SUBSIDY WATCH
A bi-monthly roundup of news, views and ideas on subsidies and sustainable development

GSI Global Subsidies Initiative

www.globalsubsidies.org

ISSUE 39, JULY 2010

COMMENTARY:
APEC Speaks: how Asia-Pacific economies plan to address fossil-fuel subsidy reform

The Leaders' Declaration from the Asia-Pacific Economic Cooperation's (APEC) 17th Economic Leaders' Meeting, released on 15 November 2009, included a commitment to "rationalize and phase out over the medium term fossil-fuel subsidies that encourage wasteful consumption, while recognising the importance of providing those in need with essential energy services." This closely mirrors the language of the Group of Twenty Finance Ministers and Central Bank Governors (G-20), who announced their own commitment to phase out and rationalize fossil-fuel subsidies at their Pittsburgh Summit on 25 September 2009.

Since this time, relatively little information has come out about APEC's initiative, whereas much discussion has taken place about the G-20's. Why did APEC Leaders decide to make this commitment? What are they doing to turn rhetoric into action? How long is the 'medium term'? *Subsidy Watch* had a chance to ask all these questions and more, when it spoke to Dr Phyllis Yoshida, Lead Shepherd of the APEC Energy Working Group (EWG) and Deputy Assistant Secretary of the U.S. Department of Energy.

Could you give our readers a quick introduction to APEC as an organisation?

Yoshida: Sure. The Asia-Pacific Economic Cooperation is a little bit different than the International Energy Agency (IEA) and some other international organisations. It was started in 1989 on the suggestion of the then-Prime Minister of Australia, mainly to look at economic and trade and investment issues and to identify how economies could help business within the Asia-Pacific area. Today, it's still very much focused on economic and trade-and-investment issues, as well as having a 'third leg', which is really the economic-development pole. That's where APEC's working groups like the Energy Working Group (EWG) fall. The other key difference is that it's a purely consensus-driven voluntary process – unlike, say, the World Trade Organisation (WTO) where people are bound by pledges. This doesn't mean it's less useful, as sometimes we can get further on things without the binding commitments.

Can you give me some background about APEC's decision to phase-out and rationalize fossil-fuel subsidies?

Yoshida: We know that a number of APEC economies have fossil-fuel subsidies and that a number of economies have made determined efforts to reduce them in recent years. A notable example is attempts to reduce subsidies to motor fuel in the region. But we haven't done a comprehensive survey of the subsidies and APEC has never led a systematic effort to phase them out, largely because it is a voluntary association

continued on page 2

Contact:
Christopher Beaton
IISD
International Environment House 2
9 chemin de Balexert
1219 Châtelaine
Geneva Switzerland
Phone +41 22 917-8748
Fax +41 22 917-8054
cbeaton@iisd.org

iidd Institut international du développement durable / International Institute for Sustainable Development

APEC Speaks...

continued from page 1

that leads by example. However, there are some APEC agreed-upon best practices for energy investment which indicate that subsidies are to be avoided, and those have been around for awhile. For example, there are best practices for liquified natural gas trade which state – and I'll quote – "economies should establish predictable and stable legal and fiscal frameworks that protect the sanctity of contracts and do not distort the market through subsidies, inequitable cost allocation, uneconomic tariffs or retroactive legislation."

We were very aware of the G-20 decision, and thought it was a good idea to extend that initiative through the APEC region too, which is why it appeared in the Leaders' Statement. APEC, after all, is an equally important economic group, accounting for roughly half of the world's GDP, trade and energy use. Although there's some overlap between APEC and G-20 members, there are a number of APEC members who aren't part of the G-20 and who could benefit from the same reforms.

[*Editor's note: nine of APEC's member economies are also G-20 members: Australia, Canada, the People's Republic of China, Indonesia, Japan, Mexico, Russia, the Republic of Korea and the United States. It has twelve non-G-20 member economies: Brunei, Chile, Chinese Taipei, Hong Kong, Malaysia, New Zealand, Papua New Guinea, Peru, the Philippines, Singapore, Thailand and Vietnam.*]

Given this overlap of membership, would countries who have committed to phase out their fossil-fuel subsidies be doing this primarily under the G-20 agreement, under APEC, or both?

> *"...the objective is for individual economies to rationalize and phase out fossil-fuel subsidies, and the benefits are more or less obvious in terms of energy security and addressing the challenge of global climate change."*

Yoshida: I don't think you could say it's one or the other. It becomes a goal and then you take advantage of what the different groups can offer. For example, in APEC we have a lot of experts, data and studies that the G-20 doesn't really have as a group. Different fora can contribute different pieces to help.

What are APEC's objectives in agreeing to phase-out and rationalize fossil-fuel subsidies?

Yoshida: Strictly speaking, the objective is for individual economies to rationalize and phase out fossil-fuel subsidies, and the benefits are more or less obvious in terms of energy security and addressing the challenge of global climate change. With regard to energy security, the region is a net importer of oil, even though we have some oil exporters such as Brunei and Malaysia. Subsidies for petroleum-based fuels encourage greater use of oil and thus a higher level of oil dependency, and so they affect energy security. The environment has always been an issue we've looked at in the energy context. Subsidies for fossil-fuels, such as oil for transport or coal for power production, encourage the use of fuels and so increase the region's carbon emissions. We hope that by reducing subsidies we give greater economic space to the clean-energy options we're working on, be they biofuels from second-generation feedstocks, wind power, solar power, geothermal or carbon capture and storage.

Overall, the Asia-Pacific region has been affected a little less by the financial crisis than some other parts of the world, and growth is still proceeding at a high pace, but it's also true that budgetary problems have made people more aware of subsidies. Some of the smaller countries have been spending a fairly large percentage of their GDP on fossil-fuel imports. When the international oil price was very high, the gap between the subsidized prices and the market price was certainly a problem for some governments' budgets. And again, that opens up the more general issue of economic development, and perhaps being able to use subsidy spending better elsewhere.

What process does APEC need to go through in order to take its members' agreement to implementation?

Yoshida: The first thing for a major issue like this is to have the members' leaders agree and come to consensus on a position, which happened last November.

In the Energy Working Group, we also take direction from our Energy Ministers, so the declaration that was released from the meeting which just happened in Fukui, Japan, restated the APEC leaders' statement on subsidies to reinforce it. The meeting also proposed an analytic study on the phasing out of fossil-fuel subsidies, specifically considering how APEC economies can reduce waste and

continued on page 3

APEC Speaks...

continued from page 2

limit CO_2 emissions, while protecting the poorest. There's a process that we're going through now in order to have the study endorsed by the senior officials of APEC and by the Energy Working Group, as well as finding people to fund it. The United States is going to take the lead and at least another two economies will need to co-sponsor the project. Some of the smaller economies may give their endorsement to make it clear that they support the direction we're taking and the issue more generally.

