

Fossil fuel subsidies in Latin America and the Caribbean

September 2021

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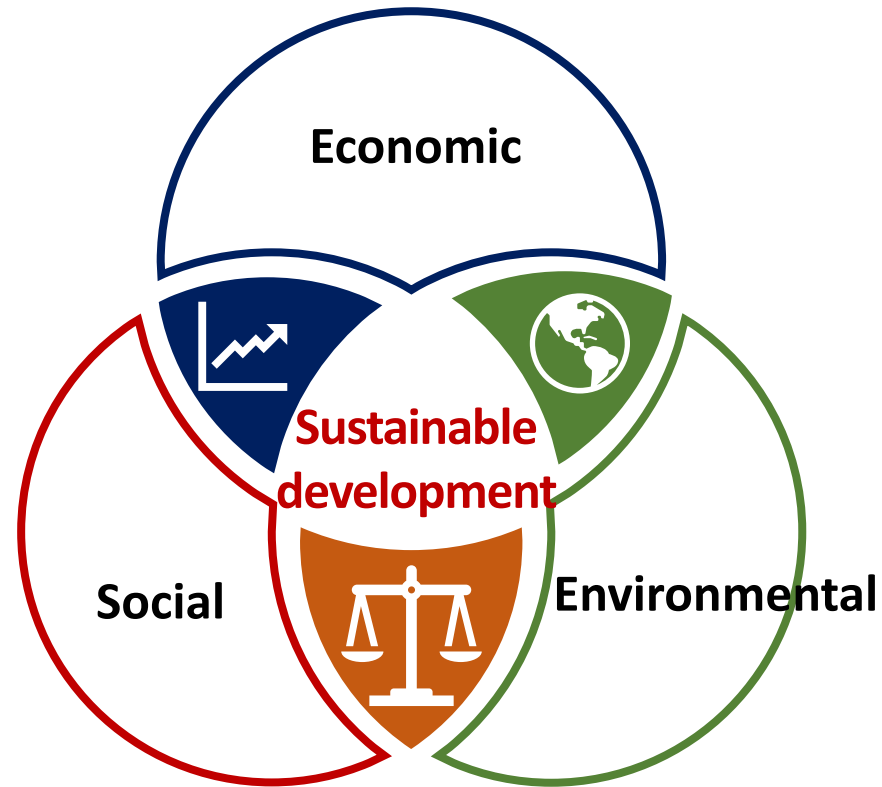
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Context: The dimensions of sustainable development

