

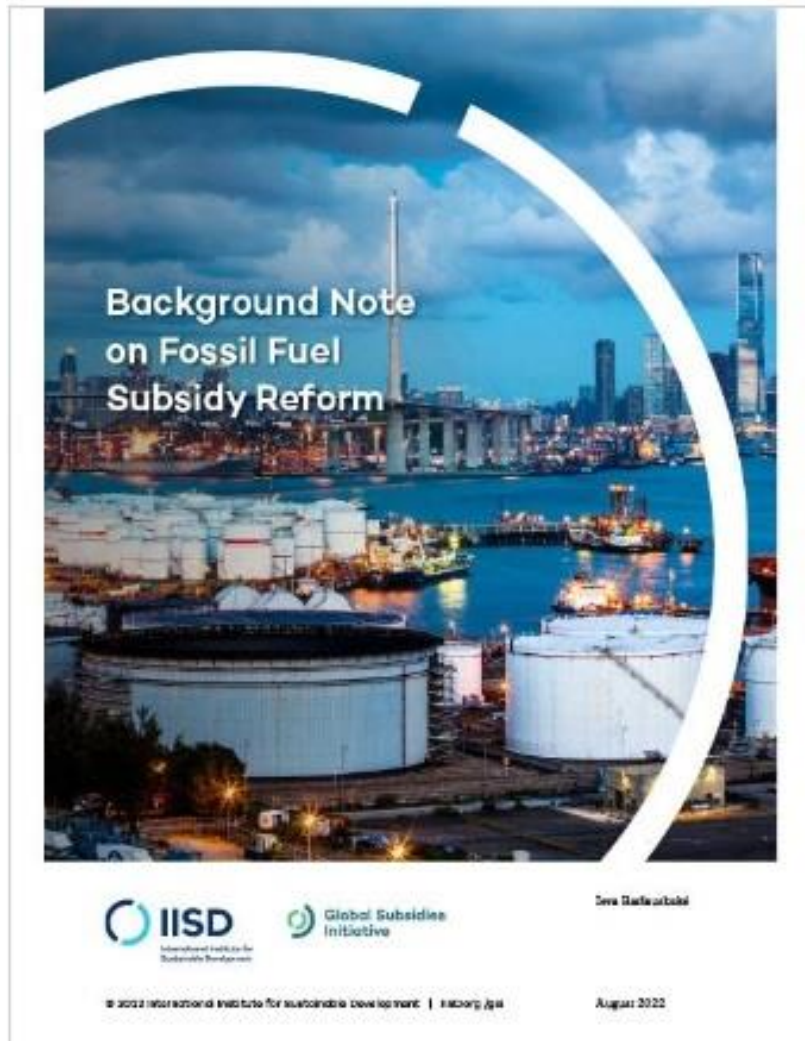


Fossil fuel subsidy reform:

Taking stock of international efforts

Ieva Baršauskaitė, Senior Policy Advisor
FFSR meeting
3 October 2022

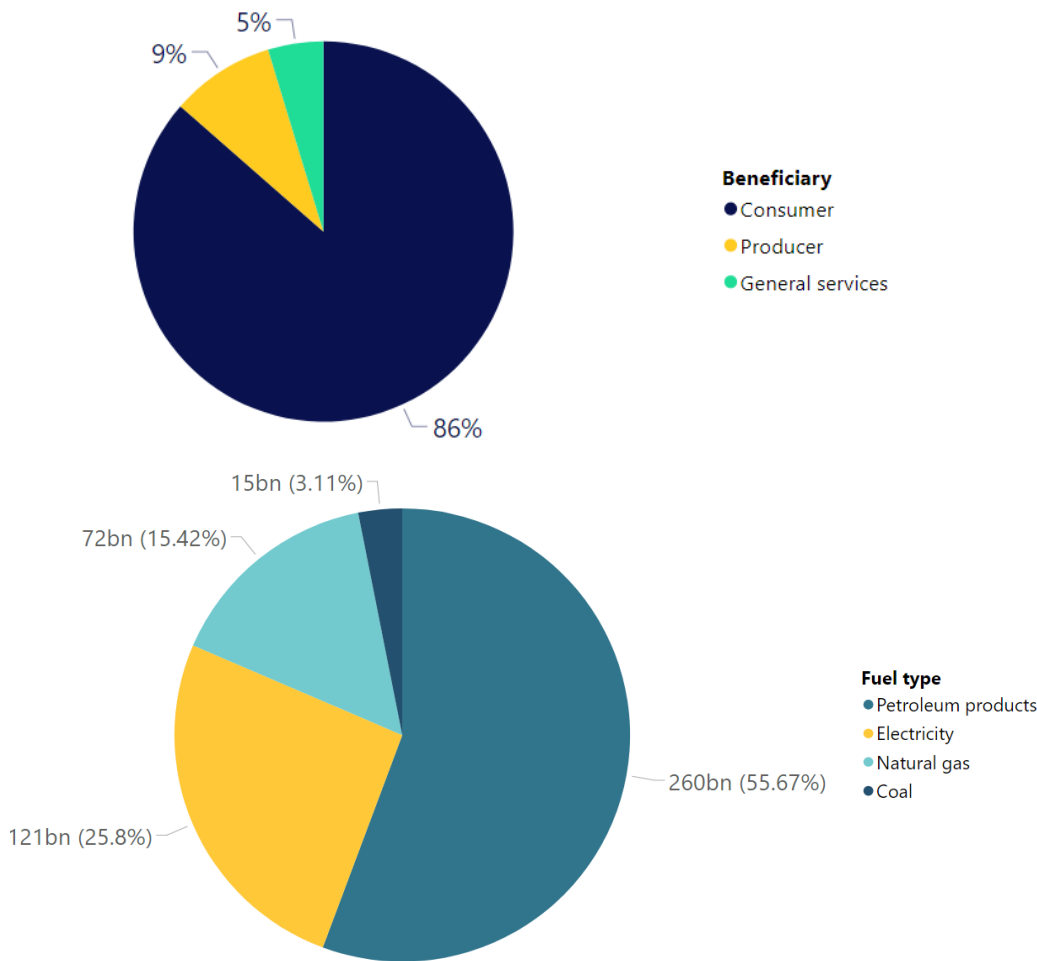
Fossil fuel subsidy reform (FFSR) and the WTO



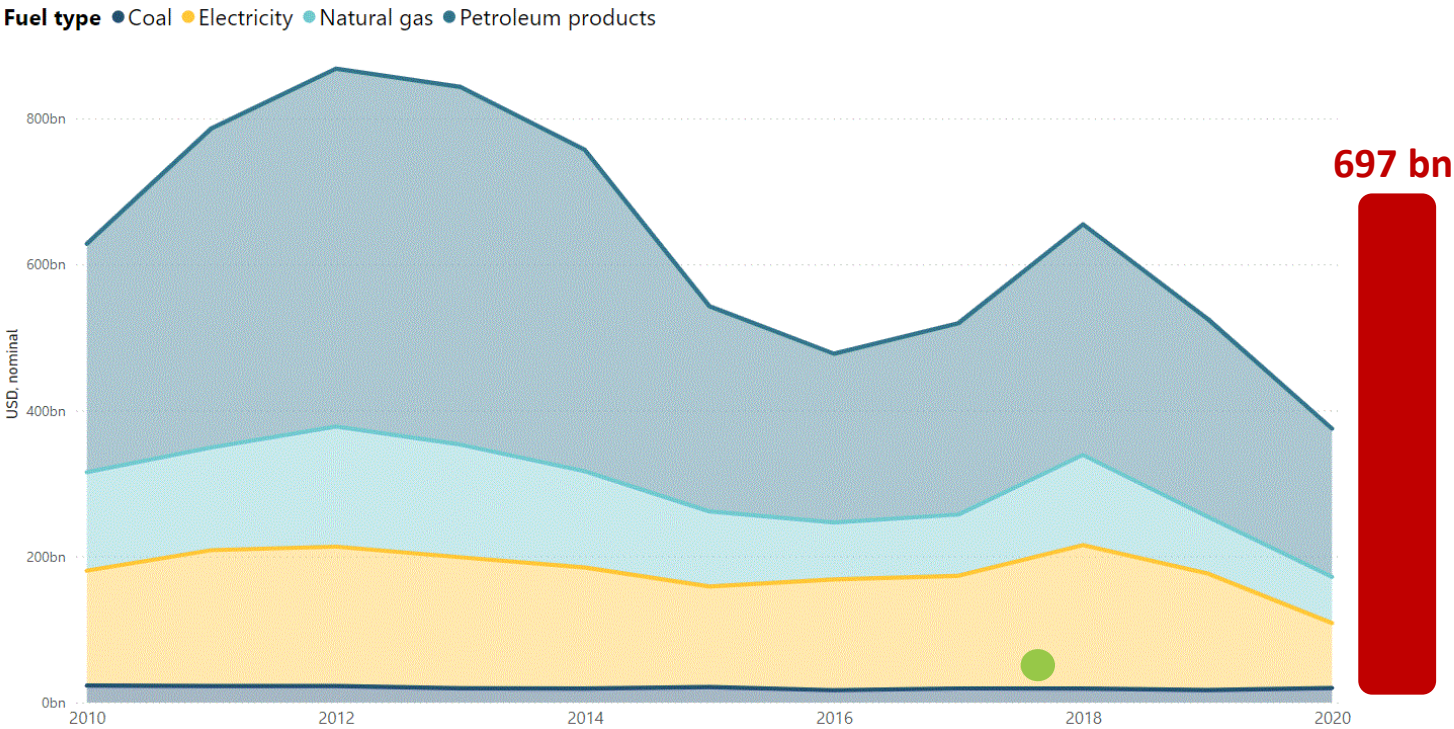
- What is subsidized? What are the estimates of fossil fuel subsidies?
- What are the environmental impacts of fossil fuel subsidies?
- What type of international cooperation has already been developed to support the reform?
- What impact do the fossil fuel subsidies have on international trade?
- Why the WTO is well suited for the conversation on FFSR?

