IEA: End State Subsidies for Fossil Fuels

PARIS (AP) — The International Energy Agency said Tuesday it wants world governments to curb state subsidies for fossil fuels as a way to help the environment, ease strains on national budgets and boost economies.

The Paris-based organization of developed and heavy oil-consuming nations estimates that $409 billion in state subsidies were paid out last year — a striking 33 percent increase from the year before.

IEA chief Maria van der Hoeven acknowledged to reporters that removing subsidies "is not easy" in part because of political opposition and short-term pain for beneficiaries.

The United States is by far the world's top consumer of oil and President Barack Obama has sought to repeal billions of dollars in U.S. government subsidies enjoyed by big oil companies every year.

In addition to production subsidies like these and other tax breaks for industry, some countries also subsidize oil consumption in order to reduce the cost to citizens. Removing these subsidies could cause these consumers' fuel bills to rise.

"Subsidies which artificially lower end-user energy prices, they lead to unintended consequences" like wasteful consumption, price volatility, higher incentives for smuggling, and hindering the competitiveness of renewable and more efficient energies, Van der Hoeven said.

"When a country imports gasoline at world prices and then sells it domestically below costs — and these are extremely prevalent forms of subsidies — ... their removal, I'm sure, would improve energy security, reduce emissions of greenhouse gases and bring economic benefits," she added.

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