



Fossil-fuel subsidies, climate change, and sustainable transport

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Bridging the gap

Pathways for Transport in the Post 2012 Process



Partnership on Sustainable
Low Carbon Transport

Fossil-fuel subsidies at a glance

- IEA: **\$630 million** in 2012 (consumer subsidies in 42 developing countries)
- OECD: **\$55-90 billion** a year between 2005 and 2011 (producer and consumer in OECD member countries)
- IMF: **\$1.9 trillion** (172 countries, also includes preferential taxation and externalities)

Phase out of fossil fuel subsidies by 2020 = **5.8%** cut in energy-related CO2 emissions, according to the IEA

Only **8%** of fossil-fuel subsidies are distributed to the poorest **20%** of the population, also according to IEA



- **\$0.23**: price per litre of gasoline in Venezuela
- **\$1.56**: price per litre of gasoline in Chile
- **\$2.53**: price per litre of gasoline in Norway

GIZ's 2012/13 fuel price survey



Fossil-fuel subsidies and transport

Not good for ...

Air quality (low-quality fuels tend to be subsidized)

Urban planning (low-cost fuels encourage urban sprawl)

Renewables and fuel efficiency

Competitiveness of rail freight compared to trucking

But alternatives are important ...

Thailand, 2008: free bus rides and travel on third-class trains following price reforms



Fossil-fuel subsidy reform is difficult, but possible

Key parts of the process are:

- Getting prices right: how to change pricing systems for fossil-fuels
- Managing impacts: estimating effects of reform and mitigating unwanted impacts
- Building support: Internal organization and external consultation and communication

Savings in public expenditure can pay for:

- Transitional measures to protect the poor: cash transfers, increased minimum wage, public transport, reduced school fees
- Longer-term development priorities: rural electrification, infrastructure, education, health, pensions



Fossil-fuel subsidies and the UNFCCC

Why?

- Opportunity to expand existing G20 (2009) and APEC (2010) commitment to phase out inefficient fossil-fuel subsidies
- Many parties have already identified fossil-fuel subsidy reform in submissions to the ADP
- Need to share best practice, technical and financial assistance



Fossil-fuel subsidies and the UNFCCC

How?

- Support for fossil-fuel subsidy reform as a NAMA
- Raise it in submissions to the SBSTA, requesting expert advice on methodological issues;
- Voluntarily report fossil-fuel subsidies and reform efforts in national communications (i.e. biennial reports and updates)
- Other ideas?





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THANK YOU

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