FFS trends

FossilFuelSubsidyTracker.org



Based on OECD and IEA data, including estimates from 2019 for 81 economies



Total FFS (OECD+IEA estimate):
362 bn USD in 2020;
697 bn USD in 2021.

Significant changes expected in 2021-2022.

Renewable energy subsidies:
166 bn USD in 2017 (IRENA)

Based on OECD, IEA and IMF data, including estimates from 2020.

Different groups, shared goals

Importance of reforming fossil fuel subsidies is internationally recognized

Fossil fuel subsidy reform pledges and commitments:

- G20
- G7
- APEC
- 2030 Agenda: SDG 12.c
- Paris Agreement Art.2
- ACCTS
- WTO FFSR Joint Ministerial Statement

G20



Process started: 2009

Goal: Medium term rationalization and phasing-out of inefficient fossil fuel subsidies that encourage wasteful consumption, while providing targeted support for the poorest.

Actions: Peer reviews available for the US and China, Germany and Mexico, Indonesia and Italy; Argentina and Canada, India and France have also committed to the peer reviews in the future. Process stalled.

2022 Presidency: Indonesia

Coming up: 15-16 November 2022 - Heads of State and Government Summit

Process started: 2009

Goal: Phasing out inefficient fossil fuel subsidies that lead to wasteful consumption by 2025.

2022 Presidency: Germany

Latest: 26-27 May 2022 G7 Ministers of Climate, Energy and the Environment:

- aimed “for relief measures to be temporary and targeted”, reaffirmed commitment to the eliminate inefficient FFS by 2025;
- will report on progress in 2023, consider options for developing joint public FFS inventories;
- end international fossil fuel finance by the end of 2022;
- committed “to align official trade, export and development finance policies towards these objectives, including the possibility of providing additional incentives for clean energy technologies”.

Also: 26-28 June 2022 G7 Summit: 1) establishes “climate club”, 2) confirms commitment to end direct international public financing of fossil fuels by the end of 2022, 3) agrees that there may be exceptions to safeguard national security and geostrategic interests.

APEC

60% of global GHG emissions



Process started: 2009

Goal: Rationalization and phasing out of inefficient FFS that encourage wasteful consumption, while recognizing the importance of providing those in need with essential energy services; regional capacity building.

Actions: Four peer reviews of APEC economies are available online.

5 June 2021 APEC Trade ministers:

- asked for "options, for those members <...>in a position to do so, to undertake a potential voluntary **standstill** on inefficient FFS"
- 3 options outlined in a study December 2021:
 - Inventory-based standstill commitment
 - Value-based standstill commitment
 - Hybrid approach

Coming up: workshops, reporting template, voluntary standstill by those in a position to do so?