To illustrate what might happen next, I'll give you an example from energy efficiency, another big area that we started work in a few years ago. We conducted several projects, and then ran a number of workshops, where people could learn how energy efficiency options could apply to their own economies. Most recently, we've started doing what are called 'peer reviews'. We send a team of experts into a country, and look at their whole energy-efficiency situation and provide recommendations. We have the ability to put together teams at the technical level to go out and provide advice, be it through workshops, looking at places where energy-efficiency measures work already, or providing analytical and modelling tools. We've completed about five so far, with another three or four ready to go. So that's similar to part of what we're trying to ramp up in the area of subsidies.

And once you've provided the information and the tools, it's up to the member economies to decide what they do next?

Yoshida: Yes. It's a voluntary process, where economies lead by the best example. That said, we do also track what's happening and officials provide updates for everyone on what they're doing in their own economies. It's not like we just throw it out and never look at it again! And again, a lot of what's really good about APEC is that we have networks that extend down into industry and down into the ministries, so it's not just the ministers we communicate with, but the people who have actually been tasked to do these types of things. We find it's extremely useful for them to talk to each other about what works, what didn't, what their concerns are and how they can be addressed. We have an institutional process in APEC to do just that, which doesn't exist in some other multilateral fora.

What are the most significant challenges that are likely to be experienced by APEC economies?

Yoshida: I'm sure the same challenges that representatives from the G-20 have been discussing! Within APEC, one major issue would certainly be energy access for low-income households. That's extremely important, particularly for those that are still considered developing economies, where incomes are lower, and where there are significant challenges to simply extending electricity to everybody at the same time as maintaining growth. We feel the answer is to have programs that are specifically directed at expanding energy access and helping the poor pay their bills, rather than subsidies for everybody regardless of income. That's probably one of the biggest challenges. And of course, if economies do it right they can take the subsidy spending and redirect the money more efficiently towards helping the poor. That's a point that I think a lot of the people within the economies who aren't experts on energy recognise: that in the longer term it can save you money, and help you become competitive. Wouldn't you rather have a policy that also helps your competitiveness?

What kind of support do APEC economies need to create a welfare net, or otherwise allocate funds more efficiently than subsidies?

Yoshida: We would encourage economies to look for capacity-building aid from institutions like the Asia Development Bank, USAID or the World Bank. They can also learn from each other.

So – a tricky question now – like the G-20, APEC countries have agreed to phase out and rationalize fossil-fuel subsidies in the medium term. How long is the medium term?

Yoshida: We know that some countries will take longer than others and fossil-fuel subsidies won't disappear overnight. We know they will expect progress reports from us. Our job – that is, the job of the Energy Working Group – is to share information on the tools that economies need to move forward. The analytic study that we're doing will probably take about a year to 18 months to complete, though in the meantime we'll still be having expert discussions on it as well as working group meetings twice a year, where the subsidies commitment will be put on the agenda to discuss.

What is the major difference between APEC's agreement to phase out fossil-fuel subsidies and the G-20's?

Yoshida: APEC includes some G-20 economies, but extends that geographical reach. We also have more developing economies than the

continued on page 14

ANALYSIS:

G-20 Summit sees little mention of pledge to reform fossil-fuel subsidies

by Fernando Cabrera, Freelance Writer

The G-20 Toronto Summit, hosted on 26-27 June by Canadian Prime Minister Stephen Harper, concluded without any new commitments to take forward the pledge made last year to reform fossil-fuel subsidies, despite pre-summit hopes that Canada might show leadership by unilaterally eliminating some of its own.

As reported previously by *Subsidy Watch* in September 2009, the Pittsburg Summit concluded with G-20 leaders committing to "[r]ationalize and phase out over the medium term inefficient fossil-fuel subsidies that encourage wasteful consumption."

To take the commitment forward, a group of four inter-governmental organisations, consisting of the International Energy Agency (IEA), the Organisation of Petroleum Exporting Countries (OPEC), the Organisation for Economic Cooperation and Development (OECD), and the World Bank, were asked to prepare a report on fossil-fuel subsidies for a meeting of G-20 Energy Ministers in March 2010. At the country-level, Finance and Energy Ministers were tasked with preparing strategies and timeframes for reform in time for this year's Toronto Summit.

Little was reported on the process until 26 May, when news service Canwest revealed debate over the issue within the Canadian government in a leaked memorandum that urged the government to end tax incentives to oil companies, signed by the Deputy Finance Minister Michael Horgan.

"These measures [subsidies] were historically premised on factors such as exploration risk, spillover benefits of exploration to third parties (similar to R&D) large capital requirements, price volatility, and a desire to be competitive," explained the memo, dated 18 March 2010. It went on to reflect, "Today, however, it is not clear that these factors are unique to the sector or merit preferential treatment."

The memo acknowledged that rationalizing such subsidies would improve sectoral neutrality in Canada's tax system and help reduce the budget deficit, as well as reducing greenhouse-gas emissions. Despite questioning on the issue, Prime Minister Harper did not disclose the government's position.

> *"Three weeks prior to the Toronto Summit, the IEA announced the preliminary results of a study which found that more than US$ 550 billion was spent in 2008 on subsidies to oil, natural gas and coal by 37 of the world's developing and emerging economies, and that their removal would result in significant energy savings."*

Three weeks prior to the Toronto Summit, the IEA announced the preliminary results of a study which found that more than US$ 550 billion was spent in 2008 on subsidies to oil, natural gas and coal by 37 of the world's developing and emerging economies, and that their removal would result in significant energy savings. This was followed by an OECD statement on 9 June which stated that "fossil-fuel subsidies could cut global greenhouse gas emissions by 10% from the levels they would otherwise reach in 2050."

Just one day before the Summit, the Indian government announced reductions to its fuel subsidies, ending subsidies to gasoline entirely and slightly reducing support for diesel, kerosene and natural gas, at estimated savings for the government and state-owned oil companies of US$ 5.2 billion.

