STORIES FROM G20 COUNTRIES:

Shifting Public Money out of Fossil Fuels

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Lourdes Sanchez, IISD

Side-event on "Financing the Just Transition: FFSR and reinvestment to communities"

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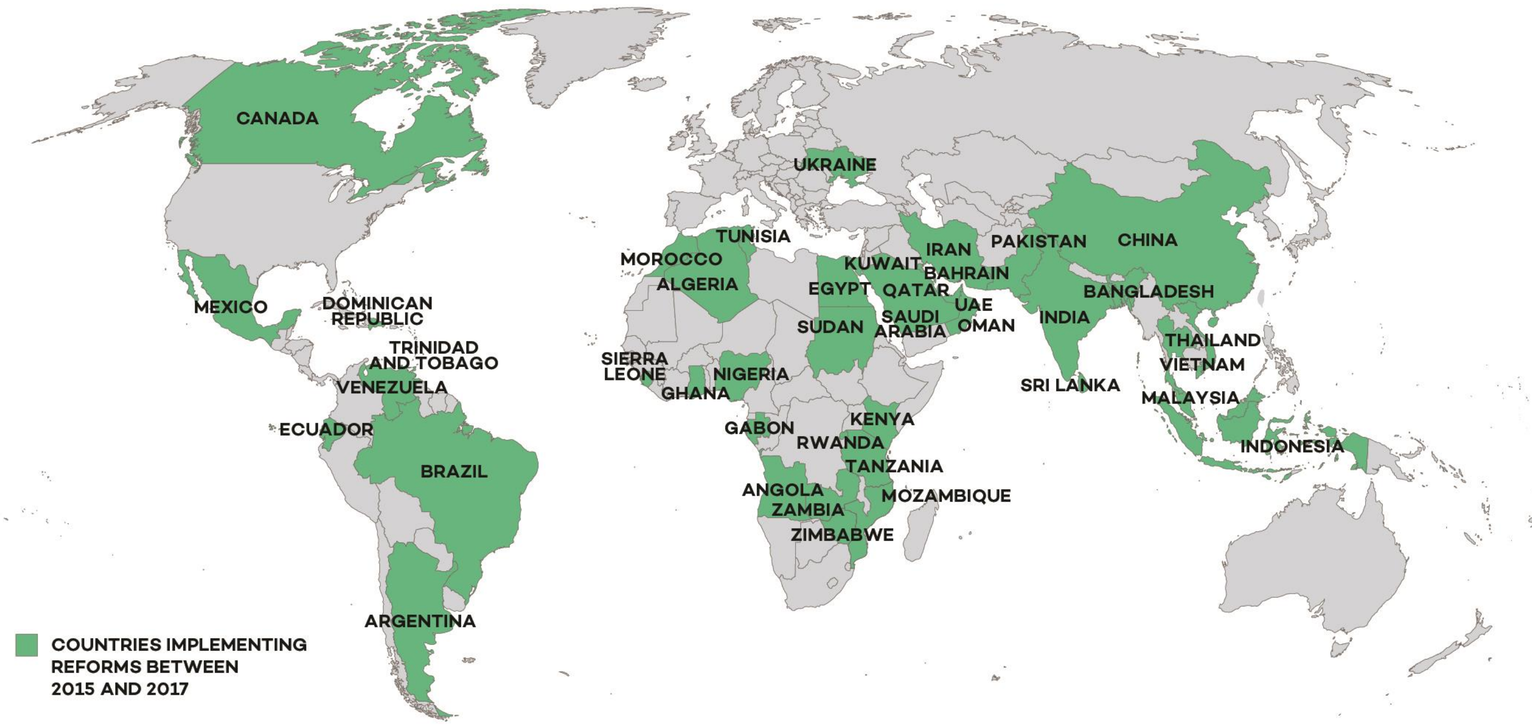
Some G20 countries have made progress against their 2009 commitment “to phase out inefficient fossil fuel subsidies that encourage wasteful consumption”

