

# Environmentally Harmful Subsidies

DG Environment

ENV01, Unit for Strategy, Digitalization, Better Regulation and Economic Analysis

# Recognise three types of EHS

1. **Fossil fuel subsidies** harmful to the environment
2. **Other energy subsidies** harmful to the environment
3. **Non-energy EHS**

- DE: EHS for housing, transport and farming are about 22 billion per year (0.4% of GDP). Total EHS (energy + non-energy) is 55 billion or around 1% of GDP.
- IT: total EHS of 22.4 billion (around 1% of GDP), around 2/3 energy

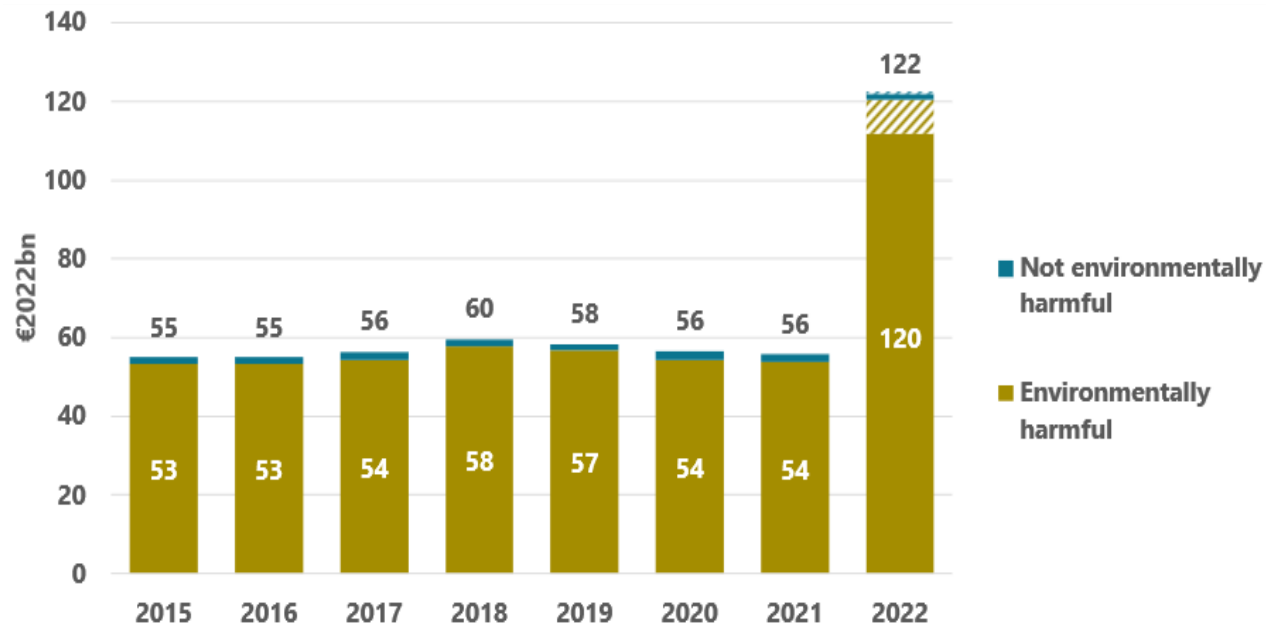
Together, **1 + 2 +3 = Biodiversity Harmful Subsidies** to be reported under the GBF (Target 18) in 2026

# Is there a subsidy?

- **WTO, so active government interventions:**
  - **Excludes non-internalisation of externalities**
  - **Includes explicit and implicit subsidies such as tax exemptions**
  - **Includes potential transfers, such as State guarantees**
  - **Excludes public infrastructure (government investment) and so provision of public goods**

# Established reporting for Energy Subsidies

## Fossil fuel subsidies in the EU-27 (EUR2022bn)



## 2023 Report on Energy Subsidies in the EU - Fossil Fuel Subsidies

- Tax measures just under half of FFS (so cannot ignore)
- 98% of FFS are environmentally harmful (not harmful include compensation to companies and workers for closing coal mines and coal-fired power plants, or funding for rehabilitation of the areas)