Yet the G-20 Toronto Summit came and went without any pronouncement on the issue from the Harper government and little mention of fossil-fuel subsidies in the G-20 Toronto Summit Declaration, with discussions being largely focused on the spiraling national debt caused by massive economic stimulus packages, and the majority of media reporting on the disruption caused by protestors. The Declaration included just one paragraph on last year's agreement, which states:

"We note with appreciation the report on energy subsidies from the International Energy Agency (IEA), Organization of the Petroleum Exporting Countries (OPEC), OECD and World Bank. We welcome the work of Finance and Energy Ministers in delivering implementation strategies and timeframes, based on national circumstances, for the rationalization and phase out over the medium term of inefficient fossil-fuel subsidies that encourage wasteful consumption, taking into account vulnerable groups and their development needs. We also encourage continued and full implementation of country-specific strategies and will continue to review progress towards this commitment at upcoming summits."

continued on page 7

COMMENTARY:

Bolivia's energy-sector intervention is a missed opportunity for economic development

by Professor Raymond Saner, the Centre for Socio Eco-Nomic Development (CSEND)

On 1 May 2010, Bolivian President Evo Morales announced the nationalization of four power companies as part of a ceremony to mark International Workers' Day. According to the *Latin American Herald Tribune*, this brought 80% of the country's electricity generation under the control of state-owned power company ENDE.

This follows Bolivia's nationalization of the oil and gas sector under state oil company Yacimientos Petroliferos Fiscales Bolivianos (YPFB), a process that began in May 2006 and was completed in July 2009.

The government said that the latest move would secure labour stability and reduce the cost of electricity by 20%, with the ultimate goal being to nationalize the entire sector. Although it is not clear how these cost reductions will be achieved, Bolivia already has a long history of providing energy subsidies as a way to curry favour among the general population and the private sector.

According to a review of Bolivia's energy sector conducted last year by the Centre for Socio Eco-Nomic Development (CSEND), the most significant subsidies are centred on the country's hydrocarbon resources. The research concluded that subsidies are an inefficient way for Bolivians to benefit from the profits of hydrocarbon exploitation.

The IMF have shown that subsidies on imported fuels alone are roughly equal to the revenue raised by the country's excise tax on fuel consumption, around 2% of GDP in 2009.

A similar conclusion was reached by a 2005 IMF study, which found that 4.3% of Bolivia's GDP was spent on fuel subsidies in 2004 (gasoline, diesel and liquified petroleum gas), of which only 2.6% was reflected in the national budget. Of this spending, only 15.3% of the subsidy was found to reach the poorest 40% of the population, with the rest leaking to higher-income households.

> *"According to a review of Bolivia's energy sector conducted last year by the Centre for Socio Eco-Nomic Development (CSEND)… subsidies are an inefficient way for Bolivians to benefit from the profits of hydrocarbon exploitation."*

News reports also note that much of the money spent on fuel subsidies has been redirected into smuggling, as in the last five years gasoline and diesel prices have been up to two times more expensive in neighbouring countries such as Prazil, Peru and Chile. Over and above the economic waste involved in taxpayer money being used to fund foreign consumption, this resulted in diesel shortages that were particularly harmful in some agricultural communities during seeding and harvest time.

For all these reasons, the allure of subsidies could represent a significant missed opportunity for Bolivia, given that it has the second largest endowment of hydrocarbon resources in South America, with 2005 estimates of 1,111 million barrels of crude oil and 48.7 trillion cubic feet of natural gas. Due to high prices in 2008, 50% of the country's exports consisted of gas sales to Brazil and Argentina, although it imports diesel and last year had to import gasoline. Subsidies to fossil-fuel resources can also have an impact on prices in the electricity sector, given that 42% of the country's electricity supply is generated by gas and 14% by oil.

CSEND recommends that a more efficient option would be to sell the country's energy resources to the highest-paying consumer, whether domestic or foreign, and then convert the fiscal income into financial assets, such as microcredits or business loans with 'soft' conditions for being paid back, in order to diversify the economy and increase long-term employment. It also suggests that Bolivia follow Norway in the creation of a state fund designed to manage hydrocarbon wealth, with the aim of protecting the economy from fluctuations in international oil and gas prices and ensuring that profits are well-managed for the benefit for future generations.

It is doubtful, however, that such strategies will find a champion in Bolivia for the forseeable future, given Morales' current ideology-bound approach to the country's development and Bolivia's negative past experiences with privatization of the petroleum sector. During the leadership of previous presidents, such as Sanchez de Lozada or Hugo Banzer Suárez, foreign companies were seen to have received resource access at rates highly disadvantageous to the country, and some were involved in serious disputes over damage to the environment and indigenous communities.

continued on page 6

Bolivia's energy-sector intervention...

continued from page 5

This situation, where a lack of administrative infrastructure to effectively target social-welfare payments leads to indiscriminate energy subsidies, is not uncommon in developing countries, despite the large amount of spending that tends to be captured by wealthier consumers. It is for this reason that, contrary to popular belief, the majority of fossil-fuel consumer subsidies are to be found in developing and not developed countries: the latest IEA figures estimate that 37 large developing and emerging economies spent US$ 557 billion on energy subsidies in 2008, the majority of which were spent on fossil-fuels.

Raymond Saner is a Professor in Organizational and International Management at the University of Basel, Switzerland and Sciences Po, Paris. He has over 20 years of experience in designing and managing institutional development and capacity-building projects in the public sector throughout the world, having been a consultant to European and Asian governments, multinational companies and international organisations, including the United Nations Development Programme, the World Trade Organisation and the European Bank for Reconstruction and Development. He is also the Director of the Centre for Socio Eco-Nomic Development (CSEND).

CSEND's review of Bolivia's energy sector, part of its trilogy *Profiling an Outward Orientated Strategy in Trade, Energy and Environment for Bolivia*, can be downloaded from its website: http://208.83.26.110/diplomacy/files/file/20100625-Bolivia%20Trade%20Energy%20Environment%202009.pdf

ANALYSIS:
BP oil spill dirties reputation of U.S. support for fossil-fuel industry

Since the 20 April explosion on British Petroleum's (BP) Deepwater Horizon oil rig, hundreds of millions of barrels of oil have spilled into the Gulf of Mexico. As commentators have begun to point the finger of blame, attention has turned to the role played by two types of policies — without which, some argue, the ultra-deepwater oil rig would not have been operating in the first place.

According to Bob Gramling, Professor of Sociology at the University of Louisiana at Lafayette, and Bill Freudenburg, The Dehlsen Professor of Environmental Studies at the University of California, Santa Barbara, the first of these is the system of "area-wide" leasing that was instituted in the early 1980s by James Watt, Secretary of the Interior under President Ronald Reagan.

Traditionally, the right to explore an area for oil was organised by dividing land into blocks and selling leases for small groups of individual blocks at a time. Under the new system, all the blocks in a given area were offered as one lease – for example, selling rights to explore the entire central Gulf of Mexico in one go. The record area-size that had previously been offered was 2.87 million acres, but the first area-wide lease was thirteen times this big.

