

# Increasing and Volatile Oil Prices

Impact – Subsidies and Market Mechanisms – Policy Responses



## Recommended Reading and Links

### Impact

#### **Analysis of the Impact of High Oil Prices on the Global Economy**

IEA Working Paper – 2004

[http://www.iea.org/textbase/papers/2004/high\\_oil\\_prices.pdf](http://www.iea.org/textbase/papers/2004/high_oil_prices.pdf)

*This paper reviews how oil prices affect the macro-economy and assesses the extent to which the economies of OECD and developing countries remain vulnerable to a sustained period of higher oil prices. It summarises the findings of a quantitative exercise carried out by the IEA in collaboration with the OECD Economics Department and with the assistance of the International Monetary Fund (IMF) Research Department.*

#### **The Challenge of Higher Oil Prices**

ADB Asian Development Outlook 2005 Update

<http://www.adb.org/Documents/books/ADO/2005/update/ADU2005PART3.pdf>

*The research paper gives helpful advice which way to chose in adjusting to higher oil prices in Asia. It further elaborates on the question why oil prices are so high and it proposes policy recommendations.*

#### **The Impact of Higher Oil Prices on Low Income Countries and the Poor**

World Bank Working Paper – Robert Bacon, 2005

<http://www.esmap.org/filez/pubs/29905HigherOilPricesBacon.pdf>

*This note is designed to provide a brief overview on the impact of current oil price increases on low income countries and poorer households.*

#### **The Impact of Higher Oil Prices on the Global Economy, 2000**

IMF Working Paper – Michael Mussa, 2000

<http://www.imf.org/external/pubs/ft/oil/2000/oilrep.PDF>

*This paper comments on the extensive discussion of the potential impact of higher oil prices and focuses on affected sectors.*

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## Recommended Reading and Links

### Subsidies and Pricing Mechanisms

#### **Domestic Petroleum Product Prices and Subsidies: Recent Developments and Reform Strategies**

IMF Working Paper – David Coady et al., 2007

<http://www.imf.org/external/pubs/cat/longres.cfm?sk=20608>

*The paper reviews recent developments in the pass-through of international to domestic petroleum product prices, in the different fuel pricing regimes, and in fuel subsidies in a range of emerging market and developing economies.*

#### **Fuel Price Subsidies in Gabon: Fiscal Costs and Distributional Impact**

IMF Working Paper - Moataz El Said and Daniel Leigh, 2006

<http://www.imf.org/external/pubs/cat/longres.cfm?sk=19906.0>

*This paper looks at the fiscal cost and distributional impact of implicit fuel price subsidies in Gabon, where fuel prices have remained largely unchanged since 2002.*

#### **The Magnitude and Distribution of Fuel Subsidies Evidence from Bolivia, Ghana, Jordan, Mali and Sri Lanka**

IMF Working Paper – David Coady et al., 2006

<http://www.imf.org/external/pubs/ft/wp/2006/wp06247.pdf>

*This paper identifies the issues that need to be discussed when analyzing the fiscal and social costs of fuel subsidies. Using examples from analyses recently undertaken for five countries, it also identifies the magnitude of consumer subsidies and their fiscal implications.*

#### **Ghana: Evaluating the Fiscal and Social Costs of Increases in Domestic Fuel Prices**

World Bank Working Paper – David Coady and David Newhouse, 2005

[http://siteresources.worldbank.org/INTPSIA/Resources/490023-1120841262639/ch11\\_ghana.pdf](http://siteresources.worldbank.org/INTPSIA/Resources/490023-1120841262639/ch11_ghana.pdf)

*This paper reflects the analysis of the fiscal and social implications of domestic fuel price increases in Ghana with specific focus on resulting impacts and distributions issues. The work further identifies alternative approaches to mitigate the adverse effects of price increases on poor households and actual government policy responses*

#### **Issues in Domestic Petroleum Pricing in Oil-Producing Countries**

IMF Working Paper – Sanjeev Gupta et al., 2002

<http://www.imf.org/external/pubs/ft/wp/2002/wp02140.pdf>

*This paper discusses issues relating to the domestic pricing of petroleum in oil-producing countries. Moreover, the paper argues, petroleum subsidies are inefficient and inequitable. Nonetheless, the elimination of petroleum subsidies is often politically difficult, although countervailing measures and publicity campaigns can help engender support for reform.*

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## Recommended Reading and Links

