

High energy prices and government action

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Prices of fossil energy have increased dramatically

Oil

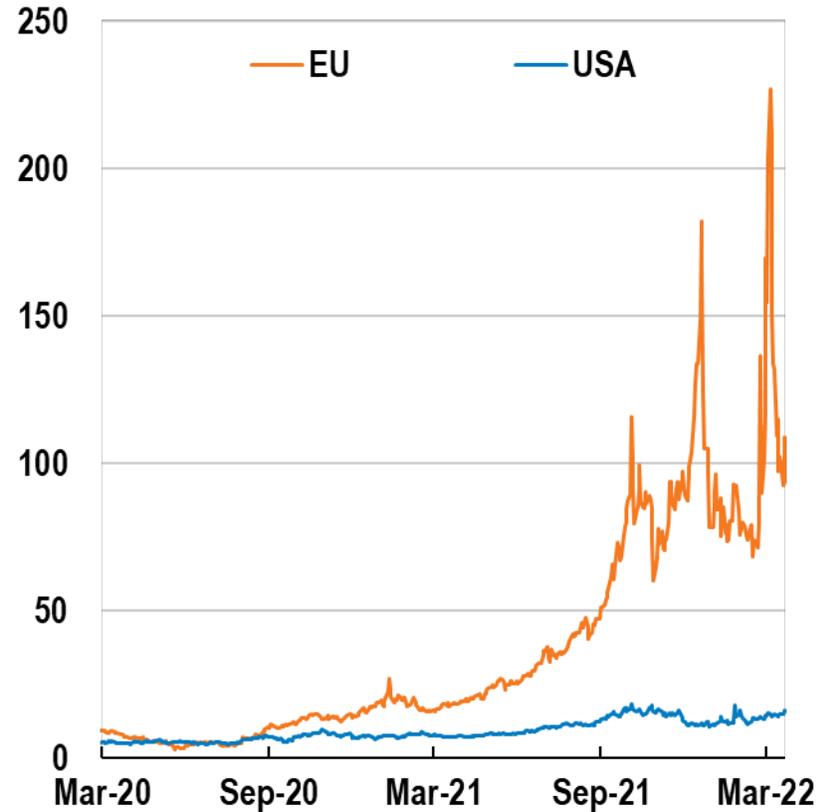
Brent, USD/barrel



Note: Latest data 23 March 2022.
Source: Refinitiv.

Gas

EUR/MWh



Note: Shows the evolution of TTF Neutral Gas Price for Europe and Henry Hub for the United States. Latest data 23 March 2022.
Source: Refinitiv; and OECD calculations.

Coal

Newcastle (fob), USD/Mt



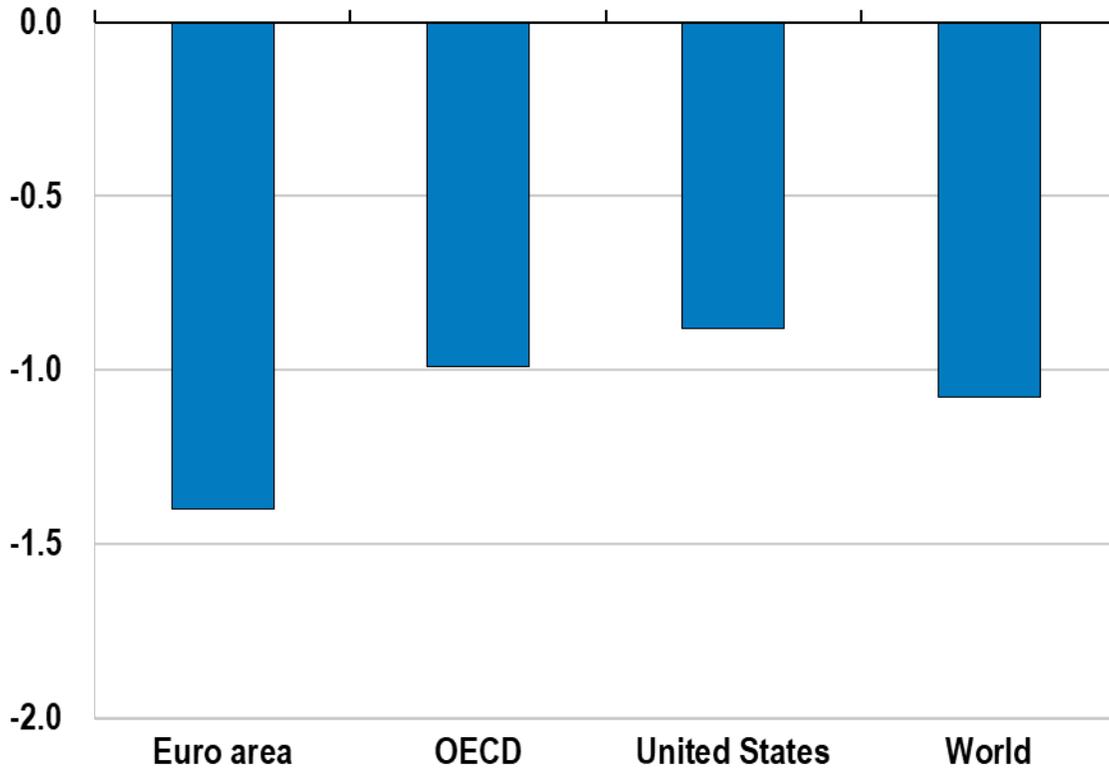
Note: 6000 kcal/kg coal. Newcastle refers to Newcastle, Australia. Latest data 23 March 2022.
Source: Refinitiv; and OECD calculations.