Economic
Economic structure
Indebtedness
External constraint
Energy matrix

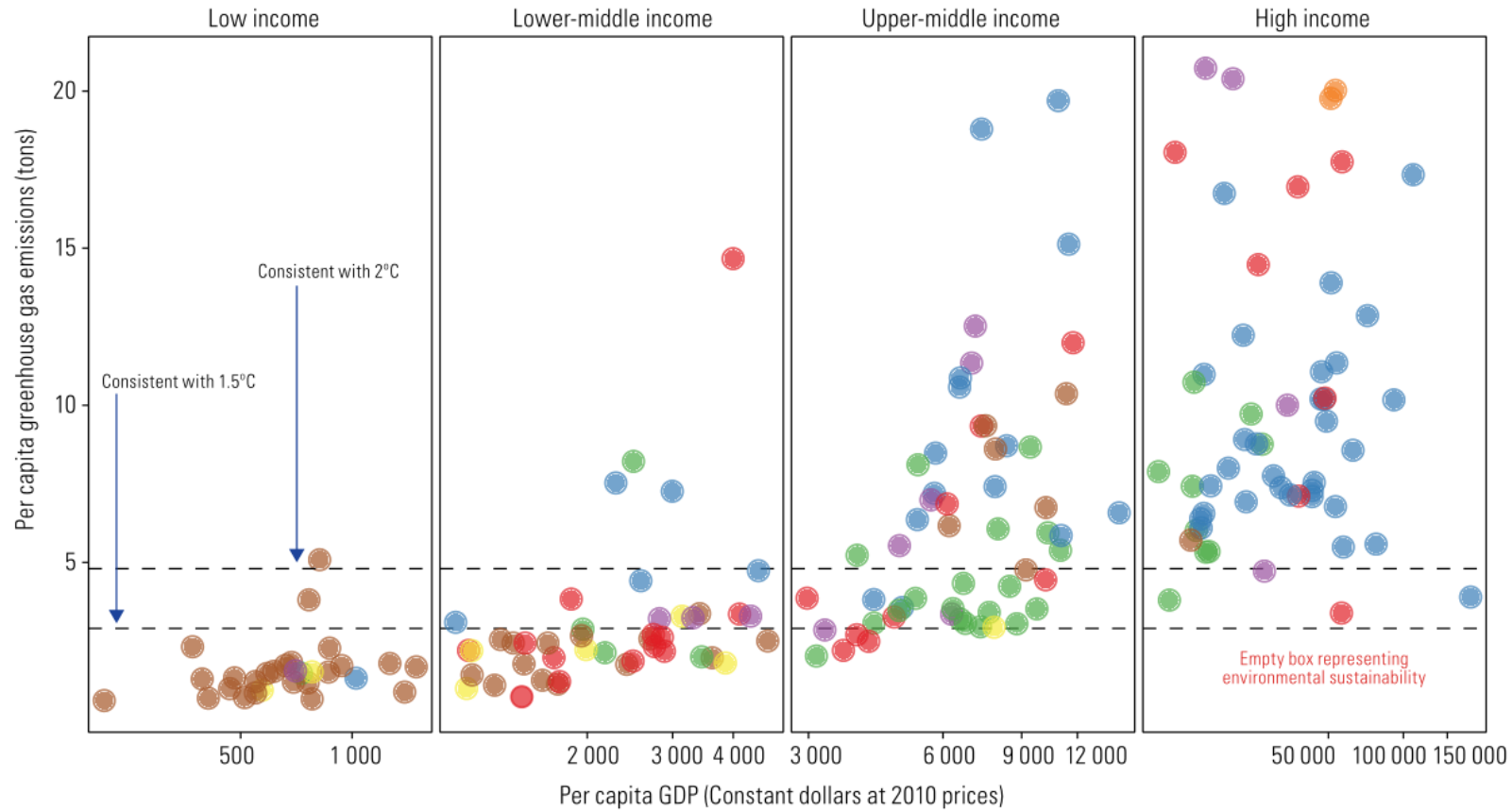
Social
Health; public
expenditure



Environmental
Local and global pollution

Climate change: We are not on the right track

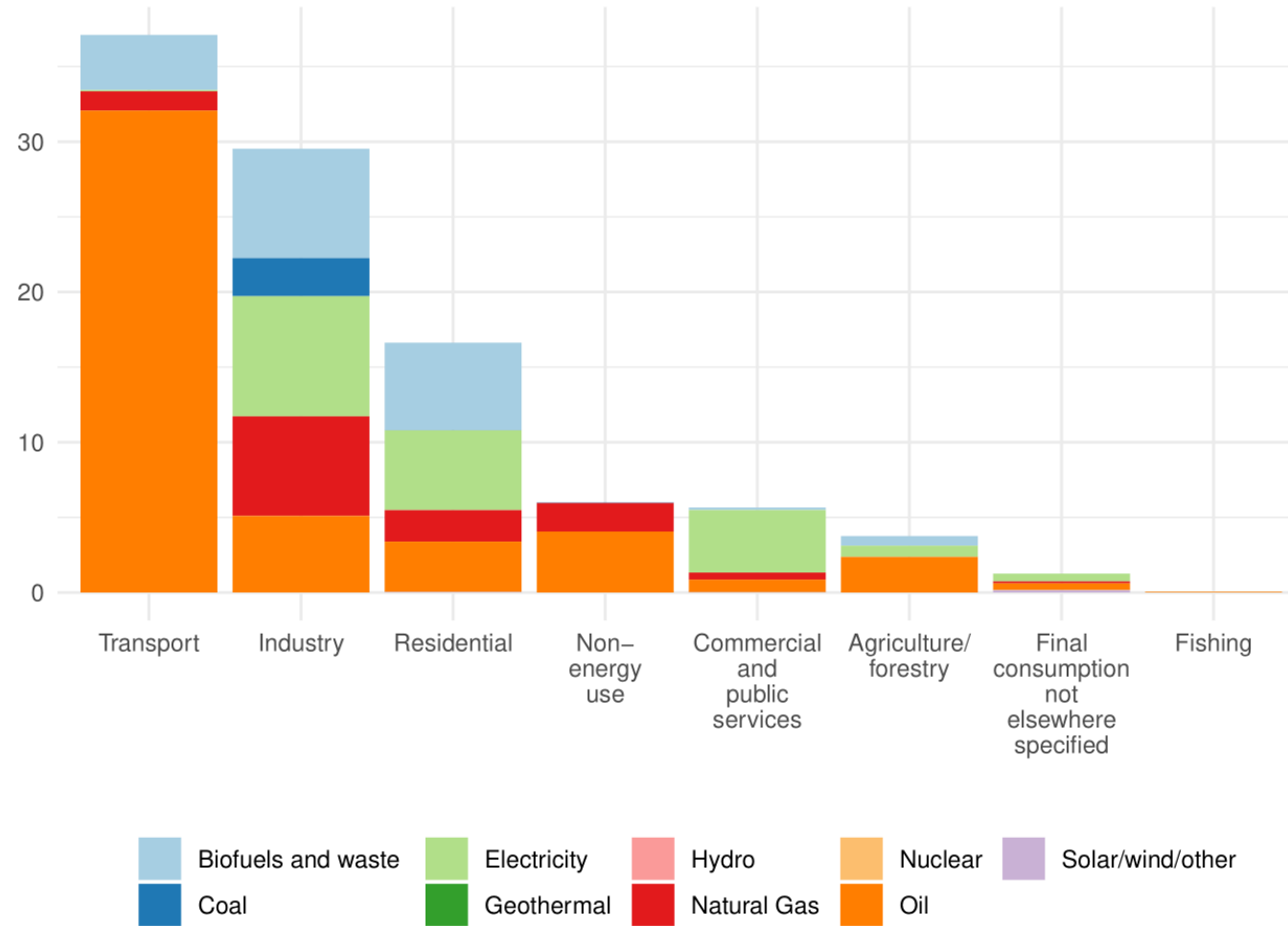
Per capita GDP and per capita greenhouse gas emissions around the world, 2017
(Dollars at 2010 prices and tons of CO₂eq)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of J. Gütschow and others, "The PRIMAP-hist national historical emissions time series (1850-2017)", German Research Centre for Geosciences (GFZ), GFZ Data Services [online] <http://dataservices.gfz-potsdam.de/pik/showshort.php?id=escidoc:4736895>; and World Bank, World Development Indicators, 2019, Washington, D.C. [online database] <http://data.worldbank.org/data-catalog/world-development-indicators>.

