



8th Environment Action Programme

Fossil fuel subsidies



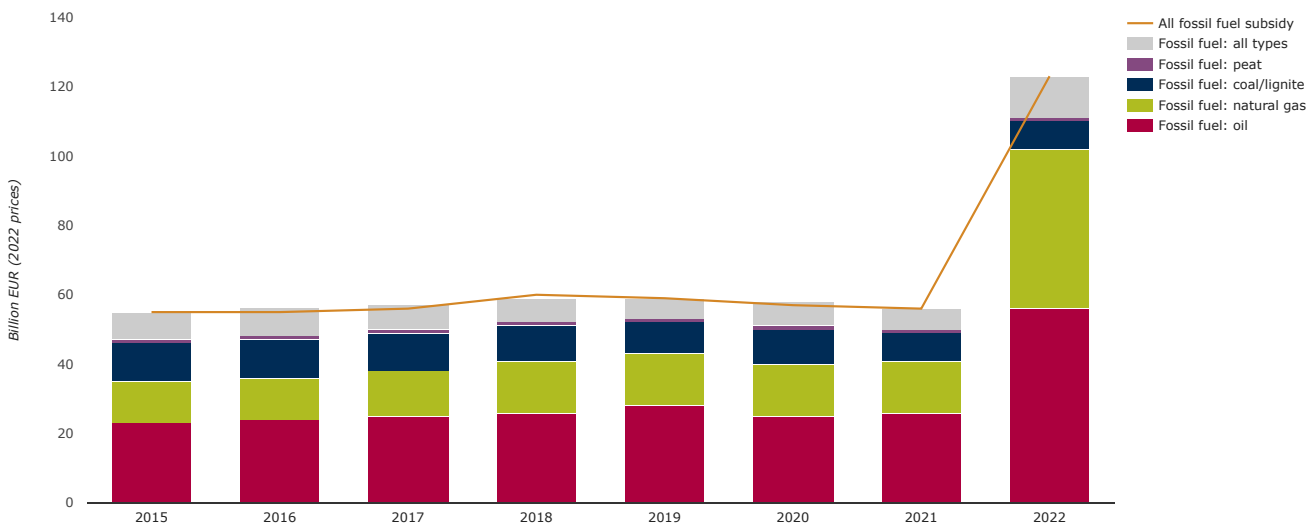
Fossil fuel subsidies

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[Home](#) > [Analysis and data](#) > [Indicators](#) > [Fossil fuel subsidies](#)

The EU's Eighth Environment Action Programme, in line with EU and international commitments, calls for an immediate phase out of fossil fuel subsidies. Fossil fuel subsidies remained relatively stable at about EUR 56 billion (2022 prices), over the period 2015-2021, yet increased to EUR 123 billion in 2022. This can be interpreted as a result of high energy prices related to post-COVID recovery and Russia's invasion of Ukraine. Most EU Member States have no concrete plans on how and when they will phase out these subsidies, therefore, it is unlikely but uncertain that the EU will make much progress towards phasing out fossil fuel subsidies by 2030.

Figure 1. Fossil fuel subsidies in the 27 EU Member States, 2015-2022



Source: European Commission.

Data used in the graph

Year	Fossil fuel: oil	Fossil fuel: natural gas	Fossil fuel: coal/lignite	Fossil fuel: peat	Fossil fuel: all types	All fossil fuel subsidy
2015	23	12	11	1	8	55
2016	24	12	11	1	8	55
2017	25	13	11	1	7	56
2018	26	15	10	1	7	60
2019	28	15	9	1	6	59
2020	25	15	10	1	7	57
2021	26	15	8	1	6	56
2022	56	46	8	1	12	123



Note for all figures: All monetary values are expressed in 2022 prices. Data for 2022 are provisional as fossil fuel subsidy figures (about 7% of total) are still under evaluation.

Fossil fuels are non-renewable sources of energy, and their production and use contribute significantly to climate change and pollution. In line with international commitments – such as the G20 Pittsburgh Summit ^[1] and COP26 Glasgow Climate Pact ^[2] – and the European Green Deal ^[3], the EU's Eighth Environment Action Programme (8th EAP) ^[4] calls for an immediate phase out of subsidies for fossil fuels (such as coal, gas and oil). Progress towards this is monitored as part of the European Commission's State of the Energy Union report ^[5] ^[6].

