



Non-Alternative Facts on International Fuel Prices in 2016

AT A GLANCE:

- Super gasoline and diesel retail prices for 169 countries; survey conducted in mid-November 2016.
- World market: Crude oil price (Brent) on reference day: USD 46.7 per barrel (29 US cents per litre).
The oil price decreased by almost 41% compared to November 2014
- USD-EUR exchange rate: USD 1= EUR 0.93; the value of US Dollar increased by approximately 15% compared to the Euro in November 2014.
- Average fuel price decreases are substantially lower than the drop of the crude oil price.

FINDINGS:

Since our last International Fuel Price Survey in 2014, the pricing of transport fuels has been influenced by different developments such as the evolution of the oil price, currency volatilities and the economic slowdown.

On the one hand, the year 2015 witnessed the collapse of the crude oil price with a historically low level of 30 USD/barrel in January 2016 before stabilizing at around 50 USD/barrel by the end of 2016. Accordingly, most countries have reduced fuel prices with little differentiation between diesel and gasoline -even though higher prices for diesel would be welcomed given its poor environmental record- but decreases are substantially lower than the drop of the crude oil price.

This can be explained, on the one hand, by the strength of the US-dollar, the international trading currency for crude oil, which partially offset the price decrease for importing countries. On the other hand, importing countries did not pass th-

rough the complete price drop in order to compensate for high oil prices in the past and rebuild fiscal buffers. Some countries even seized the opportunity of low prices to engage in more comprehensive pricing reforms and subsidy removal.

Meanwhile, the continuous low oil price has placed oil producing countries in a predicament: declining prices have led to budgetary shortages exacerbated by high domestic consumption and low energy efficiency levels. Yet, price increases have been complicated by the population's expectation to benefit from the "national resource" through low domestic prices. Nonetheless, oil producers are predominant among the few countries that increased fuel prices between 2014 and 2016. However, due to their low initial level even with price increases of up to 50% they remain at the bottom end of the international price range.





GIZ INTERNATIONAL FUEL PRICES

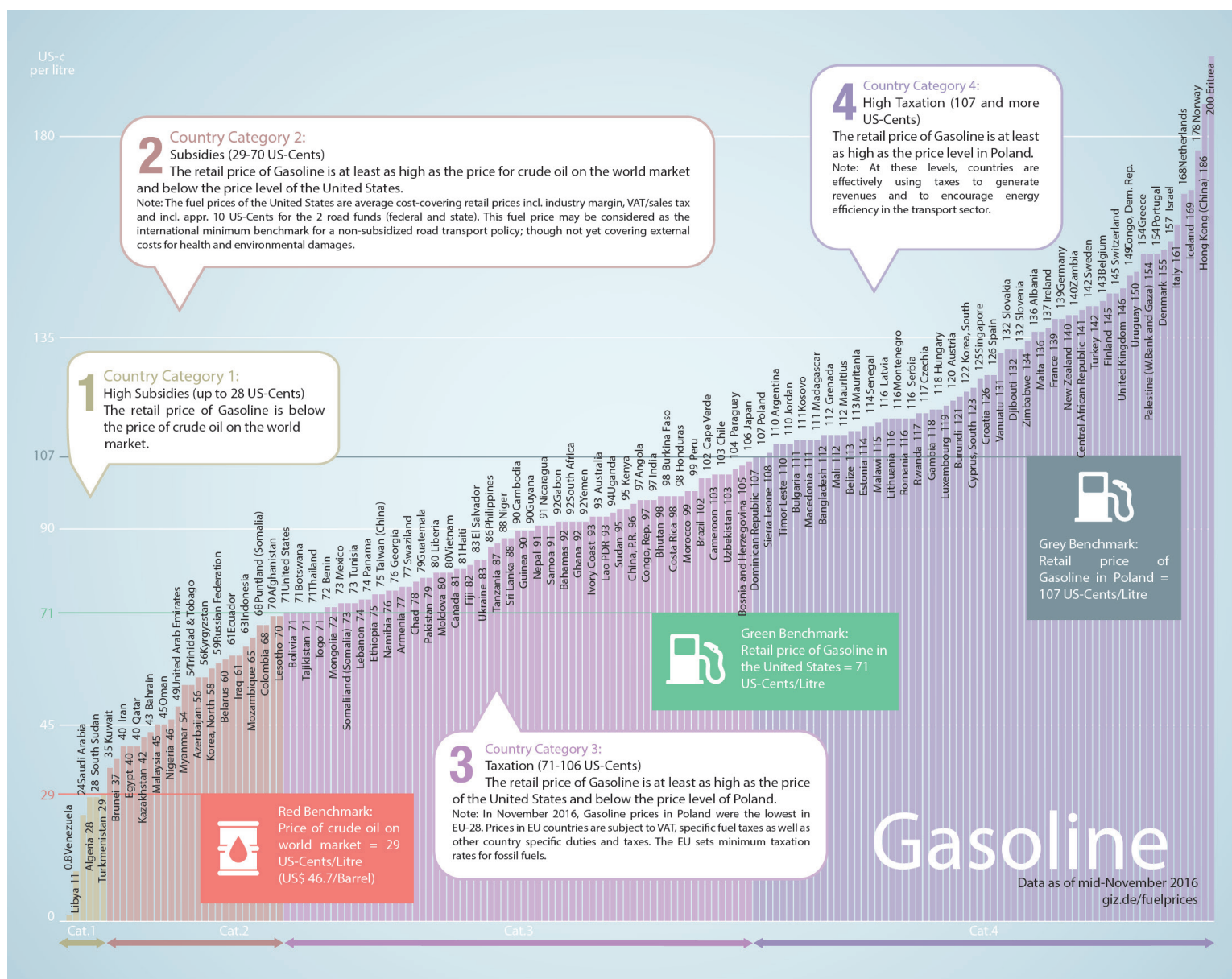
On the other hand, the pricing of fossil fuels, especially the amount of subsidies has become a strongly debated policy issue in the international arena. According to the IEA (2016) total fossil fuel subsidies still amount to 325 billion USD annually, of which oil subsidies account for 44% (145 billion USD). As most of these oil subsidies are directly channeled to consumers through reduced diesel and gasoline prices, they are the most prominent fossil fuel and also disputed subsidies.