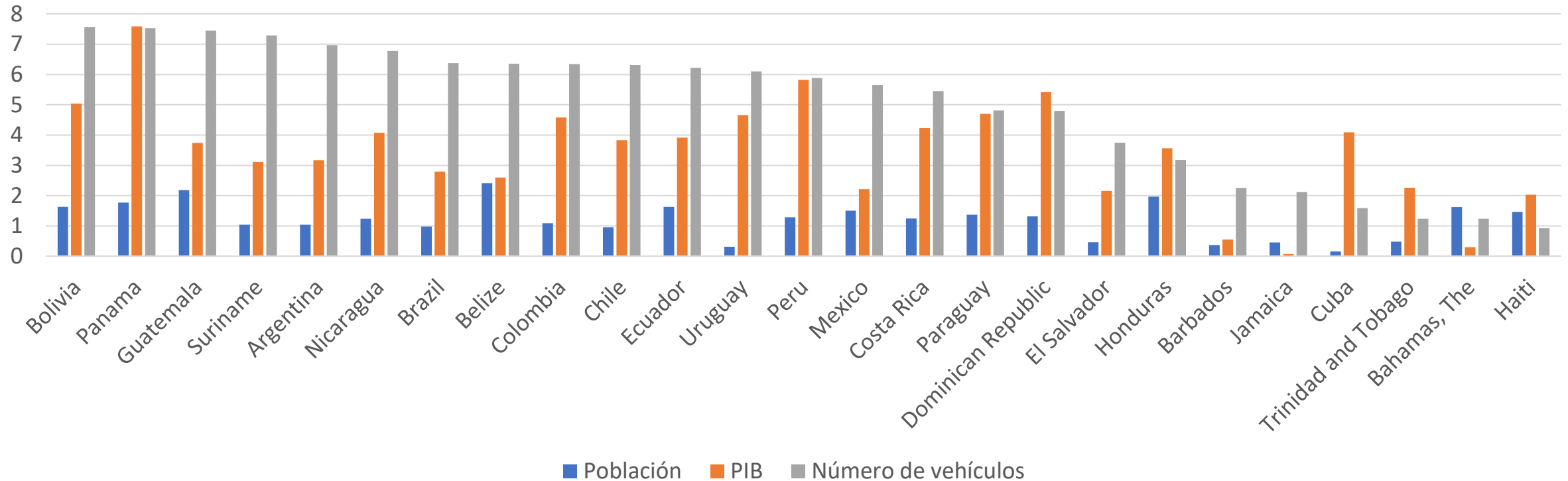
56% of emissions in LAC are emissions from energy use. 75% in the Caribbean

LAC, Final energy consumption by sector, 2018
(Percentage)



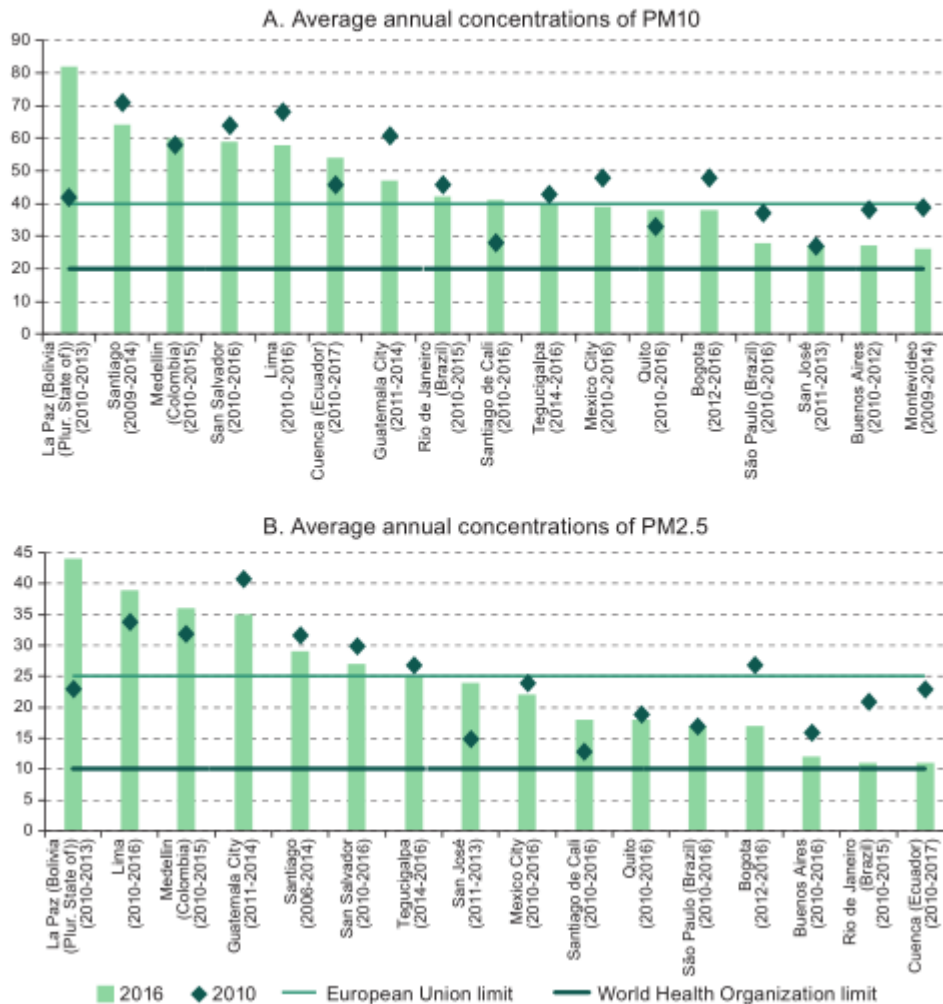
Car ownership is growing faster than the population and the economy

