

The problem

Inefficient fossil fuel subsidies:

- Encourage wasteful consumption
- Distort markets
- Impede investment in clean energy sources
- Undermine efforts to deal with climate change

How

- Reducing fossil fuel subsidies while preventing adverse impact on the poorest.
- Rationalize and phase out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption.
- While providing those in need with essential energy services, including through the use of targeted cash transfers and other appropriate mechanisms.

Who and When

- Energy and Finance Ministers, based on their national circumstances, shall develop implementation strategies and timeframes
- Report back to Leaders at the next Summit.
- International financial institutions to offer support to countries in this process.
- We call on all nations to adopt policies that will phase out such subsidies worldwide.

Why so difficult

- Widely accepted Paradigm:
 - Consumer subsidy is natural if production cost is low
 - Production subsidy is natural production cost is high
- Gainers of reform is a grey mass changing over time
- The losers' are easy to identify
- Lack of good governance and relevant mechanism
- Significant part are global benefits. (10% by 2050)

Some advise

- Paradigm has to be vigorously attacked.
- Prepare for the long haul.
(Gradual implementation and readiness)
- Increase transparency.
 - Subsidies are often hidden.
 - Structure vs. level.
- Identify/prepare methods of compensation
 - Identify the losers
 - Identify the gainers
- Stay honest. Trust building is a must.

Another benefit

- Revenue collection is costly (direct and indirect taxes)
- 20% penalty applied
- Reduce subsidies coupled with reduced revenue collection is a win-win.

Increase international awareness

- Establish standardized reporting of all subsidies (OECD/IEA to create a G-20 program)
- Develop best practice guidelines
- Country reviews
- Recommendations