Vital Strategies

NCD Alliance

Fueling an Unhealthy Future:

How propping up unhealthy industries will sicken millions and cost trillions

Nations will more quickly transition to clean energy if they redirect government funds away from subsidizing unhealthy commodities– in particular fossil fuels. Such action would reduce air pollution and greenhouse gas emissions, thereby mitigating climate change and saving lives. Countries must reexamine current economic incentives to industries that harm health as an essential step towards creating coherent policies that sustain growth, support clean energy expansion and prevent noncommunicable diseases (NCDs).

Facts

Globally, governments provide nearly USD $300 billion in pre-tax subsidies for fossil fuels. Yet fossil fuels impose more than USD $2.7 trillion in health costs.[1]

INDIA

India spends

$7.03 billion USD

on subsidizing fossil fuels, the use of which results in health costs of

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EU & U.S.

Fossil fuel subsidies in the European Union and the United States are valued at

$1.07 & 1.09 billion USD

respectively.

The burning of fossil fuels result in more than

$200 billion USD

in health costs.

INDIA, CHINA AND RUSSIA

Health costs attributable to fossil fuels in India, China and Russia are

5x more

each country's entire government health expenditure individually.

Introduction

Economists have a term for incentives that are provided to producers, retailers or promoters of products that cause harm to health: "perverse incentives." The "perversion" of an economic tool occurs when the results of the incentive go against the fundamental interest of the payer. When governments subsidize tobacco, alcohol, foods high in sugar and salt, and fossil fuels, they impose a heavy financial and social burden of themselves because of the way these products affect health and strain health systems with an increased burden of disease.

Ahead of the 2019 UN Secretary-General's Climate Action Summit, the UN General Assembly High-Level Meeting on Universal Health Coverage, and the High-Level Dialogue on Financing for Development, Vital Strategies and NCD Alliance reviewed existing data on incentives that harm health, the amount of money governments invest in unhealthy industries, and the health impacts of these industries. This brief, which focuses on fossil fuel subsidies, is part of a forthcoming technical report on the economic costs of incentives to unhealthy industries.

The Imperative for Action

Air pollution—including household air pollution—claims 5 to 7 million deaths globally every year.[2,3] More than 90% of the world's population live in places where the air is unsafe to breathe. Subsidies for fossil fuels have a number of harmful effects: they inflate demand and promote overconsumption of fuel, prolong and reinforce dependency on nonrenewable and polluting energy sources, and contribute to global climate change.

Global trends indicate that the burden of death and disability due to air pollution will increase over the next 10 years if existing practices continue. To achieve the UN Sustainable Development Goal targets,[3] there is an urgent need to transition to clean energy sources and away from reliance on fossil fuels.

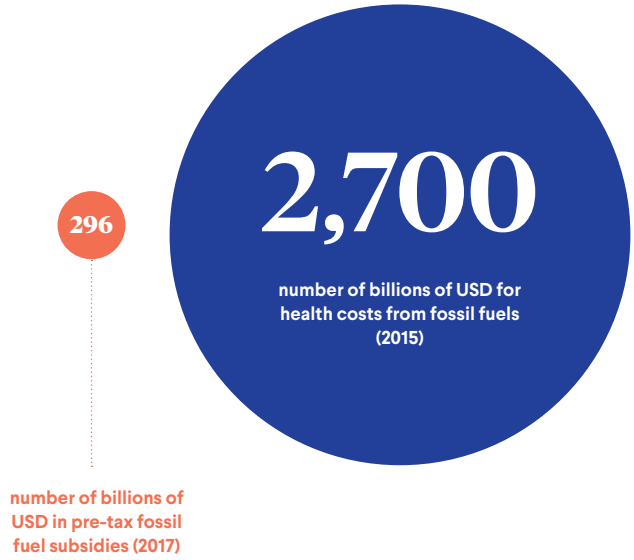
Our report highlights the incoherence of current policies that incentivize products—fossil fuels in this case—that result in harm to the health of people and societies.

Public subsidies to fossil fuel-related industries and the resultant health costs from air pollution are substantial. They constitute a significant share of government health expenditure. In fact, in many countries, the air pollution caused by fossil fuel use ends up costing governments many times more than their available health budgets.

- Globally, governments provide nearly USD $300 billion in pre-tax subsidies for fossil fuels. Yet these subsidies impose more than USD $2.7 trillion in health costs,[1]
- India spends USD $7.03 billion on subsidizing fossil fuels, the use of which results in health costs of USD $140.7 billion.
- Fossil fuel subsidies in the European Union and the United States are valued at USD $1.07 billion and USD $1.09 billion respectively. The burning of fossil fuels result in more than USD $200 billion in health costs.
- The health costs attributable to fossil fuels are more than five times each country's entire government health expenditure.