The consequences of the war are already weakening global growth and adding to inflation

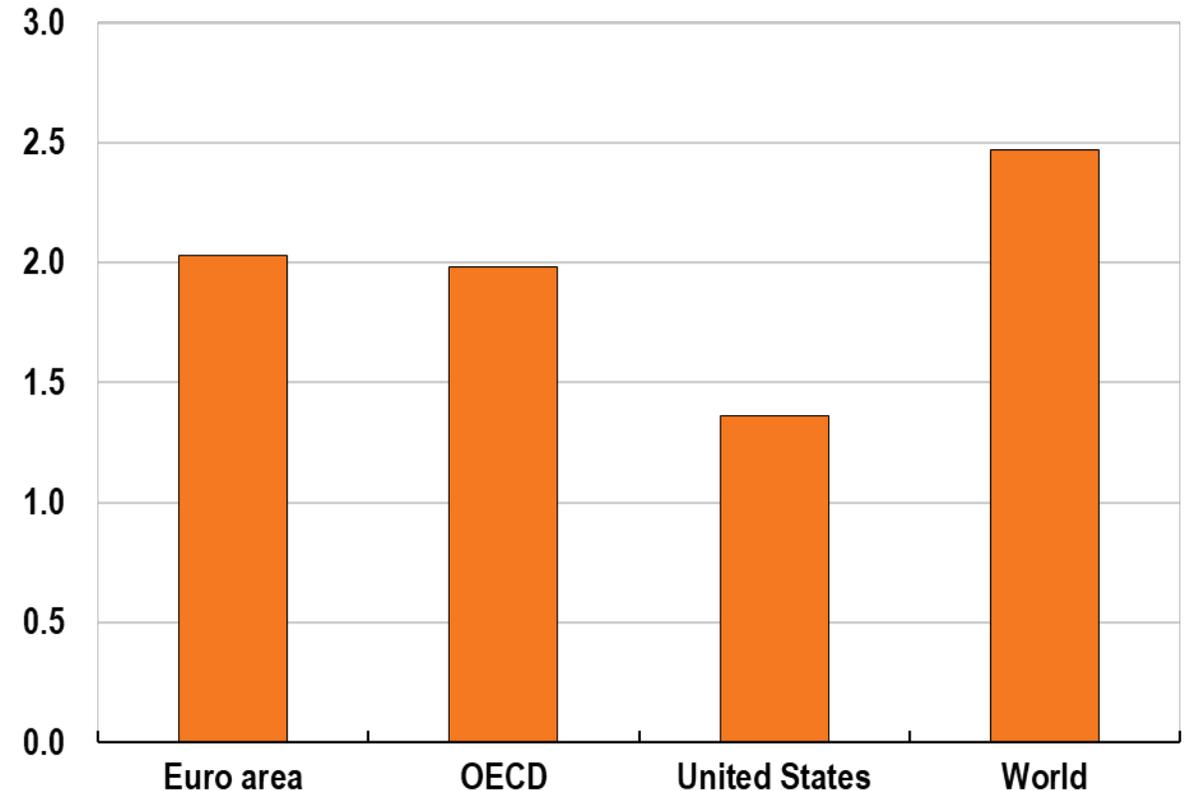
Simulated impact on GDP, first full year