Whereas the Paris Agreement has set the general basis for a decarbonization of energy and transport, both the Sustainable Development Goals (SDG 12) and the Addis Ababa Action

Agenda for Financing Development (paragraph 30) explicitly call for a phase-out of fossil fuel subsidies. This call was also echoed by the communiqué of the informal group “Friends of Fossil Fuel Subsidy Reform” launched in 2015, which received the endorsement of 42 countries.

However, despite this supportive international agenda, the implementation of pricing reforms for transport fuels remains a delicate domestic issue in many countries. Although some were attested a certain success with their recent fuel price reforms, social unrest in Mexico in early 2017, violent confrontations in Sudan in 2015 and social conflicts in other countries

DATA PREVIEW GASOLINE:





in the past demonstrate that fuel price increases have the potential to exacerbate existing tensions and lead to social and political disruption.

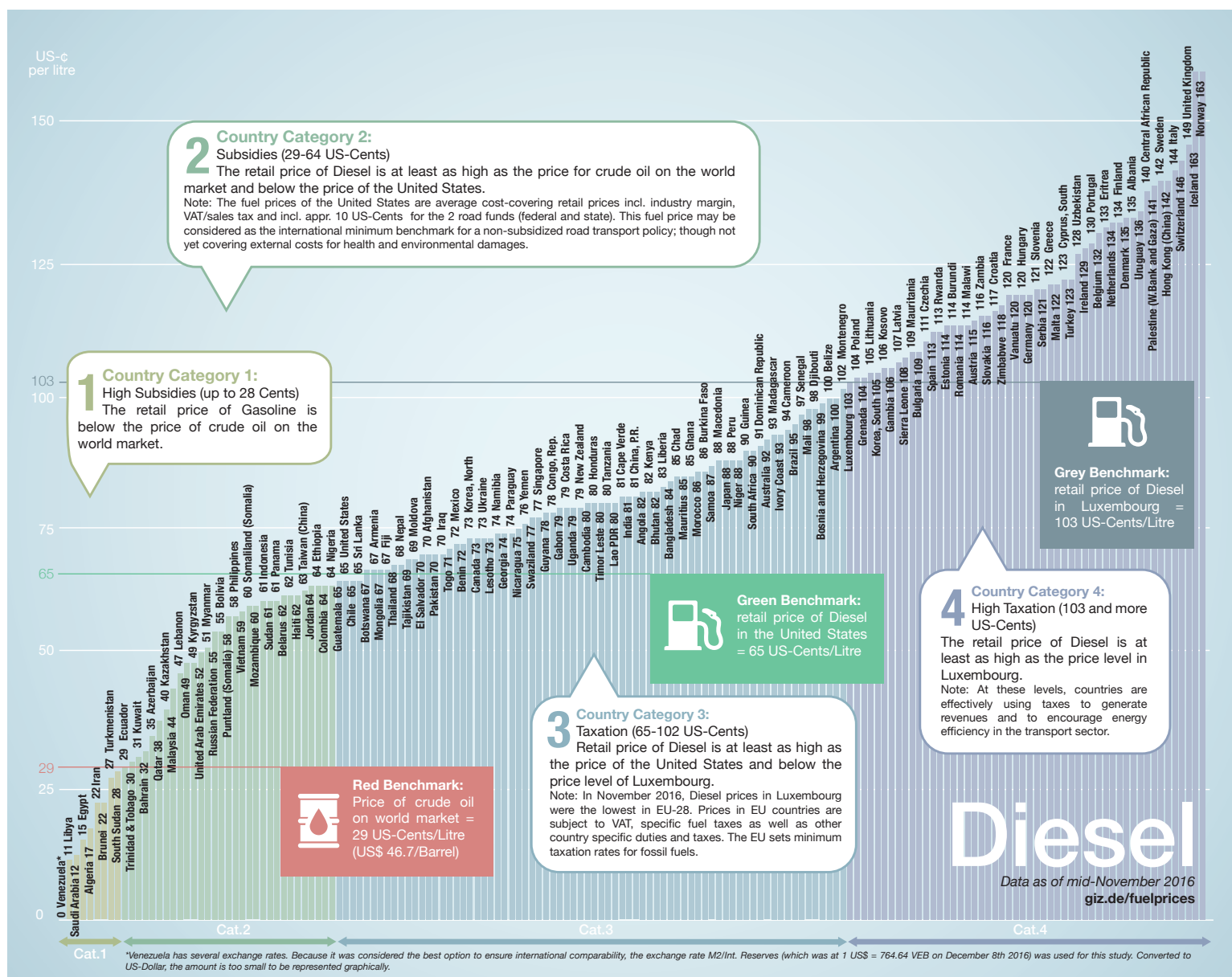
This might be amplified in the future by the recent political developments, especially the strengthening of populist political parties with their favor for economic nationalism, of which the consequences on oil markets and fuel prices are still uncertain.

In the face of these uncertain future developments it seems all the more relevant for societies to build resilience against external shocks and increase their energy security by reducing

their dependence on fossil fuel resources. In this context, a sound fuel pricing policy has not only positive effects on the macroeconomic and budgetary stability, in particular the reduction of import bills, but also on the sustainable and resilient development of countries.

