



Global Subsidies Initiative (GSI): *Fossil Fuel Workplan, 2009-11*

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Subsidies
Initiative

iisd International
Institute for
Sustainable
Development Institut
international du
développement
durable

Better living for all—sustainably

Global Subsidies Initiative (GSI)

- Started in 2005 – Secretariat (of 5) based in Geneva
- **Purpose:** to investigate and promote reform of subsidies that have negative economic, social or environmental impacts
- Two streams of work:
 1. overarching and multilateral issues (e.g. WTO reform)
 2. studies in specific sectors (e.g. subsidies for fossil-fuels)
- **Phase 1 (2006-08):** Emphasis on Bio-fuels
- **Phase 2 (2009-11):** Emphasis on Fossil fuels



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What worked
for Biofuels?



BIOFUELS - AT WHAT COST ?

Government support for ethanol and biodiesel in the United States

One of a series of reports addressing subsidies for biofuels in Australia, Brazil, Canada, the European Union, Switzerland and the United States.

- >100,000 downloads
- Market need was **analysis**
 - Objective
 - Joined-up
 - Focused on policy effectiveness

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Biofuels – Assumptions & Assertions

	Claim	GSI Analysis
1	Biofuel subsidies save governments money by reducing farm payments	Volumetric Payments for fuels more than compensate
2	Mandating biofuels will save motorists money by reducing fuel prices	Biofuel mandates stop switch to cheapest fuels
3	Subsidizing biofuels is a cost-effective way of reducing reliance on fossil-fuels	Costs typically \$0.50/litre. Biofuels have security issues too
4	Subsidizing biofuels is a cost-effective way to reduce GHG transport emissions	\$160-5500/tCO ₂ in GSI studies
5	The need for subsidies is temporary	If combination of high oil prices and breakthrough technology
6	Subsidies are needed to establish distn. infrastructure and fuel-use flexibility	Blends don't need new infrastructure



The Revolving Door Issue



Subsidies are crazy. We need to sort them out

Overview paper done. Politics are hard. No more money

So what should we do to encourage reform? (together)



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1. Understanding Fossil-Fuel Subsidies



Map subsidies to all points on the fossil fuel supply chains

2. Government-owned energy minerals

A) Standard process for mineral leasing. Auctions for larger sites; sole-source for many smaller sites.

High; government-owned fuel resources account for about 35% of production. Fraction could rise with oil shale production. Sites also potentially important for CO2 injection.

Moderate. Basic regulations governing access to resources on public lands are well established. Corruption or looting issues are not significant risks within the United States. However, poorly structured policy and royalty oversight has cost the Treasury billions of dollars per year.



2. Measuring and Reporting Subsidies

A MANUAL ON SUBSIDY ESTIMATION

GENERAL DEFINITIONS

Subsidies

Argentina (FTAA): A subsidy is deemed to exist if there is a financial contribution by a government or a public body of the exporting country or country of origin, such that it confers a benefit on the producer or exporter. (Decree No. 2121/94, Art. 2).

UNSD: Subsidies are current unrequited payments that government units, including non-resident government units, make to enterprises on the basis of the levels of their production activities or the quantities or values of the goods or services which they produce, sell or import. They are receivable by resident producers or importers. In the case of resident producers they may be designed to influence their levels of production, the prices at which their outputs are sold or the remuneration of the institutional units engaged in production. Subsidies are equivalent to negative taxes on production in so far as their impact on the operating surplus is in the opposite direction to that of taxes on production.

**We need data series and
agreed methodologies**



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Do we need accurate estimates?

- Subsidies to production and consumption act against the aim of reducing GHG emissions
 - Security of Supply benefits from domestic production support remain unquantified
- Possible to reform *domestic price-gap subsidies* without accurate estimates
- *Others: reform held back* by fragmentation of data, lack of transparency, lack of understanding
 - Biofuel debate has illustrated the issues



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3. Country Case Studies



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CALL FOR PROPOSALS

**Indonesia Case Study:
Subsidies to the Oil and Gas Industry**

First in the series. Focus: Producers. Canada next!