Population, GDP and number of vehicles: Average annual growth: 2005 - 2015 (%)

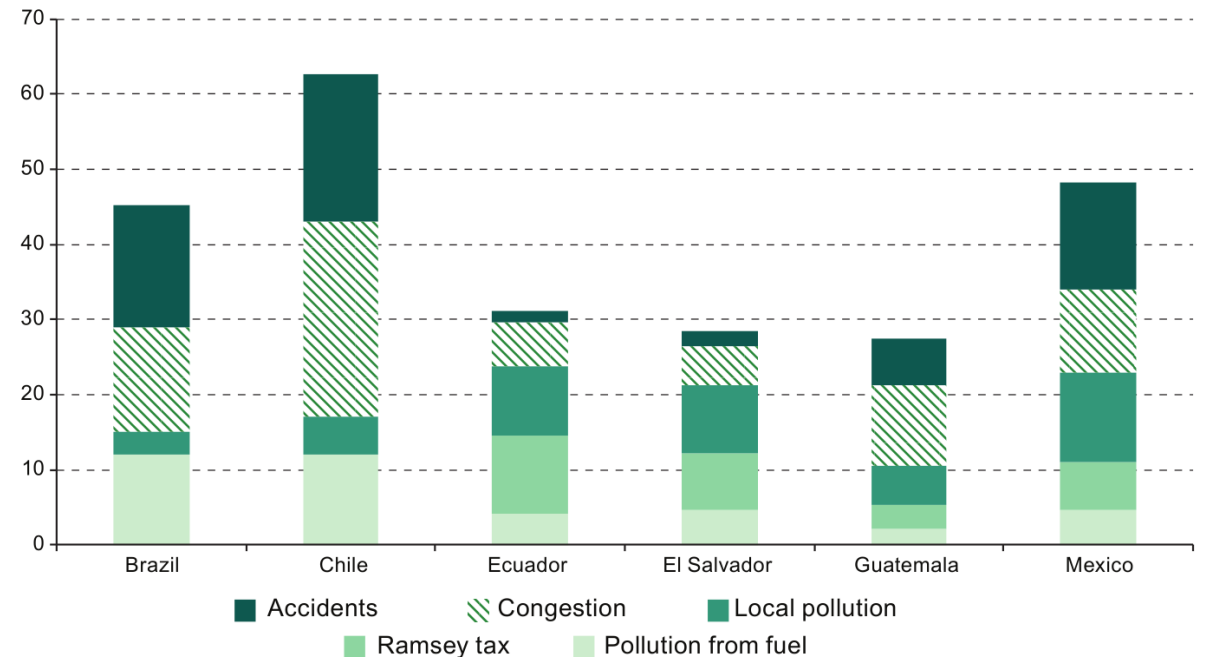


Consumption has a detrimental effect on human health and welfare

Latin America and the Caribbean (20 cities): concentrations of coarse particulate matter (PM10) and fine particulate matter (PM2.5), around 2016
(Micrograms per cubic metre)



Latin America (6 countries): level a petrol tax should have to reflect externalized costs, various years
(Cents per litre)

