

## Overview

Fossil fuel subsidies are very costly; they significantly increase global and local pollution; and they are socially regressive as they benefit the wealthiest most. Fossil-fuel subsidies reform can free up valuable fiscal resources that can be redirected to fund sustainable development, support clean energy access for low-income households, reduce greenhouse gas emissions and trigger significant investments in renewable energy. At the G20 Summit in Pittsburgh, Heads of States committed to reform fossil fuel subsidies, a significant positive step that was welcomed by WWF. In spite of this bold pledge, however, little has yet been implemented and country reports have been difficult to compare in the absence of an international benchmark and definition of what actually constitutes a 'fossil fuel subsidy'. WWF urges the G20 to further implement their commitments to reform fossil fuel subsidies, notably by:

1. **Developing action plans with clear timelines and ensure a transparent reporting on implemented actions;**
2. **Linking these reforms to the need for investing in energy savings and renewable energy with the objective of reaching 100% renewables by 2050;**
3. **Ensuring low-carbon non-nuclear energy access for all.**

## Background

### 1. Reforming fossil fuel subsidies and ensuring a transparent reporting on implemented actions

In 2009, according to the IEA, US\$ 312 billion was spent on fossil fuel *consumption* subsidies. By way of comparison, support for renewable energy amounted to US\$ 57 billion in the same year. While being more difficult to measure, global producer subsidies are estimated by IISD to be at least US\$ 100 billion annually (IISD, GSI, 2010). The growing energy consumption and increasing fossil fuel prices call for ever more subsidies, creating a financial deadlock. Building upon the decision that was taken at the G20 summit in Pittsburgh, G20 leaders now have the opportunity to put words into action to initiate the shift towards a low carbon economy.

- **The G20 should adopt a calendar including clear timelines for the implementation of fossil fuel subsidies reform.**
- **The G20 should adopt a common and comprehensive definition of fossil fuel subsidies.** The definition of fossil fuel subsidies can be based on the one provided by the WTO, adding in annex a list of all the types of measures that need to be reformed, including the prices charged to each consumer group for each energy product, as well as subsidies granted to fossil fuel consumers and producers. Government guarantees on export credit loans also need to be included in the definition as these loans are driving significant investments into coal, oil and gas infrastructures. Fossil fuel producer subsidies that encourage exploration and extraction of oil and gas in fragile ecosystems (for instance in the Arctic or in Deep Ocean Water), should be phased out as a matter of high priority.
- **The G20 should formalize a reporting function on fossil fuel subsidies reform, with a proper annual assessment of country reports.** Country reports should detail the subsidies under reform, progress towards reform and the expected outcomes. Existing reporting mechanisms, such as the UNFCCC National Communications, are recommended for this process. Country reports should be subject to an independent expert review conducted by an International Organization (eg: IEA or OECD) and could also be used for UNFCCC national communications.

### 2. Promoting investments in renewable energy, energy saving, energy efficiency

In its recent Energy Report, entitled "100% renewable energy by 2050" produced by WWF in collaboration with ECOFYS, WWF underlines that a fully renewable energy policy supply in harmony with nature is

**possible by 2050.** Energy conservation is the largest wedge to reduce carbon emissions and save money for companies and consumers. **In May 2011, all governments approved by consensus the IPCC report stating that the world can meet up to 80% of its energy supply by 2050 from renewable energy.** Clean energy investments are growing by 30% and reached US\$ 240 billion last year. This trend should be enhanced by appropriate legislation in order to reach the overwhelming majority of countries which presently are not benefitting from the clean energy growth. A recent UNEP report also showed that there would be significant co-benefits, including for **human health and agricultural yields**, adding to the strong existing rationale for a move to clean sources of energy.

There are financial opportunities for both countries that import and countries that export fossil fuels. Investing in renewable energy and energy savings can significantly **reduce the dependencies of countries that need to import fossil fuels for their economies** and **reduce their exposure to the financial risks** associated with volatile energy prices. For the countries that export fossil fuels, greening their domestic energy supplies can help them **reduce their internal demand for fossil fuels and save their expensive fossil fuel supplies for exports.**

- The G20 should reaffirm its commitment to invest in the development and use of **renewable energy sources, energy savings and energy efficiency** rather than fossil fuel or nuclear infrastructure, with the objective of reaching 100% renewable by 2050.

### 3. **Prioritizing energy access for all**

Although **80 % of fuel subsidies benefit the wealthiest 60 % of the population** (Arze del Granado et al., IMF, 2010), low-income households are disproportionately affected by subsidy reform as the subsidies they receive represent a higher percentage of their income. The reform of fossil fuel subsidies should include compensation measures for those consumers vulnerable to rising energy prices.

There are still **1.4 billion people, or 15% of the world population, that lack access to electricity**, some 85% of them in rural areas. To meet the Millennium Development Goals by 2015, 395 million people need to be provided with electricity and 1 billion with clean cooking facilities. This can help reduce both GHG emissions and other pollutants such as black carbon, which have adverse health impacts. Shown by UNEP and IEA, **completely ending global energy poverty, which affects almost 3 billion people mostly in South Asia and Sub-Saharan Africa will require less than \$US 40 billion per year between now and 2030 or only 0.06% of global GDP, while bringing significant benefits to development, health and poverty alleviation.**

The G20 should support a **strong political move towards ending energy poverty by 2030 and facilitate investments in access to renewable, affordable and reliable electricity and cooking energy. This could be a significant G20 contribution to the upcoming Rio+20 Summit in Brazil.** The Brief was prepared by the Hot

House, WWF Int. For further information, please email [hothouse@wwfint.org](mailto:hothouse@wwfint.org)

•