# II. Definition of non-energy Environmental Harmful Subsidies



# Is it environmentally harmful (1)?

- Yes ... if it results in **significantly increased negative environmental impacts**. Some element of judgement (and pointers to OECD methodologies)
  - Alignment with the Taxonomy Regulation - and delegated acts on Do No Significant Harm (DNSH)
  - No consideration of positive environmental impacts, or net impacts
  - Life cycle impacts
  - Exclude minor impacts , where applicable

# Is it environmentally harmful (2)?

- **Counterfactual** – what would have happened in the absence of the subsidy
  - Tax rate applicable in the absence of the reduction/exemption
  - Counterfactual may vary between countries and sectors affecting comparability
  - Behavioural response

# Overall

- **Mapping subsidies - choices on reform come later**
- **Not a comprehensive list – provide examples for agriculture, transport, construction etc**
- **Commission not labelling a subsidy as automatically an EHS**
- **Taxonomy instructive**



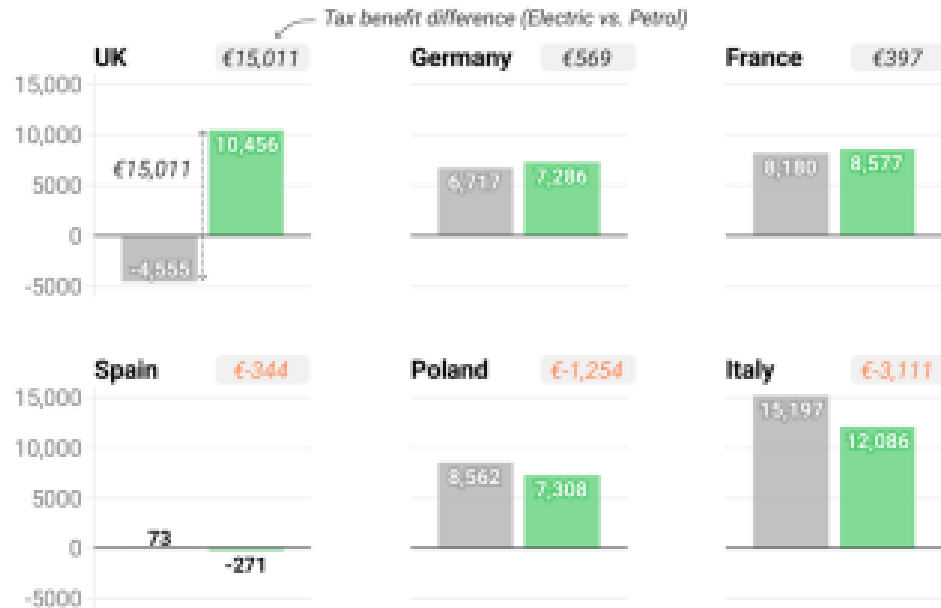


# Analyses to use...

## Difference in subsidies Electric vs. ICE

In the largest EU car markets, electric salary cars receive less or similar benefits than fossil fuel cars

 Subsidies to fossil fuel cars (VW Tiguan)  Subsidies to electric cars (VW ID.4)



OECD Environment Working Papers No. 206

Identifying and assessing subsidies and other incentives harmful to biodiversity: A comparative review of existing national-level assessments and insights for good practice

Alan Matthews,  
Katia Karousakis

<https://dx.doi.org/10.1787/3e9118d3-en>

# Reporting process

**EHS to be reported simultaneously to energy subsidies**

**EHS will use the same reporting platform and will be encoded at the same time as the energy subsidies: via ReportENER.**

**Technical validation only, i.e. checking for consistency and obvious errors. Thus: no approval process.**

**Member States should make sure the reporting is consistent with other reporting (e.g. green budgeting, nature restoration plans).**

**Reporting would be every two years.**

# Thank you



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# Useful links

- **2023 Report on Energy Subsidies in the EU** [EUR-Lex - 52023DC0651 - EN - EUR-Lex \(europa.eu\)](#)
- [Study on energy subsidies and other government interventions in the European Union - Publications Office of the EU \(europa.eu\)](#)
- **Draft guidance document on non-energy EHS available on the expert group's website (available at [link](#)). This version allows Member States to start the preparatory processes for mapping non-energy environmentally harmful subsidies. It should be followed up by a formal guidance.**