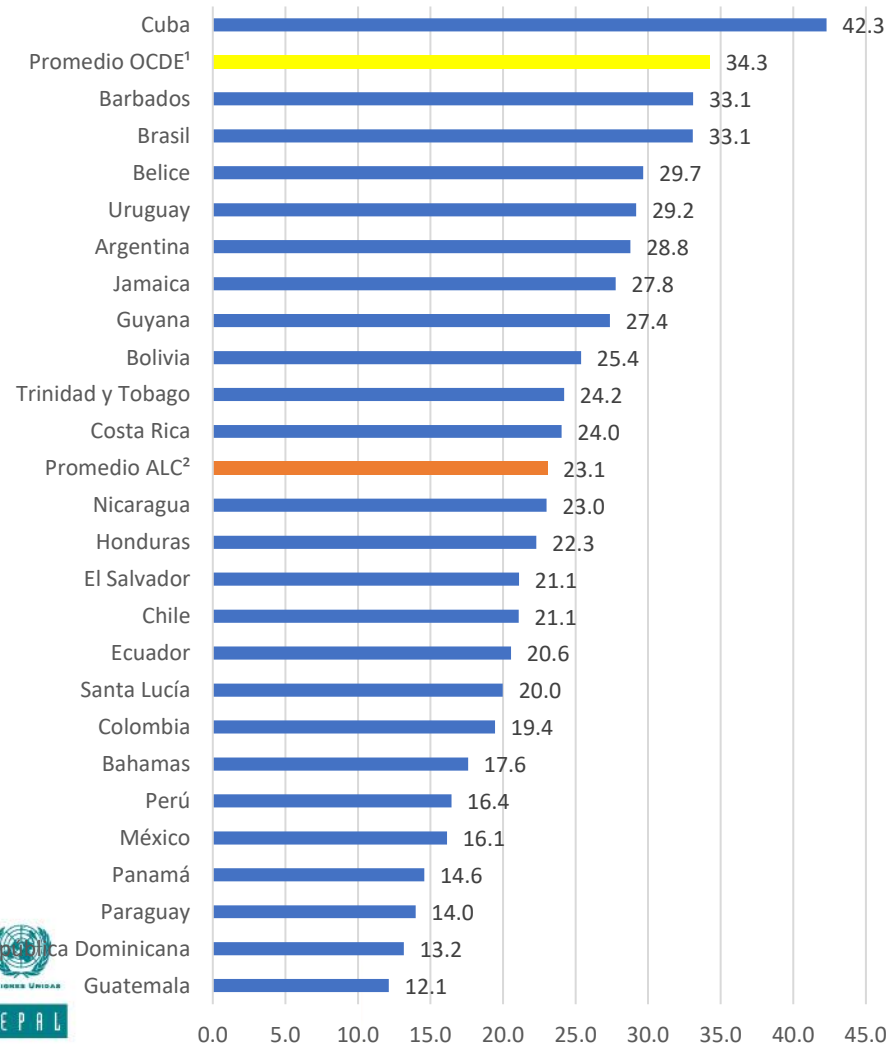


Source: A. Bárcena y otros, La emergencia del cambio climático en América Latina y el Caribe: ¿seguimos esperando la catástrofe o pasamos a la acción?, Libros de la CEPAL, N° 160 (LC/PUB.2019/23-P), Santiago, Comisión Económica para América Latina y el Caribe (CEPAL), 2020.

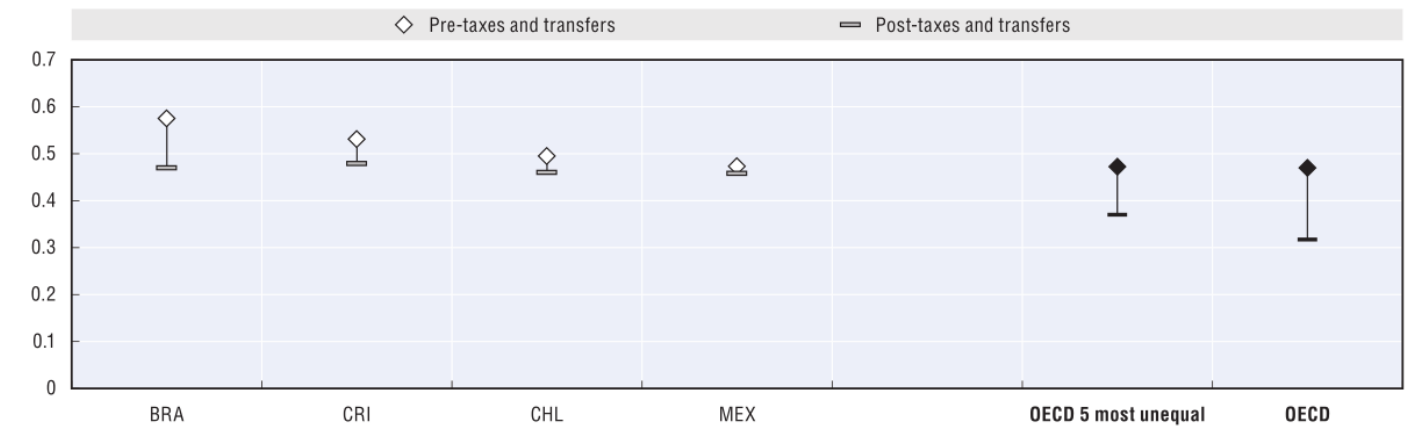
On average, LAC tax revenue is lower, and our social policy is less effective in reducing inequality.

Tax revenue (% of GDP), 2018.

(Total tax revenues as a percentage of GDP)



Gini coefficient pre and post taxes and transfers, 2017 or latest available year.



