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The worst energy policy in the world

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The conflict in the Middle East could serve as a “turning point” in accelerating the global transition away from fossil fuels: every additional day that oil and gas prices are high and future supplies are uncertain, wind and solar power that are cheaper and more scalable than ever before [grow all the more appealing](#). But nearly half of the world’s countries have adopted emergency measures that research shows will make this transition slower, more expensive, and less equitable.

Facing citizens angered by soaring energy costs, governments are reducing the cost of fossil fuels for consumers. Between February and July 2026, [eighty-nine countries](#) adopted emergency measures to subsidize fuel costs in response to disruptions caused by the Iran War, suspending fuel taxes and capping prices for gasoline, diesel, and kerosene.

Consumer fuel subsidies are the worst kind of energy policy: they boost the most polluting kind of energy – fossil fuels – with a policy that is wasteful, and deceptively hard to reverse. Besides increasing consumption, they [worsen air pollution](#), [drain government budgets](#), [discourage renewable investment](#), and disproportionately [support wealthy urbanites](#). They are also staggeringly expensive: according to the International Energy Agency, global subsidies for fossil fuel consumption [reached a record \\$1 trillion](#) in 2022. But their most alarming quality is their persistence. Once the subsidies are in place, they are extraordinarily difficult to remove.

[Research has](#) shown that since 2003 there has been little global progress toward ending fuel subsidies, despite widespread [calls for their removal](#). Since the Paris Agreement in 2015, governments have tried harder than ever to rein in fuel subsidies yet [failed at a startling rate](#). Of the roughly 130 subsidy reforms attempted in the 21 biggest subsidizers between 2016 and 2023, 70 percent collapsed within a year. More than 90 percent were gone within three years.

Some reforms were reversed explicitly. This tends to occur after protests, [which are common](#) after deliberate price increases. Many episodes of government upheaval around the world have begun, at their core, as a fight over a few cents on a liter of gasoline.

Other reforms died quietly. Rising inflation or a falling currency can erode a reform's value month by month until the subsidy is effectively restored. A government can keep its new pump price in place and, by doing nothing else, let the subsidy reappear as the cost of buying refined fuel rises above the fixed retail price. This kind of silent erosion is now the [single largest cause of reform failure](#).

The boldest reforms are the most fragile. Leaders who allow domestic prices to rise in tandem with international market-based costs come under the greatest pressure to reverse course. Those who offer a modest tax waiver as a stopgap measure rarely let it expire: the next election, the next oil shock, the next protest quietly converts temporary relief into permanent policy. A 2009 promise by the Group of 20 to phase out “inefficient fossil fuel subsidies” [changed almost nothing](#). A similar pledge at the 2021 Glasgow climate summit [has fared no better](#).

Why do government efforts keep falling short? For many consumers, the price of gasoline is [the single most visible number in an economy](#). Unlike an electric bill or the price of bread, gas prices confront drivers every day of the week, typically posted in public locations. For politicians, few policy levers are easier to reach for — and, [evidence suggests](#), few are harder to put back.

There are better ways to cope with volatile fossil fuel prices: in Pakistan, Indonesia, and Egypt civil servants must work from home at least one day a week; bus fares are now reduced or free in Chile, Lithuania, and The Philippines; and Spain is funding energy-saving home renovations and solar energy installations.

The sixty-eight governments that have not used emergency measures to subsidize or regulate fuel costs should not start now. Those under pressure to enact temporary fuel tax holidays should recognize what research shows: most of the benefits go to the wealthy, not the poor; and once enacted these temporary measures usually become permanent. There are better ways to help low-income households hurt by high energy prices, adopting the measures that the International Monetary Fund calls “[temporary, targeted, timely, and tailored](#).” These include cash transfers, targeted assistance for low-income households and subsidies for public transportation. These tools can help vulnerable citizens without prolonging the very crisis they are seeking to escape.

The Iran war represents a once-in-a-generation opportunity to accelerate the transition away from fossil fuels. But the short-term measures that governments are taking – to help their citizens cope with unaffordable gasoline and diesel prices – will have long-term effects. Making fossil fuels cheaper now will have catastrophic consequences in the future.