



Secretariat FFSR background paper on high- emitting sectors

16 February 2026

Context

- **MC13 workplan**, pillar 3 (i): "Request additional Secretariat analysis of specific types, situations or sectors affected by fossil fuel subsidies, e.g. those benefitting fossil fuel production, the plastics industry, to help inform this work."
- **Recent experience sharing** from stakeholders July and October 2025 FFSR meetings: notably by OECD
- Aiming to support Members' discussion, it **compiles existing studies** that explore the issue of fossil fuel subsidies provided to high-emitting sectors, including steel, aluminium, cement, chemicals and plastics, and considers some of the potential policy spillovers for trade and the environment.

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FOSSIL FUEL SUBSIDY REFORM (FFSR)**MAIN TYPES OF FOSSIL FUEL SUBSIDY MEASURES: SUBSIDIES IN HIGH-EMITTING SECTORS***Note by the Secretariat¹*

This background note provides an overview of literature and analysis on the design, characteristics and effects of fossil fuel subsidies in high-emitting energy sectors. It aims to support discussions under pillar 3 of the Fossil Fuel Subsidy Reform (FFSR) Initiative's work programme, in line with the MC13 Ministerial Statement on Fossil Fuel Subsidies.²

1 INTRODUCTION

Existing analysis shows that fossil fuel subsidies place significant fiscal burdens on governments worldwide. According to OECD and IEA estimates, the annual value of overall government support for fossil fuels stood at around USD 1.1 trillion in 2023. Although the level of government support declined markedly in 2023 as energy prices eased from the record highs of 2022, support remains at its second highest level in any year since 2010.³

Key messages

- **Limited data, more research needed.** Only a handful of studies have approached the issue of fossil fuel subsidies provided to high-emissions sectors.
- `Of those, the focus on below-market energy does not necessarily give a clear picture on the level of fossil fuel subsidies to those sectors (not all below-market energy corresponds to a subsidy for fossil fuels).
- **Significant (from what we know so far).** The data and studies that we do have suggests the level of subsidization could be high in some cases.

Below-market energy subsidies provided to high-emitting sectors – details of studies

Sectors studied	Subsidy value	Sample	Types of support included
Steel, Aluminium, Chemicals, Cement	Between USD 63 (low estimate) and 155 billion (high estimate) (2010-2020), average of USD 6-14 billion / year	33 large firms, global	– provision of below-market energy by governments themselves and by state enterprises such as state utilities or national oil and gas companies acting on behalf of governments. – administrative measures or regulations that have the effect of keeping local prices below-market levels, such as administered prices, price caps, and dual pricing.
Plastics (monomer production and polymerisation)	USD 40 billion / year (2024) (USD 37.8 billion for monomer production; USD 2.2 billion for polymerisation)	15 top polymer-producing countries, global	– government intervention in the setting of prices charged for fuels or electricity; – government policies, such as tax credits or rebates, that reduce the effective price paid by purchasers of fuels or electricity; and (3) policies that reduce or exempt the fuels or electricity from taxes normally paid by other consumers of the same fuels or electricity.

Key messages (2)

- **Negative spillovers for trade and climate.** Fossil fuel subsidies to high-emitting sector can have spillover impacts on trade and the environment:
 - Overcapacity: production decisions decoupled from market forces; long lived investments in dirtier technology and high-energy consuming plants without exposure to the risk of energy price changes
 - Competitive distortions: on the domestic market, a competitive advantage to emissions intensive sectors relative to other domestic industries, skewing the economic structure toward fossil fuel intensive activities; on the international market, the competitive advantage translates into larger exports of fossil fuel intensive products and a higher revealed comparative advantage
 - Incentive dampening: slowing the transition to low emission technologies and production methods

Other Secretariat FFSR background papers

- TEMPORARY SUPPORT MEASURES AND PHASE-OUT BEST PRACTICES, [INF/TE/FFSR/W/1](#), 7 July 2023
- CLASSIFICATION OF FOSSIL FUEL SUBSIDY MEASURES, [INF/TE/FFSR/W/2](#), 7 July 2023
- INCREASING TRANSPARENCY IN FOSSIL FUEL SUBSIDIES – AN OVERVIEW OF RELEVANT WTO TRANSPARENCY MECHANISMS, [INF/TE/FFSR/W/4](#), 27 May 2024
- MAIN TYPES OF FOSSIL FUEL SUBSIDY MEASURES: PRODUCTION SUBSIDIES, [INF/TE/FFSR/W/5](#), 15 July 2024