



8th Environment Action Programme

Fossil fuel subsidies



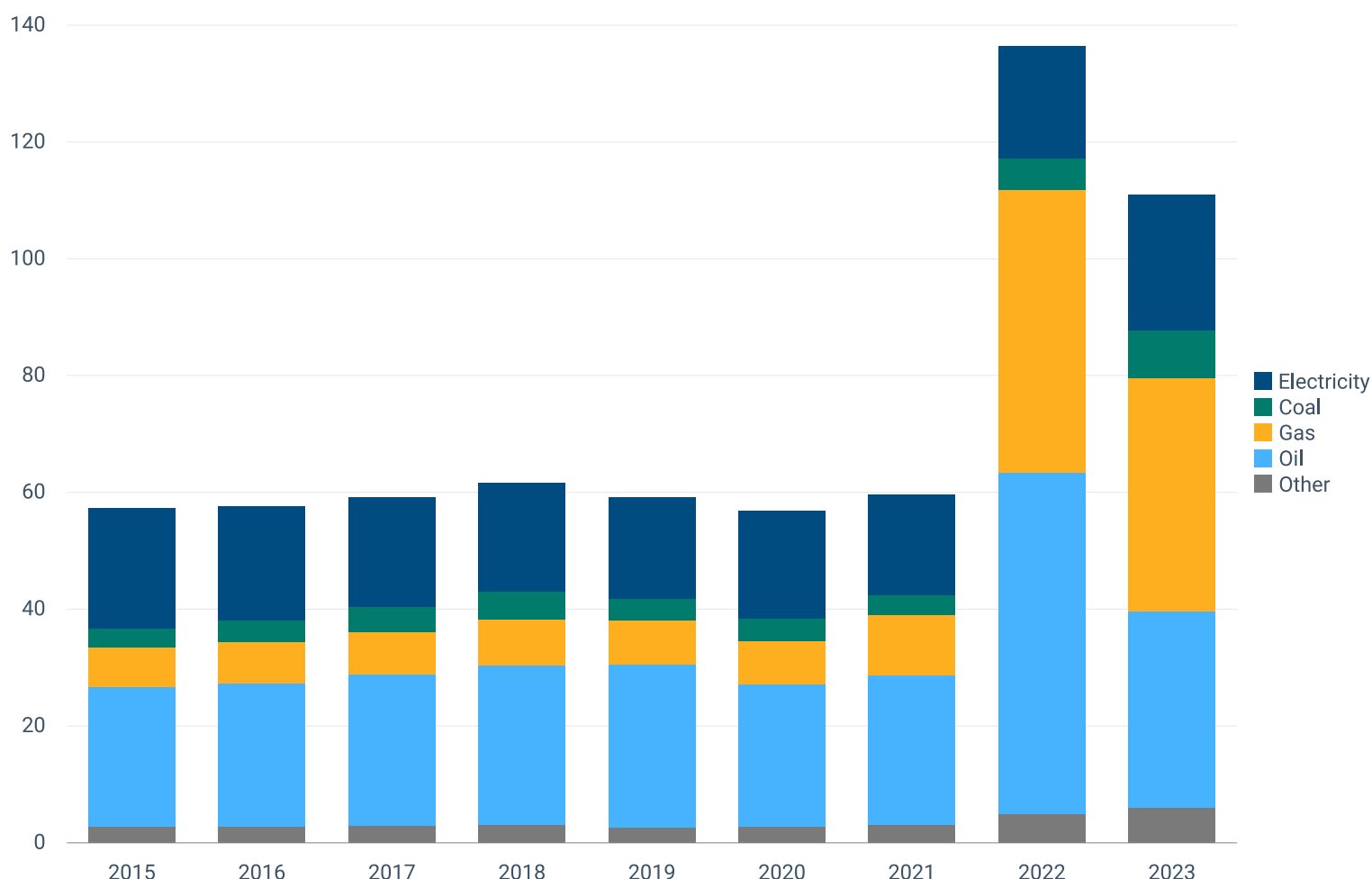
Fossil fuel subsidies in Europe

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The 8th Environment Action Programme calls for fossil fuel subsidies to be phased out without delay. Subsidies were stable from 2015-2021, yet more than doubled in 2022 due to high energy prices post-COVID and Russia's invasion of Ukraine, subsequently falling to EUR 111 billion in 2023. While a significant part of fossil fuel subsidies are due to be phased out by 2030, these are largely crisis measures. The EU is likely not on track to make notable progress by 2030, as most Member States lack concrete plans to phase out the significant fossil fuel subsidies that remain.

Figure 1. Fossil fuel subsidies by energy vector in EU Member States, 2015 and 2023 (in 2023 prices)

Billion EUR (2023 prices)



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**, the EU's **8th Environment Action Programme (8th EAP)** calls for a **phase out** without delay of subsidies for fossil fuels (such as coal, gas and oil). Progress towards this is monitored as part of the European Commission's commitments under the Governance Regulation ^[3] ^[4].