%



Simulated impact on annual inflation

% points



Note: Based on simulations with the NiGEM macroeconomic model of the combined effect of differences between commodity prices in the period from 24 February to 9 March and the January average, a 50% rouble depreciation against the US dollar, bilateral currency depreciations of 5% against the US dollar in Bulgaria, the Czech Republic, Hungary, Poland, Romania and Turkey, increases of 10 percentage points in policy interest rates and risk premia in Russia, higher risk premia in emerging-market economies, ex-ante declines of 15% and 40% respectively in domestic demand in Russia and Ukraine in 2022H1.

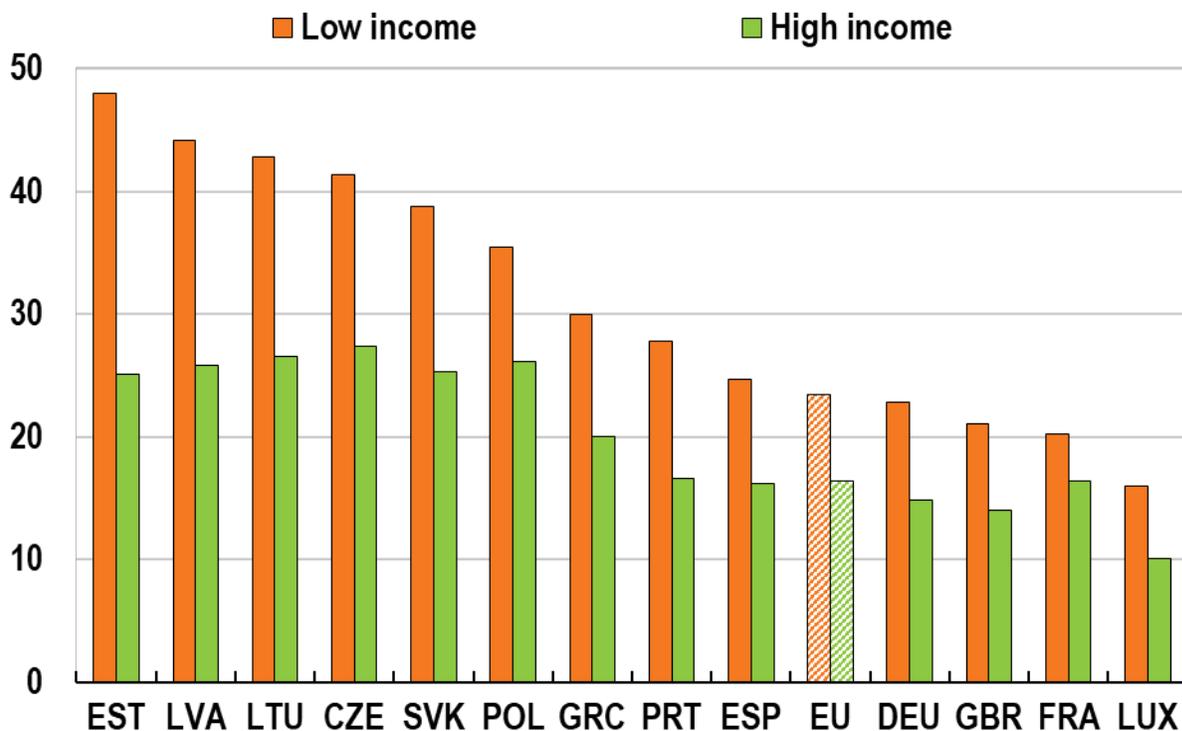
Source: OECD calculations using the NiGEM global macroeconomic model.