### **Household Energy Supply and Use in Yemen: Volume I, Main Report – Chapter 5: Petroleum Product Subsidies**

ESMAP Working Paper – Peter Meier et al., p. 73-97, 2005

<http://www->

[wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2006/04/21/000160016\\_200604211247  
47/Rendered/PDF/ESM3150v10PAPE1hold0energy01PUBLIC1.pdf](http://www-<br/>wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2006/04/21/000160016_200604211247<br/>47/Rendered/PDF/ESM3150v10PAPE1hold0energy01PUBLIC1.pdf)

*This chapter reviews the pricing system of petroleum products and the magnitude of the subsidies involved.*

### **Energy Subsidies: Their Magnitude, How they Affect Energy Investment and Greenhouse Gas Emissions, and Prospects for Reform**

UNFCCC Report – Trevor Morgan, 2007

[http://unfccc.int/files/cooperation\\_and\\_support/financial\\_mechanism/application/pdf/morgan\\_pdf.pdf](http://unfccc.int/files/cooperation_and_support/financial_mechanism/application/pdf/morgan_pdf.pdf)

*This work represents a detailed analysis of energy subsidies with respect to size, impact and resulting political implications.*

### **Affordability and Subsidies in Public Urban Transport: What Do We Mean, What Can Be Done?**

World Bank Working Paper No. 4440 - Estupinan et al., 2007

<http://go.worldbank.org/RAH46VHCW0>

*This paper reviews the arguments used to justify subsidy policies in public urban transport and finally substantiates that more effort should be devoted to improve the targeting of public urban transport subsidies.*

### **Impact of a Lower Oil Subsidy on Indonesian Macroeconomic Performance, Agricultural Sector and Poverty Incidences: a Recursive Dynamic Computable General Equilibrium Analysis**

PEP Working Paper - Oktaviani et al., 2007

<http://ideas.repec.org/p/lvl/mpiacr/2007-28.html>

*The study objective is to analyse the impact of reducing fuel subsidy on macroeconomic variables, agricultural sector, and income distribution. The results show that the reduction in fuel price subsidy tends to increase prices of industrial outputs that highly depend on fuel, such as transportation and fishery sectors.*

### **OPEC: Where Oil Markets Indeed are “Well Supplied”**

JEC Research Report, 2007

<http://www.house.gov/jec/Research%20Reports/2007/rr110-16.pdf>

*This paper briefly compares and analyses fuel price policies of OPEC members.*

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## Recommended Reading and Links

### **PETROLEUM PRODUCT PRICING IN INDIA - Where have all the subsidies gone?**

IEA Working Paper - 2006

[http://www.iea.org/textbase/work/2006/gb/papers/petroleum\\_product\\_pricing.pdf](http://www.iea.org/textbase/work/2006/gb/papers/petroleum_product_pricing.pdf)

*Petroleum product pricing in India is frequently seen as a black hole of subsidies. Economists and oil companies complain about the impacts those subsidies have on public finances, financial performance of oil companies and demand-side management. However, on closer analysis, the issue of petroleum product pricing in India is more complex than the one-way flow of subsidies reported in the press.*

### **Petroleum taxes: trends in fuel taxes (and subsidies) and the implications**

World Bank Working Paper – Robert Bacon, 2001

<http://www->

[wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2002/05/14/000094946\\_02042504020054/Rendered/PDF/multi0page.pdf#](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2002/05/14/000094946_02042504020054/Rendered/PDF/multi0page.pdf#)

*This recent World Bank analysis shows that taxes on petroleum products are a critical source of government revenue for low-income countries. The rates of these taxes will have to rise sharply as low-income economies develop. But policymakers must be mindful of how taxes (and subsidies) affect the relative prices of fuels, since too large a difference in process between products can lead to fuel switching and adulteration, adversely affecting the government tax take and pollution levels.*

### **The Structure of the Oil Market and Causes of High Prices**

IMF Working Paper – Pelin Berkmen et al., 2005

<http://www.imf.org/external/np/pp/eng/2005/092105o.htm>

*This note examines how crude oil, futures, and petroleum product markets interact to determine market outcomes.*

### **Understanding the Factors That Influence the Retail Price of Gasoline**

GAO Working Paper - 2007

<http://www.gao.gov/new.items/d05525sp.pdf>

*A US-focused work which presents detailed information on the factors that influence the price of gasoline and, to the extent possible, why those factors have developed. Specifically, the work explains how gasoline is made and distributed in the US.*

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## Recommended Reading and Links

