

SUMMARY RECORD

'Friends of Fossil Fuel Subsidy Reform' Roundtable for G20 Countries on Recent Progress and Peer Review of Fossil-fuel Subsidy Reform

Date: 3-6pm Thursday 18 April 2013

Venue: White House Conference Centre, 726 Jackson Place Northwest, Washington D.C.

Agenda

<p>3:00 – 3:50</p> <p>(5 mins)</p> <p>(7 mins)</p> <p>(15 mins)</p> <p>(15 mins)</p>	<p>Session 1: High-level discussion on the imperative of fossil-fuel subsidy reform and recent progress</p> <p><i>Facilitator:</i> H.E. Ambassador Giancarlo Kessler, Sectoral Foreign Policies Division, Federal Department of Foreign Affairs, Switzerland</p> <p><i>Introduction:</i></p> <ul style="list-style-type: none"> • G20 Member: Mary Beth Goodman, Director of Energy and Environment, US White House <p><i>Presentation:</i></p> <ul style="list-style-type: none"> • Benedict Clements, Division Chief, Expenditure Policy Division, IMF to present key findings from the recent paper "Energy Subsidy Reform: Lessons and Implications" • Stacy Swann, Head, IFC Blended Finance Unit and Marianne Fay, Chief Economist, Sustainable Development Network, World Bank <p>Questions and Answers</p>
<p>3:50 – 4:00</p>	<p>Coffee break</p>
<p>4:00 – 6:00</p> <p>(10 mins)</p> <p>(15 mins ea)</p> <p>(55 mins)</p> <p>(5 mins)</p>	<p>Session 2: Options for peer review of fossil-fuel subsidy reform</p> <p><i>Facilitator:</i> Helen Mountford, Deputy Director of Environment, OECD</p> <p><i>Presentations:</i></p> <ul style="list-style-type: none"> • Kerryn Lang, Project Manager, Global Subsidies Initiative on options for establishing a peer-review process on fossil-fuel subsidy reform • Mark Blackmore, Principal Advisor (Macroeconomic and Fiscal Policy), New Zealand Treasury on New Zealand experience of peer review including within APEC and of the APEC Voluntary Reporting Mechanism for inefficient fossil-fuel subsidies. • Beth Urbanas, US Department of Energy and Daniel Hall, Department of Treasury, to present on progress on G20 peer review mechanism to date <p>Discussion</p> <p><i>Closing remarks:</i></p> <ul style="list-style-type: none"> • G20 Member

Summary of Presentations and Discussion

Session I: The imperative of fossil-fuel subsidy reform and recent progress

- Swiss Ambassador, Giancarlo Kessler (Facilitator), introduced the 'Friends of Fossil Fuel Subsidy Reform' group and provided an overview of the importance of fossil-fuel subsidy (FFS) reform, noting global estimates of the size and scale of subsidies, and the benefits of reform.
- US White House representative, Mary Beth Goodman, stressed that FFS often hindered economic growth and had adverse negative externalities, including climate change. Thus reform of inefficient FFS was a major priority for President Obama. Goodman recognised that there were domestic political obstacles in implementing those goals in the United States, but hoped that the reforms might eventually form part of a larger tax reform package. Further, Goodman was hopeful that there were prospects for making progress internationally on subsidy reform, both through international fora such as the G20 and APEC, and through the efforts of the international institutions such as the World Bank, IMF, OECD and others. Goodman stated that the United States would be volunteering for the G20 peer-review process this year.
- IMF presenter, Ben Clements, presented an overview of the IMF's recent report "*Energy Subsidy Reform: Lessons and Implications*". Key points included:
 - The IMF has published new figures on global FFS which estimate:
 - Pre-tax subsidies at \$480 billion, with highest subsidies for electricity, petroleum products and natural gas, and with the highest subsidisers in the MENA region
 - Post-tax subsidies at \$1.9 trillion, with highest subsidies for petroleum products, coal and natural gas, and with the highest subsidisers including many advanced economies
 - The report includes 22 case studies drawing lessons on how to go about reforming subsidies, including subsidies for coal and electricity.
 - The report summarises six vital components for an effective subsidy reform plan:
 1. Be comprehensive and include a long-term strategy, impact assessment and stakeholder consultations;
 2. Communications plan should inform the public of the size and impacts of subsidies and should improve transparency of pricing policies;
 3. Phase and sequence reforms of subsidies for different fuels;
 4. Include measures to improve the efficiency of SOEs;
 5. Include mitigation measures. Cash transfers tend to be the most effective but alternatives include using existing social welfare mechanisms; and
 6. Seek to de-politicise pricing by establishing an independent pricing authority.
- World Bank presenters, Marianne Fay and Stacy Swann, outlined the three key strands of the World Bank's new initiative on FFS:
 1. "Doing more": ramping up resources. The Energy Sector Management Assistance Program (ESMAP) planned to establish a trust fund to provide technical assistance on FFS reform.
 2. "Doing things differently": looking at options to cooperate with others (e.g. joint IMF/Bank country missions, working with the G20, OECD, GSI and others).

