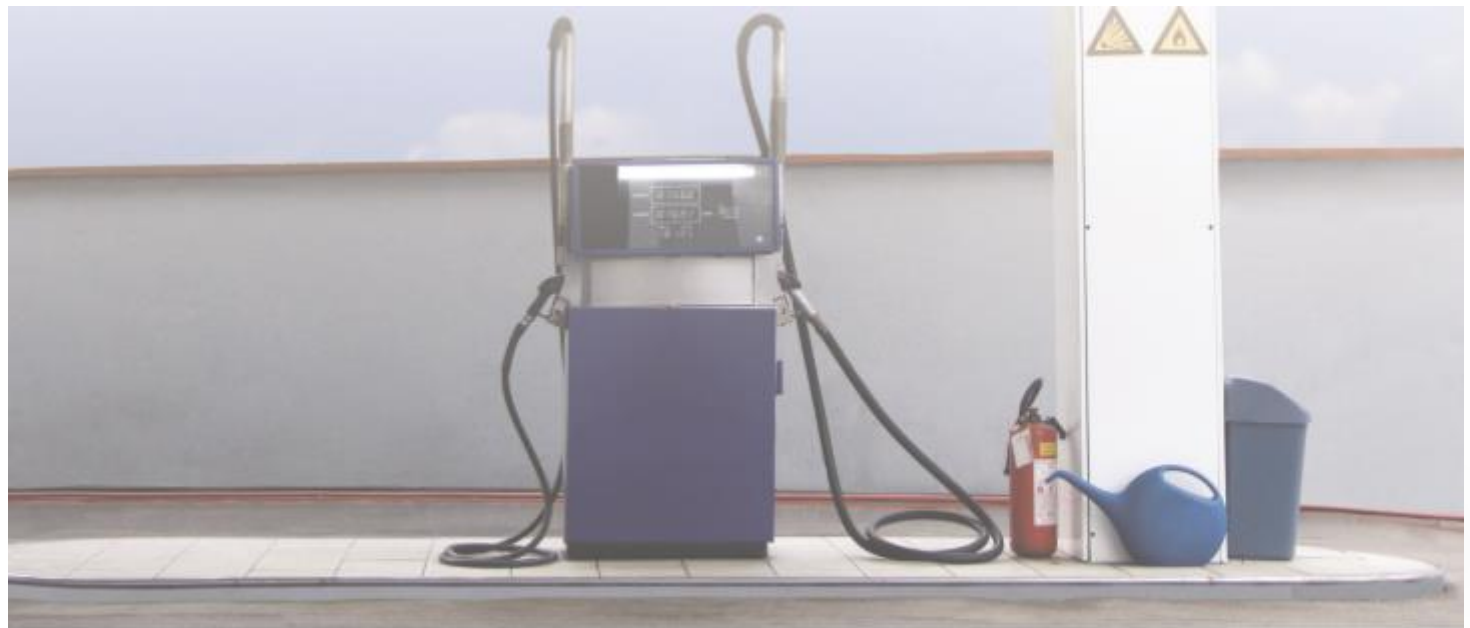


Senior Officials Meeting on
**MANAGING THE TRANSITION TO
SUSTAINABLE ENERGY PRICING**

IMF-World Bank Fall Meetings
Washington D.C.

10 October, 11:00 AM – 12:30 PM
Room MC 13-400, World Bank



GSI Global
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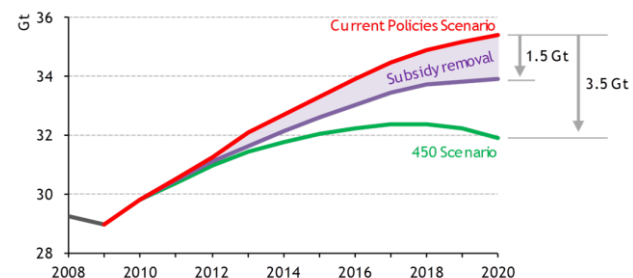
International
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Sustainable
Development
Institut
international du
développement
durable

Identifying **impacts of reform** and distilling best practice in their **management**