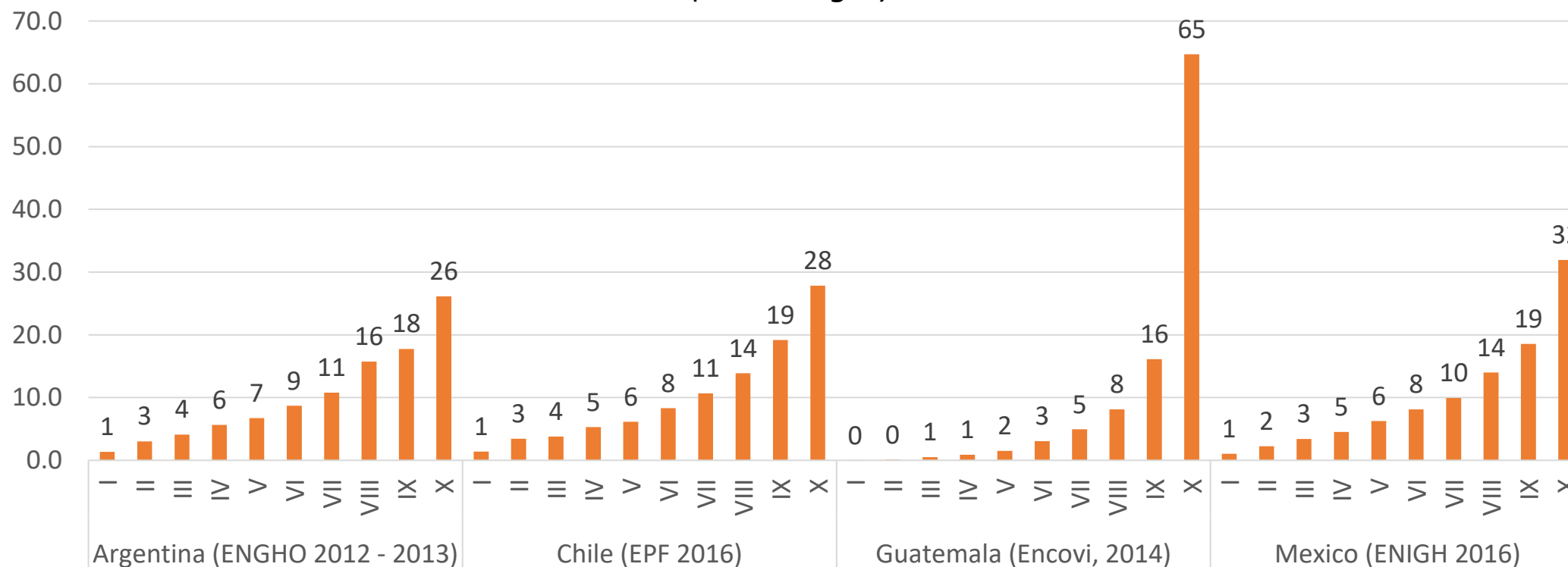
Source: OECD Income Distribution Database, <https://stats.oecd.org/Index.aspx?DataSetCode=IDD>

StatLink <https://doi.org/10.1787/888934093424>

OCDE et al. (2020), Estadísticas tributarias en América Latina y el Caribe 2020, OECD Publishing, Paris, <https://doi.org/10.1787/68739b9b-en-es>.

Subsidies benefit high income households...

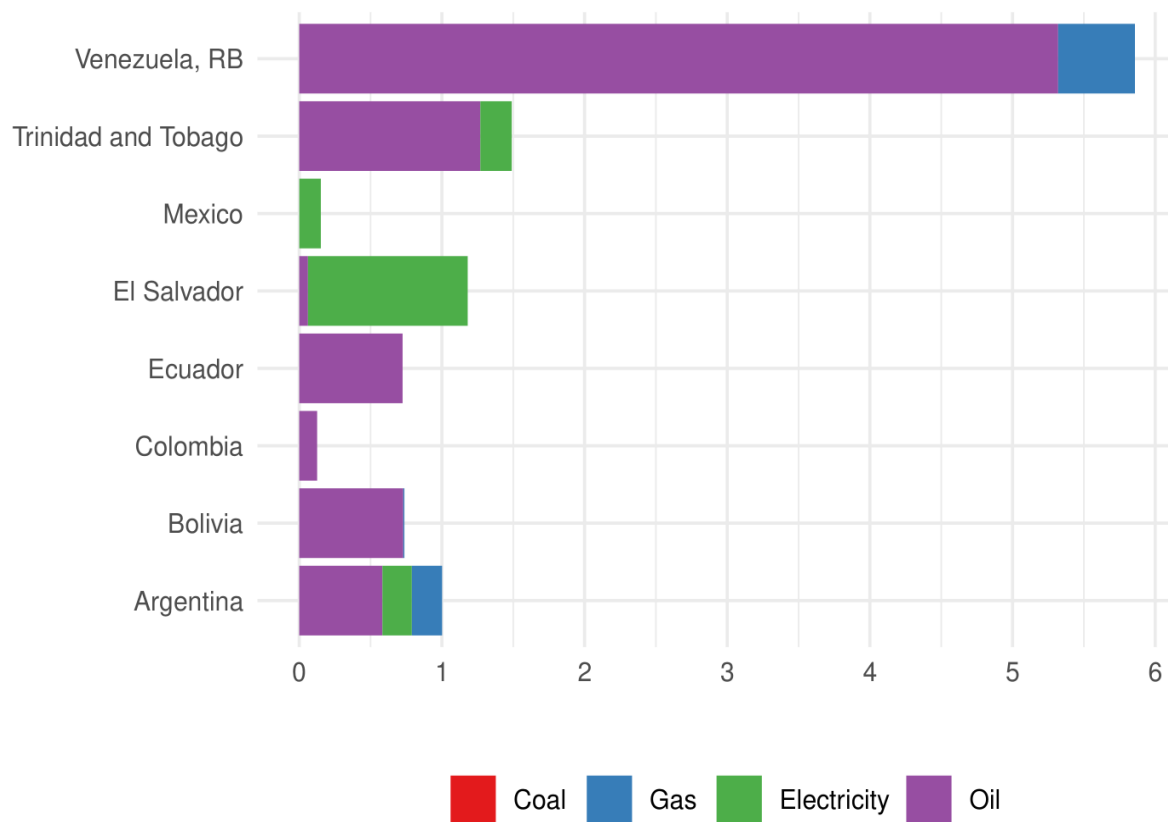
Argentina, Chile, Guatemala and Mexico: structure of direct consumption of fossil fuels for transport (petrol, diesel and biodiesel), 2012–2016
(Percentages)



