

STATE OF PLAY – FOSSIL FUEL SUBSIDIES

ISSUE

This brief provides a state of play on the G20's work fossil fuel subsidies, and other international developments on this issue. G20 members are delivering on their commitments to rationalise and phase out inefficient fossil fuel subsidies. Australia has met our obligations since we had no measures within scope of the G20 commitment and no further action is required.

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This brief considers where we could take the work forward under the Mexican G20 presidency into 2012.

KEY ISSUES

G20 members have made significant progress in meeting their commitments to remove inefficient fossil fuel subsidies, although further work is required.

In 2011, the focus of the Fossil Fuel Working Group is on monitoring progress in implementing the country plans setting out timeframes for rationalising inefficient fossil fuel subsidies, which were submitted at Toronto. Progress reports, by way of templates compiled by G20 members, will be submitted at the November Leaders' Summit. No further action is required from Australia. The IEA, IEF, World Bank and OPEC will also update their report submitted at Toronto to provide updates on recent subsidy reform, case studies on the impacts on the poor and the effect of "negative subsidies" and subsidies on renewable energies.

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With G20 members having set in place plans to address measures captured by the G20 commitment on fossil fuels, the focus of the work stream going forward will be to keep track and review members' progress against their national plans on an ongoing basis.

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G20 members that are submitting progress reports to the G20 in 2011 could continue to provide regular updates on their progress in 2012 to the collaboration of international organisations, which could be included in an annual joint report **Section 33**

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BACKGROUND

G20 Fossil Fuel Subsidies Working Group in 2011

At the Pittsburgh Summit in 2009, G20 Leaders committed to ‘rationalise and phase out over the medium terms inefficient fossil fuel subsidies that encourage wasteful consumption.’ The commitment did not apply to measures targeted at the poor or supporting clean energy.

G20 Leaders re-affirmed their commitment at the Toronto and Seoul Leaders’ Summits in 2010, and member countries presented submissions, concerning strategies and timeframes for implementing national-level policies to rationalise and phase out inefficient fossil fuel subsidies at the June 2010 Toronto Summit. G20 Finance Ministers have been asked to report on progress in implementing country-specific plans on removing inefficient fossil fuel subsidies at the November 2011 Leaders’ Summit.

Australia is meeting its obligations under the G20 commitment. Australia submitted its response to the G20 concluding that we had no measures within scope of the commitment. Six other countries – Japan, France, Brazil, UK, Saudi Arabia and South Africa, also concluded they had no measures within the scope. Given Australia does not have measures within scope we do not need to provide a report to G20 Leaders in November.

The next steps between now and the November Leaders’ Summit include:

- G20 members are currently working on Country Progress Reports for submission in September in preparation for the Summit later this year.
- A face to face workshop is scheduled for 14th September 2011 in Turkey. The purpose of this workshop is to share successful experiences of member countries and help guide policymakers in the implementation of strategies for rationalising and phasing out inefficient fossil fuel subsidies.

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- A second report by the International Organisations, updated with new data, the state of policy measures and information about their impact is expected to be finalised in September. A draft report will be considered at the September fossil fuel subsidies workshop and the final provided to G20 Finance Ministers in October. There is potential for the report to identify measures/ supports for Australia that one or more international organisations (particularly the OECD) consider to support fossil fuels.

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Work on fossil fuel subsidies beyond the G20

Beyond the G20, a number of other initiatives are under way to progress fossil fuel subsidy reform.

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APEC

In November 2009 APEC Leaders made a commitment to rationalise and phase out over the medium term fossil fuel subsidies that encourage wasteful consumption — modelled closely on the language used in the G20 Leaders' Statement. At the May APEC meeting in Montana, Ministers Responsible for trade reaffirmed the APEC Leaders' commitment and instructed officials to establish a work program on this issue in APEC, including the development of a voluntary reporting mechanism, consistent with approaches in the G20. The work program will potentially include a process to identify national policies, report to Leaders and monitor progress in implementing plans.

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The domestic debate on fossil fuel subsidies

Australia's responses to the G20 commitment on fossil fuel subsidies and in other international forums on this issue will continue to resonate domestically.

The Greens and a number of non-government organisations have previously been critical of Australia's response to the G20 commitment on fossil fuel subsidies. For example, Senator Milne has previously identified measures such as the fuel tax credit arrangements for miners, tax incentives for exploration, accelerated depreciation and the Fringe Benefits Tax arrangements for vehicles as measures which should have been identified as subsidies in our response to the G20.