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4. Reforming Subsidies

- *FAQ #1*: Reforming subsidies a catastrophe for poorest consumers in the poorest countries
- *FAQ#2*: Reforming subsidies = street riots
- **Case Studies of Successful Reform – GSI so far**
 - ✓ **Oil by-products in Brazil, Indonesia**
 - ✓ **Kerosene in India**
 - ✓ **Coal sector in Poland**
- And draw together the “Lessons Learned”



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5. Raising Awareness about Subsidies

Subsidy Watch

Issue 33, November 2009



G-20 leaders announce fossil-fuel subsidy phase-out, though details lacking

The world's largest economies have agreed to end fossil-fuel subsidies, according to a statement made at the G-20 meeting in Pittsburgh on 25th September 2009. Leaders of the G-20 committed to phasing out the controversial subsidies 'over the medium-term,' blaming them for encouraging wasteful consumption and undermining efforts to combat climate change.

[Read more](#)

GSI also concentrating on Journalist Training. IPS link-in



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**Continuing need for education –
subsidies aren't intuitive**

6. Policy Briefs

Achieving the G-20 Call to Phase Out Subsidies to Fossil Fuels

**WHAT DO THE G-20
MEAN BY FOSSIL-FUEL
SUBSIDIES?**

.....

**HOW BIG ARE
FOSSIL-FUEL
SUBSIDIES?**

.....

**WHAT IMPACT
WOULD THE REMOVAL
OF FOSSIL-FUEL
SUBSIDIES HAVE?**

Introduction

One might expect governments would leap at any opportunity to save themselves money while also reducing carbon dioxide and other harmful emissions. Yet progress on phasing out fossil-fuel subsidies has been painfully slow. The recent announcement by the Leaders of the Group of Twenty (G-20), (who met 24-25 September, 2009 in Pittsburgh, PA) finally gives recognition to that opportunity. In their communiqué, the G-20 Leaders noted that:

“Many countries are reducing fossil fuel subsidies while preventing adverse impact on the poorest. Building on these efforts and recognizing the challenges of populations suffering from energy poverty, we commit to ... Rationalize and phase out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption.”

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Final Thoughts

- Not many organizations or individuals active
 - Core group easily identified, already in contact
- GSI budget €1 million per year
 - Donor governments, foundations
- Much to gain from co-ordination (cf G-20)
- *We must show governments that reform is politically possible and desirable*
 - *Case Studies ALWAYS helpful*



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RESOURCES

MEDIA

SUBSIDY WATCH

RESEARCH

Placing a spotlight on subsidies



The International Institute for Sustainable Development's Global Subsidies Initiative (GSI) is a project designed to put the spotlight on subsidies and the corrosive effects they can have on environmental quality, economic development and governance.

▶ [About the GSI](#)

Fossil-Fuel Subsidies

Biofuel Subsidies

Irrigation Subsidies

Investment Incentives

Trade-Related Research

Fossil-Fuel Subsidies



For decades, fossil-fuel subsidies have encouraged wasteful spending and harmful emissions. In September 2009, the G-20 agreed to phase them out. GSI research uncovers the characteristics of fossil-fuel subsidies and lessons for reform.

- ▶ [Green Economy Coalition urges G-20 Finance Ministers for fast and fair fossil-fuel subsidy phase-out](#)
- ▶ [GSI Policy Brief - Achieving the G-20 Call to Phase Out Subsidies to Fossil Fuels](#)

▶ [Fossil-Fuel Subsidies](#)

RESOURCES

- ▶ Literature databases: agriculture, energy, fisheries, transport and services

MEDIA PORTAL

- ▶ Regional media forums, Alexandria, Egypt; San Jose, Costa Rica; and Mumbai, India

SUBSIDY WATCH

News, analysis and commentary in the GSI's topical newsletter

IPS NEWS FEED