By changing price signals, it contributes to shifting transport towards more sustainable modes, encourages dense cities and fosters more efficient vehicles resulting in reduced congestion, improved air quality and less resource dependence. The following principles can guide the development of more sustainable fuel price policies.

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RECOMMENDATIONS

1) Pricing Principles

Apply cost coverage. Fuel prices should cover the full costs of production, import, transport and refining, including depreciation and external costs of production (e.g. environmental costs) in order to maintain a viable up- and downstream industry.

Countries are increasingly employing this pricing principle, to a bigger extent toward gasoline, less for diesel: margins, levies and taxes represent a considerable share of the retail price in most countries today. However, exchange rate fluctuations pose an increasing challenge to many countries.

Apply fuel taxes. Fuel taxes contribute to the development of the transport sector (e.g. for financing road maintenance, public transport subsidies, technology innovation programmes), and can also be used to supplement the general state budget (e.g. for financing health services, education and security).

Rule of thumb for financing road maintenance: prices should include a minimum added tax of US 10 cent per litre. As fuel taxes are straightforward to collect, they are a major source of revenue in many countries. Additionally, fuel should be subject to full VAT as any other good.

Internalise external effects of transport sector. Fuel pricing should reflect the costs of external effects of the transport sector (e.g. CO₂ emissions, noise, accidents, congestion) by implementing measures such as an *Eco-tax* or *Road Safety Cent*.

The inclusion of external costs increases fuel prices, which generally shifts driving behaviour towards more sustainable transport modes.