Shelter vulnerable consumers from energy price rises

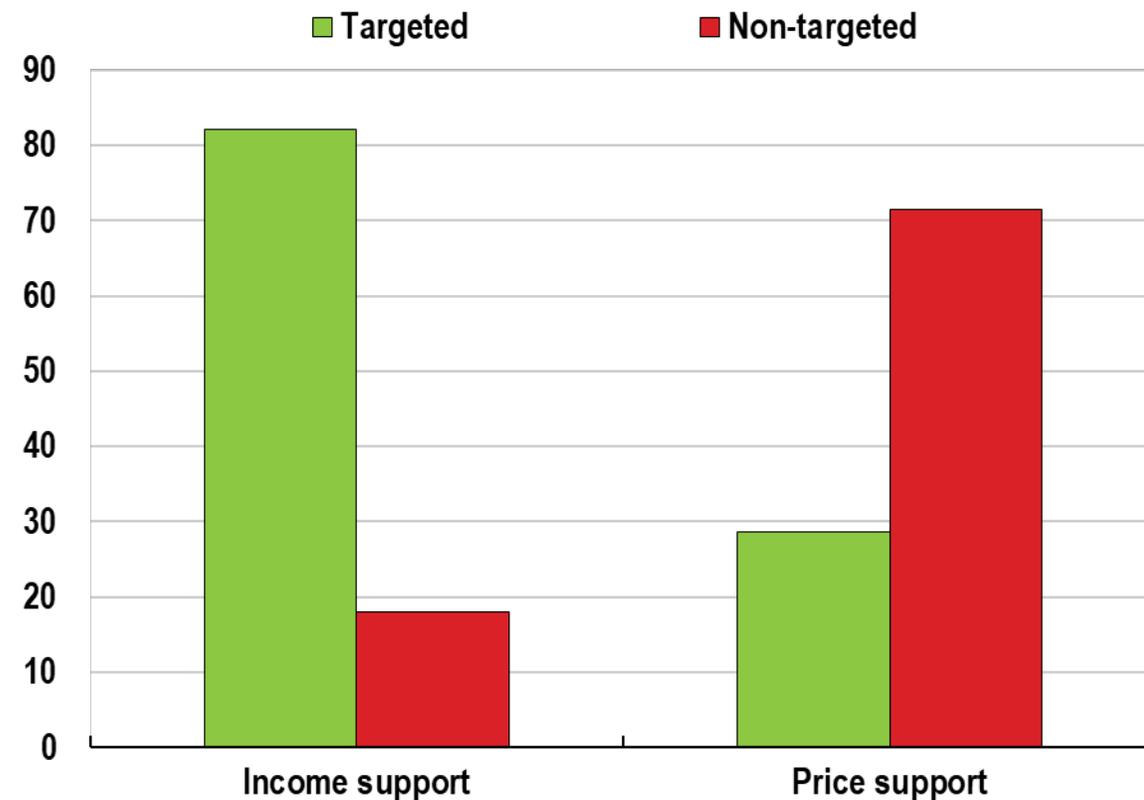
Lower-income households are more exposed to energy and food price increases

Consumption expenditure on food and energy, % of total, 2015



Measures should be temporary and targeted

Policies adopted in response to recent energy price increases in 28 OECD economies, % of measures



Note: Comprises consumption expenditure on food, non-alcoholic beverages, electricity, gas, and other fuels. Low income refers to the 1st income quintile and high income refers to the 5th income quintile.

Source: Eurostat; and OECD calculations.