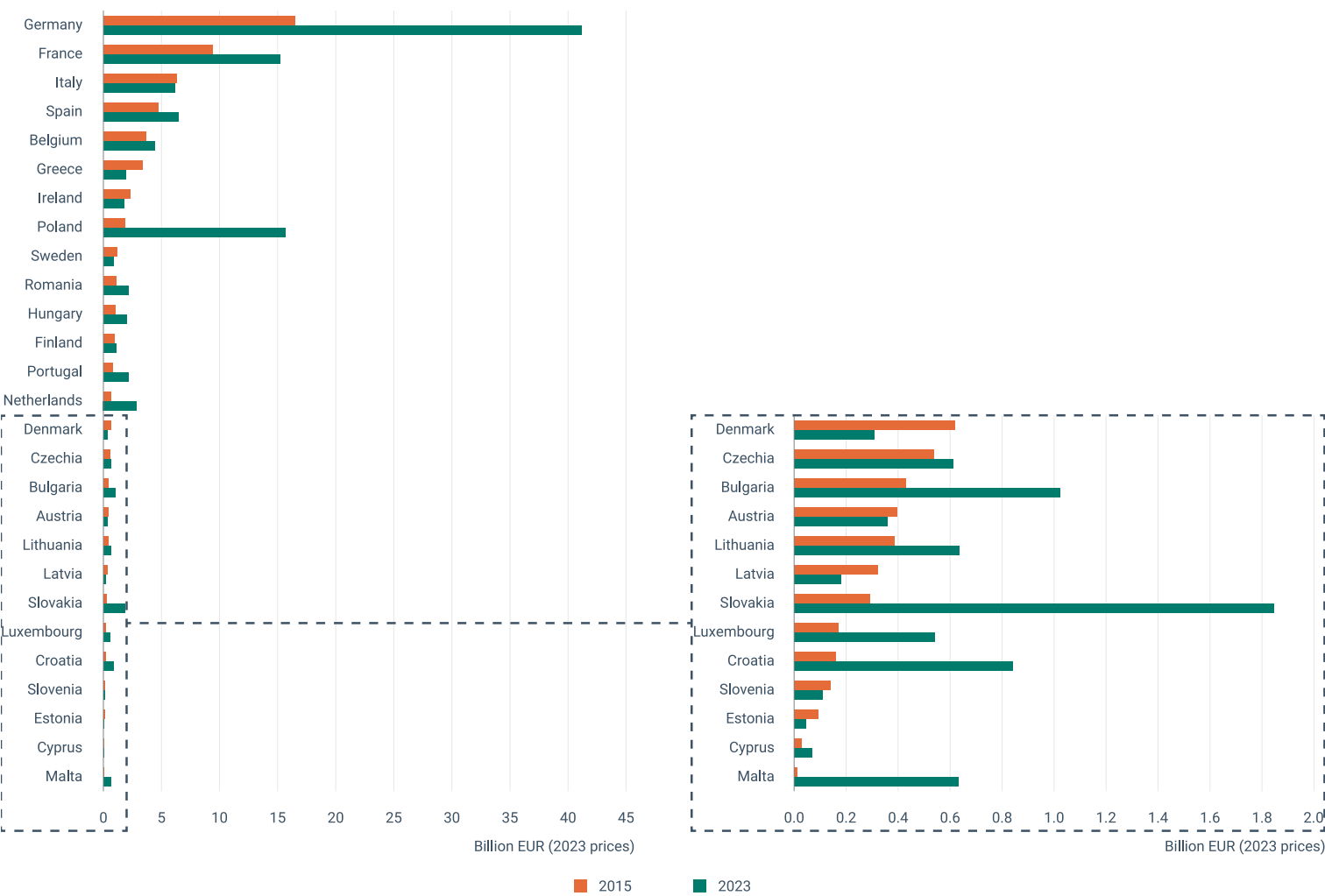
Fossil fuel subsidies remained **stable**, at between EUR 57-62 billion (2023 prices), from 2015 to 2021. A growth of EUR 4 billion occurred during 2015-2018, caused by increases in transport and industry sector subsidies. Followed by a decrease of EUR 5 billion from 2018-2021, mostly due to reductions in the energy sector and subsidies for coal and lignite.

The sudden **significant growth** in 2022 fossil fuel subsidies can be attributed to the energy price crisis, intensified by Russia's invasion of Ukraine. EU Member States implemented at least 270 national measures to protect households and industries (forthcoming EC report on energy subsidies). The strong support continued in 2023, although at a lower level (EUR 111bn), as many crisis measures were prolonged despite the large decrease of fossil energy prices (forthcoming EC report).

Member States must include information in their biennial 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, which would naturally phase out fossil fuel subsidies. However, only Denmark has translated this ambition into law. Other Member States have plans to phase out fossil fuel use in the power sector and for heating in buildings (forthcoming EC report).

