Title: Financing Development from Fossil Fuel Subsidy Reform: Lessons Learned from Country Experiences

Organiser: International Institute for Sustainable Development

Date and time: Tuesday, 14 July 2015, Afternoon (3.30 pm – 6.00 pm)

Venue: Hotel Intercontinental, Meeting 1 (90 seats)

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Abstract (max 100 words):

Last year alone fossil fuel subsidies amounted to US$548 billion. For some countries fossil fuel subsidy reform represents an enormous potential for liberating government resources for financing development.

This side event aims to put spotlight on fossil fuel subsidies and how savings from reform can be utilized to finance the sustainable development goals (SDGs). Many countries have developed targeted social safety nets or invested in health, education and infrastructure alongside the process of reform of fossil-fuel subsidies.

The event will share country experiences and best practice of reform and reallocation of savings into development goals.

Description: This event will focus on country experiences of fossil-fuel subsidy reform from the perspective of increasing fiscal space for governments to finance sustainable development and discuss examples of where countries have also gone on to introduce VAT taxation on gasoline to raise ongoing government revenues.

The event will include a chair with speakers and will be organized as a discussion to encourage open debate. There will be space for questions for members of the audience to ask questions to the panelists and share lessons.

Chair: Development Minister Finland (member of the Friends of Fossil Fuel Subsidy Reform) (tbc)

Speakers:

Ethiopia: Sufian Ahmed Minister of Finance and Economic Development (tbc) **or** Dr Tewolde B.G. Egziabher, Director-General, Environmental Protection Authority (Ethiopia is a member of the Friends of Fossil Fuel Subsidy Reform) (tbc)

Philippines: Dr Arsenio Balisacan, National Economic Development Authority, Philippines (tbc) or Mr. Heherson Alvarez, Climate Change Commissioner, Office of the President of the Philippines on the reduction of subsidies and implementation of the national social safety net 4P's programme (tbc).

Indonesia: Andrinof A. Chaniago, National Development Planning and Chairperson of the National Development Planning Agency (Bappenas) on the reduction of subsidies and parallel investment in infrastructure, health and education programmes (tbc).

Egypt: Mr. Mohamed Khalil, Counsellor, Permanent Mission of Egypt to the United Nations (tbc).

Morocco: H.E. Mr. Omar Hilale Ambassador, Permanent Representative of the Kingdom of Morocco to the UN On behalf of the African Group (tbc).

Global Subsidies Initiative: Scott Vaughan, President and CEO of IISD; Peter Wooders, Group Director Energy, IISD; Laura Merrill, Senior Researcher, IISD. Laura Merrill, Senior Researcher, Global Subsidies Initiative, International Institute of Sustainable Development

The event will also be an opportunity to launch a paper describing the Philippines efforts in this area.

For previous side events linked to this issue that the GSI/IISD has organized see:

http://www.iisd.org/video/maximizing-contributions-emission-mitigation-fossil-fuel-subsidy-reform

For a report on the potential of FFSR to finance development see:

http://www.iisd.org/gsi/sites/default/files/financing-sdgs-fossil-fuel-subsidy-reform-southeast-asian-india-china(6).pdf

This event is organized by the International Institute for Sustainable development and supported by the Government of Finland.

Detailed Description of the Event:

Fossil fuel subsidies are widely recognized to be detrimental to sustainable development.

By keeping prices to consumers artificially low, fossil fuel subsidies encourage wasteful consumption, increase GHG emissions, disadvantage renewable energy and drain scarce public resources that could be better spent on other developments priorities.

Nonetheless, according to the IEA, in 2014, fossil fuel subsidies amounted US$548 billion at a global scale.

This represents a significant stream of potential finance and resources that could be redirected away from subsidies and towards the achievement of the sustainable development goals (SDGs).

Fossil fuel subsidies are contradictory to a range of SDG targets and may damage the chances of accomplishing the objectives outlined in the SDGs for a number of reasons, including:

- In most countries, fossil fuel subsidies are failing as a social welfare policy tool. Most of the benefits from subsidies are captured by wealthier sections of society rather than by those with low incomes.
- Fossil fuel subsidies - especially for gasoline and diesel fuels - have neglected the specific energy needs of the poor, rural communities and women.

- The presence of large government subsidies undermines the SDGs in many ways through shaping an energy market that is not conducive towards renewable energy take-off or investment in energy efficiency measures.
- Fossil-fuel subsidy reform can lead to opportunities for increased fiscal space and reduced fiscal deficits, which will enable governments to invest in infrastructure, health, education and assistance to the poor.

Despite the numerous benefits that could be achieved from fossil fuel subsidy reform, governments around the world have not unilaterally dealt with this policy issue themselves. The simple reason is that fossil fuel subsidy reform are difficult to implement and the political costs can therefore be substantial if reform is not well-planned.

Many governments would benefit from fossil-fuel subsidy reform. Potential savings from reform, the need to build targeted social welfare systems to manage the impact of rising fuel prices, and the opportunity for taxation of fossil fuels create a real opportunity for providing governments with the revenue streams and stimulus to develop sustainable development programs and to fund and deliver the SDGs in the longer term.

A growing body of best practices from all over the world shows that it is indeed possible to phase out fossil fuel subsidies successfully and reallocate savings to other, more urgent development priorities.

For example, following fuel subsidy reductions in 2005, 2008 and 2013, the Indonesian government has delivered temporary cash transfer programs targeting low-income households to relieve the burden of higher prices. During this period the government also introduced a number of social welfare programs, including more permanent social assistance programs and investment in basic infrastructure, which taken together could be strengthened and improved to create a comprehensive social welfare system.

In a similar fashion, the Philippines removed various fossil-fuel subsidies between 1996 and 2001. It has, subsequently, been able to invest more in safety nets and renewable sources of energy, and is now able to tax fuels to collect ongoing revenues to support other development priorities.

This proposed side-event will put spotlight on fossil fuel subsidies and their reform as well as how savings from reform can be utilized to finance other sustainable development priorities.

The event will be designed to share country experiences and best practice as well as to raise awareness around fossil fuel subsidy reform as an important “Means of Implementation” within the SDG’s.