

PRESS RELEASE

**International organisations, countries and businesses commit to work together on fossil fuel subsidies elimination**

**LONDON. 3 JULY 2015.** Cambridge Institute for Sustainability Leadership (CISL) has facilitated a high level debate with 40 senior decision makers and influencers who agreed to work together to address the challenge of eliminating fossil fuel subsidies.

Leaders from business, government and international organisations represented at the meeting at Lancaster House agreed on the urgent need for fossil fuel subsidy reform, as this would make a significant contribution to our shared objectives of reducing greenhouse gas emissions and enabling sustainable growth.

There is already high level consensus on the need to eliminate fossil fuel subsidies, however until now real progress has been slow on this politically, socially and economically complex issue.

During the proceedings, the Friends of Fossil Fuel Subsidy Reform had their work on the [Fossil Fuel Subsidy Reform Communiqué](#) acknowledged by the group. The Communiqué asks stakeholders to support fossil fuel subsidy reform and help economies across the globe deliver sustainable socio-economic and low carbon outcomes. The latest signatory to the Communiqué this week was Morocco, the next COP host nation.

The Prince of Wales later endorsed the work of the meeting calling for the abolishment of fossil fuel subsidies, by reiterating that “shifting these subsidies could cut global emissions by about thirteen per cent.”

His remarks were made in a speech at a dinner to launch a new report by CISL (of which he is Patron) to 'rewire' the economy in favour of sustainable business models that deliver positive outcomes for people and the environment.

To read The Prince of Wales' full speech please visit

<http://www.princeofwales.gov.uk/media/speeches/speech-hrh-the-prince-of-wales-the-university-of-cambridge-institute-sustainability>

The International Energy Agency (IEA) estimates that fossil fuel subsidies amounted to US\$510 billion in 2014. This is based on the gap between what consumers pay and the actual cost of supply, but doesn't consider the environmental and health costs. It is six times more than that allocated to renewable energy and hinders investments in efficiency and renewables.

Sandrine Dixson DeCleve, Director, Cambridge Institute for Sustainability Leadership explains: "We urgently need to go from commitments to action, which is what today's agreement to collaborate is all about. The time is ripe to rewire our economies, and continue to cost externalities. We currently have a window of opportunity to eliminate direct fossil fuel subsidies as international energy prices are low. This means reforms are less likely to be opposed and their impact will be gentler on consumers."

Fatih Birol, chief economist and Executive Director (elect) of the International Energy Agency (IEA) said: "Today, the most important roadblock for renewable energy implementation is the world's fossil fuel subsidies. You say you want to have a higher share of renewables then you protect and foster fossil fuels by giving substantial subsidies - it doesn't work."

Rebekah Riley, New Zealand's Deputy Permanent Representative to the OECD said: "This is the missing piece in the climate change jigsaw. More than one third of global carbon emissions between 1980 and 2010 are estimated to have been driven by subsidies for fossil fuels. While fossil-fuel subsidies lock us into a high-carbon energy world, removing subsidies to fossil fuels is one of the keys to opening the door on a low-carbon future."

Rachel Kyte, Group Vice President and Special Envoy, Climate Change, World Bank said: "Momentum is clearly building as countries seek to engineer clean low-carbon growth. Addressing perverse subsidies is part of the solution. We need to put a price on that which we need to phase out - carbon - and we need



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to incentivise investment. This can all be done with strong social safety nets to support the poorest in society through the transition."

## Ends

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#RewireEconomy

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### Note to editors:

#### Further background on Fossil Fuel Subsidies

<http://www.cisl.cam.ac.uk/business-action/low-carbon-transformation/eliminating-fossil-fuel-subsidies>

The International Energy Agency (IEA) estimates the total fossil fuel subsidy to amount to \$548 billion in 2013. This is based on the gap between what consumers pay and the actual cost of supply, but doesn't consider the environmental and health costs.

The OECD calculate that direct budgetary support and tax expenditure for fossil fuel consumption and production in OECD countries amounted to \$50-90bn annually between 2005 and 2011.

A recent report by an IMF working group estimates that the total cost of subsidies for fossil fuels, including direct subsidies and the environmental and health costs their use imposes, were \$4.9 trillion (6.5 percent of global GDP) in 2013. In addition to reducing emissions, the IMF calculates that eliminating these subsidies in 2015 could raise government revenue by \$2.9 trillion and cut pre-mature air pollution deaths by more than half.

Although it is important to note that the IMF, IEA and OECD do not define subsidies in the same way and hence the estimated costs from subsidies vary between at least \$548 billion to \$4.9 trillion, the most important message from all three organisations and others is that the costs are high and that the



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elimination of subsidies would have a net positive impact on the reduction of GHG emissions and pollution.

### **Three reasons why reform needs to happen now**

We have a window of opportunity to eliminate direct subsidies and raise energy taxes now as international energy prices are low. This means reforms are less likely to be opposed and their impact will be gentler on consumers. Quick action would:

#### **1. Keep the two degrees goal alive**

The IEA advised that accelerating the phase-out of fossil-fuel subsidies could reduce CO2 emissions by 360 Mt in 2020 and, alongside three other 'no economic cost' measures, would keep the two degrees global goal alive whilst international negotiations continue. Furthermore, including a commitment to phase out fossil fuel subsidies within a specific time frame in National INDCs will contribute to a robust and credible global climate deal in Paris at the end of 2015.