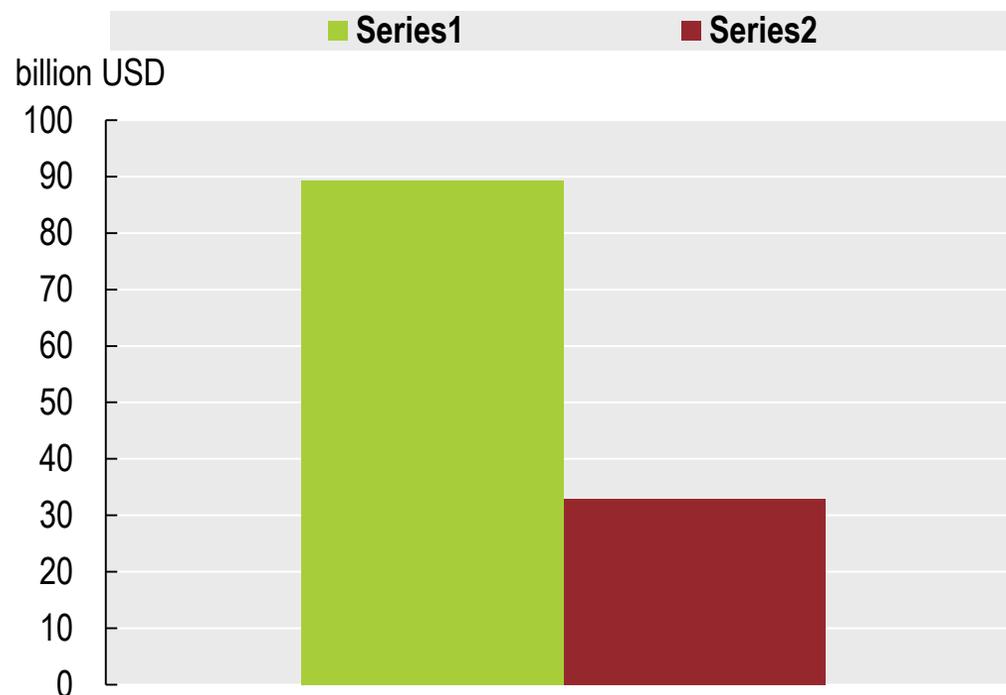
Note: Measures classified as income support are those that provide lump-sum transfer to energy consumers, i.e., households or businesses, to help alleviate energy cost increases. Price support includes all measures that reduce the post-tax energy price. Such measures include, price controls, reduced electricity charges and network fees, VAT and excise tax reductions, compensations to distributors for selling energy products at reduced prices. Those measures classified as targeted are the income and price support that is provided to specific groups, such as vulnerable households or businesses. Non-targeted measures apply to all consumers with no eligibility conditions. A total of 88 measures were assessed. Source: OECD country desks.



Avoid blurring pricing signals for the decarbonisation transition

Fossil-fuel support dominates among government support measures

Budgetary cost of support measures Q3 2021- Q4 2022



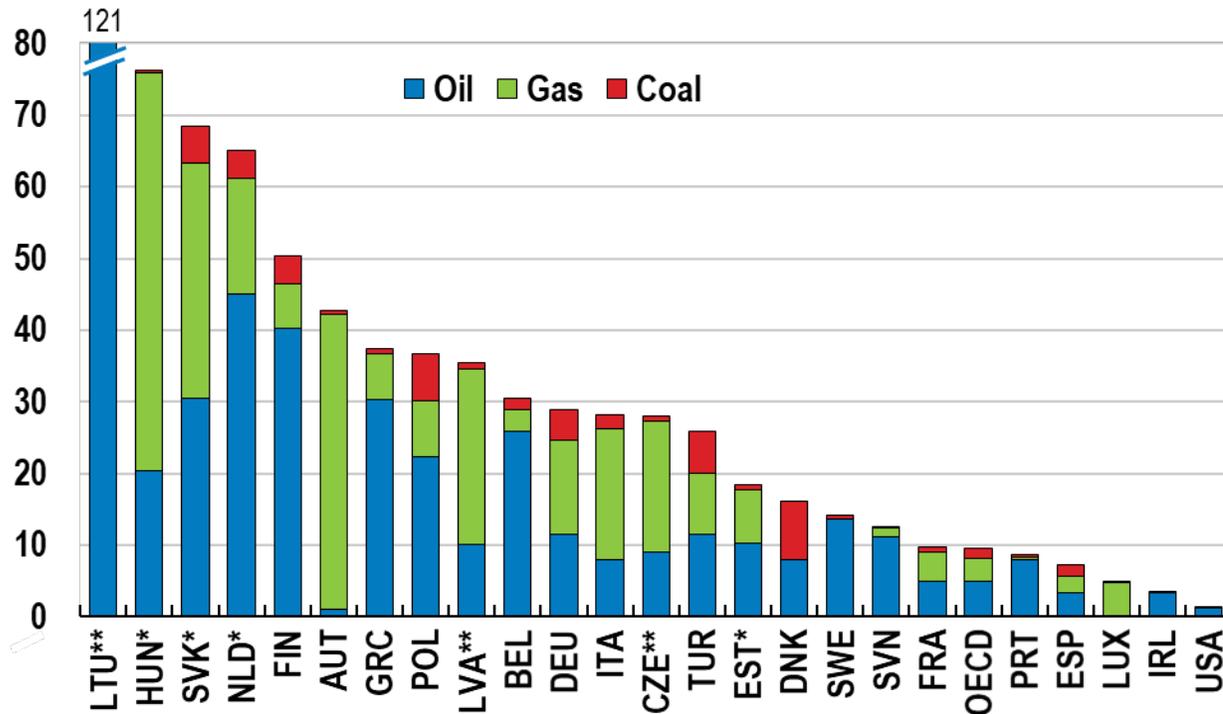
Note: Measures classified as fossil-fuel support are those that provide relief linked to the consumption or productions of fossil-fuels. A total of 157 measures were assessed. Source: OECD country desks.