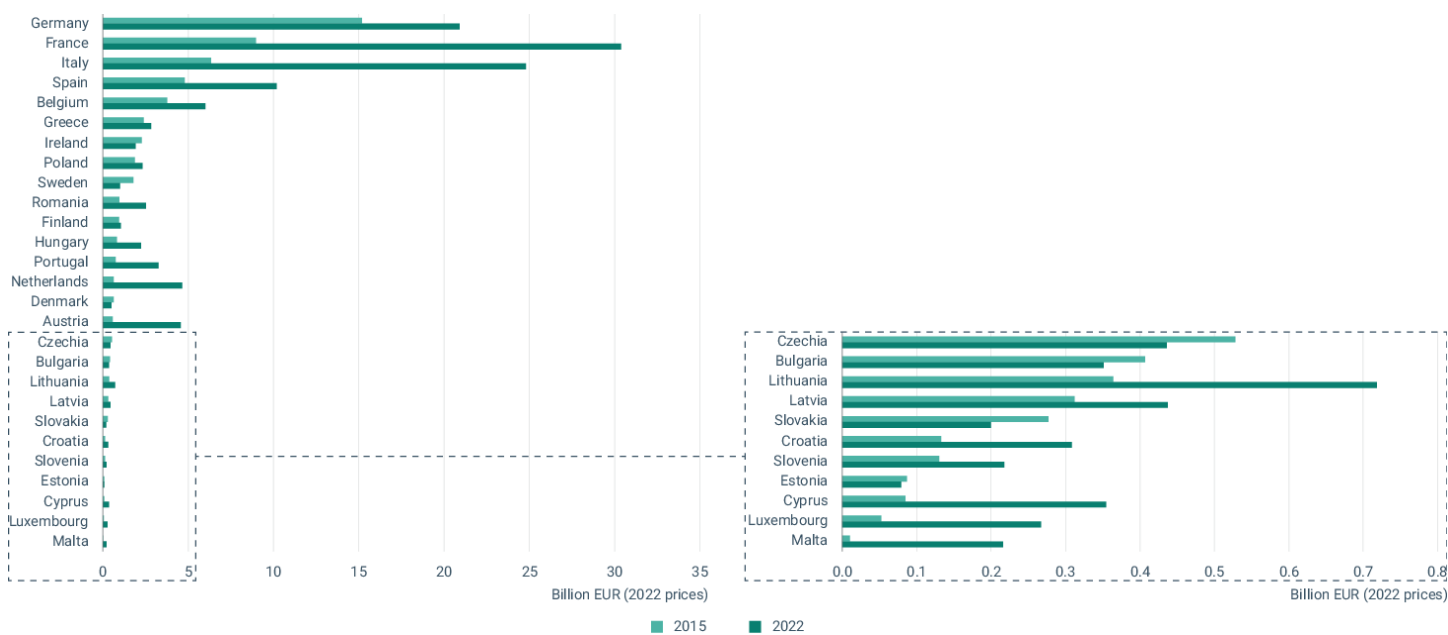
Fossil fuel subsidies remained more or less stable, at about EUR 56 billion (2022 prices), over the period 2015-2021. The increase of EUR 5 billion from 2015 to 2018 was mainly due to an increase in subsidies in the transport and industry sector. The decrease of EUR 4 billion from 2018 to 2021 was mostly due to decreases in the energy sector and decreases in subsidies for coal and lignite. The growth in fossil fuel subsidies in 2022 can be attributed to the energy price crisis and was intensified by the Russian invasion of Ukraine as EU Member States implemented more than 230 temporary subsidy measures to protect households and industries ^[7]^[8].

Member States are required to include information in their annual national energy and climate progress reports on phasing out energy subsidies, particularly fossil fuels. According to these reports, many countries have ambitions to move away from fossil fuel use, but only a few (Denmark, Germany,

Ireland, Italy and Sweden) have translated these ambitions into laws or clear plans that specify when they intend to phase out fossil fuel subsidies [9].

It can be expected that the sharp rise in fossil fuel subsidies is an outlier as 47% of total fossil fuel subsidies in 2022 amounting to EUR 58 billion have a planned end-date before 2025 and only about 1% have an end-date between 2025 and 2030. There is no end-date provided or the end-date is after 2030 for the largest part of fossil fuel subsidies [8].

Figure 2. Fossil fuel subsidies in EU Member States, 2015 and 2022 (in 2022 prices)



Source: European Commission.



