



# COFFIS

Coalition on Phasing  
Out Fossil Fuel Incentives  
Including Subsidies

## Common Minimum Standards for the National Inventories of Fossil Fuel Subsidies Developed by COFFIS Members

At the 28th Conference of the Parties to the UN Framework Convention on Climate Change in Dubai, a group of countries, including Antigua and Barbuda, Austria, Belgium, Canada, Costa Rica, Denmark, Finland, France, Ireland, Luxembourg, the Netherlands, and Spain launched the Coalition on Phasing Out Fossil Fuel Incentives Including Subsidies (COFFIS); since then, more countries have joined the coalition.

COFFIS members committed to publishing an inventory of their fossil fuel subsidies. They also agreed to jointly work toward developing a comprehensive methodological framework for identifying and measuring fossil fuel subsidies. As the first step, COFFIS members agree to an initial set of common minimum standards for developing their national subsidy inventories,<sup>1</sup> as follows:

- I. Coexistence of complementary definitions of subsidies and incentives
- II. The definition of fossil fuels
- III. The definition of subsidy beneficiaries and sectors to be included in the inventory
- IV. An assessment of subsidies' climate and socio-economic impacts
- V. The need for annual updates of their fossil fuel subsidy inventories

---

<sup>1</sup> At this stage, COFFIS members are not yet seeking to agree on a common definition of fossil fuel subsidies and incentives. This allows members to use internationally recognized estimation approaches that best align with their national frameworks and practices. Depending on future developments, members may revisit the idea of developing a common definition and estimation methodology at a later stage.

## I. Coexistence of Complementary Definitions of Subsidies and Incentives

COFFIS members agree that COFFIS does not seek to develop a common definition of subsidies but rather to work with existing definitions in line with their national circumstances. COFFIS members use different definitions of subsidies and incentives for their national inventories of fossil fuel subsidies. Some members rely on the definition of subsidies contained in the Agreement on Subsidies and Countervailing Measures (ASCM) of the World Trade Organization (WTO) in their inventories; some have developed complementary approaches such as under the Agreement on Climate Change, Trade and Sustainability (ACCTS) or going beyond the scope of the ASCM and including other measures incentivizing the production and consumption of fossil fuels. COFFIS members commit to ensuring that the subsidy definitions they are using enable the following:

- a) Full transparency over the existing fossil fuel subsidies, both direct and indirect ones, including incomplete pricing, and perverse incentives that stimulate the consumption of fossil energy;
- b) Benchmarks and metrics for measuring reform progress.

## II. Definition of Fossil Fuels

COFFIS members agree to a comprehensive definition of fossil fuels.

Incentives, subsidies, and other support measures are deemed to benefit the production or consumption of fossil fuels when directed at primary or secondary commodities of fossil origin.

Following the definition provided in the *Energy Statistics Manual*, primary commodities of fossil origin are commodities extracted from natural resources formed from biomass in the geological past (International Energy Agency [IEA] et al., 2004). These include crude oil, natural gas, coal, and peat.

Secondary commodities of fossil origin include energy products manufactured from primary commodities of fossil origin.<sup>2</sup> These include gasoline, diesel, liquefied petroleum gas, liquefied natural gas, compressed natural gas, and coal briquettes, as well as electricity and heat produced from these fuels, among other derivatives.

When uncertainty arises on whether a certain product is a fossil fuel, members shall consult Table 1, which lists products classified as fossil fuels.

---

<sup>2</sup> The IEA, Organisation for Economic Co-operation and Development (OECD), and Fossil Fuel Subsidy Tracker (FFST) follow this approach when estimating fossil fuel subsidies and support. Currently, most COFFIS members already subscribe to this approach as IEA and OECD members.

**Table 1. List of products considered to be fossil fuels**

| <b>Primary fossil fuels</b>   | <b>Their derivatives (secondary fossil fuels)</b>  |
|---|--|
| Coal (hard, lignite, bituminous, and sub-bituminous) and peat               | Coal briquettes and other solid fuels manufactured from coal; coke and semi-coke of coal or peat; peat litter; coal gas, water gas, hydrogen, and other gases produced with coal; coal tar, coal tar pitch, and pitch coke     |
| Crude oil (including shale oil, bitumen, and oils extracted from oil sands) | Petroleum oils derived from crude and bituminous minerals, as well as their residues; refined or processed oil products (diesel, gasoline, kerosene); liquefied petroleum gases and other gaseous hydrocarbons; petroleum coke |
| Natural gas   | Liquefied natural gas, compressed natural gas, liquefied petroleum gas, methanol, hydrogen, and other gases produced from natural gas  |
|   | Electricity and heat produced from the commodities above <sup>3</sup>  |

Source: Authors, adapted from IEA et al., 2024.