2) Price Regulation Principles

Reflect changes in costs and inflation. Fuel prices adjustments should reflect changes in cost of production/import, transport and refinery, including depreciation and external costs of production (e.g. environmental costs) and changes in exchange rates. Fuel pricing schemes should also allow for adjustment to inflation.

Ad-hoc pricing schemes lack a proper legal framework, information and monitoring, and are often associated with fuel subsidies. The implementation of an automatic, statutorily regulated pricing/adjustment mechanism that fully reflects all costs is a useful tool to provide transparent and depoliticized fuel pricing. Automatic pricing can be used as a transitory mean, e.g. on the way to deregulation. Deregulated prices require a ma-

ture market with a sufficient number of players in the market, strong regulatory oversight and alert media/civil society.

Limit budgetary consequences. Regular fuel price adjustments limit budgetary impacts.

Properly applied price adjustments or an automatic pricing mechanism limits the impact of external price shocks. Additionally, in the case of subsidisation of selected products, the provision of “smart cards” helps to better administer and regulate individual fuel consumption, and thus, to better manage the total amount of fuel subsidies.

3) Transparency Principles

Institutional stakeholders in price setting are known. Information on institutional stakeholders involved in the determination of price levels and elaboration of price adjustments should be made available.

Principles of price setting are transparent. Information on pricing determinants, update frequency and the underlying formula (if automatic mechanisms are applied) should be publicised.

Information on price composition is available. Information on taxation levels and composition of fuel prices should be made available.

Information on prices and price setting is made easily available to the public. Comprehensive and easy-to-access information should be displayed on the web, including: current price data for all fuel products; timelines of prices; price components (production and/or import prices, taxation levels, and other charges); description of structure and modus operandi of pricing mechanisms (if applied); and underlying legislation.

Since fuel prices and fuel subsidies rank high on political agendas and are deeply embedded in the public interest, increased transparency and the provision of information in terms of price setting, composition, adjustment and level of subsidisation not only contributes to the discussion, but also improves public awareness and understanding of this issue.

4) Enforcement Principles

Application and realisation of pricing policy must be monitored, supervised and enforced. Regulated prices or transparency regulations should be enforced; complementary measures should be taken to prevent black markets, smuggling and adulteration (e.g. kerosene and diesel).

Smuggling and adulteration is often present in countries with drastic price differences between various products. E.g. significantly different pricing of diesel and kerosene can encourage adulteration.

OUR RESOURCES:

GIZ Fuel Price News

- Monthly collection of global fuel price news
- Recommended reading on related publications

Subscribe here: armin.wagner@giz.de



GIZ Fuel Price News OCTOBER 2016
Brent Crude as of 31 October 2016: 49.54 USD (45.22 EUR) per Barrel

Please enjoy our overview on current fuel price trends and developments worldwide.

Your Editorial Team

1) New Publications and Events

China, US Could Eliminate USD20 bn Fossil Fuel Subsidies
Almost 3 years ago, the United States and China announced that each would undertake a peer reviewed analysis of the subsidies each provides to those studies were announced. The total? A whopping USD20 bn annually.
http://www.cfr.org/energy/policy/impact-removing-tax-preferences-us-oil-gas-production/p381507cidr-marketing_use-TaxPreferencesPaper/

How to Adjust to a Large Fall in Commodity Prices
This paper assesses empirically the role Chinese activity plays in global commodities markets. It shows that the strength of China's economic activity shocks having a substantial impact on metals and crude oil prices, and less so on food prices
<http://www.imf.org/external/pubs/ft/howtocol/2016/hotnote1501.pdf>

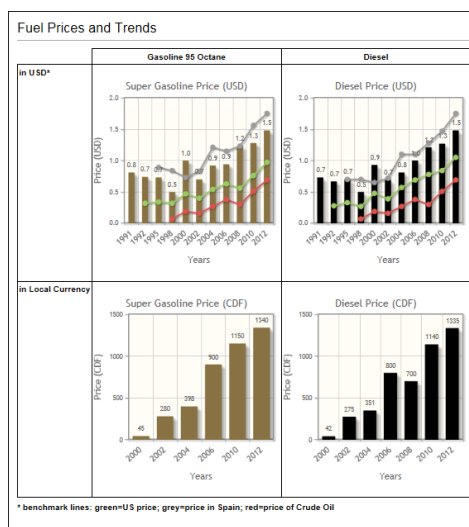
An Assessment of the Exchange Rate Pass-Through in Angola and Nigeria
This paper estimates the exchange rate pass-through to consumer price inflation in Angola and Nigeria, with particular emphasis on the changes of results. For Angola, the long-run exchange rate pass-through to prices is high, though it has weakened in recent years reflecting the de-dollarization exchange rate do not have a significant pass-through effect on inflation. However, the passthrough effect on core inflation is significant.
<http://www.imf.org/external/pubs/ft/longres.aspx?ak=44291.0>