> *"…a clerical error by the Department of the Interior under the Clinton administration resulted in the drafting of approximately 1000 leases in 1998 and 1999 that omitted the US$ 34 per barrel price threshold. Oil companies won a lawsuit in 2009 confirming that they were entitled to the royalty payment relief regardless of the price of oil."*

Subsidy Watch spoke to Dr. Gramling, who explained that only the largest oil companies can afford to conduct seismic surveys of such large areas, meaning that only they know the value of what they are bidding on. This greatly reduces the number of bids and, by extension, the average price of acreage. Moreover, not even the Department of the Interior has information on the viability of these leases and is therefore 'selling blind', allowing big oil companies to bid low. "In other words, area-wide leasing is a process that turns public lands into private ownership for very large oil companies," said Dr. Gramling.

Research conducted by Gramlin and Freudenburg shows that "per-acre lease rates plunged from an average of US$ 2,224.71 for all federal leases identified as being sold from 1954 through 1982 to an average of US$ 263.33 for the leases sold since Watt's area-wide leasing went into effect." They describe the area-wide leasing system as being, in effect, "a huge subsidy for major oil companies."

continued on page 7

BP oil spill dirties reputation...

continued from page 6

The second subsidy was created in 1995, when the U.S. Congress passed the Deep Water Royalty Relief Act, intended to provide relief to deepwater exploration due to its greater costs, risks and difficulties. Under the Act, offshore wells that were over 200 meters underwater, and leased between 1996 and 2000, were to pay reduced royalties if oil prices were below US$ 34 per barrel. The size of the reduction was to be proportional to the depth of the water.

Dr. Gramling criticized this approach, saying "If it is not economically feasible to produce these deepwater wells then the oil should stay in the ground until they become economically feasible and we don't have to subsidize them."

In a further twist, a clerical error by the Department of the Interior under the Clinton administration resulted in the drafting of approximately 1000 leases in 1998 and 1999 that omitted the US$ 34 per barrel price threshold. Oil companies won a lawsuit in 2009 confirming that they were entitled to the royalty payment relief regardless of the price of oil.

According to the Chicago Tribune, "the Government Accountability Office estimates that the deepwater waiver program could cost the Treasury US$ 55 billion or more in lost revenue over the life of the leases, depending on the price of oil and gas and the performances of the wells."

After the Act expired in 2001, then-Interior Secretary Gale A. Norton granted offshore producers further relief from royalty payments. Operations being conducted under leases issued before 1996 and after 2000 for all areas in the Gulf lying west of the Florida-Alabama boundary were made eligible to apply for discretionary royalty relief that would be granted where it was deemed necessary for further development of the lease.

In 2005, President Bush signed the Energy Policy Act, which contained new tax breaks for oil and gas drillers and a modest expansion of policies that allow companies to pay reduced royalties. In the Act, operations conducted under certain existing leases located in the Western and Central Gulf of Mexico at depths greater than 400 meters, as well as new leases issued within the first 5 years of the Act's passing, were made eligible for new royalty relief.

The area over which the Deepwater Horizon oil rig exploded had been leased from the Department of the Interior in March 2008, and BP would have benefited from the area-wide leasing system. It is currently unknown if its operations enjoyed additional support from any other policies.

G-20 Summit sees little mention of pledge...

continued from page 4

Critics have accused the Declaration of doing little to pursue the issue, with no more measurable, practical commitments having been agreed for the Seoul Summit in the Republic of Korea at the end this year. "The greenest thing about the G-20 is its ability to reuse and recycle earlier commitments," said Kim Carstensen, of the WWF Global Climate Initiative. "This summit could have been the beginning of real action towards a clean, efficient and resilient economy but all we got is some nice words about green economy [sic] and a recycled statement on fossil-fuel subsidies."

According to a report from Canwest, however, sources familiar with the negotiations have stated that the Declaration is in fact stronger than an earlier version which was leaked before the Summit. This called for "voluntary, member-specific approaches" to removing the subsidies, and omitted the statement that the G-20 would "continue to review progress towards this commitment at upcoming summits." This stronger language is said to have been added upon the insistence of the United States.

It is also true that the G-20 commitment has made a significant impact more generally, giving the issue of fossil-fuel subsidy reform much-needed momentum. It spurred APEC to make a similar declaration in November last year, and led New Zealand to found the group Friends of Fossil-Fuel Subsidy Reform at the start of June.

The report on energy subsidies prepared by the IEA, OPEC, the OECD and the World Bank has recently been made public and is available on the OECD website. The implementation strategies and timeframes submitted by Finance and Energy Ministers have still not been made public.

Fernando Cabrera Diaz is a graduate of the University of Western Ontario's law school, where his studies concentrated on international law. He also spent a semester on exchange at ESADE University in Barcelona where he focused on international trade law. After law school, Fernando worked in the field of immigration and refugee law for a law firm in Toronto, Ontario. His freelance writing focuses on investment, trade and development, as well as subsidies.

NEWS:

Fossil-fuel subsidies round-up: May and June 2010

Following announcements that fossil-fuel subsidies will be phased out, from the G-20, APEC and a number of independent countries, including Iran, Nigeria and Bahrain, Subsidy Watch *has decided each month to highlight important news stories that touch on this theme …*

4 May According to Bangladeshi news website bd EnergY LinK, in the past year Bangladesh's government has approved the installation of 15 fuel-oil power plants, which will either result in electricity price rises or a subsidy of 5,000 crore taka [US$ 0.72 billion] a year. Government officials stated that tenders had not been used in contracting the work because new generating capacity was urgently needed.

11 May News website livemint.com reports that India has submitted a detailed plan to the G-20 about how it will phase out its inefficient energy subsidies, to be discussed when Prime Minister Manmohan Singh meets with other G-20 leaders at the Toronto Summit on 26–27 June.

13 May Iranian President Mahmoud Ahmadinejad announces that his government will begin implementation of subsidy reform on 23 September, the beginning of the second half of the Iranian year, reports *Bloomberg Business Week*. According to the *Tehran Times*, the administration is currently compiling information that will help them set up a social assistance system. In the place of subsidies, bank accounts will be opened for families deemed eligible to receive support and money will be transferred to them directly. President Ahmadinjad stated that the first payments will be deposited into these family accounts two months prior to the implementation of subsidy cuts. A few days later, *Bloomberg Business Week* reports that Iranian Deputy Central Bank Governor Hossein Ghazavi says that reform will strengthen the Iranian economy in the face of tougher U.S. sanctions.

13 May Writing for the Center for American Progress, Sima J. Gandhi publishes two articles about oil company subsidies, the first summarizing the nine different tax expenditures that United States President Barack Obama has proposed to eliminate in his 2011 budget, and the second analysing the effective subsidies available to oil company BP in the clean-up of the Gulf Coast oil disaster, due to caps on its liability to pay damages.

