

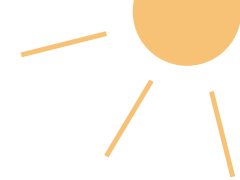


Fossil Fuel Subsidy Reform and the Communiqué

The Fossil Fuel Subsidy Reform Communiqué

- In April 2015, the Friends of Fossil Fuel Subsidy Reform launched a Communiqué calling on the international community to increase efforts to phase out subsidies to fossil fuels as a major contribution to climate change mitigation.
- Support for the Communiqué grew throughout the year and it was presented to world leaders at COP 21 in Paris, in November 2015, with the backing of 40 countries and hundreds of businesses and organizations, to underpin efforts to reach a new global climate agreement.
- The Communiqué remains open for additional endorsement in 2016 as a rallying point for further action.
- By supporting the Communiqué, countries and other actors recognize fossil fuel subsidy reform (FFSR) as an important climate change mitigation policy with clear economic, social and environmental co-benefits. Endorsing the Communiqué would further the objectives of the historic Paris Agreement; in particular making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.
- The Communiqué encourages the international community to advance reform through three principles: increased transparency around fossil fuel subsidies, ambitious reform and targeted support for the poorest.
- The online Communiqué Annex provides a high-profile platform for countries to showcase how they are making progress on FFSR domestically or cooperating internationally to support reforms.
- The Communiqué is a political, non-legally binding statement.
- Process: Formal confirmations of support for the Communiqué should be conveyed through government channels (i.e., with a member of the Friends of Fossil Fuel Subsidy Reform). Supporters of the Communiqué will be listed on the Friends of Fossil Fuel Subsidy Reform website. If your country wishes to list your contribution to FFSR or government position in the Communiqué Annex, please submit your text or quote to the International Institute for Sustainable Development, who are compiling the Communiqué Annex on behalf of the Friends group (contact Lasse Christensen: ltchristensen@iisd.org).
- The Communiqué and a list of its supporters can be found via this link: <http://www.fffsr.org>.
- Government supporters include Canada, France, Ghana, Germany, Malaysia, Mexico, Morocco, Peru, the Netherlands, the Philippines, Samoa, Uganda, the United Kingdom, the United States.
- The Communiqué has been endorsed by leading international organizations, including the International Energy Agency, the Organisation for Economic Co-operation and Development (OECD) and the World Bank. The Communiqué is also supported by The Prince of Wales's Corporate Leaders Group and other business organizations working with thousands of corporations and investors, including The B Team, the World Business Council for Sustainable Development (WBCSD) and the We Mean Business coalition.





The Friends of Fossil Fuel Subsidy Reform

- Set up in June 2010, the Friends of Fossil Fuel Subsidy Reform is an informal group of non-G20 countries aiming to build political consensus on the importance of fossil fuel subsidy reform. Current members of the Friends group are Costa Rica, Denmark, Ethiopia, Finland, New Zealand, Norway, Sweden, Switzerland and Uruguay.
- The Friends work internationally within forums such as the G20, the Asia-Pacific Economic Cooperation (APEC), OECD, UN Framework Convention on Climate Change (UNFCCC) and the UN Sustainable Development Agenda to promote the benefits of reform, and to provide information and tools to facilitate reform.
- The Friends recognize that there are political, social and economic challenges to face when removing fossil fuel subsidies, and that reform takes time. The Friends also recognize the importance of taking into account vulnerable groups and their developmental needs. Subsidy reform must be carefully designed.
- The Friends have a proven track record of organizing timely seminars to promote reform and to share country experiences and best practices in implementing energy reform. Across these events, the Friends have involved high-level speakers from countries such as Mexico, Indonesia, Ethiopia, Costa Rica, Egypt, Honduras, Ukraine, Jordan and Angola, as well from international organizations such as the Asian Development Bank, World Bank, APEC, OECD, International Energy Agency (IEA), International Monetary Fund, the Global Subsidies Initiative of IISD and The Prince of Wales's Corporate Leaders Group.

The Issue

Economic

- The scale of subsidies for fossil fuels is massive. The IEA estimates that consumer subsidies alone amount to USD 493 billion annually (2014). This is equivalent to almost four times the level of official development assistance aid from OECD countries in 2013 (USD 135 billion) or almost four times the level of total government support to renewable energy (USD 135 billion).
- Subsidies to producers of fossil fuels also exist through tax breaks and other incentives. These have been estimated to stand at around USD 100 billion globally.

- In some countries, fossil fuel subsidies take up a significant proportion of government resources (in 2011 consumer subsidies represented 5–30 per cent of government spending in some Southeast Asian countries). Some countries even spend more on fossil fuel subsidies than they do on health or education. Removing subsidies would lead to substantial fiscal savings and free up resources for governments to invest in areas such as health, education or climate finance.
- By keeping prices to consumers artificially low, fossil fuel subsidies encourage wasteful consumption, disadvantage renewable energy and drain scarce public resources that could be better spent on other sustainable developments goals.

Environment

- FFSR is the missing piece of the climate change puzzle. The elimination of fossil fuel subsidies would make a significant contribution to the goal of holding the increase in the global average temperature to well below 2 degrees Celsius above pre-industrial levels and to pursue efforts to limit the temperature increases to 1.5 degrees.
- In fact, studies show that the phase-out of fossil fuel subsidies is a viable option for the mitigation of greenhouse gas emissions, suggesting an associated decrease in emissions of 8 per cent by 2050¹, and that removing fossil fuel subsidies and then taxing fossil fuels correctly (based on the cost borne to society through air pollution, carbon emissions and accidents) could lead to a decline in carbon dioxide emissions by 23 per cent globally².

Social

- Subsidies are often socially regressive and tend to disproportionately benefit wealthier consumers. In 2010, 92 per cent of gasoline fuel subsidies were picked up by the top four quintiles of society, contrary to often-stated subsidy policy objectives³. Reducing fossil fuel subsidies would free up resources for better-targeted social spending.

¹ Burniaux, J. & Chateau, J. (2014). Greenhouse gases mitigation potential and economic efficiency of phasing-out fossil fuel subsidies. *International Economics*, 140, 71–88. Retrieved from <http://dx.doi.org/10.1016/j.inteco.2014.05.002>.

² IMF. (2014). Getting energy prices right: From principle to practice. Retrieved from <http://www.elibrary.imf.org/view/IMF071/21171-9781484388570/21171-9781484388570/21171-9781484388570.xml?rskey=kHyJS5&result=1&highlight=true>

³ Arze DelGranado, J., Coody, C., & Gillingham, R., (2010). The unequal benefits of fuel subsidies: A review of evidence for developing countries. Paris: IMF. Retrieved from <http://www.imf.org/external/pubs/ft/wp/2010/wp10202.pdf>