the availability of financial and economic information, and the government began publishing a budget for the first time in 2016 (Ministry of Finance, 2020). While this is a significant step in the right direction, transparency around direct budgetary transfers and tax expenditures remains very low. As such, it is not possible to accurately estimate the support the government provides for the fossil fuel industry.

References