### Policy Responses

#### **Appropriate Response to Rising Fuel Prices**

VTI Working Paper – Todd Litman, 2008

<http://www.vtpi.org/fuelprice.pdf>

*This paper evaluates policy options for responding to rising fuel prices and identifies responses that maximize total benefits, including gradual and predictable fuel tax increases, mobility management strategies that increase transport system efficiency, incentives to choose fuel efficient vehicles, and development of alternative fuels.*

#### **Coping with Higher Oil Prices**

Report 323/06 – Robert Bacon and Masami Kojima, 2006

<http://siteresources.worldbank.org/INTOGMC/Resources/higheroilpricesuneditedjune2006.pdf>

*The report covers policy alternatives adopted by developing country governments in response to the increases in world oil prices since the end of 2003. It further analyzes what factors have affected the responses and what policy prices have been used by governments to mitigate the effects of higher oil prices on consumers, the government budget, and the total demand for oil.*

#### **Energy Technology for a Sustainable Future - Transport**

IEA Working Paper – Lew Fulton, 2004

<http://www.iea.org/textbase/papers/2004/transport.pdf>

*This paper, which looks at Transport, is the first in a series of IEA TechnologyBriefs examining the roles various energy technologies can play in reducing CO2 emissions. Each paper assesses the status of individual technologies, the R&D and demonstration needed for their further development, the contributions they could make to a sustainable energy future, and the challenges that lie ahead.*

#### **GREEN PAPER on Energy Efficiency or Doing More With Less**

EC Working Paper - 2005

[http://ec.europa.eu/energy/efficiency/index\\_en.htm](http://ec.europa.eu/energy/efficiency/index_en.htm)

*The Green Paper seeks to act as a catalyst, leading to a renewed energy-efficiency initiative at all levels of European society – EU, national, regional and local. In addition, this Green Paper seeks to make a significant contribution, by way of example and leadership, to kick-start an international effort to contribute to addressing climate change through energy efficiency.*

#### **Overcoming Vulnerability to Rising Oil Prices: Options for Asia and the Pacific - Fuel to Change Livelihoods, Equity, Empowerment**

UNDP Report – 2007

<https://unp.un.org/details.aspx?pid=17357>

*This report examines the impact of rising oil prices since 2003 on developing countries of the Asia-Pacific region. It represents a set of policy options and priorities that can help reduce national vulnerability to future price rises and protect the interests of the poor.*

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## Recommended Reading and Links

### **Reducing Oil Consumption in Transport - Combining Three Approaches**

IEA Working Paper – Lew Fulton, 2004

<http://www.iea.org/textbase/papers/2004/transporthree.pdf>

*This paper provides an analysis of three promising vehicle technology and fuel-related areas for saving oil and reducing CO2 emissions from transport, and how strong policy measures in these areas could turn transport around by 2030.*

### **Energy Efficiency and Climate Change Considerations - for On-Road Transport in Asia**

Joint ADB-CAI Report - 2006

[http://www.cleanairnet.org/caiasia/1412/articles-70656\\_finalreport.pdf](http://www.cleanairnet.org/caiasia/1412/articles-70656_finalreport.pdf)

*This report provides a comprehensive analysis for GHG-emissions from the transport sector and develops a broad set of policy recommendations.*

### **Road Transport Taxation and Charging Trends and Strategies in East Asia**

Proceedings of the EASTS - 2007

<http://www.cvg.ynu.ac.jp/G4/okamura/100650.pdf>

*This paper contributes to the limited literature discussing the current situation and policy issues in pricing instruments used in the road transport sector in East Asia.*

### **Saving Oil in a Hurry**

IEA Report – 2005

<http://www.iea.org/textbase/nppdf/free/2005/SavingOil.pdf>

*This book provides an assessment of the potential oil savings and implementation costs of rapid oil demand restraint measures for transport. This tool box of measures includes new approaches towards telecommuting, car-pooling, transit use and “ecodriving” (fuel efficient driving styles), among other measures.*

### **gtz Sustainable Transport: A Sourcebook for Policy-Makers in Developing Cities**

GTZ – Sustainable Urban Transport Project

<http://www.sutp.org/content/view/426/72/lang.uk/>

*The Sourcebook consists of more than 25 modules and is intended for policy-makers in developing cities, and their advisors. It covers the key topics which need consideration for creating a comprehensive urban transport policy.*

### **International Transport Forum**

Bibliography – 2008

<http://www.internationaltransportforum.org/Topics/pdf/BibEnergy.pdf>

*The International Transport Forum is a global platform and meeting place at the highest level for transport, logistics and mobility.*

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## Recommended Reading and Links