East Africa: Lack of Common Policy Delays Use of Clean Fuel in East Africa
Lack of common standards for blending ethanol with petrol is limiting East Africa's ability to use biofuels in reducing the carbon emissions from fuel.
<http://allafrica.com/stories/20161020142.html>

West Africa: Promoting Clean Fuel, Vehicle Standards in West Africa
Air is good for healthy living. It sustains life and forms an important parameter for our survival. The air people breathe in goes a long way to deter breathe in oxygen and send out carbon dioxide. Air composition comprises more than just these two essential elements.
<http://allafrica.com/stories/201609281019.html>

Fact sheets

- Compact information on two pages
- Available for more than 130 countries
- Price in USD and local currency
- Price composition
- Pricing Policy
- Transparency evaluation

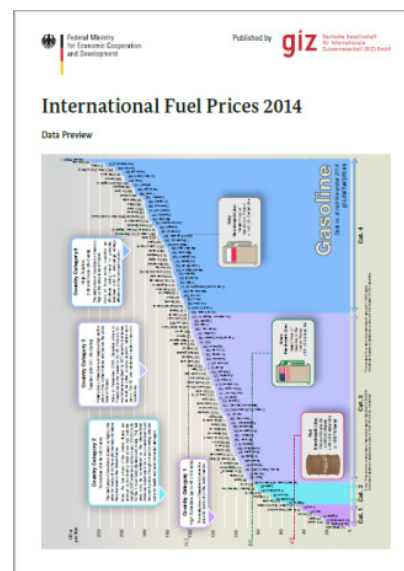


Learn more here:

https://energypedia.info/index.php/International_Fuel_Prices

Report “International Fuel Prices”

- Overview and data on retail prices of gasoline and diesel in 170 countries
- Detailed information on price levels, pricing dimension, subsidies, taxation, regulation and transparency





SUTP. Sustainable Urban Transport Project

SUTP – Sustainable Urban Transport Project. 2016: Celebrating 15 years of dedication to sustainable urban mobility - SUTP supports decision-makers worldwide to plan and to implement innovative and sustainable mobility solutions. SUTP offers a comprehensive knowledge platform, capacity development, hands-on advice and networking opportunities. Within the past 15 years, more than 5 000 decision-makers, planners and students have benefited from our training offers. We've produced a rich library of Sourcebook Modules, Technical Documents, Case Studies, Factsheets, Policy Briefs and Reading Lists. All documents are accessible through our webpage, along with a comprehensive photo collection and a video channel. Be invited to use and distribute them! www.sutp.org

CAPSUT. Capacity Building in Sustainable Urban Transport

CAPSUT – Capacity Building in Sustainable Urban Transport - CAPSUT is an international platform, dedicated to capacity building in sustainable urban transport. It offers information on upcoming training courses, academic offers as well as online lectures across institutions. www.capsut.org



German Partnership for Sustainable Mobility Sustainable Mobility – Made in Germany

GPSM – German Partnership for Sustainable Mobility - The GPSM is serving as a guide for sustainable mobility and green logistics solutions from Germany. As a platform for exchanging knowledge, expertise and experiences, GPSM supports the transformation towards sustainability in developing and emerging countries. More than 150 friends from academia, businesses, civil society and associations are participating in the network and are happy to share their knowledge. www.german-sustainable-mobility.de



Transformative Urban Mobility INITIATIVE

TUMI – Transformative Urban Mobility Initiative - To support cities' efforts to implement sustainable mobility projects and programs, the German Federal Ministry for Economic Cooperation and Development (BMZ) has launched the Transformative Urban Mobility Initiative (TUMI) together with numerous partners. It will work with 1,000 urban leaders, decision-makers, planners and students to plan and implement sustainable mobility concepts and will support political leaders and change-makers in their professional environments by providing tailor-made capacity-building formats. www.transformative-mobility.org

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