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**APEC Progress on Rationalizing and Phasing Out
Inefficient Fossil Fuel Subsidies: Proposed Voluntary
Reporting Mechanism**

Purpose: Information
Submitted by: EGCFE



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APEC ENERGY WORKING GROUP

APEC Progress on Rationalizing and Phasing Out Inefficient Fossil Fuel Subsidies: Proposed Voluntary Reporting Mechanism

Introduction

APEC leaders, meeting in Yokohama in November 2010, reiterated and expanded their previous commitment on fossil fuel subsidy reform by stating they would “rationalize and phase out inefficient fossil fuel subsidies that encourage wasteful consumption, while recognizing the importance of providing those in need with essential energy services, and review[ing] progress toward this goal on a voluntary basis.”

The APEC Energy Working Group (EWG) is establishing this voluntary reporting mechanism in response to Leaders’ direction. Completion of this annual voluntary report is intended to assist APEC members in assessing and reporting inefficient fossil fuel subsidies that currently exist in their economies; to share lessons learned regarding reform of inefficient fossil fuel subsidies; and to build toward the best practices in this area.

APEC economies are asked to complete this report on an annual basis and submit the report to the EWG. The EWG will compile all submissions on an annual basis and provide a summary report to APEC Senior Officials for their consideration before the Concluding Senior Officials Meeting (CSOM) each year. APEC Senior Officials will report progress towards meeting APEC’s commitments to Leaders each year.

Principles

Each economy’s progress on rationalizing and phasing out inefficient fossil fuel subsidies will be dependent on the economy’s circumstances; the process will be economy-led and economy-owned. However, to increase the effectiveness of reporting across APEC economies, the voluntary reports are intended to consider the degree to which economies have followed these principles regarding fossil fuel subsidy reform, taking into account their national circumstances:

- ***Reduce wasteful fossil fuel consumption*** – To heighten energy security capability and reduce greenhouse gas emission.
- ***Allocate resources efficiently*** – To improve market efficiency and allow scarce resources to be channelled to uses that are more productive in the long term.
- ***Target help to those in need of essential energy services*** - To support removal of inefficient fossil fuel subsidies, targeted policies should be developed where appropriate to protect the poorest populations.

- ***Support sustainable economic growth*** – Removing inefficient fossil fuel subsidies should be done in a way that does not hamper long-term sustainable growth and development and is attentive to macro-economic impacts.

To be most effective, economies' strategies for rationalizing and phasing out inefficient fossil fuel subsidies should:

- Have clear objectives, success criteria and timeframes;
- Be appropriately sequenced in order to support an effective transition;
- Include a coherent strategy for communicating the benefits of reform;
- Plan for building and deploying technical and administrative capacity where required;
- Monitor and assess implementation in a timely and transparent manner.

In developing the strategies for rationalizing and phasing out inefficient fossil fuel subsidies, economies may find it beneficial to receive advice from relevant international institutions that have expertise in particular areas relating to subsidy reform.

Proposed Reporting Form

In view of the importance of reducing and phasing out inefficient fossil fuel subsidies, that encourage wasteful consumption while recognizing the importance of providing those in need with essential energy services, a voluntary reporting mechanism consistent with the APEC Leaders' commitment is proposed for the Energy Working Group's consideration. A draft format for such a reporting mechanism is attached, which focuses on identification and assessment of inefficient fossil fuel subsidies, plans for future subsidy reduction, and mechanisms for monitoring the effectiveness of fossil fuel subsidy reduction. The Energy Working Group is asked to consider the Voluntary Reporting Form on Inefficient Fossil Fuel Subsidies Reduction with a view towards approving a voluntary reporting mechanism that can be announced by APEC Leaders in November 2011.



**VOLUNTARY REPORTING FORM ON
REDUCING AND TARGETING
INEFFICIENT FOSSIL FUEL SUBSIDIES IN APEC**

1. What inefficient fossil fuel subsidies that encourage wasteful fossil fuel consumption does your economy currently have?
 - a. Please describe the subsidies, including the programme names, implementing government agencies, direct recipients and duration of the subsidies,
 - b. Please describe how the subsidies are paid out,
 - c. Provide an estimate of their financial value, and
 - d. Explain their policy purpose and/or justification.

2. What measures has your economy taken to specifically target inefficient fossil fuel subsidies toward providing those in need with essential energy services?
 - a. Please describe the policy rationale for each action taken, including any transitional support mechanisms, and how long they have been in place,
 - b. Describe which segments of the population receive subsidies as a result of the policy, and
 - c. How this subsidy targets essential energy services for this population.

3. What measures has your economy taken to identify and reduce inefficient fossil fuel subsidies?
 - a. Please describe the policy actions taken, including any legislation or regulatory reform, when they were taken, and timeframes,
 - b. How the inefficient subsidies were identified,
 - c. Indicate which subsidies were affected by the policy action,
 - d. How policy changes were communicated to the public and other stakeholders, and
 - e. Whether there were any lessons learned your economy would be willing to share.

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4. If your economy has undertaken reform of inefficient fossil fuel subsidies, please answer the following regarding the reform:
 - a. What was the estimated amount/size of subsidy per unit before reform?
 - b. What is the total budgetary impact of reform?
 - c. Who was eligible for subsidies before the reform?
 - d. Who was eligible for subsidies after the reform?
 - e. Describe how this reform benefits vulnerable populations or provides essential energy services to those in need.
 - f. When was the reform undertaken, and has it maintained?
5. What “lessons learned” would your economy be willing to share with APEC members regarding fossil fuel subsidy reform?
6. What are your plans for implementing the APEC Leaders' commitment in the coming year? Please describe those plans – along with estimated impacts, if possible, as per questions 3 and 4.
7. How will your economy monitor the implementation of subsidy reform; measure the effectiveness of its subsidy reduction; and monitor for undesirable secondary effects of subsidy reduction? Please describe the indicators used and lessons learned in this area.