An assessment of the progress towards phasing out fossil fuel subsidies – based on the amount of fossil fuel subsidies of 2022 – is difficult in the current political and economic environment. The EU Member States responded very different as most of them provided generous financial support through fossil fuel subsidies. On the contrary, the amount of fossil fuel subsidies declined in four EU Member States (Czechia, Denmark, Poland and Slovakia) between 2021 and 2022. When analysing the trend between 2015 and 2022 then seven EU Member States made progress in phasing out fossil fuel subsidies as fossil fuel subsidies are lower in these countries in 2022 as compared to 2015 (in 2022 prices).

It should be noted that, in terms of absolute value, that more than 60% of all fossil fuel subsidies granted in 2022 were spent in three countries: Germany (EUR 21 billion), Italy (EUR 25 billion) and France (EUR 30 billion).

The extent to which fossil fuel subsidies contribute to national economies also varies considerably across Member States. Fossil fuel subsidies represent the highest shares of gross domestic product

(GDP) in Portugal, Greece, Cyprus, Hungary and Malta (1.3%) and the lowest share in Slovakia, Sweden, Czechia and Denmark (less than 0.2% of GDP) ^[8].

Additional figure: Fossil fuel subsidies as a share of national gross domestic products, 2020.

▼ Supporting information

Definition

This indicator is based on the concept developed by the World Trade Organization (WTO) through the Agreement on Subsidies and Countervailing Measures (ASCM), which classifies subsidies and government interventions into four main categories:

- 1 direct transfers: direct expenditures by governments to recipients, which could be either consumers or producers;
- 2 tax expenditures: the amounts of tax benefits, or preferences, received by taxpayers and forgone by governments;
- 3 income or price support mechanisms: various types of economic mechanisms, most of which can be considered cross-subsidies, i.e. involve transferring amounts of money from groups of people/technology/territory to another specific group;
- 4 RD&D budgets: various types of provisions for financial and/or other preferential mechanisms to support innovation.

For more information on the concept and definition of energy subsidies, see Annex 5 to EC.^[9]

Methodology

A recurring obstacle preventing the pledge to phase out fossil fuel subsidies from being realised is the lack of a shared definition internationally ^[10]. This repeatedly stressed barrier is addressed by the Commission under the Regulation on the Governance of the Energy Union and Climate Action ^[11] through the adoption of 'implementing acts... , including a methodology for the reporting on the phasing out of energy subsidies, in particular for fossil fuels' ^[12]. As the European Commission published Implementing Regulation (EU) 2022/2299 ^[13] in November 2022, the basis of the current assessment for this indicator is the data-gathering exercise performed by external consultants for the European Commission and published in the Commission report on energy subsidies in the EU ^[14] accompanying the 2023 State of the Energy Union report. The methodology behind the data collection and validation process is discussed in detail in Annex 5.1 to EC ^[9].

The data were deflated to 2022 prices as published in EC ^{[14][9]}.

Policy/environmental relevance

This indicator is a headline indicator for monitoring progress towards meeting the objectives of the 8th EAP. It contributes mainly to monitoring progress in relation to aspects of Article 3(h), which requires, inter alia, 'phasing out environmentally harmful subsidies, in particular fossil fuel

subsidies, at Union, national, regional and local level, without delay... by... (ii) setting a deadline for the phasing out of fossil fuel subsidies consistent with the ambition of limiting global warming to 1,5°C' [15]. The European Commission communication on the 8th EAP monitoring framework specifies that this indicator should be used to monitor the reduction in 'environmentally harmful subsidies, in particular fossil fuel subsidies, with a view to phasing them out without delay' [4].

Accuracy and uncertainties

Data sources and providers

- [Fossil fuel subsidies \(No direct URL to dataset\)](#), European Commission

▼ Metadata

DPSIR

Response

Topics

Sustainable finance

Tags

SUFI002 # 8th EAP # subsidies # Fossil fuel

Temporal coverage

2015-2022

Geographic coverage

Austria	Belgium
Bulgaria	Croatia
Cyprus	Czechia
Denmark	Estonia
Finland	France
Germany	Greece
Hungary	Ireland
Italy	Latvia
Lithuania	Luxembourg
Malta	Netherlands
Poland	Portugal
Romania	Slovakia

Slovenia
Sweden

Spain

Typology

Descriptive indicator (Type A - What is happening to the environment and to humans?)

UN SDGs

Sustainable cities and communities

Unit of measure

Absolute subsidy amounts are measured in billion euros (EUR) and the contributions of fossil fuel subsidies to GDPs are given as percentages (%).

Frequency of dissemination

Once a year

Contact

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▼ References and footnotes

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