13 May An economic consultant has called for the reinstatement of fuel subsidies in Zambia, reports online newspaper *The Post Online*. Professor Oliver Saasa argues that subsidies are needed in order for Zambia to achieve its growth targets and that some control is justifiable given that, "in my view [the recent 13% price increase] is not purely market driven".

14 May According to news website Downstream Today, hosting an article from Dow Jones Newswire, China has struck a US$ 23 billion deal to build three refineries in Nigeria. The article notes that this is an important deal for Nigeria, as U.S. and European investors have refused to build refineries in the past because the country's high fuel subsidies offer businesses little or no room for profit. A senior Nigerian official has said that this will "help put China 'in the running'" for increased access to Nigerian oil supplies.

19 May According to Indian newspaper *The Financial Express*, the Indian government is considering giving PSUs – 'public sector undertakings', a term used to refer to majority government-owned companies – the right to sell petrol and diesel at market prices in order to achieve its fiscal deficit target of 5.5% GDP for fiscal year 2010/11. The article states that the recent drop in oil prices to US$ 70 a barrel as a result of the Eurozone crisis is seen to be a good opportunity to reform price subsidies. It does not state when or how a decision will be made. It does confirm, however, that Finance Minister Pranab Mukherjee has committed that future petroleum subsidies will not be paid for in government bonds, making them easier to track as an item of annual expenditure.

22 May Subsidy reform is one of four major strategic objectives in Pakistan's proposed federal budget for 2010-2011, reports newspaper *Dawn*. The article states that 60 billion Pakistan rupees (US$ 0.7 billion) previously funding an electricity tariff differential will be withdrawn. Next year, the only remaining energy subsidies are to be arrears on differential petroleum prices and electricity tariffs for Pakistan's Federally Administered Tribal Areas (FATA). A day later, the *Daily Times* reports that government representatives admit the continuing "war on terror" and power subsidies may increase the country's budget deficit over the benchmark agreed with the IMF, in the emergency bailout package reported on in the last issue of *Subsidy Watch*.

23 May Rumours circulate that the Malaysian government intends to remove subsidies to sugar and petrol, although they are denied by Domestic Trade, Cooperatives and Consumerism Minister Datuk Seri Ismail, according to newspaper *The Star*. It observes that 24.5 billion ringgit (US$ 7.4 billion) was spent on subsidies in 2009, representing 15.3% of total spending, and of which

continued on page 9

Fossil-fuel subsidies round-up: May and June 2010...

continued from page 8

5.6 billion ringgit (US$ 1.7 billion) was due to fuel subsidies. Reuters news agency reports a day later that subsidy cuts are to be discussed in an upcoming Cabinet meeting, and likely to be implemented gradually over a period of five years. The government think tank which recommended the cuts originally envisaged them taking place every six months, starting on 1 June, though this is now so soon that it is no longer thought to be feasible. On the same day, *The Star* announces that the government intends to hold an "open day" on 27 May in order to "get feedback" on removing subsidies. It is not clear who will be able to attend the open day, nor how their feedback will be taken into account.

24 May As part of its national Energy Day, the Brunei government holds a "no-subsidy day", in which all petrol stations are to charge commercial prices for gasoline and diesel products sold to motorists, reports *The Brunei Times*. The objective of the day is said to be to "raise awareness", but conflicting messages seem to emerge as to its purpose. Government Energy Division spokesperson Pg Hj Harun emphasizes that price reform is not being considered and that the day should make people "thankful to the government because out of 366 days in a year, during 365 of them the public enjoys [a] subsidised price". He also notes, however, that the day will help people "appreciate" what it will mean if subsidies are removed in the "distant" future.

According to news website BruDirect.com, the day before the price rise petrol filling stations experienced a heavy influx of customers stocking up on fuel, with some stations extending their opening hours to cater to the high demand. Following the event, the site recorded mixed opinions from the general public. Among those who found it positive, one suggested that the hike should have lasted longer than a day, and others saw it as an important reminder that low-cost fuel would not be available forever. Others saw it as a good way to promote energy conservation. In a separate article, BruDirect.com reported that the government is considering a similar and extended price hike at the same time next year, and has confirmed that the purpose of the stunt was to make sure, "it doesn't come as a shock when, eventually, the subsidy is removed". State broadcaster Radio Televisyen Brunei has reported total government subsidies in 2009 to have been worth US$ 153 million.

25 May In the wake of the BP Deepwater Horizon underwater oil disaster off the Gulf of Mexico, *Los Angeles Times* journalists Kim Geiger and Tom Hamburger ask why the United States oil industry has received billions of dollars in tax and royalty relief to encourage offshore drilling, among a range of other subsidies throughout their history. According to the article, a 2008 General Accounting Office report concluded that out of 104 jurisdictions around the world, only 11 receive a smaller cut of oil profits than the U.S. government, and many of the subsidies originally granted when oil prices were low, around US$ 18 a barrel, continue despite current prices of US$ 70 a barrel. The Center for Responsive Politics states that in 2009, the oil and gas industry spent US$ 174.7 million and registered 788 lobbyists to influence lawmakers and regulators.

26 May *The Vancouver Sun*, among a number of Canadian newspapers, picks up a Canwest News Service article about a leaked secret memorandum, sent to Canada's federal Finance Minister Jim Flaherty by senior bureaucrats in his department, urging him to deliver on the country's commitment to phase out fossil-fuel subsidies. The memo, available for download from the Pembina Institute, explains why the fossil-fuel sector may not merit preferential treatment, as well as laying out two choices for the Minister: "lead by example", by phasing out tax breaks to producers of oil, gas and coal, or "seek to minimize commitment", by arguing for a definition of the G-20's pledge that would not include Canada's subsidies to fossil-fuel producers.

26 May According to Middle East division of Yahoo!, Yahoo! Maktoob, Yemeni Finance Minister Nouman al-Suhaibi has made a public statement that subsidies are the biggest danger to Yemen's economy, representing a waste of government revenues that do little to benefit the poor. The article reports that Yemen is in the process of cutting subsidies gradually, with two fuel price rises having taken place already in 2010. Unlike fuel price increases in 2005, which incited riots in which 22 people were killed, these recent hikes have taken place without incident. Yemen has allocated a budget of US$ 10 billion for 2010, and it is thought that this year's budget deficit will be around US$ 2.5 billion. Economic growth in 2011 is predicted to fall from 7% to 5% due to falling oil production.