3. "Acting together": Getting everyone (including OECD countries) to do more to reform subsidies.
- During discussion, the IMF was asked whether their role would change as a result of the new IMF report and initiative within the World Bank. Clements explained that subsidy reform would continue to be part of the dialogue with country authorities. The IMF would also focus on improving fiscal transparency and they would continue to work to that end, including improving fiscal reporting from SOEs to improve information on energy subsidies.

Session II: Options for peer review of fossil-fuel subsidy reform

- OECD Environment Deputy Director, Helen Mountford (Facilitator), provided a useful overview of various OECD peer-review processes. These include peer reviews of economic, environment, investment policies, innovation, agricultural support, development cooperation etc. All OECD countries are regularly reviewed in some of the processes, while others are on a voluntary basis, and many emerging and developing economies have voluntarily asked to participate in a number of OECD peer reviews (and repeatedly for some). At the request of reviewed countries, the OECD's Economic Reviews and Environmental Performance Reviews are increasingly looking at fossil-fuel support measures and energy pricing (e.g. Mexico, Indonesia, India, South Africa). Mountford highlighted a number of benefits from such reviews, in particular their role as a focused "learning and growth experience" for the reviewed country, drawing on the shared experiences and independent comments of their peers and international experts.
- IISD-GSI presenter, Kerryn Lang, presented a summary of the GSI briefing paper for the Roundtable on options for establishing a new peer-review mechanism on fossil-fuel subsidy reform. GSI recommended that the peer-review mechanism be broad in scope in order to increase transparency, share best practices, track progress, and encourage domestic political/policy dialogue. In addition, the GSI recommended that the peer-review teams include third parties, such as international organisations, and that the peer-review process be made as transparent as possible.
- New Zealand Treasury presenter, Mark Blackmore, discussed New Zealand's positive experience with peer reviews within the OECD and APEC. Blackmore focused on the APEC Peer Review on Energy Efficiency (PREE) as a useful model for the G20 to consider, and outlined the benefits of the reviews and the elements that make it a successful process.
- US Department of Energy presenter, Beth Urbanas, provided background on the G20 commitment to phase out inefficient fossil-fuel subsidies. The underlying purpose of introducing a peer review was to bring more rigour and learning to G20 efforts to phase out subsidies, as well as to build trust among G20 members. It was important for the process to be reform-focused and not to become a tool to "point fingers at specific countries". Urbanas suggested that if reviewed countries had some flexibility and control over what information is eventually made public, this should encourage greater participation. Urbanas reported that recent discussions within the G20 Energy Sustainability Working Group (ESWG) had touched upon the possibility of improving and deepening the reporting template. It had now been four years since the G20 took the reform commitment and they were feeling some pressure to show results.

- US Treasury presenter, Daniel Hall, noted that the US, as the facilitator on subsidies work in the ESWG, would be preparing a methodology paper for the G20 peer review that month which would outline a flexible approach, and which would seek to: i) promote broad participation; ii) improve transparency and accountability; and iii) be reform-focused (i.e. not only assess current subsidies but also recommend approaches for reform). The US hoped that the G20 would be in a position to begin undertaking peer reviews this summer. Hopefully the peer review groups could involve third parties like the international organisations and/or GSI, but at the choice of the members within each group. Similarly it would likely be up to the group members to decide what aspects of the peer reviews were made public.
- Urbanas noted that the US goal was that G20 Leaders would receive a report on progress towards establishing the peer-review mechanism when they meet in September 2013, which would ideally include reporting on the first reviews.

