

POLICY *Brief*

Delivering on the G-20 Commitment to Reform Fossil-Fuel Subsidies: Essential outcomes from Toronto

TOP 3: ACTIONS LEADERS SHOULD TAKE IN TORONTO

.....

WHAT IS THE G-20 COMMITMENT?

.....

WHAT HAS THE G-20 DONE SO FAR?

.....

WHAT MORE NEEDS TO BE DONE?

.....

FURTHER DETAILS AND CONTACT INFORMATION

Top 3: Actions leaders should take in Toronto

1. Review national subsidy lists and implementation plans and agree to put these into action.
2. Issue a statement on the G-20's medium-term commitment to keep fossil-fuel subsidy reform on the agenda; in particular, agree to review progress at the Seoul summit, November 2010.
3. Request Ministers prepare options for a monitoring and review mechanism and report back to leaders at the Seoul summit, November 2010.

In addition, leaders could:

4. Agree to make national implementation plans publicly available.
5. Continue to seek support and technical assistance from international organizations.

WHAT IS THE G-20 COMMITMENT?

In September 2009, at the Pittsburgh Summit, G-20 leaders recognized that “inefficient fossil-fuel subsidies encourage wasteful consumption, distort markets, impede investment in clean energy sources and undermine efforts to deal with climate change.”

Leaders committed to “*rationalize and phase out over the medium term inefficient fossil-fuel subsidies that encourage wasteful consumption.*”¹

To implement the initiative, G-20 leaders tasked energy and finance ministers with preparing implementation strategies and time frames for the next Summit, June 26–27, 2010 in Toronto, Canada. They also asked intergovernmental organizations, namely the International Energy Agency (IEA), Organisation for Economic Co-operation and Development (OECD), Organization of Petroleum Exporting Countries (OPEC) and the World Bank to provide an analytical report on the scope of energy subsidies with suggestions for implementation, prior to the Toronto Summit in June 2010.

WHAT HAS THE G-20 DONE SO FAR?

Since the Pittsburgh summit, G-20 energy and finance officials have undertaken an intense process to set time frames and deliverables, and to discuss substantive issues regarding implementation of subsidy reform. Importantly, it was agreed that the commitment would not be limited to consumption subsidies—those subsidies that lower the end price of energy products and mostly used in developing countries—but that the commitment will also include subsidies for the production of fossil fuels believed to be used in many developed and developing countries. No common definition of subsidy for the fossil-fuel sector could be agreed upon however, so countries have the discretion to use their own definition.

It was originally agreed amongst officials that the national implementation strategies would be developed in two phases: i) lists of their fossil-fuel subsidies, and ii) national implementation plans to reform some or all of those subsidies on the list. However, as members have developed their subsidy lists and the challenges to reforming those subsidies have become apparent, the process has slowed. Now officials have agreed that every member is to come to the table in Toronto with (at least) one subsidy to reform.

¹ G-20 Leaders. (2009). *Leaders' statement: The Pittsburgh summit*. The Pittsburgh Summit 2009, September 24–25, 2009. Retrieved June 17, 2010 from: <http://www.pittsburghsummit.gov/mediacenter/129639.htm>.

WHAT MORE NEEDS TO BE DONE?

Finalize and implement the national implementation plans. It is now expected that each G-20 Member will come to Toronto with plans to reform *at least* one fossil-fuel subsidy, in some cases more. Reform efforts should be continued as more data about existing policies are gathered, tools for reforming subsidies are sharpened, and as new energy policies emerge.

Ongoing monitoring and review of the G-20's national implementation plans will be vital for tracking progress and ensuring it meets the G-20's objectives. Options could include national reporting to G-20 summits with peer review, improving compliance with notification requirements under the WTO's Agreement on Subsidies and Countervailing Measures, establishing a secretariat to share information and reports, or delegating functions to existing organizations—membership-based inter-governmental organizations, or independent non-governmental organizations. The medium-term commitment set by Leaders should continue to be reported at future summits, in Seoul and the following year in France.

Although the joint report by intergovernmental organizations reviews the issues and challenges of fossil-fuel subsidy reform, **more detailed country-specific research and analysis is needed** to identify what subsidies governments are providing, their scale, their impacts and the measures necessary to overcome challenges to reform. In order to progress data collection and reporting, more work is needed to overcome methodological gaps and difficulties in estimating fossil-fuel subsidies.

Champions are needed to maintain the political momentum necessary to keep fossil-fuel subsidy reform on the G-20 agenda beyond June 2010. This leadership needs to come from the Troika (for 2010: United Kingdom, South Korea and France) and the current co-chair, Canada, to ensure that the G-20 Members comply with their commitments.

The longer-term goals should be to expand the initiative to other countries, negotiate an agreement with subsidy reduction commitments, and establish a formal secretariat. The GSI has prepared a roadmap² of how this could be achieved and the G-20 process is the vital first step.

² Lang, K., Wooders, P. & Kulovesi, K. (Forthcoming). *Embedding fossil-fuel subsidy reform: A roadmap for international cooperation*. International Institute for Sustainable Development: Winnipeg.



FURTHER DETAILS AND CONTACT INFORMATION

The GSI is an initiative of the International Institute for Sustainable Development (IISD). Established in 1990, the IISD is a Canadian-based not-for-profit organization with a diverse team of more than 150 people located in more than 30 countries. The GSI is headquartered in Geneva, Switzerland and works with partners located around the world. Its principal funders have included the governments of Denmark, the Netherlands, New Zealand, Norway, Sweden and the United Kingdom. The William and Flora Hewlett Foundation have also contributed to funding GSI research and communications activities.

See the GSI's *Subsidy Primer* for a plain-language guide to subsidies on www.globalsubsidies.org.

For further information contact Kerry Lang at: klang@iisd.org or info@globalsubsidies.org or +41-22-917-8920.