28 May According to International Institute for Sustainable Development (IISD) website Climate-L.org, the OECD has underlined the need to reform environmentally harmful subsidies at its Ministerial Council Meeting, which focused on, among other things, green growth. It emphasized in particular the importance of the OECD's work

continued on page 10

Fossil-fuel subsidies round-up: May and June 2010...

continued from page 9

on phasing out fossil-fuel subsidies in the medium term. Minutes from the Ministerial are available from the OECD's website.

28 May The *Malay Mail* reports that a "subsidy rationalisation framework" for Malaysia has been unveiled at the Subsidy Lab Open Day at the Kuala Lumpur Convention Centre. The plan, summarized in full by the *Mail*, and prepared by a government body called the Performance Management and Delivery Unit (Pemandu), includes increasing fuel prices by 10 sen (US$ 0.03) every six months for the next five years. Senator Idris Jala, launching the framework, announced that if Malaysia's budget deficit were to increase by 12% every year, fuelled by subsidies, the country could go bankrupt by 2019. He argued that subsidies could be reformed progressively for fuel, electricity, sugar, flour, cooking oil and public health services, with compensatory policies being planned for low-income groups. In an article the following day, the *Mail* adds that 66% of the 200,000 people who participated in an SMS poll on subsidies were in agreement that they should be reduced, with 66% preferring it to happen over three to five years. According to *The Star* Online, Jala warned, "We don't want to be another Greece." Jala's opening presentation can be downloaded from the government's Transformation Programme website.

31 May Chairman of Crescent Petroleum, Hamid D. Jaffar, observes that subsidies to natural gas in the Middle East are causing problems for gas companies because of the extra demand they create, reports news website Zawya. Saudi Arabia is said to sell its gas reserves at US$ 0.75 per million British Thermal Units (MMBTU), compared to US$ 4.01 per MMBTU on international markets. The article also notes that Iran and Qatar, with two of the largest reserves of natural gas in the world, have suffered shortages due to the low price charged for the gas.

31 May China announces a 24.9% increase in natural gas prices and announces plans to abolish its two-tiered pricing system for industrial and household consumers, reports Reuters news agency. The stated reason for the price rise was that natural gas is a cleaner burning fuel and its supply should therefore be encouraged. The National Development and Reform Commission (NDRC) also noted that China "is short of gas resources" and that it was necessary to ration gas last winter. Zhang Xinfa, an analyst at Galaxy Securities, stated that, "China's oil price is now basically linked to international markets." At the same time as announcing gas price increases, the NDRC also announced that pump prices for gasoline and diesel would be cut by 4%.

3 June According to Istockanalyst and a number of other online news websites, the *21st Century Business Herald* reports that an un-named offical with China's Ministry of Land and Resources has leaked information about a possible future subsidy for domestic shale-gas production. The source claimed that the Ministry of Land and Resources, the Ministry of Commerce and the National Energy Administration were in agreement over the scheme, though it still needed approval from the Ministry of Finance.

3 June The *Times of India* reports that, according to government documents, India is expected to express disatisfaction with the G-20's commitment to phase out fossil-fuel subsidies at a meeting of G-20 Finance Ministers in Busan, South Korea, on 4 June. The article says that India plans to note that the G-20 initiative does not take into account subsidies to alternative energy sources that could be damaging to the environment, and that the focus on consumer subsidies to the exclusion of producer subsidies should be questioned. The government documents are also said to have expressed concern over a number of assumptions in the report, including the use of the "price-gap approach" to estimate subsidy levels in different countries.

3 June New Zealand announces the formation of a group of countries who intend to support and pressure the G-20 to follow through on their commitment to rationalize and phase out their fossil-fuel subsidies, the Friends of Fossil-Fuel Subsidy Reform. Sweden is another confirmed member, and other developed and developing country members are to be announced in the future. The statement was made by New Zealand's Deputy Commissioner to Australia, Vangelis Vitalis, at the launch of the Global Subsidies Initiative's (GSI) series of fossil-fuel subsidy reports Untold Billions, and can be viewed on the GSI website.

4 June The German Environment Agency announces that US$ 59 billion – almost a fifth of the country's budget – is spent annually on subsidies that damage the environment, according to the *San Francisco Chronicle*. Half of this is said to support carbon-based fuels such as oil and coal for electricity generation or for running industrial machinery. Germany is one of the G-20 nations that have committed to rationalize and phase out its fossil-fuel subsidies.

5 June The G-20 releases a statement, following the meeting of its Finance

continued on page 11

Fossil-fuel subsidies round-up: May and June 2010...

continued from page 10

Ministers and Central Bank Governers in Busan, South Korea on 4 June, noting, "We welcome the strategies and timetables provided by many G-20 members for rationalizing and phasing out inefficient fossil-fuel subsidies that encourage wasteful consumption. We are discussing the final report by the IEA, OPEC, OECD and World Bank on the analysis of the scope of energy subsidies and suggestions for the implementation of the Pittsburgh commitment."

6 June Pakistan allocates Rs 126.7 billion (US$ 1.5 billion) to subsidies in its 2010/11 budget, announces the *Daily Times*. Although this is 6% above the amount allocated in the previous fiscal year, actual subsidy spending in 2009/10 was substantially higher than planned, at Rs 229.0 billion (US$ 2.7 billion) or 1.5% of GDP. The commodities and institutions being subsidized include the Karachi Electric Supply Company, wheat, sugar and the Utility Stores Corporation.

6 June According to *The Financial Times*, a new study by the International Energy Agency (IEA) estimates that 37 large developing countries spent US$ 557 billion on oil, natural gas and coal subsidies in 2008. Fatih Birol, Chief Economist at the IEA in Paris, states: "I see fossil-fuel subsidies as the appendicitis of the global energy system which needs to be removed for a healthy, sustainable development future." Three days later, the OECD also releases a statement on fossil-fuel subsidies, emphasizing that their removal could lower greenhouse gases by 10%. The OECD adds that subsidies in developed countries are difficult to estimate but may be as high as US$ 100 billion a year.

7 June *The Jakarta Globe* reports that Indonesia's consumption of subsidized fuel is forecast to increase this year, from 40.1 million kiloliters to 42.5 million kiloliters. Although the government has committed to eliminating all fuel subsidies by 2014, it announced earlier in the month that fuel subsidies would not be reduced in 2010. Government representatives have stated their commitment to continue with plans that would limit access to the subsidies for high-income households.

7 June Nigeria's Finance Minister Olusegun Aganga states that Nigerians do not benefit from the country's oil subsidy, according to national newspaper the *Daily Independent*. At a workshop in Abuja, the Minister asserted that the spending instead enriches people in the oil industry, who smuggle fuels into neighbouring countries. Aganga noted the 1 trillion naira (US$ 6.6 billion) of borrowed money that has been spent on oil subsidies in the past three years and contrasted it with the high level of domestic debt, standing at 3.44 trillion naira (US$ 22.6 billion), equivalent to 14% of GDP.

