

G20 Energy Sustainability Group meeting: Talking points for Friends

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Objectives:

- To encourage the G20 to adopt an ambitious and transparent process for undertaking peer reviews on fossil-fuel subsidy reform.
 - To explore opportunities for further engagement and collaboration with the G20 Energy Sustainability Group on the G20's commitment to reform fossil-fuel subsidies.
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Introduction

- The "Friends" of Fossil Fuel Subsidy Reform are a group of non-G20 countries: Costa Rica, Denmark, Ethiopia, Finland, New Zealand, Norway, Sweden and Switzerland, who aim to build political consensus on the importance of fossil-fuel subsidy reform within international forums.
- The Friends welcome the leadership shown by G20 (and APEC) economies in committing to phase out inefficient fossil-fuel subsidies that encourage wasteful consumption. The G20 has taken strides towards improving transparency of fossil-fuel subsidies and tracking national reform efforts through initiating the work of international organisations (in particular the OECD, IEA and World Bank), as well as through voluntary national reporting and now in the development of a voluntary peer review process.
- APEC economies are undertaking a parallel process to increase voluntary national reporting and to develop guidelines for a peer review process. We would encourage the two forums to continue sharing information about their respective peer review processes as they develop.

The benefits of peer reviews

- In New Zealand's experience in the OECD and APEC contexts, we have found peer reviews are more successful when they are developed as an open method of discussion and coordination, rather than as a strict compliance mechanism.
- The benefits of peer reviews include:
 - Increased transparency and accountability;
 - Facilitating policy dialogue to share experience and policy tools;
 - Increased opportunities to seek expert advice; and
 - Highlighting success and good practice.

New Zealand's experience with peer reviews in the OECD and APEC

- The OECD's Economic Surveys provide independent assessment and advice on macroeconomic and structural policies to improve economic performance.
- The strength of the OECD peer-review process lies in its ability to draw upon the body of OECD stylised facts and policy norms to provide expert advice on the policy issues that are most important to delivering higher living standards in the examined country. OECD economic surveys are particularly valuable for small countries like New Zealand.
- The voluntary APEC Peer Review on Energy Efficiency (PREE) was established in direct response to a commitment by APEC Leaders in 2007 to work towards achieving an APEC-wide regional aspirational goal of a reduction in energy intensity of at least 25 percent by 2030, and direction to all APEC economies to set individual action plans for improving energy efficiency.
- New Zealand found the PREE to be highly beneficial:
 - The review provided an insightful snapshot of our economy's entire energy-efficiency regime and delivered expert advice for improving New Zealand's energy efficiency.
 - The review also provided helpful advice on politically-sensitive policy issues. It expanded the policy debate in New Zealand and added weight to the advice from New Zealand officials to ministers on energy efficiency policy interventions.
 - The international peer reviewers also noted what we do well, which enhanced New Zealand's reputation and led to business opportunities.
- The Friends recognise that there is a large body of international expertise and experience on peer reviews that can be drawn on for developing the G20 (and APEC) peer reviews on fossil-fuel subsidies.
- To facilitate information sharing, the Friends hosted a roundtable event with G20 and APEC members on 18 April in Washington DC, which enabled G20, APEC and Friends countries, as well as peer review experts from the OECD and the Global Subsidies Initiative, to come together to share information, ideas and experience.

Recommendations for the G20's peer review

- Based on our experiences, the Friends would recommend the G20 take a flexible but ambitious and transparent approach in order to maximise the benefits of peer review. It all comes down to sharing information and experiences in order to get better advice. We would offer the following specific recommendations for the peer reviews:

Process:

- Small groups of countries and third-party experts would be an efficient configuration for the review teams.

- Peer reviews are more comprehensive if the review team visits the country under review to hold meetings with relevant government departments and other stakeholders (such as private sector and research institutes), in addition to conference calls, emails and face-to-face meetings.
- Developing guidelines (e.g. APEC's approach) could facilitate a common understanding on the standards and criteria for evaluation.
- Embedding the peer review process while allowing flexibility for the process to evolve will bring the greatest benefits. Experience shows that peer reviews become more effective over time as members build trust, accumulate technical expertise and experience, and recognise the value of the reviews.

Participation:

- We welcome the potential opportunity for non-G20 countries with experience of fossil-fuel subsidies and reform to act as reviewers, including from the "Friends" and APEC economies. This would provide a greater knowledge pool for the volunteer countries and respond to G-20 Leaders' emphasis on "dialogue on fossil fuel subsidies with other groups" in the Los Cabos Declaration.
- We also welcome the participation third-party experts to join the peer review group, including from the international organisations and the Global Subsidies Initiative.

Scope:

- We encourage consideration of a broad range of information and analysis, including:
 - A wide set of support measures for fossil fuels (consumption and production) to provide a comprehensive snapshot of a country's support structure, which will enable more coherent and targeted recommendations tailored to the country;
 - Analysis of the impacts and benefits of reform, which is helpful for both communications strategies and policy design. (In this regard, we would encourage analysis of the wider fuel tax regime including information on taxes, tax breaks and other incentives/ disincentives, in order to be able to properly understand and evaluate the impacts of inefficient subsidies);
 - Evaluation of alternative measures could provide practical and targeted solutions to mitigate adverse effects on vulnerable groups; and
 - Advice on additional capacity required for implementation to ensure successful reform efforts.
- We consider it useful for countries to supplement their own data with third-party data sources and ideally verification. If the raw data is subject to audit by an independent

third party, this makes the discussion more objective, open and honest, and results more credible.

Outputs:

- We would encourage the review reports to include recommendations for achieving reform, as well as key points on successful reform already undertaken, so that lessons-learnt and effective policy tools and strategies can be shared.
- This could include discussion of two elements of reform that are particularly important in the case of fossil-fuel subsidies:
 - 1) Transitional policies to sequence reform and mitigate negative social and distributional impacts.
 - 2) Communications plans, i.e. how to consult and explain to the public why reform is important, what the government is going to do, and the support policies that will be implemented to reduce impact on stakeholders, especially vulnerable groups.

Transparency:

- We would encourage the G20 to make the process as transparent as possible, including making the peer review reports (or elements thereof) publicly available. First, this would enhance the countries' accountability to each other and to the public. Second, it would provide learning opportunities for other countries facing similar challenges. Third, through showcasing positive examples of good practice and successful reform, it could enhance the reputation of volunteer countries.

Timeline:

- We would encourage peer review groups to form as quickly as possible so that initial outcomes can be reported to G-20 Leaders in September.

Future collaboration with the G20

- The Friends consider recent engagement with the G20 – both at the Roundtable in April and the invitation to join the discussions today – to be extremely useful. We would welcome the opportunity to continue this kind of engagement.
- This could include, for example, further discussions and collaboration on the G20 peer review process, or holding workshops on an important aspect of fossil-fuel subsidy reform, such as transition policies and communications strategies. (For example, in March this year we held a workshop with the APEC Energy Working Group on communications strategies for fossil-fuel subsidy reform which elicited a good level of participation and discussion amongst the membership.)