Enhance energy security: diversify away from Russia and fossil fuel

Dependence on Russian energy supplies is high in many EU countries

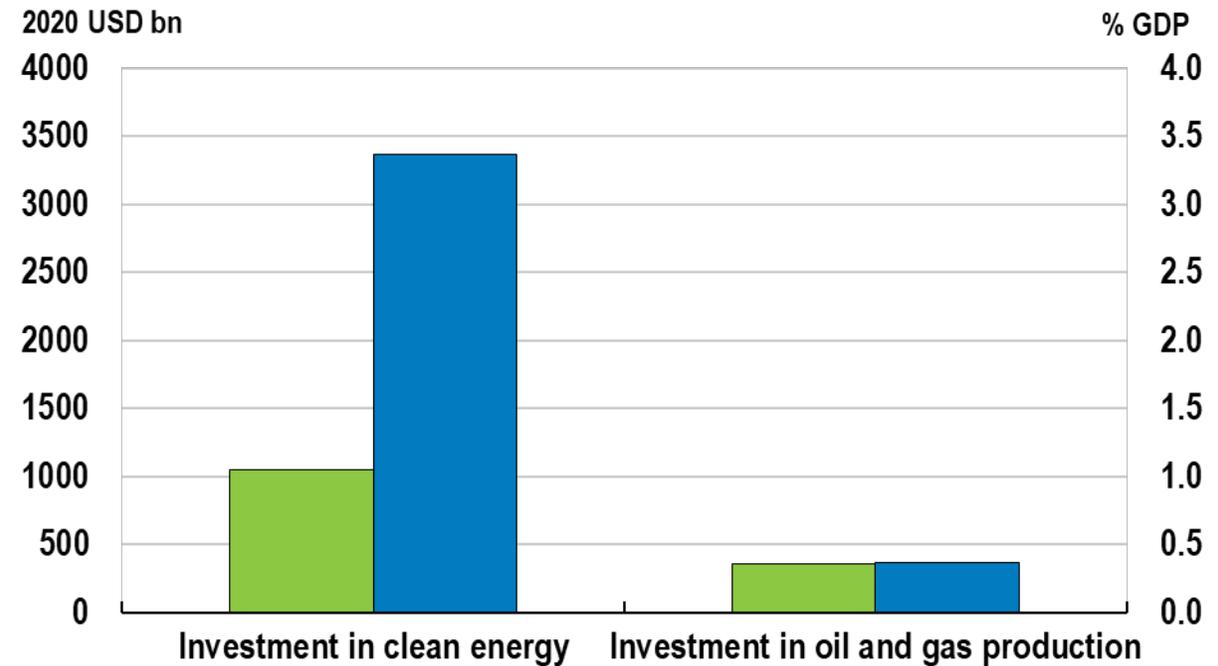
Imports of Russian energy products, % total energy supply, 2019



Green investment needs to be ramped up globally

Global investment by sector

2021* Avg. annual target, 2022-30



Note: * Country imports include transit trade figures ** Figures include amounts that went to stocks. Components for LTU are: oil (105.8%), gas (13.1%) and coal (2.3%).

Source: IEA Energy Balances database, and OECD calculations.

Note: The 'Annual Target' refers to the Net Zero Goal (NZE) by the International Energy Agency (IEA). The NZE includes the projected average annual investment required in order to bring global energy-related CO2 emissions to net zero by 2050 and limit global temperature rise to 1.5 °C. *IEA estimation.

Source: World Energy Outlook 2021, IEA; and OECD calculations.



Thank you

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