8 June *Bloomberg Business Week* reveals that India has delayed a decision to raise gasoline and diesel prices, due to concern over high inflation. Oil Secretary Sthanunathan Sundareshan states that the group is likely to reconvene in ten days in order to reach a decision. If carried through, it would be the third price increase in 2010. Reuters news agency reports that the delay will give the government time to convince political allies that price hikes are necessary.

10 June "Malaysian Prime Minister Najib Razak sets out a five-year plan to reform subsidies, reports Reuters news agency. The moves aim to cut the nation's subsidy spending from 18.3 billion ringgit to 15.7 billion Ringgit (from US$ 5.7 billion to US$ 4.9 billion), although a comprehensive outline of its contents is not reported. It is not clear if it embraces the plans proposed late last month at the Subsidy Open Day in Kuala Lumpur by Senator Idris Jala, drawn up by government body the Performance Management and Delivery Unit (Pemandu). Critics have expressed their doubts that the government will be able to see through the changes, with more than half of respondents from a poll stating that they expect the reforms to be fouled by weak implementation. *The Star Online* reports that Razak has confirmed that "lower income group[s] and those who are most vulnerable will be given assistance to mitigate the impact of any subsidy reduction on their cost of living".

A few days later, public debate takes place over how to define a subsidy, as estimates published by Pemandu at the end of May of RM 76 billion (US$ 23.7 billion) were controversially higher than those stated at a later date by the Treasury, RM 18.6 billion (US$ 5.8 billion). Blog *Justice for All* reports that, according to a Minister in the Prime Minister's Department, the difference was due to the Treasury only accounting for direct subsidies, and Pemandu accounting for direct and indirect subsidies from all public sources. Notably, the Treasury did not include the RM12 billion spent on petroleum subsidies by national oil company Petroliam Nasional Bhd (Petronas) as the amount "was not borne directly by the government".

15 June India's next Ministerial meeting to decide whether or not to increase fuel prices is "postponed indefinitely", reports news agency UPI, due to worries about increasing inflation.

continued on page 12

Fossil-fuel subsidies round-up: May and June 2010...

continued from page 11

16 June According to blog *Blue Wave News*, the American Senate votes against an amendment that would repeal tax subsidies for large oil companies worth US$ 35 billion over ten years. The resulting increase in revenues would have been used to decrease the country's budget deficit and invest in energy efficiency and conservation.

17 June Ecuador's Production Coordination Minister Nathalie Cely announces that a government study of subsidies is to be released in 30 days, according to the Dow Jones Newswire. The main purpose of the study is to improve subsidies for domestic cooking gas, although it seems it will cover all fuel subsidies. The article states that preventing misuse of the subsidy could save around US$ 200 million a year.

17 June A number of blogs begin to refer to the existence of a petition to the G-20, run by online advocacy community Avaaz, urging countries to follow through on their pledge to reform fossil-fuel subsidies. Avaaz do not state when the petition began, nor the number of signatures to date.

21 June Canadian newspaper *The Globe and Mail* runs an editorial on fossil-fuel subsidies, arguing that the G-20 is a good forum for highlighting the issue, but not for bringing about reform. It points out that only seven of the world's top fifteen subsidizers are in the G-20, and none of them are in the G-8. It concludes that a larger consensus is required before countries are likely to take action.

22 June New Zealand Associate Minister of Energy and Resources Pansy Wong returns from an APEC Energy Ministers' Meeting in Japan, which she pronounces successful, according to news website Voxy.co.nz. She notes that APEC Ministers called for the removal of inefficient fossil-fuel subsidies, "a measure that New Zealand supports".

22 June Egypt's Oil Minister, Sameh Fahmy, announces that fuel subsidies are expected to cost 72 billion Egyptian pounds (US$ 12.6 billion) in fiscal year 2010/11, as opposed to 68 billion Egyptian pounds (US$ 11.9 billion) in 2009/10, reports Reuters news agency. Fahmy adds that the government plans to restructure the subsidies in order to target them better at low-income Egyptians, though no further details are given.

23 June Currency website xe.com reports that the Indonesian government plans to curb the supply of subsidized fuel from September this year. Evita Legowo, Director General of Oil and Gas at the Ministry of Energy and Mineral Resources, stated that subsidized fuel would be available for public transport and motorbikes, but that certain cars – the criteria for which are currently being decided – will no longer be eligible to use the reduced-price fuel.

24 June A draft of the G-20 Leader's Statement is leaked, due for release after the G-20 Toronto Summit on 26-27 June, and it appears to soften last year's commitment to phase out fossil-fuel subsidies, reports *the Financial Times*. The document describes member-specific approaches to reform as 'voluntary', and is widely criticised by environmental groups.

24 June European news website EurActiv.com reports that the European Union is planning to extend subsidies to the coal industry until 2023, as part of a plan to close its mines permanently. The article speculates that the leak of this news may be embarrassing, given the upcoming G-20 Toronto Summit, and the EU's prior commitment to phase out fossil-fuel subsidies. According to a Reuters article, it would be the sixth such extension of state aid since 1965, and environmentalists have said it makes a "mockery" of pledges to phase out fossil-fuel subsidies. WWF environment campaigner Mark Johnston comments that, although the draft indicates acceptance that coal mining can no longer be justified as an energy security issue, "12 years is unreasonably long". Later in the week, a blog post by the *New York Times* notes that Germany and Spain are the EU's biggest coal subsidizers, having spent € 2 billion (US$ 2.5 billion) and € 1 billion (US$ 1.3 billion) in 2009 respectively.

25 June The Indian government announces that it will reduce fuel subsidies, reports the *New York Times* and a number of other newspapers. Policymakers state that gasoline subsidies will be stopped completely, and diesel, kerosene and natural gas subsidies will receive slightly lower levels of support. It is thought that the move will save the government and state-owned oil companies US$ 5.2 billion, although the move has come under criticism from the Communist Party of India. Several days later, Reuters reports that Indian opposition parties are preparing a national strike in protest.

