

Factsheet: Fossil fuel subsidy reform

The case for reform

- Governments spend over \$500 billion of public resources a year to keep domestic prices for oil, gas and coal artificially low.
- Removing these subsidies frees up resources to invest in social and physical capital like education, healthcare and infrastructure.
- It also levels the playing field for renewable energy and investment in the low-carbon energy pathways that are required to keep global warming under 2°C.
- Removing fossil fuels subsidies would deliver a 10 percent reduction in global greenhouse gas emissions by 2050 (according to IEA and OECD research).
- Fossil fuel subsidy reform is the missing piece of the puzzle in the fight against climate change.

The Communiqué

- In April 2015, the Friends of Fossil Fuel Subsidy Reform - together with the United States and France – launched a Communiqué to promote the phase-out of inefficient fossil fuel subsidies.
- The Fossil Fuel Subsidy Reform Communiqué calls for accelerated efforts to phase out fossil-fuel subsidies as a major contribution to climate change mitigation
- The Communiqué promotes three principles: policy transparency, ambitious reform and targeted support for the poorest.
- The Communiqué has wide multilateral support:
 - More than 30 countries have endorsed the Communiqué, including France, Germany, Italy, Malaysia, Mexico, Morocco, the Netherlands, Samoa, the UK, the US, Uganda and Uruguay.
 - It has also been endorsed by respected international organisations including the International Energy Agency and the OECD.
 - The Communiqué is supported by business organisations working with thousands of leading global companies and investors, led by The Prince of Wales's Corporate Leaders Group.
- Complete list of supporters: <http://fffsr.org/communique/supporters/>

Opportunity costs

- The total value of fossil-fuel subsidies was almost equivalent to four times the level of development assistance provided by developed countries in 2013 (\$134 billion).
- Subsidies represent four times the value of financial support to renewable energy (\$121 billion) and more than four times the amount invested globally in improving energy efficiency (\$120 billion).
- Current fossil-fuel subsidies are over five times the value of the amount the world aims to raise for investment in low-emission and climate-resilient development pathways by 2020 (\$100 billion annual target by 2020).

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Emissions

- It is estimated that 36 percent of global carbon emissions between 1980 and 2010 were driven by subsidies to fossil fuels.
- In 2013, 15 percent of global CO2 emissions received an incentive of \$110 per tonne in the form of fossil-fuel subsidies while only 8 percent was subject to a carbon price (IEA, 2013).

Failing social policy

- Fossil fuel subsidies are failing as a social welfare policy tool. They do not benefit the poor - only 8 percent of subsidies typically reach the poorest income group.
- The IMF has found that fossil fuel subsidies disproportionately benefit the middle class and wealthy groups in society, encouraging wasteful consumption and therefore higher emission, by disguising the true cost of coal, oil and gas.

The Friends of Fossil Fuel Subsidy Reform

- The Friends of Fossil Fuel Subsidy Reform (Costa Rica, Denmark, Ethiopia, Finland, New Zealand, Norway, Sweden, and Switzerland) was set up in June 2010 by New Zealand.
- The Friends' purpose is to support the commitments of G7, G20 and APEC leaders to phase-out inefficient fossil-fuel subsidies, and to build political consensus on the importance of fossil-fuel subsidy reform within international forums, in order to accelerate action.

Infographic on fossil fuel subsidy reform and climate change

<http://fffsr.org/2015/06/paying-the-polluter/>