Discussion covered:

- Objectives of the peer-review process - whether G20 countries would prefer a more informal process in which the main objective was learning from each other, or a more formal process where the main objective was to ensure accountability and action. GSI recommended a hybrid approach to the process, which could involve independent experts to help evaluate reviewed data. GSI added that the existing G20 annual reporting mechanism could be extended to take these considerations into account. A G20 member noted that it would be important to include reporting on social impacts and measures to support low-income groups in the reporting and peer reviews.
- How to assemble the review groups for participating countries. To encourage participation and build trust in the system, the OECD suggested that the G20 could consider allowing countries some choice in deciding which countries they would be reviewed by, and also encouraged the engagement of countries that have not yet agreed to undertake a review (but might do so in future) to participate in reviews. It was thought that a reviewer role would also be useful for G20 members that did not have any FFS but who have useful experience of reform to share. There was general agreement that G20 members should be able to invite third parties to participate on the review teams, particularly international organisations.
- How the G20 and APEC could coordinate their parallel processes to establish a peer review on FFS reform. The US noted that this should (and is) being done through capitals, with the US in particular taking a lead role in both processes. This coordination was evident from similar wording of the commitments and reporting structures. It was also noted that the APEC process was being led by energy ministries, while the G20 process was predominantly led by finance ministries - there was some benefit to this in terms of engaging different stakeholders and organisations. The US commented that they were open to working with other organisations such as APEC, the World Bank, IMF, OECD and GSI in progressing the G20 reform agenda. The United States expressed gratitude for the effort the Friends group have put into raising awareness and encouraging dialogue on FFS reform issues in the G20 in support of development of the peer-review mechanism.

Presentations: may be found at the Friends' website:

<http://www.mfat.govt.nz/ffsr/tabs/events.php>

RSVP List

Country/Org	Participant	Affiliation
Australia	Lu, Lucy	Australian Treasury
Brazil	Godinho, Rodrigo	Financial Policy Division, Brazilian Ministry of External Relations
Costa Rica	Oduber, Anna Maria	Embassy of Costa Rica in Washington, DC
Denmark	Henrichsen, Anna Louise	Danish Embassy in Washington, DC
European Union	Markina, Irina	EU Embassy in Washington, DC
Finland	Vanamo, Sanna-Maria	Embassy of Finland in Washington, DC
Italy	Berardi, Gisella	Tesoro (Italian Finance Ministry)
Mexico	Pérez Villaseñor, Margarita	Hacienda (Mexican Finance Ministry)
Mexico	Armella, Sergio	Hacienda (Mexican Finance Ministry)
New Zealand	Blackmore, Mark	NZ Treasury
New Zealand	Beukman, Danie	NZ Embassy in Washington, DC
New Zealand	Piggott, Thomas	NZ Embassy in Washington, DC
Norway	Weisser, Bente	Ministry of Foreign Affairs of Norway
Norway	Ljøcka, Maryann	Norwegian Embassy in Washington, DC
Norway	Saether, Mari	Norwegian Embassy in Washington, DC
Russia	Sycheva, Ekaterina	Advisor to the WB Executive Director for the Russian Federation
Sweden	Göransson, Ola	Embassy of Sweden in Washington, DC
Switzerland	Kessler, Giancarlo	Foreign Affairs Ministry of Switzerland
Thailand	Talangsri, Vinuchada	Embassy of Thailand in Washington, DC
Thailand	Kotchakosai, Thhidarat	Embassy of Thailand in Washington, DC
United Kingdom	Andreyeva, Ruth	HM Treasury
United Kingdom	Duggan, Tom	UK Office to the IMF
United States	Hall, Daniel	US Treasury
United States	Urbanas, Elizabeth	US Department of Energy
United States	Yoshida, Phyllis	US Department of Energy
United States	Alozie, Karen	US Department of Energy
United States	Goodman, Mary Beth	US National Security Staff
United States	Norton, Lawrence	US Office to the IMF
IISD-GSI	Lang, Kerryn	Global Subsidies Initiative
IMF	Clements, Benedict	IMF, Expenditure Policy Division
OECD	Mountford, Helen	Deputy Director of Environment
World Bank	Swann, Stacy	IFC Blended Finance Unit
World Bank	Fay, Marianne	Chief Economist, Sustainable Development Network