### Statistical Data

#### **Annual Statistical Supplement and User's Guide 2003**

<http://omrpublic.iea.org/currentissues/sup.pdf>

#### **gtz Survey International Fuel Prices**

<http://www.gtz.de/fuelprices>

#### **Latest World Oil Balance Charts**

<http://omrpublic.iea.org/balances.asp>

#### **Oil Outlook to 2025**

<http://www.opec.org/library/OPEC%20Review/OWEM04.pdf>

#### **OPEC Annual Report 2003**

<http://www.opec.org/library/Annual%20Reports/pdf/AR002003.pdf>

#### **Transportation Result Measurement**

<http://www.worldbank.org/transport/transportresults/global/gl-res-spec.html>

### Organizations and Institutions

#### **African Energy Policy Research Network (AFREPREN/FWD)**

<http://www.afrepren.org/index.htm>

AFREPREN/FWD is a registered Non-Governmental Organization (NGO) based in Nairobi, Kenya, with vast expertise on energy in East and Southern Africa and some experience in West and North Africa. It brings together expertise, experience and skills of two past regional energy initiatives/programmes namely; The African Energy Policy Research Network (AFREPREN) and Foundation for Woodstove Dissemination (FWD).

#### **Asean Centre for Energy (ACE)**

[www.aseanenergy.org](http://www.aseanenergy.org)

ACE is an intergovernmental organization established by Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore and Vietnam. It is envisioned to be a catalyst for the economic growth and development of the ASEAN region by initiating, coordinating and facilitating regional as well as joint and collective activities on energy.

#### **Energy Sector Management Assistance Programme (ESMAP)**

<http://www.esmap.org/>

ESMAP is a global technical assistance program under the joint sponsorship of the World Bank and the United Nations Development Programme which helps build consensus and provides policy advice on sustainable energy development to governments of developing countries and economies in transition.

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## Recommended Reading and Links

### **International Energy Agency (IEA)**

<http://www.iea.org/>

IEA is an intergovernmental body committed to advancing security of energy supply, economic growth and environmental sustainability through energy policy co-operation. It acts as energy policy advisor for its 26 member countries in their effort to ensure reliable, affordable and clean energy for their citizens.

### **International Monetary Fund (IMF)**

[www.imf.org](http://www.imf.org)

The IMF is an international organization of 184 member countries. It was established to promote international monetary cooperation, exchange stability, and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease balance of payments adjustment.

### **Organization of the Oil Producing Countries (OPEC)**

<http://www.opec.org>

The OPEC is a permanent, intergovernmental Organization with the objective to co-ordinate and unify petroleum policies among Member Countries.

### **The Federal Institute for Geoscience and Natural Resources (BGR)**

[http://www.bgr.bund.de/nn\\_337276/EN/Home/homepage\\_node.html?\\_nnn=true](http://www.bgr.bund.de/nn_337276/EN/Home/homepage_node.html?_nnn=true)

The Federal Institute for Geosciences and Natural Resources (BGR) is the central geoscientific authority providing advice to the German Federal Government in all geo-relevant questions.

→ Annual Report - Reserves, Resources and Availability of Energy Resources 2006  
[http://www.bgr.bund.de/nn\\_335074/EN/Themen/Energie/Produkte/energiestudie\\_kurz\\_f\\_2006\\_en.templateId=raw.property=publicationFile.pdf/energiestudie\\_kurz\\_f\\_2006\\_en.pdf](http://www.bgr.bund.de/nn_335074/EN/Themen/Energie/Produkte/energiestudie_kurz_f_2006_en.templateId=raw.property=publicationFile.pdf/energiestudie_kurz_f_2006_en.pdf)

### **The World Bank**

[www.worldbank.org](http://www.worldbank.org)

The World Bank is a vital source of financial and technical assistance to developing countries around the world. We are made up of two unique development institutions owned by 184 member countries—the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA).

→ World Bank Group Energy Program  
[www.worldbank.org/energy](http://www.worldbank.org/energy)

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## Recommended Reading and Links

### **The World Energy Council**

<http://www.worldenergy.org>

The World Energy Council (WEC) is the foremost multi-energy organisation in the world today. WEC has Member Committees in nearly 100 countries, including most of the largest energy-producing and energy consuming countries. Established in 1923; the organisation covers all types of energy, including coal, oil, natural gas, nuclear, hydro, and renewables

→ Transport Technologies and Policy Scenarios  
<http://www.worldenergy.org/publications/809.asp>

Prepared by Sebastian Ebert, 26/03/2008