Joint Submission to the UN Conference on Sustainable Development, Rio+20: A pledge to phase out fossil-fuel subsidies

This submission proposes that, at the UN Conference on Sustainable Development on June 4-6, 2012, countries adopt a pledge to phase out fossil-fuel subsidies and provide the necessary technical and financial support to assist developing countries reform their subsidies.

Fossil-fuel subsidy reform has become an international priority. Already, 53 countries in the G-20 and APEC forums have committed to phasing out fossil-fuel subsidies over the medium term. The United Nations Conference on Sustainable Development, Rio+20, is an opportunity to expand that commitment, and to broaden the pledge beyond the G-20 and APEC countries.

From a sustainable development perspective there is a strong argument for reforming fossil-fuel subsidies. If the goal of sustainable development is the balancing of economic, environmental and social considerations, then fossil-fuel subsidy reform delivers on all three fronts:

1. Fossil-fuel subsidies are costly. Global fossil-fuel consumption subsidies amounted to US$409 billion in 2010 (International Energy Agency (IEA), 2011). In addition, the OECD estimates that subsidies for fossil-fuel production and consumption in its member countries cost US$45-75 billion annually (OECD, 2011). Globally, producer subsidies are estimated by the GSI to be at least US$100 billion annually (GSI, 2010).

2. Phasing out fossil-fuel subsidies would reduce growth in global energy demand by 4.1% and carbon dioxide emissions by 4.7% by 2020 (IEA, 2011). Fossil-fuel subsidies create incentives for higher levels of consumption, which in turn produce more local and global pollutants on behalf of both industry and consumers.

3. Fossil-fuel subsidies are socially regressive; the IEA estimates that only 8% of the US$409 billion spent subsidizing fossil-fuel consumption went to the poorest 20% of the population. While fossil-fuel subsidies are often designed for the interests of poorer populations, they typically benefit medium- to high-income households or lead to diversion. Subsidy reform should be complemented with measures to protect poor and vulnerable groups in society.

The G-20 and APEC commitments have helped to raise the political importance of subsidy reform and have led to increased international activity on the issue. Building on that foundation, we encourage United Nations Member States to use Rio+20 to widen the country coverage of the reform commitments and endorse a comprehensive strategy for fossil-fuel subsidy reform, including technical and financial assistance for developing countries.

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COUNTRIES PLEDGE TO:
1. Phase out fossil-fuel subsidies that undermine sustainable development.
2. Assist developing countries to phase out fossil-fuel subsidies that undermine sustainable development.

IN ADDITION, COUNTRIES PLEDGE TO PROVIDE THE FOLLOWING SUPPORTING MEASURES:

1. Reporting and Review
Countries commit to annual reporting of:
   a. **Prices** they charge each consumer group for each energy product. These reports should be delivered to an international organisation such as the IEA, a UN agency or another organisation experienced in collecting data.
   b. **Subsidies** they grant to fossil-fuel consumers and producers. Existing reporting mechanisms, such as the World Trade Organization's Agreement on Subsidies and Countervailing Measures (ASCM) or UNFCCC National Communications, are recommended for this process. More specific formats for reporting could also be used, such as those developed by the IEA (energy consumers) and OECD (energy producers and consumers).
   c. **Subsidy reform**, detailing the subsidies under reform, progress towards reform and the expected outcomes.

Countries should review progress against the commitment annually, using a peer review process or delegating to a third party such as an international organisation. All reports and reviews should be made public. Databases of energy prices, subsidies and subsidy reform should be developed and maintained.

2. Technical and financial assistance for developing countries
Technical and financial assistance may be needed to help governments improve their reporting of subsidies or to assist industries or consumers transition away from fossil-fuel subsidies. For example, assistance may be needed to establish a transparent pricing mechanism, design social safety nets (such as a cash transfer), finance cash transfers or restructure investment incentives. Technical and financial assistance can be provided directly or through organisations such as intergovernmental organisations and development banks.

3. Common research and analysis
While country-specific considerations are important, common problems are faced across the world, and solutions in one country can have generic application in many others. Setting up a common research and analysis program to support the Pledge initiative is proposed.

4. Secretariat support
Countries will investigate options for providing Secretariat support to countries. This is likely to include meetings of officials and expert groups to facilitate the exchange of information and best practices.

By adopting a pledge to phase out fossil-fuel subsidies at Rio+20, Member States would show their commitment to an important means to achieving sustainable development. The pledge could also be expanded to include subsidies to other energy sources, such as nuclear, for greater impact.

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