

Agenda item ? : Inefficient Fossil Fuel Subsidies

Section 47C

Section 33

Handling note:

Intervention recommended.

Section 47C

Section 33

Key Issues

- . In 2010, Leaders agreed to rationalise and phase out inefficient fossil fuel subsidies.
- . Section 33
 - Section 47C
- . Section 47C
- . Section 33

Background

In the 2010 APEC Leaders' Declaration, Leaders agreed "under our green growth agenda...we will rationalize and phase out inefficient fossil fuel subsidies that encourage wasteful consumption, while recognizing the importance of providing those in need with essential energy services, and review progress toward this goal on a voluntary basis." At the first Senior Officials Meeting in Washington, Section 33

G20 context

In their September 2009 Pittsburgh communiqué, G20 Leaders committed to "rationalize and phase out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption". Countries made subsequent national submissions to report their inefficient fossil fuel subsidies, 'efficient' fossil fuel subsidies, reforms already in progress, and planned reforms.

Australia's national submission at the G20 Toronto Summit in 2010 indicated we had no inefficient fossil fuel subsidies within the scope of the G20 commitment to reduce or eliminate fossil fuel subsidies. Six other countries also said they had no measures within the scope of the commitment – Brazil, France, Japan, UK, Saudi Arabia and South Africa.

In 2011, the focus of the G20 Fossil Fuel Working Group is to monitor progress in implementing the country plans submitted at Toronto. Progress reports, by way of a template, will be submitted at the November Leaders' Summit. The group is also undertaking work to assess the impact of subsidy removal. Because Australia does not have any fossil fuel subsidies within the scope of the G20 commitment, we will not have to complete the progress template.

Press coverage

A Freedom of Information request to Treasury by Greenpeace (as reported in the Australian Financial Review 28 February 2011) revealed that *'Bureaucrats last year identified up to 17 federal fossil fuel subsidies – at a cost of more than \$8 billion per year – that may have to be cut for Australia to meet a commitment it made as a member of the G20, even though the government told the international form that no such subsidies existed.'* The article goes on to say that bureaucrats whittled down the potential G20 list by arguing:

- . that Australia should not go further than other countries in offering up subsidies,
- . that subsidies on exploration (rather than production) were not relevant, and
- . that it might be better not to nominate subsidies, lest it be seen as an admission that these subsidies might actually boost fossil fuel consumption.

Treasury has rejected this criticism and maintains that Australia has no measures within the scope of the G20 commitment.

Sections 33 and 47C