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No Time to Waste: Implementing Leader Pledges to Phase Out Fossil Fuel Subsidies

Recent estimates of global fossil fuel subsidies for production and consumption are staggering, putting the total at US\$730 billion annually¹ or higher. In a time of economic hardship, dangerous climate change, and growing demand for reliable and cleaner sources of energy², these fossil fuel subsidies represent a reckless and irrational use of taxpayer money and government investments.

Indeed, in 2009, G20 leaders recognized this recklessness, and committed to “phase out and rationalize over the medium term inefficient fossil fuel subsidies while providing targeted support for the poorest.” A similar commitment was agreed at a subsequent APEC Leaders meeting, which brings the total number of countries with such a commitment to more than fifty. Our organizations applauded the G20 commitment by leaders at the time, although we have been concerned that progress in meeting this commitment has been slow.

More recently, the UN Secretary General’s High Level Panel on Global Sustainability (GSP) unequivocally called for the removal of these subsidies in their consensus report, “Resilient People Resilient Planet: A Future Worth Choosing.” Co-chaired by the presidents of Finland and South Africa, the panel was comprised of major policy makers from 20 nations, including the European Union, United States, Brazil, India and China, the Russian Federation and others. The report recommends to “*phase out fossil fuel subsidies and reduce other perverse or trade distorting subsidies by 2020.*”³

It is time for governments to turn their talk into action. The upcoming G20 Summit and Rio+20 Conference on Sustainable Development in June present key opportunities for world leaders to build on political commitments by taking concrete action on this important issue. ***As environmental, faith, development, trade, indigenous peoples, youth, and health organizations representing millions of citizens worldwide, we call on world leaders to seize these opportunities and fulfill their promises to eliminate these wasteful and dangerous subsidies as soon as possible, and instead put that money to work in creating a more sustainable future.***

¹ Fatih Birol, chief economist at the IEA, estimated that consumption subsidies in 2012 would be \$630 billion, <http://www.iea.org/weo/quotes.asp>. An additional estimate of \$100 billion in annual production subsidies is cited in the report commissioned by the G20 and prepared by OECD, OPEC, World Bank and IEA Study November 2010. Report available at: <http://www.oecd.org/dataoecd/8/43/46575783.pdf>

² Although renewable energy can greatly reduce the environment impacts of power production, subsidies to these technologies are but a fraction of global subsidization of conventional fossil fuels; IEA, World Energy Outlook 2011, p. 530

³ Resilient People Resilient Planet: A Future Worth Choosing, Recommendation 27f., page 18, available at <http://www.un.org/gsp/The GSP>.

There are four key steps that governments should take at the G20 and Rio+20 Summits to translate these commitments into concrete action to eliminate fossil fuel subsidies:

1) Define Plans to Phase out Fossil Fuel Subsidies by 2015

In Pittsburgh in September 2009, G20 leaders pledged to “phase out and rationalize over the medium term inefficient fossil fuel subsidies while providing targeted support for the poorest.” Progress however has been slow. In order to fulfill this historic commitment, leaders should immediately establish a timeline for this process. Countries should agree to eliminate fossil fuel subsidies by 2015.

2) Increase Transparency and Consistency in Reporting of Subsidies

An obvious first step to removing subsidies is to catalog *all* existing fossil fuel subsidies. Reporting and reform should be separate processes. Up to now, the disclosure of producer subsidies in particular has been lacking in many countries. It is imperative that governments commit to fully and fairly disclosing the existence and value of all fossil fuel subsidies in order to allow for informed, robust plans for reform.

3) Incorporate assistance and safeguards to developing countries, as well as poor and vulnerable groups: Fossil fuel subsidy removal, particularly consumption subsidies, will only be successful by incorporating safeguards for poor and vulnerable groups, and by assisting with financial, technical and capacity building in developing countries, where needed.

4) Establish or identify an international body to facilitate and support Fossil Fuel Subsidy Reform

An international body should be created or identified to support the global effort to phase-out fossil fuel subsidies. This body, wherever it is housed, should be transparent, inclusive of civil society, balanced to include representation from developed and developing countries, and sufficiently empowered to assess commitments by countries.

The body would be tasked to define and review proper and regular reporting by all countries. This reporting should include all fossil fuel subsidy types as well as the actions and expenditures taken by countries to reduce subsidies, and be subject to independent measurement and verification.

When you're in a hole, stop digging! The time is now to strengthen political commitments with action to begin the transition from dirty fossil fuels to a cleaner energy economy. Continuing to subsidize fossil fuels makes no sense given the need to greatly reduce our collective reliance on fossil fuels that are contributing to global warming. The steps above represent critical initial, overdue elements of that transition, and we stand at the ready to support government efforts to implement

deadlines for phase out, reporting and international support for effective fossil fuel subsidy removal.

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