Fossil fuel subsidies, health costs & government public health expenditure

Fossil fuel subsidies vs. economic costs of health impacts



Economic costs of health impacts vs. government health expenditure

Country[5]	2015 Economic Costs of Health Impacts in billions USD	2016 Government Health Expenditure in billions USD (% of GDP)
Global	2,700	5,600 (7.4%)
Argentina	5.89	30 (5.6%)
China	1,780	320.6 (2.9%)
Egypt	-	3.7 (1.3%)
European Union	229.5	1,300 (7.9%)
India	140.7	21.2 (0.9%)
Indonesia	16.9	13.1 (1.4%)
Iran	-	18.3 (4.4%)
Mexico	7.4	29.6 (2.9%)
Russia	196.4	38.6 (3.0%)
Saudi Arabia	12.3	25.6 (3.9%)
United States	219.2	2,600 (13.9%)
Venezuela	-	17.9 (8.5%)

Source
Gov. health expenditure: The World Bank, (per capita health expenditure and population data) for Venezuela, was calculated using latest data from the IMF IMF Country level Subsidy Estimates Database, 2018 https://www.imf.org/en/Publications/WP/Issues/2019/05/02/Global-Fossil-Fuel-Subsidies-Remain-Large-An-Update-Based-on-Country-Level-Estimates-46509
Health costs: HEAL report https://www.euractiv.com/wp-content/uploads/sites/2/2017/07/HEAL-Report-Hiddenpricetags.pdf; Only air pollution related cost to health from premature deaths

Current global subsidies on fossil fuels far exceed the funding gaps for the expansion of clean energy

USD $300 billion
spent on global fossil fuel subsidies

13x
the amount of public money allocated to finance climate change adaptation and resilience in 2016 (USD $23 billion).[6]

6x
the financing needed to reach the annual goal of USD $100 billion in climate finance committed to in the Paris Agreement.[7]

Jordan's efforts to eliminate fuel subsidies

Jordan, heavily dependent on imported oil and natural gas, spent more than 5% of its GDP—about USD $711 million—on fossil fuel subsidies in 2005.[8] By 2010 Jordan had reduced its subsidies to 0.4% of GDP and by 2012 eliminated them for all but liquefied petroleum gas, a cleaner-burning fuel.[9] In response to civil society concerns about rising costs of fuel, Jordan ultimately shifted much of the savings to social protection programs, which included providing low-income households with cash assistance in the winter to help cover heating and electric costs.

India shifts subsidies from polluting coal

India is one of the world's top producers of coal, which is used to generate nearly 80% of the nation's electricity. India has committed to phasing out inefficient fossil fuel subsidies that encourage wasteful consumption,[10] while providing support for the poorest people in the country to help them transition from solid biomass to cleaner-burning fuels.[11]

To achieve this, India is aggressively shifting its coal subsidies to cleaner-burning liquefied petroleum gas for the poorest members of Indian society. From 2016 to 2017 subsidies for polluting fossil fuels declined by USD $2 billion.[12] At the same time, subsidies for renewable energy increased by USD $0.8 billion; they have increased six fold since 2014.

Call to Action

Recognizing that there are significant political challenges in the short term, we call on governments and the development community to reexamine current economic incentives and ensure consistent policies that promote health as part of a sustainable development agenda. Such an agenda should:

- **Monitor investments in unhealthy products.** Fossil fuels must be weighed against their health and social costs to provide a true picture of the overall economic and societal impacts of a potential investment. Robust data and tracking of an investment's impacts are critical to inform governments as they strive to meet their sustainable development commitments. Nations that do not currently report their subsidy expenditures should begin doing so.
- **Phase out incentives that harm health while reaffirming social programs.** Countries should commit to specific phaseout plans for fossil fuels, particularly the most polluting ones. Governments would be well-advised to communicate the social good of such a plan and might consider redirecting or introducing social programs simultaneously to offset a phaseout.
- **Put available finances and fiscal policies to work to prevent NCDs.** Countries should consider a political strategy to reallocate savings or associated new revenue to advance renewable sources of energy. This could improve health indicators, stimulate growth, reduce carbon emissions,[13] reduce the NCD burden and diminish the cost of universal health coverage.

Vital Strategies belives in a world where everyone is protected by a strong public health systems. Our global team combines evidence-based strategies with innovation to help develop and implement sound public health policies, manage programs efficiently, strengthen data systems, conduct research, and design strategic communication campaigns for policy and behavior change.

NCD Alliance is dedicated to improving NCD prevention and control worldwide. The NCD Alliance network includes our members, national and regional NCD alliances, and over 1,000 member associations of our founding federations, scientific and professional associations, and academic and research institutions. Together with strategic partners including the World Health Organization, the United Nations and governments, NCD Alliance works on a global, regional and national level to bring a united civil society voice to the global campaign on NCDs.

Acknowledgements:

This brief is a joint project of Vital Strategies and NCD Alliance. It is based on a forthcoming technical report. Data and analysis for this report was produced by Dora Maradiaga,[i,iii] with direction from Nandita Murukutla.[i] This brief was written by Priya Kanayson,[ii] and Daniel Kass,[i] with assistance from Rebecca Perl,[i] Nina Renshaw,[ii] and Russell Dowling.[i] It was edited by Karen Schmidt.[i] External review by Evan Blecher.[iii]

ENDNOTES

1. https://www.euractiv.com/wp-content/uploads/sites/2/2017/07/HEAL-Report-Hiddenpricetags.pdf
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