COP26

Fossil fuel subsidy reform is now a key component of global climate commitments

- Kyoto Protocol: progressive phasing out of market imperfections, including subsidies (not FFS specifically)
- Glasgow Climate Pact (2021)
 - accelerated efforts towards the **phase-out** (*not rationalizing!*) of inefficient fossil fuel subsidies, while providing targeted support to the poorest and most vulnerable in line with national circumstances and recognizing the need for support towards a just transition;
 - financial flows aligned with Paris goals;
 - yet - no workplan or reporting; global stock-take in 2023.
 - precedent-setting collective agreement by all Parties, FFSR recognized as a mitigation action: could inform NDCs (so far in 14), be included in support requests

Coming up: COP27 in Sharm-El-Sheikh, Egypt, 6-18 November 2022.

2030 Agenda

Measuring “amount of fossil fuel subsidies per unit of GDP (production and consumption)”

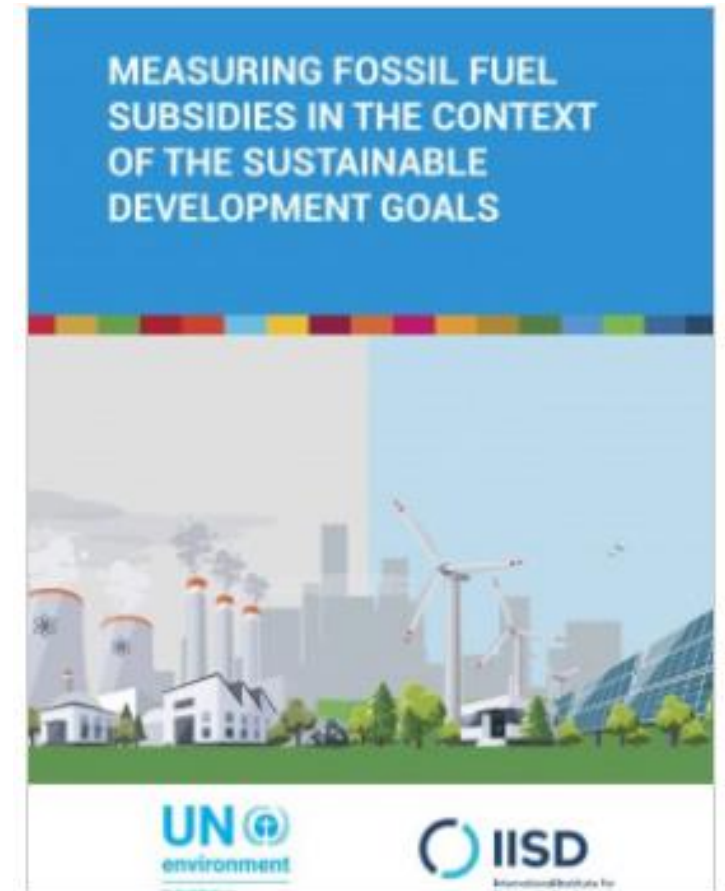
Process started: 2015

Goal: SDG 12.c: Rationalize inefficient fossil-fuel subsidies that encourage wasteful consumption by removing market distortions, in accordance with national circumstances, including by restructuring taxation and phasing out those harmful subsidies, where they exist, to reflect their environmental impacts, taking fully into account the specific needs and conditions of developing countries and minimizing the possible adverse impacts on their development in a manner that protects the poor and the affected communities.

Actions: SDG 12.c.1 (amount of fossil fuel subsidies per unit of GDP) reporting

Latest:

- in 2020 IISD with UNEP started the creation of training materials for countries reporting on the SDG indicator 12.c.1;
- 3 trainings organized



ACCTS

Some WTO Members taking action

Process started: 2019

Goal: Disciplines to eliminate harmful and socially regressive fossil fuel subsidies

Actions: 9 negotiating rounds

Latest: 9th round in June 2022

Work ongoing in the Fossil Fuel Subsidies Working group:

- Definitions
- Scope
- Elimination of harmful fossil fuel subsidies
- Gradual phase-out of broader fossil fuel subsidies
- Transparency provisions

FFSR Joint Ministerial Statement

Importance of reforming fossil fuel subsidies is recognized in work at the WTO

Process started: 2021

Goal: Ambitious and effective disciplines on inefficient FFS that encourage wasteful consumption, including through enhanced World Trade Organization transparency and reporting.