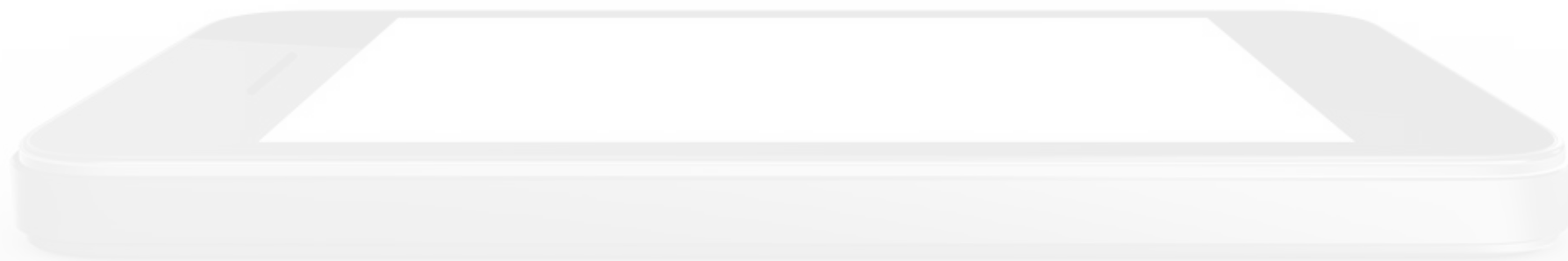
Peter Wooders, Group Director, Energy



GSI Global Subsidies Initiative



Over the next five years, many countries will attempt to reform fossil-fuel subsidies

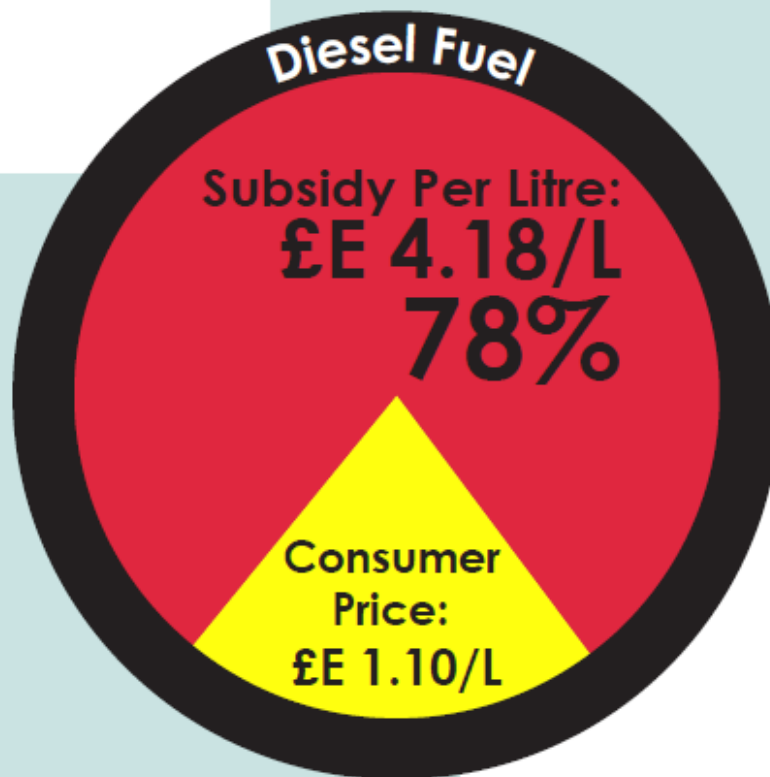


Diesel Subsidy per Litre

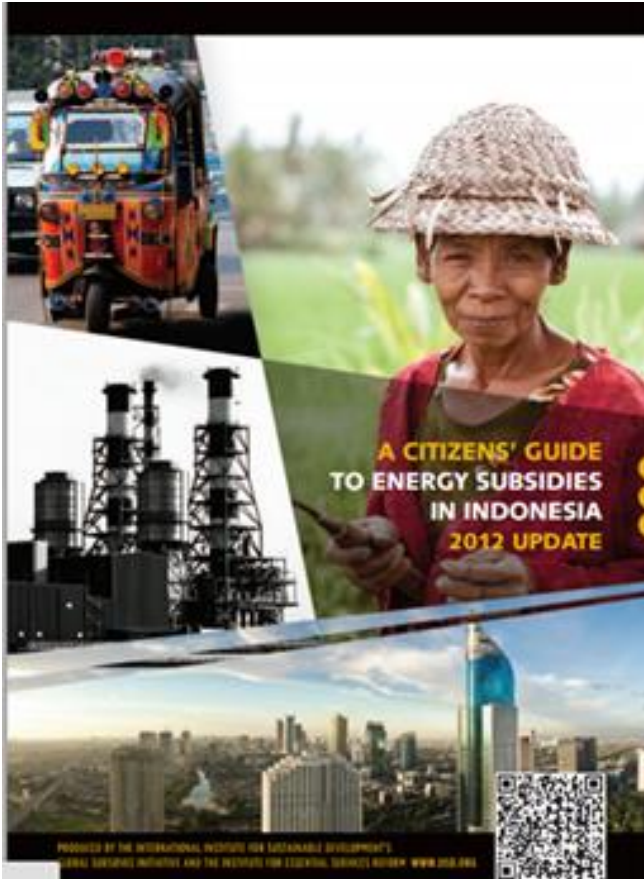
In 2013, the Government contributed £E 4.18 to reduce the price of every litre of diesel consumed by Egyptians.