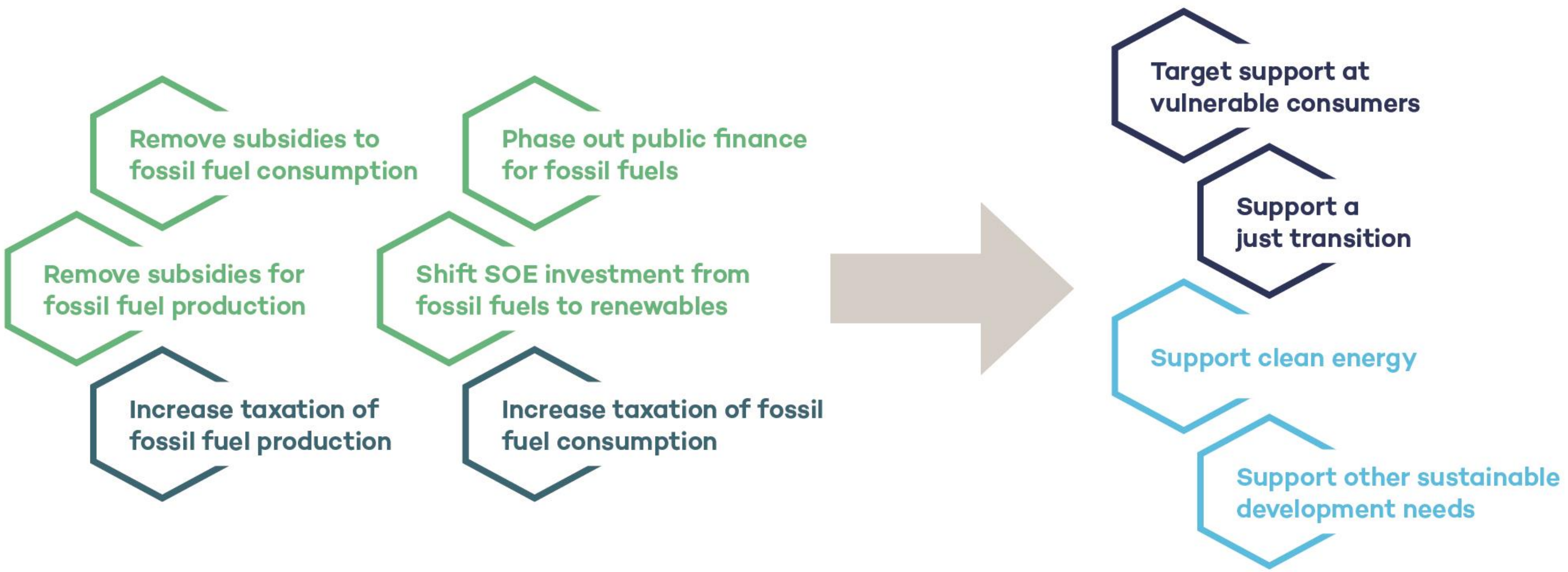
In 2015–2017, at least 40 countries undertook some level of fossil fuel subsidy reform



Sources: GSI research, World Energy Outlook 2016, IEA and GIZ data

Elements of aligning public money with climate targets explored in eight stories

Reforms need to include targeted support to ensure a just transition for workers and vulnerable consumers