### **III. Beneficiaries and Sectoral Coverage**

COFFIS members agree that national inventories should include—and distinguish between—subsidies that target the following:

#### **Consumption of Fossil Fuels**

Subsidies in this category reduce the cost of fossil fuels to different groups of consumers.

Fossil fuel consumption occurs when these fuels are burned or utilized as feedstock in various sectors, including motor vehicles, machinery, heating engines, and power plants (FFST, n.d.). This includes the use of fossil fuels for electricity and heat generation, industrial processes, and all other final applications in transportation, buildings, agriculture, forestry, and other sectors.

#### **Production of Fossil Fuels**

This category encompasses subsidies where a financial contribution, or income or price support, reduces the cost of any of the following activities along the fossil fuel supply chain: exploration and extraction, transportation and storage, refining and processing.

---

<sup>3</sup> In accordance with the IEA, OECD, and FFST approach, in cases where subsidies are applied to electricity and heat as a whole, the monetary value of subsidies attributed to fossil fuels is calculated based on the share of fossil fuels in the power and heat mix.

## General (Fossil Fuel-Related) Services Support

Optionally, COFFIS members are encouraged to include support for general services that could benefit both fossil fuel production and consumption, following the OECD and FFST approach (FFST, n.d.; OECD, 2024). These services could include support for research and development for fossil fuel exploration and development, funding reclamation and clean-up activities, and building general infrastructure to meet the needs of the fossil fuel industry—for instance, coal and gas terminals, pipelines, and others.

Members agree to adopt a broad sectoral scope for their national inventories and cover energy uses of fossil fuels across a range of economic sectors, including transportation (including aviation and shipping), agriculture, manufacturing, and buildings. Optionally, members are also encouraged to include subsidies toward non-energy applications of fossil fuels (e.g., use of fossil fuels in the production of fertilizers, chemical products, and metals, among others).

## IV. Assessment of Climate and Socio-Economic Impacts

All members agree to take steps toward conducting a preliminary assessment of climate and socio-economic impacts of identified subsidies as part of the inventory process.

For detailed guidance on conducting this assessment, members can refer to *A Step-by-Step Guide for Governments to Prepare Fossil Fuel Subsidy Inventories*, developed by the COFFIS Secretariat (Picciariello et al., in press).

## V. Frequency of Updates

All members agree to update their national inventories annually. Exceptions could be made if national budget cycles extend beyond one year or countries already prepare fossil fuel subsidy inventories under a different commitment with a different schedule; in such cases, inventories could be updated biannually, but members agree to publish year-on-year data when each update is published.

## References

- Agreement on Climate Change, Trade and Sustainability. (2024). <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-concluded-but-not-in-force/agreement-on-climate-change-trade-and-sustainability-accts>
- Fossil Fuel Subsidy Tracker. (n.d.). Home. <https://fossilfuelsubsidytracker.org/>
- International Energy Agency, Organisation for Economic Co-operation and Development, & Eurostat. (2004). *Energy statistics manual*. International Energy Agency & Organisation for Economic Co-operation and Development. <https://iea.blob.core.windows.net/assets/67fb0049-ec99-470d-8412-1ed9201e576f/EnergyStatisticsManual.pdf>
- Joseph, M., Brunner, M., Khattabi, Z., Guilbeault, S., Andres Camacho, O., Tattenbach, F., Bruus, J., Aagaard, L., Mykkänen, K., Pannier-Runacher, A., Ryan, E., Wilmes, S., Jetten, R., Watts, S., Ribera, T., & Miliband, E. (2023, September 12). *Joint statement on fossil fuel subsidies*. Government of the Netherlands. <https://www.government.nl/binaries/government/documenten/publications/2023/12/09/joint-statement-on-fossil-fuel-subsidies/Joint+Statement+on+fossil+fuel+subsidies.pdf>
- Organisation for Economic Co-operation and Development. (2023, November 21). *OECD inventory of support measures for fossil fuels 2024*. [https://www.oecd.org/en/publications/2024/11/oecd-inventory-of-support-measures-for-fossil-fuels-2024\\_bd47de52.html](https://www.oecd.org/en/publications/2024/11/oecd-inventory-of-support-measures-for-fossil-fuels-2024_bd47de52.html)
- Picciariello, A., Urazova, I., Do, N., Wendenburg, A., & Gerasimchuk, I. (in press). *A step-by-step guide for governments to prepare fossil fuel subsidy inventories*. International Institute for Sustainable Development.

## Coalition on Phasing Out Fossil Fuel Incentives Including Subsidies (COFFIS)

COFFIS is a coalition of 16 countries working to remove fossil fuel subsidies both collectively and through domestic action. The coalition is chaired by the Kingdom of the Netherlands. IISD hosts the secretariat.

To learn more, visit <https://www.iisd.org/coffis/>

Secretariat hosted by



Secretariat funded by



Government of the Netherlands