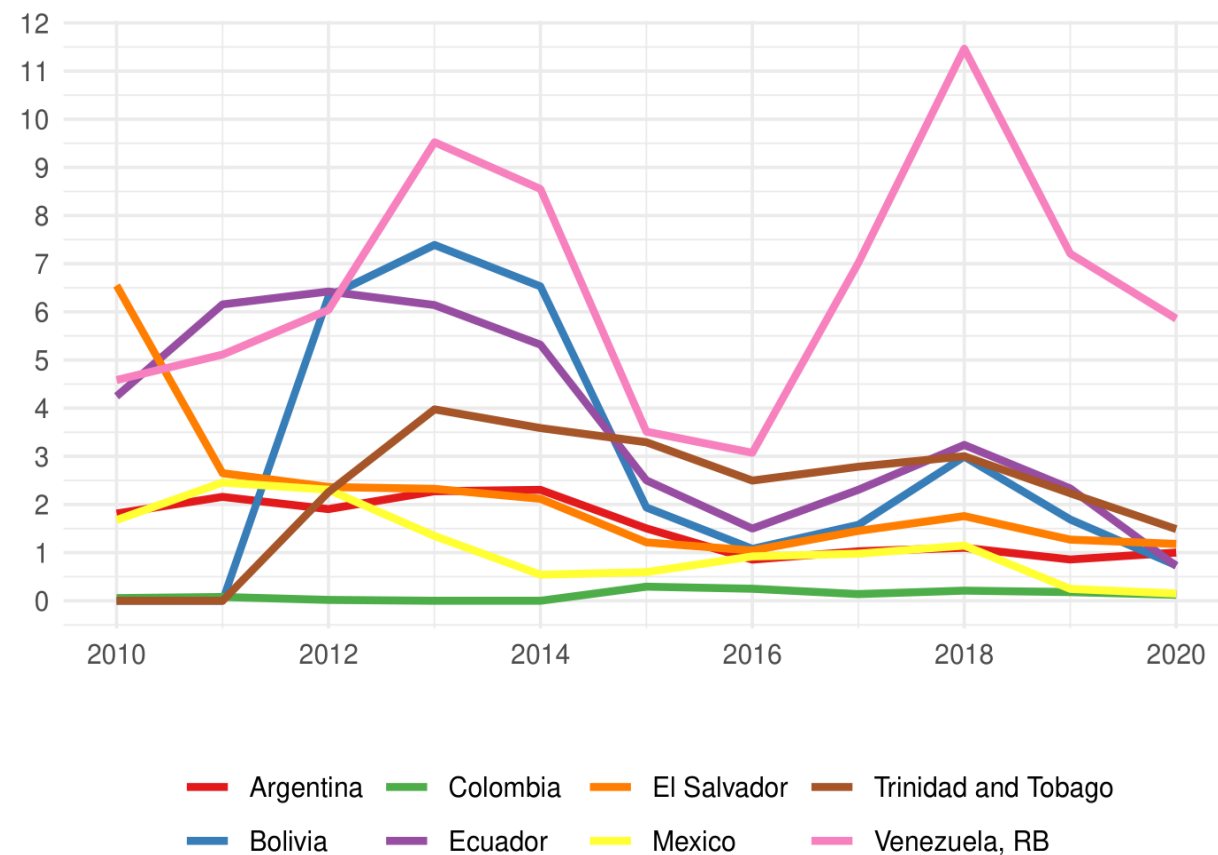
Source: A. Bárcena y otros, La emergencia del cambio climático en América Latina y el Caribe: ¿seguimos esperando la catástrofe o pasamos a la acción?, Libros de la CEPAL, N° 160 (LC/PUB.2019/23-P), Santiago, Comisión Económica para América Latina y el Caribe (CEPAL), 2020.