Consumers only paid £E 1.10 per litre of diesel, meaning the Government paid

78%
of the total cost of diesel.



examples of GSI partnerships in Indonesia





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MANAGING THE IMPACTS OF FOSSIL FUEL SUBSIDY REFORM

A Guide for Finance Ministries

Risk Mitigation Analysis Oil Costs Energy
Fossil-Fuel Subsidies Electricity



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Role of Finance Ministries in Reform

- a. Potential leaders
- b. Co-ordinators
- c. Enhancing Transparency (*Alex Severens US Treasury*)

“Finance Ministries, alongside central banks and other institutions of macroeconomic governance, are directly responsible for the management of macroeconomic impacts of subsidy reform”

⇒ **Must lead on managing impacts**



Area	Indicator	First-order impacts
Macro-economy	GDP	Short-term shock due to higher prices
	Inflation	Increase due to higher prices
	Trade balance	Improved
Households	Income	Higher prices reduce disposable income. Greater risk due to exposure to dynamic fuel prices
	Energy access	Reduced access due to higher prices (if no compensation provided)
Business and industry	Employment	Losses in energy-intensive industries; losses due to short-term GDP shock; if demand shifts to sectors producing substitute goods, gains in those sectors
	Competitiveness	Reduced competitiveness of energy-intensive sectors (agriculture, mining, transport)

Cross-cutting issues

- Whole of government approach needed for implementation
- Distinguish between short- and long-term impacts

Key Lessons and Conclusions

- Be prepared
- Understand Tools and Best Practices



Today's Agenda and Purpose

1. **Share intelligence** to promote effective, inclusive transition to sustainable energy pricing
2. Role of Finance Ministries
3. Part of wider support for reform and reformers
 - World Bank, IMF, IEA, OECD, GSI, others
 - ESMAP launch event at GGGF, Oct. 22 2014, Copenhagen
 - “Friends of Fossil Fuel Subsidy Reform Group”
 - G-20 and APEC Commitments
 - WTO
 - UNFCCC COP20 (Lima), “*Road to Paris 2015*”



1A. Discussion questions

Questions for panelists:

Turkey – what were the analytical needs prior to undertaking reform in terms of estimating impacts in order to develop measures to counteract them? At what point can you recognise that, although there might be gaps, you have enough information to go ahead with plans?

Marianne – What is the World Bank’s role in helping to develop social protection mechanisms for countries undertaking energy subsidy reform, through ESMAP or outside of it, and how does this relate to deeper ongoing efforts in-country to develop social safety nets and the institutions of social protection?

USA – you’ve talked a lot about the need and drive for transparency in an international context and within international processes. But clearly the domestic political economy is what matters most for reform. How do you see transparency initiatives at an international level feeding back favourably into the domestic political context/calculus?



1B. Discussion questions

Questions for the floor:

- Politics and communications: One issue that has not been touched on very much is communications around energy pricing reform. In your experience, what is the role of finance ministries in communicating the rationale and need for reform, and building support in this way?
- Internal organisation: how can various stakeholder ministries best work together to achieve effective and inclusive energy pricing reforms; why is this difficult; and what organisational mechanisms, processes etc. can be used, in your experience, to encourage effective reform
- Impacts: in your experience, how useful has modelling been in predicting the impacts of energy pricing reform in your countries? In which areas do real impacts of reform and modelled impacts tend to diverge?
- In general we want to participants do discuss best practice (experts) and country experience (country delegates) in managing the impacts of energy pricing reform: where are the key difficulties, what works, what doesn't, what can we learn etc.



2. Next steps

- This event has sought to provide a space in which countries can jointly share intelligence on ways to best manage the impacts of higher energy prices order in to promote effective, inclusive transition to sustainable energy pricing. We would like these conversations to continue, in this forum and elsewhere.
- This meeting will be followed by a **Ministerial-level event for Finance Ministers** next year which will draw political attention to this issue, while again focusing on the role of leaders of Finance Ministries in promoting energy pricing reform – with particular emphasis overcoming the internal and external political barriers to reform.
- There are also other current events which are contributing to the broader discourse on energy pricing reform
 - ESMAP launch event at GGGF, October 2014, Copenhagen
 - IISD-Denmark hosted roundtable of Energy Ministers on sustainable electricity systems, 1H 2015, Mexico
- IISD and the Friends of Fossil Fuel Subsidy Reform are in the process of developing a Communique/Joint Statement intended as a platform for governments to express their support for fossil fuel subsidy reform, with an emphasis on transparency, ambition and technical and financial support.
 - When completed, governments will be invited to endorse the broad messages contained within, and to add voluntary commitments where relevant.

