

ENERGY EXPERTS WORKING GROUP – FOSSIL FUEL SUBSIDY SUB-GROUP

ISSUE

The Energy Experts Working Group on Fossil Fuel Subsidies is meeting in the margins of the Springs' meetings to discuss progress in implementing the plans submitted at the Toronto Summit to reform inefficient fossil fuel subsidies. It will also discuss how to assess the impact of fossil fuel reform on GDP, GHG emissions, household income, and on the poor.

The G20 commitment to remove or rationalise inefficient fossil fuel subsidies is not expected to require further work by Australia given that we concluded we had no measures within scope. Section 33

Attached as background documents are the draft template, readouts from the last two teleconferences and 2011 Workplan for the group.

KEY ISSUES

Monitoring template

- The Energy Experts Working Group on Fossil Fuel Subsidies is meeting in the margins of the Springs' meetings to discuss progress in implementing the plans submitted at the Toronto Summit to reform inefficient fossil fuel subsidies.
- The US, as chair of the energy experts working group on fossil fuel subsidies, is proposing countries complete and submit ahead of the November Leaders' a template which sets out the progress to date in implementing the Toronto commitment (the template is at Attachment A).
 - Australia is not proposing to complete the template. We did not identify any measures within scope of the commitment. The UK, Japan, France, Brazil, Saudi Arabia and South Africa also concluded they had no measures within scope of the commitment.
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Impact assessments

- **Section 33**

- At the April Washington meeting, the OECD, IEA, World Bank and OPEC will each present sessions on the methodologies used to assess the impacts of fossil fuel subsidy reform.
- As previously noted, given that Australia did not identify measures within scope of the commitment, we would not expect to conduct an impact assessment. That said, there is the potential for international organisations in their next report (November Leaders) to identify measures for Australia that they consider to be within scope of their methodology.

Next international organisations report

- The international organisations (OECD, IEA, World Bank and OPEC) will be producing a follow-up report to the report submitted to Leaders' at the Toronto Summit last year.
- In the 2010 international organisations' report, Australia's excise exemption for LNG, CNG and LPG was identified as a possible subsidy by the OECD.
 - The Government has subsequently confirmed (in the 2010-11 Budget) that it will phase-in excise on LPG, LNG and CNG between 1 July 2011 and 1 July 2015. At the end of this transition period, these fuels will be taxed at 50 per cent of the full energy content tax rate.

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This work is being undertaken in another G20 Working Group. OPEC's contribution to the international organisations' report will consider the impact of negative subsidies (higher rates of taxation on fossil fuels) and subsidies to renewable energies.