Actions: Initiative launched December 2021; options to be presented by MC13

Latest: updated Joint Ministerial Statement, working plan and new members announced in a press conference 13 June 2022.

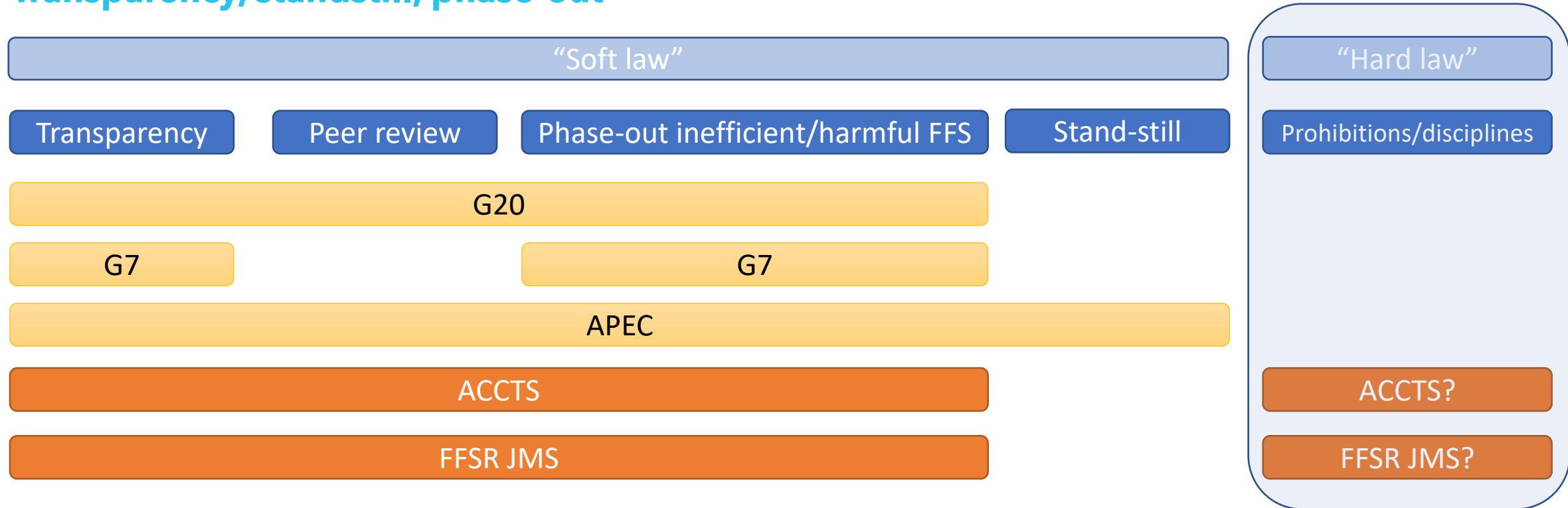
International initiatives to reform FFS



Venue	Year	Goal	Actions taken
G20	2009	Medium-term rationalization and phasing-out of Inefficient Fossil Fuel Subsidies that encourage wasteful consumption, while providing targeted support for the poorest.	Peer reviews available for the US and China, Germany and Mexico, Indonesia and Italy; Argentina and Canada, India and France have also committed to the peer reviews in the future.
G7	2009	Phasing out inefficient fossil fuel subsidies that lead to wasteful consumption; encouraging all countries to do so by 2025.	Phase out date set for 2025, progress report in 2023, possible joint inventories, end international fossil fuel finance by the end of 2022.
APEC	2009	Rationalization and phasing out of inefficient fossil-fuel subsidies that encourage wasteful consumption, while recognizing the importance of providing those in need with essential energy services. Regional capacity building.	4 peer reviews available; exploring options for voluntary stand-still.
ACCTS	2019	Disciplines to eliminate fossil fuel subsidies will help remove the perverse effects of these environmentally harmful and socially regressive subsidies.	4 negotiating rounds; work proceeding in FFS working group.
FFSR JMS	2021	Ambitious and effective disciplines on inefficient FFS that encourage wasteful consumption, including through enhanced World Trade Organization transparency and reporting.	Initiative launched December 2021, workplan adopted; options to be presented by MC13

Elements of international FFSR efforts

Transparency, standstill, phase-out



Thank You!

For more information:

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