*"This is the missing piece in the climate change jigsaw. More than one-third of global carbon emissions between 1980 and 2010 are estimated to have been driven by subsidies for fossil fuels. Their elimination would make a significant contribution to the goal of keeping average temperatures from rising to no more than two degrees Celsius."*

*Tim Groser, Minister of Climate Change for the New Zealand Government*

#### **2. Unleash renewables**

Fossil fuels receive six times more subsidies than renewables even before the environmental and health impacts are costed. This uneven playing ground is holding renewables back, and makes the rapid deployment and falling costs of solar and wind power all the more remarkable. Furthermore, reform can be used to increase investment in renewables whilst still reducing overall public expenditure. It is estimated that renewable energy targets until 2020 in the Middle East and North Africa could cost up to US\$200 billion, less than one year's worth of fossil-fuel subsidies in the region.

*"Today, the most important roadblock for renewable energy implementation is the world's fossil fuel subsidies. You say you want to have a higher share of renewables then you protect and foster fossil fuels by giving substantial subsidies –it doesn't work."*

*Fatih Birol, chief economist of the influential International Energy Agency (IEA)<sup>[1]</sup>*



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### 3. Put us on the path to affordable and sustainable energy for all

Fossil fuel subsidies are an immense burden on Government resources, particularly in developing countries. In South-East Asia, fossil fuel subsidies account for 5-30% of public expenditure. Many countries are spending more on them than on health care. Studies show that these subsidies are a costly approach to protecting the poor due to substantial benefit leakage to higher income groups. Phasing out subsidies and a focus on shifting support to lower carbon energy generation would be a major step towards delivering the proposed Sustainable Development Goal of access to affordable, reliable, sustainable, and modern energy for all. Climate finance from richer countries is needed to support this, and this in turn can be funded through phasing out fossil fuel subsidies in these countries.

*"We are subsidising fossil fuels at a rate of eight times what it would cost annually to fully implement the Millennium Development Goals."*

*Achim Steiner, Director-General of the United Nations Environment Programme<sup>[2]</sup>*

#### Key international commitments to reform

- The G20 resolved "To phase out and rationalise over the medium term inefficient fossil fuel subsidies" in 2009, which was reaffirmed in 2013 in spite of the little progress that had been made.
- The G7 stated that "we remain committed to the elimination of inefficient fossil fuel subsidies" in 2015.
- APEC agreed in 2011 to "Rationalise and phase out inefficient fossil fuel subsidies [...] and set up a voluntary reporting mechanism on progress, which we will review annually".
- The Fossil Fuel Subsidy Reform issued a Communiqué supported by 10 countries calling on Governments to join them and implement key principles around practical action covering communication and transparency, ambition in scope and timeframe for implementing reforms, and targeted support to ensure reforms are implemented in a manner that safeguards the poorest.

#### About Cambridge and CISL

For 800 years, the University of Cambridge has fostered leadership, ideas and innovations that have benefited and transformed societies. The University now has a critical role to play to help the world respond to a singular challenge: how to provide for as many as nine billion people by 2050 within a finite envelope of land, water and natural resources, whilst adapting to a warmer, less predictable climate.



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Within the University, the Cambridge Institute for Sustainability Leadership (CISL) empowers business and policy leaders to make the necessary adjustments to their organisations, industries and economic systems in light of this challenge. By bringing together multidisciplinary researchers with influential business and policy practitioners across the globe, it fosters an exchange of ideas across traditional boundaries to generate new, solutions-oriented thinking. His Royal Highness the Prince of Wales is the Patron of CISL and plays an active role in its work.

A particular strength of CISL is its ability to engage actors across business, finance and government. With deep policy connections across the EU and internationally, dedicated platforms for the banking, investment and insurance industries, and executive development programmes for senior decision-makers, it is well-placed to support leadership in the real and financial economies.

### **Rewiring the Economy**

*Rewiring the Economy* is CISL's ten-year plan, authored by Dr Jake Reynolds, built on ten interconnected tasks for government, finance and business. It is rooted in over twenty-five years of experience of working with global leaders in sustainability and was developed in consultation with CISL's network and alumni of over 6,000 business leaders, policy makers and academics. The report shows how the tasks can be tackled cooperatively over the next decade to create the conditions for business to become an engine for sustainable development, including by scaling up efforts already underway, to deliver the ambitions contained in the UN's forthcoming Sustainable Development Goals.

Read more about the *Rewiring the Economy* here: <http://www.cisl.cam.ac.uk/about/rewire>

### **About The Friends of Fossil Fuel Subsidy Reform**

- The Friends of Fossil Fuel Subsidy Reform is a group of non-G20 countries that support the reform of inefficient fossil fuel subsidies. They are Costa Rica, Denmark, Ethiopia, Finland, New Zealand, Norway, Switzerland, and Sweden. The work of the Friends is supported by the Global Subsidies Initiative of IISD.
- The **Communiqué** is available to download and support on line at <http://ffsr.com/>

### **About The Prince of Wales**

For over 40 years The Prince of Wales has encouraged businesses, charities, governments and other organizations to help promote sustainable ways of living and working.



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The Prince of Wales continues to address many of today's most significant environmental challenges, including climate change, sustainable agriculture, fisheries and depletion of Natural Capital, through the work of various initiatives and projects. This is often in partnership with governments, the private sector and non-governmental organizations. The Prince is Founder, Patron or President of leading sustainability charities and initiatives like the University of Cambridge Institute for Sustainability Leadership (CISL), Accounting For Sustainability (A4S) and the International Sustainability Unit (I.S.U).

For more information about The Prince of Wales please visit <http://www.princeofwales.gov.uk> or contact the Clarence House Communications team on 0207 024 5510.



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