The recent steep rise in fossil fuel subsidies is likely an **outlier**. In 2023, 43% (EUR 47.7bn) of total fossil fuel subsidies have a planned end-date before 2025, while a further 9% (EUR 10.1bn) have an end-date by 2030. There is no end-date provided for 48% (EUR 53.1bn) of fossil fuel subsidies (forthcoming EC report).

Figure 2. Fossil fuel subsidies in EU Member States, 2015 and 2023 (in 2023 prices)



Assessing the progress towards phasing out fossil fuel subsidies is difficult in the current political and economic environment. EU Member States responses varied, with most providing generous financial support through fossil fuel subsidies. Fossil fuel subsidies **declined** in 20 EU Member States from 2022 to 2023, yet remained above levels seen in 2021 for most cases. The trend between 2015 and 2023 shows nine EU Member States made progress in phasing out fossil fuel subsidies, with a decrease in real terms over this period.

Notably, more than 60% of all fossil fuel subsidies granted in 2023 were spent in three countries: Germany (EUR 41 billion), Poland (EUR 16 billion), and France (EUR 15 billion).

The extent to which fossil fuel subsidies contribute to national economies also varies considerably across Member States. In 2023, fossil fuel subsidies represented the highest shares of gross domestic product (GDP) in Malta, Poland, and Slovakia (all at or above 1.5%). Countries with the lowest shares were Austria, Denmark, and Estonia (less than 0.2% of GDP).

Additional figure: Fossil fuel subsidies as a share of national GDP, 2023.

▼ 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.^[5]

Methodology

A recurring obstacle preventing the pledge to phase out fossil fuel subsidies from being realised is the lack of a shared definition internationally^[6]. This repeatedly stressed barrier is addressed by the Commission under the Regulation on the Governance of the Energy Union and Climate Action^[7] through the adoption of 'implementing acts... , including a methodology for the reporting on the phasing out of energy subsidies, in particular for fossil fuels'^[8]. As the European Commission published Implementing Regulation (EU) 2022/2299^[9] 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^[10] 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^[5].

The data were deflated to 2022 prices as published in EC^{[10][5]}.

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'^[11]. 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’ ^[12].

Accuracy and uncertainties

Data sources and providers

- Energy subsidies (Forthcoming DG ENER study on energy subsidies in the European Union) (direct link to the datasets is not available), DG ENER, European Commission

▼ Metadata

DPSIR

Response

Topics

Sustainable finance

Tags

SUFI002 # 8th EAP # subsidies # Fossil fuel

Temporal coverage

2015-2023

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

Typology

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

UN SDGs

SDG11: 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

▼ References and footnotes

1. OECD, 2009, *Leaders' statement: the Pittsburgh Summit – September 24-25 2009*, Organisation for Economic Co-operation and Development.
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2. UK Government, 2022, *COP26: the Glasgow Climate Pact*, United Nations Climate Change Conference UK 2022.
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3. EC, 2023, Report from the Commission to the European Parliament and the Council '2023 report on energy subsidies in the EU' (COM(2023) 651 final of 24 October 2023).
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4. EC, 2023, Study on energy subsidies and other government interventions in the European Union – 2023 edition, Final Report, Directorate-General for Energy (<https://op.europa.eu/en/publication-detail/-/publication/32d284d1-747f-11ee-99ba-01aa75ed71a1/language-en>) doi: 10.2833/571674
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5. EC, 2022, *Study on energy subsidies and other government interventions in the European Union – 2022 edition*, Final Report, Directorate-General for Energy.
[a](#) [b](#) [c](#)

6. OECD and IEA, 2021, *Update on recent progress in reform of inefficient fossil-fuel subsidies that encourage wasteful consumption 2021*, Contribution by the Organisation for Economic Co-operation and Development (OECD) and the International Energy Agency (IEA) to G20 Environment, Climate and Energy Ministers, in consultation with the Organization of Petroleum Exporting Countries (OPEC), Climate and Energy Joint Ministerial Meeting, Naples, 23 July 2021.
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7. EU, 2018, Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, OJ L 328, 21.12.2018, p. 1-77.
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8. EU, 2021, Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law'), OJ L 243, 9.7.2021, p. 1-17.
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9. EU, 2022, Commission Implementing Regulation (EU) 2022/2299 of 15 November 2022 laying down rules for the application of Regulation (EU) 2018/1999 of the European Parliament and of the Council as regards the structure, format, technical details and process for the integrated national energy and climate progress reports, OJ L 306, 25.11.2022. p. 1-98.
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10. EC, 2022, Report from the Commission to the European Parliament and the Council '2022 report on energy subsidies in the EU', COM(2022) 642 final of 15 November 2022.
[a](#) [b](#)
11. EU, 2022, Decision (EU) 2022/591 of the European Parliament and of the Council of 6 April 2022 on a General Union Environment Action Programme to 2030, OJ L 114, 12.4.2022, p. 22-36.
[↩](#)
12. EC, 2022, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the monitoring framework for the 8th Environment Action Programme: measuring progress towards the attainment of the programme's 2030 and 2050 priority objectives, COM (2022) 357 final of 26 July 2022.
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