Energy subsidies, energy intensity and management practices*

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March 14, 2019

Abstract

We use unique firm-level data on management practices and energy expenditures in about 2,000 manufacturing firms in central and eastern Europe, Central Asia and Middle East and North Africa to examine how the quality of management practices relates to the energy intensity of firms, taking into account fossil fuel subsidies. We use country- and country-sector-level measures of energy subsidies and distinguish between energy subsidies that take into account externalities and those that do not. Regardless of whether we measure fuel subsidies at the country- or country-sector-level, we find that an improvement in the quality of management practices from the 25th to the 75th percentile of the management practices quality distribution is associated with about a 23 per cent fuel intensity reduction when fuel subsidies are low (negative) and with about a 2 per cent fuel intensity reduction when fuel subsidies are high. The magnitude is stronger in high energy-intensive sectors, where firms are more sensitive to energy prices.

Keywords: Energy efficiency, management practices, fossil fuel subsidies, firm behaviour.

JEL: L2, M2, Q48, Q56, Q58, O13, O14.

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*We would like to thank Ralph de Haas, Sergei Guriev, Alexander Plekhanov, Vessel Vermeulen and Ulrich Wagner for helpful comments and discussions, as well as the participants at the ISEFI 2018, 2017 Harvard-MIT-Stanford-World Bank Empirical Management Conference and seminars at the EBRD and University of Reading, Henley Business School for their comments and suggestions. The views expressed in this paper are our own and do not necessarily represent those of the EBRD.

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