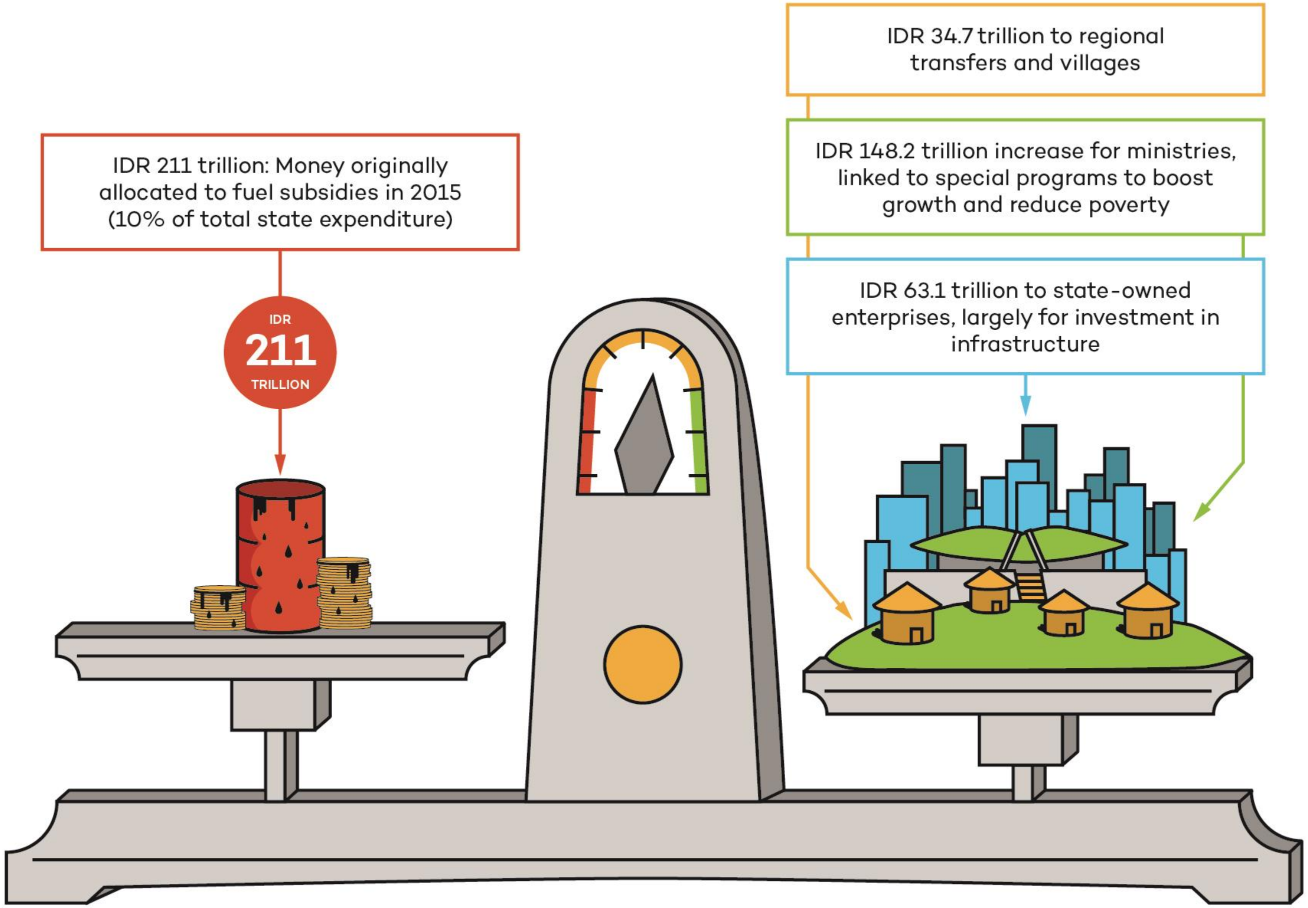


Indonesia's story

1. Removing subsidies for gasoline and diesel consumption in Indonesia	
Type of reform	Remove subsidies to fossil fuel consumption; Target support at vulnerable consumers; Support other sustainable development needs

Key country characteristics	Public resources at stake	Key reform characteristics	Watching brief
Indonesia • A lower-middle-income, non-OECD country • A net exporter of gas and coal • A net importer of oil and oil products	• Indonesia saved USD 15.6 billion through the removal of subsidies for gasoline and diesel in 2015.	• The reform affected households, transport, agriculture and fishing. • To protect vulnerable groups from energy price increases, the government launched a targeted social assistance scheme (smart cards). • The government invested the savings in health insurance, housing for low-income groups, clean water access, infrastructure and other areas.	• Strong political willpower is needed to maintain reforms as world oil prices rise.

Indonesia’s story (cont’d)



EU’s story

4. Governance of the EU-wide phase-out of fossil fuel subsidies by 2020

Type of reform	
	Remove subsidies to fossil fuel consumption; Remove subsidies for fossil fuel production; Support a just transition

Key country characteristics	Public resources at stake	Key reform characteristics	Watching brief
EU • High-income and upper-middle-income countries in and outside the OECD • All countries are net energy importers.	• EUR 112 billion in the EU was the annual average value of all forms of government support (fiscal support, public finance and SOE investment) to production and consumption of oil, gas and coal between 2014 and 2016.	• The reforms affect all sectors: coal mining, oil and gas production, power production, transport, industry, households and agriculture. • 75–99 per cent of hard coal sector support in the Czech Republic, Germany and Spain was directed at a just transition for workers and communities, and the decommissioning and rehabilitation of mining sites.	• The EU is continuing to provide a range of subsidies and public finance to fossil fuel production and consumption at home and abroad, and risks missing its 2020 phase-out deadline.