26 June According to a poll commissioned by the Climate Action Network, two thirds of Canadians would like their government to show leadership by announcing plans to eliminate subsidies to the fossil-fuel industry at the G-20 Toronto Summit, reports *The Vancouver Sun*. The newspaper states that "the poll surveyed 1,158 Canadians and is considered accurate within 2.88 percentage points, 19 times out of 20".

continued on page 13

Fossil-fuel subsidies round-up: May and June 2010...

continued from page 12

27 June The G-20 Toronto Summit comes to a conclusion, and a Leaders Statement is released without reference to "voluntary, member-specific approaches", language that had been leaked in a draft of the statement, and was heavily criticised by environmental groups earlier in the week. According to Reuters news agency, sources say that the text was strengthened at the urging of the United States. Although no concrete steps towards subsidy reform were announced, the Leaders Statement promised to review member countries' progress at future Summits. According to multimedia news website Voice of America, environmental groups 'blasted' the Summit, having expected to see more concrete proposals for reform, among other initiatives to combat climate change and promote clean energy. Following the Summit, the individual strategies and timelines for reform submitted by G-20 countries are not made public.

28 June News agency Dow Jones Newswires reports that Thailand's National Energy Policy Council has agreed to extend a subsidy for liquified petroleum gas (LPG) and natural gas for vehicles for another six months. The decision is to be put before the Cabinet the following day, along with a number of other measures, including a suggestion to provide free electricity to low-income households and free travel on certain kinds of public transport. Thailand is a member of the Asia-Pacific Economic Cooperation (APEC), which agreed to phase out fossil-fuel subsidies in November last year.

29 June Indian Prime Minister Manmohan Singh announces that India will allow market pricing of diesel, reports Reuters news agency, although no timeline is given for the reform. The analysis argues that the government's opposition is too divided internally to respond to the move with any significant threats. Indian newspaper the *Deccan Chronicle* reports that shares of public sector oil companies have risen markedly since the decision to deregulate petroleum prices four days earlier, and that they continue to rise. It notes, however, that a number of concerns still exist, including the fact that the government has reserved the right to intervene if crude oil prices spike in the future.

30 June In a leaked submission to the G-20 Toronto Summit, the Australian government claimed to have "no inefficient fuel subsidies", reveals the *Sydney Morning Herald*. Environment groups and the Australian Greens have accused the government of playing with words in their definition of 'subsidy', and countered that the fossil-fuel sector receives US$ 5 billion a year, though mostly in fringe benefits. The article also notes a 2007 study by Chris Riedy of the Institute for Sustainable Futures, who estimated an annual subsidy of US$ 9 billion, including state subsidies.

30 June Lachen Achy, of the Carnegie Endowment for International Peace, publishes an analysis of the relationships between budget deficits and fuel subsidies in the Middle East and North Africa (MENA) region's oil-importing countries - Morocco, Tunisia, Egypt, Jordan and Syria. The article argues that these subsidies are poorly targeted and place a growing burden of their governments' budgets. It notes that Jordan, Syria and Tunisia have already made some headway in reforming their subsidies.

For readers interested in keeping track of fuel-pricing developments worldwide, GTZ's monthly Fuel Price News *is an invaluable resource that announces publications and events, and major fuel-pricing news stories in different regions of the world. For more information see: http://www.gtz.de/en/themen/29957.htm*

STUDY: United Soybean Board disputes Argentine subsidy

On 23 June, the United Soybean Board (USB) published the report, *Impact of Argentina's System of Differential Export Tax Rates*.

The study reports that Argentina levies different tax rates on soybean products at different points of the processing chain: 35% for exports of soybeans; 32% for exports of soybean oil and meal; and 17.5% for exports of soy biodiesel. It claims that these differential export taxes are that reason that Argentina has captured such a large share of the global market for soybeans and soybean products in the past 20 years, to the detriment of the United States and Brazil. If they were to be removed, it is estimated that US$ 500 million would accrue to the United States, US$ 300 million to Brazil and US$ 150 million to the EU.

Although the report's arguments are compelling, its 10 pages do not offer a comprehensive analysis of the issue, which could benefit from more in-depth research.

The USB is an organisation funded by U.S. soybean farmers, with a mission to "ensure a strong a profitable future" for said farmers, through activities that focus on research and market development and expansion. The report was prepared by independent economic and business consultancy LMC International Ltd.

STUDY: G-20 Joint Report becomes publically available

When the G-20 committed to rationalize and phase out inefficient fossil-fuel subsidies that lead to wasteful consumption, they asked the International Energy Agency (IEA), the Organisation for Economic Co-operation and Development (OECD), the Organisation of Petroleum Exporting Countries (OPEC) and the World Bank to "provide an analysis of the scope of energy subsidies and suggestions for the implementation" of the initiative. Completed in time for the G-20 Energy Minister's meeting in March, but kept under wraps until after the recent Toronto Summit, it was recently made available on the OECD's website, alongside a range of other OECD work on fossil-fuel subsidies.

The report is split into four main areas: defining the scope of energy subsidies; identifying and quantifying subsidies, including a review of energy-subsidy estimates; reforming and phasing out energy subsidies, including economic, social and environmental impacts; and finally suggestions for the implementation of fossil-fuel subsidy reform. It also contains a number of background papers, including studies on biofuels, electricity, LPG and kerosene, as well as a number of country-specific case studies.

It concludes that essential steps towards reform may include:

- increasing the availability and transparency of energy subsidies data;
- providing financial support for economic restructuring and poverty alleviation, although this must be well-targeted, temporary and transparent, and may need to include the use of short-term measures while effective social safety nets are developed; and,
- developing a communication strategy, to build public trust that reform will be beneficial and vulnerable groups will be compensated.

The study is available at: http://www.oecd.org/dataoecd/55/5/45575666.pdf

APEC Speaks...

continued from page 3

G-20 – everyone from Papua New Guinea to China to Canada in terms of levels of development. APEC is a voluntary aspirational forum. On some issues, that has allowed us to move things further than other organisations, with our work then being adopted by OECD and others. It is a very positive forum, a very collegial forum. The power of example that APEC uses shouldn't be underestimated: that's the APEC way of doing things. We also provide more hands-on support than the G-20. And we have lots of networks throughout the region, where we can work with each other and provide information, as well as opening doors for economies to work bilaterally.

> *"We have the ability to put together teams at the technical level to go out and provide advice, be it through workshops, looking at places where… measures work already, or providing analytical and modelling tools. […] So that's similar to part of what we're trying to ramp up in the area of subsidies."*

Dr Phyllis Yoshida is Lead Shepherd of APEC's Energy Working Group and the Deputy Assistant Secretary for Asia, Europe and the Americas in the Office of Policy and International Affairs at the U.S. Department of Energy (DOE). She is responsible for implementing Administration policy and supports the development of international cooperation on science and technology issues and energy-policy issues. Dr. Yoshida has also served as the Director of Asia-Pacific Technology at the U.S. Department of Commerce. She has chaired multilateral and bilateral committees, including the APEC Industrial Science and Technology Working Group. She has written and edited over 40 publications related to industrial science and technology, including widely cited work on the globalization of R&D and on government-industry relations.