...and are expensive

**LAC: Fossil fuel consumption subsidies, 2020
(% of GDP)**

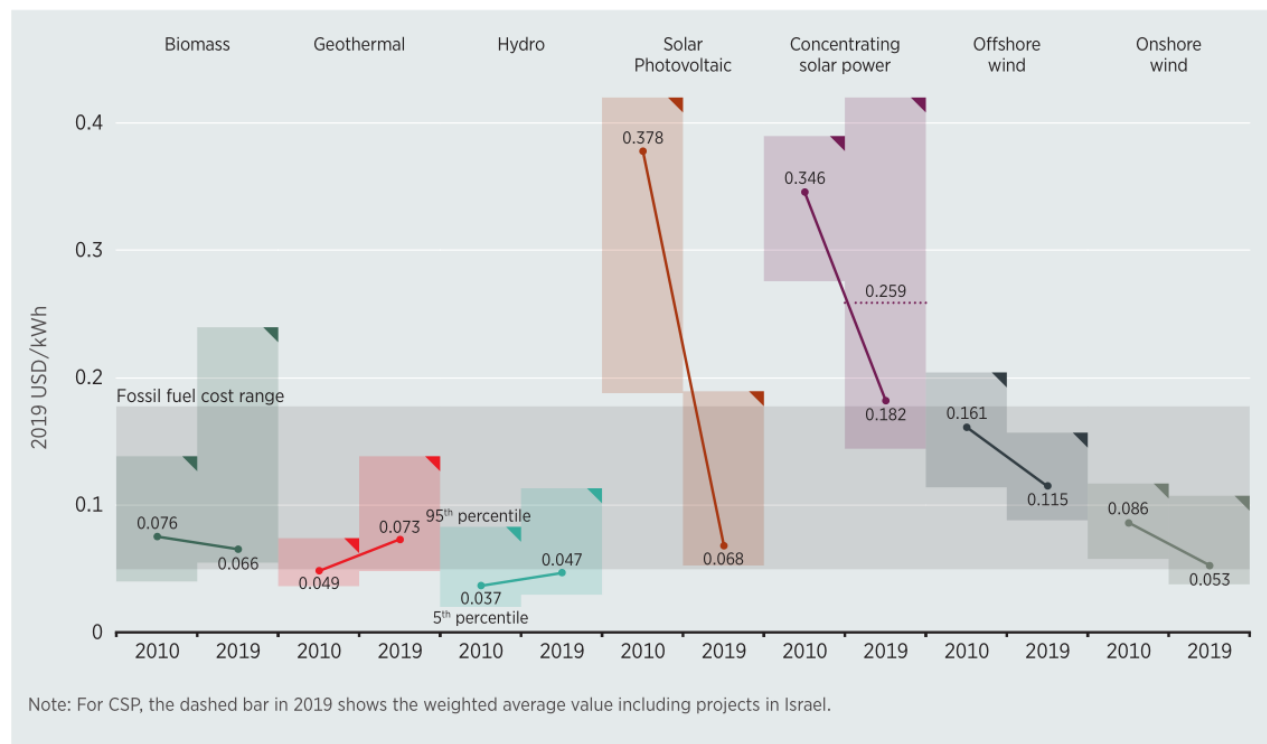


**LAC: Fossil fuel consumption subsidies, 2010-2020
(% of GDP)**



Delays the adoption of renewables

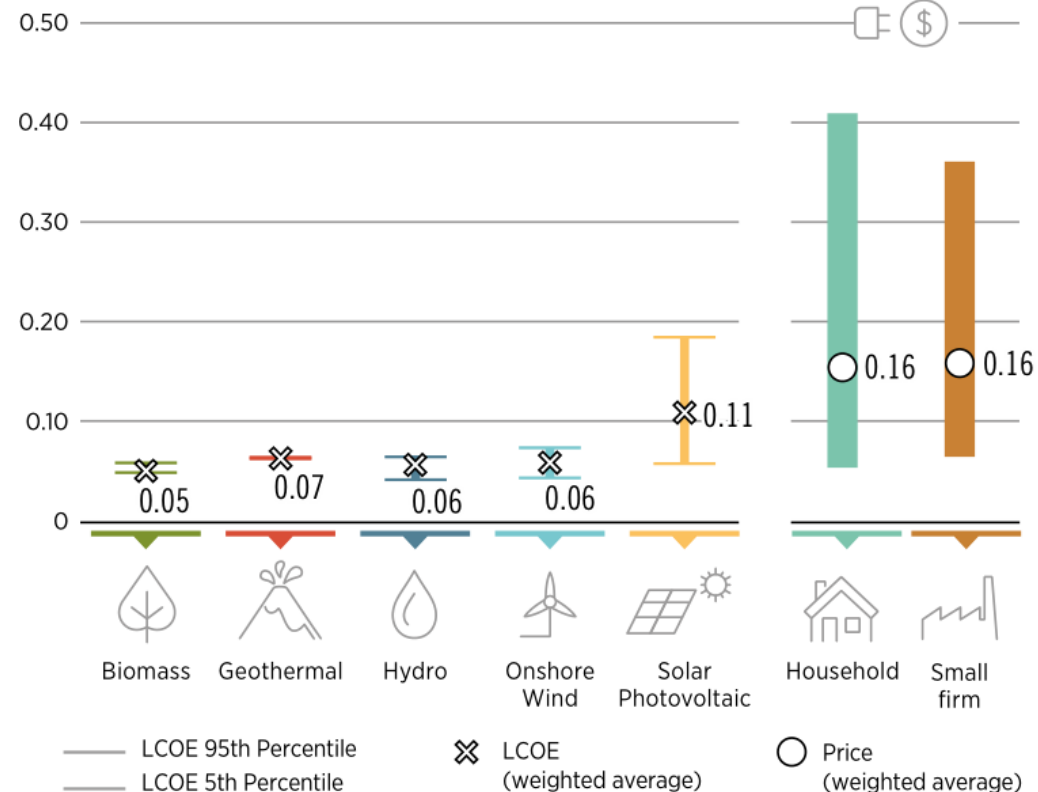
Figure ES.1 Global weighted average levelised cost of electricity from utility-scale renewable power generation technologies, 2010 and 2019



Latin America and the Caribbean

LCOE 2018
(USD/kWh)

Electricity price
(USD/kWh)



Concluding remarks

- There are environmental, social and economic reasons for reforming fossil fuel subsidy schemes.
- Subsidy schemes need to be reevaluated.
- Knowing the magnitude and destination of the subsidies allows us to assess their efficiency.



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