Consumption tax story: China, Saudi Arabia & South Africa

7. Increasing taxation of fossil fuel consumption	
Type of reform	Increase taxation of fossil fuel consumption; Support clean energy

Key country characteristics	Public resources at stake	Key reform characteristics	Watching brief
China, Saudi Arabia, South Africa • Non-OECD countries with different levels of income • Two net energy importers and a net energy exporter	• USD 354 billion was the value of subsidies for fossil fuel consumption in the G20 in 2015.	• China, Saudi Arabia and South Africa gradually increase taxes on fossil fuel consumption.	• IMF analysts estimate the global under-taxation of fossil fuel consumption at USD 5.3 trillion in 2015.

This nascent positive shift of public money out of fossil fuels must occur at a much faster rate for the G20 to get on track to meeting the climate targets

- By 2020, G20 countries should adopt concrete and ambitious timelines for reforming each type of government support related to fossil fuels.
- These reforms should be implemented in a way that protects vulnerable groups.
- All G20 countries should seek to complete voluntary peer reviews of fossil fuel subsidies by 2020.
- Shifts of public money away from fossil fuels and their increased taxation also create government fiscal space that can be used for wider social and sustainable development needs.

More at http://bit.ly/G20-stories

Argentina’s story

3. Removing subsidies for oil production in Argentina			
Type of reform	Remove subsidies for fossil fuel production		

Key country characteristics	Public resources at stake	Key reform characteristics	Watching brief
Argentina • A high-income, non-OECD country • An importer of oil and gas products • Reserves of non-conventional oil and gas	• Argentina saved at least USD 780 million in 2017 because of reducing the direct budget transfers to oil producers.	• The reform affected exploration, development and extraction of oil.	• Argentina still retains many schemes of government support to upstream gas developments.

Public finance story

5. Reducing public finance for fossil fuels

Type of reform	
	Phase out public finance for fossil fuels

Key country characteristics	Public resources at stake	Key reform characteristics	Watching brief
Multi-country • G20 and other countries in different income categories • Both net energy importer and exporter countries	• USD 72 billion globally was the annual average of public finance flowing to fossil fuels from G20-controlled public finance institutions over 2013–2015.	• Recent policy restrictions on international public finance affected upstream oil and gas and, especially, coal-fired power and thermal coal mining.	• Loans and guarantees from both national and multilateral financial institutions still support fossil fuel infrastructure.

Canada’s story

2. Removing subsidies for fossil fuel exploration and development in Canada

Type of reform	Remove subsidies for fossil fuel production

Key country characteristics	Public resources at stake	Key reform characteristics	Watching brief
Canada • A high-income OECD country • A net exporter of oil, gas and coal • The world’s second largest reserves of non-conventional oil	• The reforms implemented between 2011 and 2022 should result in annual savings of about USD 260 million.	• Canada reformed seven tax exemptions for oil, gas and coal exploration since 2011.	• Canada still retains many government support schemes to upstream fossil fuel developments.

Coal SOEs' story

6. State-owned companies transitioning away from coal mining and coal-fired power

Type of reform	
	Shift SOE investment from fossil fuels to renewables

Key country characteristics	Public resources at stake	Key reform characteristics	Watching brief
China, India, Sweden • Different levels of income and development • Net energy importer countries	• USD 12 billion in the G20 was the annual average value of SOE investment in coal mining and coal-fired power in 2013 and 2014.	• In China, India and Sweden, SOEs start diversification in renewables.	• SOEs play an increasing role in fossil fuel investment worldwide.

Coal production tax story: India

8. The evolution of the Clean Energy Cess on coal in production in India

Type of reform	Increase taxation of fossil fuel production; Support clean energy

Key country characteristics	Public resources at stake	Key reform characteristics	Watching brief
India • A lower-middle-income country outside the OECD • A net energy importer	• USD 12 billion is the value of the Clean Energy Cess for coal production collected in India over FY 2010–2018.	• India applies a "carbon tax on fossil fuel production." Revenues from the Clean Energy Cess were partially used to cover the viability gap for renewable energy technologies between 2010 and 2017.	• Utility-scale wind and solar are at grid parity in India, but small-scale renewable energy solutions still need government support.