

Statement on Global Fossil Fuel Subsidy Reform on the Fifth Anniversary of the Paris Agreement and FFSR Communiqué

The Friends of Fossil Fuel Subsidy Reform (Costa Rica, Denmark, Ethiopia, Finland, New Zealand, Norway, Sweden, Switzerland, Uruguay) and the United Kingdom as the in-coming co-host of the UN Climate Change Conference of the Parties (COP26)

The Fossil Fuel Subsidy Reform (FFSR) Communiqué was presented to world leaders at the historic Paris Climate Summit in December 2015. Leaders from over 40 countries, alongside thousands of businesses and civil society organizations, supported the Communiqué and its strong message on the significant contribution that eliminating fossil fuel subsidies would make to the shared objective of reducing global greenhouse gas emissions.

On its fifth anniversary of the Communiqué, the Friends of Fossil Fuel Subsidy Reform (the "Friends")¹ and the UK, as the incoming co-host of COP26, recall the principles outlined within it while recognizing and reflecting on the progress made to date. We encourage partner countries, businesses, and organizations to continue reform and ensure the COVID-19 economic recovery and dedicated economic recovery packages are consistent with the goals of the Paris Agreement.

We welcome renewed political commitments to reform made since 2015 by the Group of Seven (G7), the Group of Twenty (G20), the Vulnerable Twenty (V20), the Asia Pacific Economic Cooperation (APEC) and Pacific Island Forum Leaders (PIF), amongst others.

The Communiqué called for countries to urgently convert high-level commitments to FFSR into practical action. The Communiqué specified that practical action shall be informed by the following principles:

- Communication and transparency about the merits of subsidy policies
- Ambition in the scope and timeframe for reform
- Targeted support to ensure the most vulnerable groups are protected as reforms are implemented.

This message remains as important as ever today.

We welcome the efforts of over 50 countries that have turned political commitments into action and implemented FFSR at some level or reformed taxation on fossil fuels over the past five years. These actions serve to gradually free up resources that can be used to support the diversification of energy sources and put toward other sectors such as health and education.² These governments have shown that a phased, inclusive approach to FFSR can be a successful pathway for the transition away from fossil fuels.

¹ <http://ffsr.org/>

² <https://www.iisd.org/articles/53-ways-reform-fossil-fuel-consumer-subsidies-and-pricing>

We welcome the efforts of countries that have voluntarily undertaken peer reviews of their support measures to fossil fuels under the G20, APEC, OECD, or individual initiatives. Reviews are an important tool for improving transparency, sharing information, experiences, and best practice on reform across multilateral forums.

We welcome the efforts of 12 World Trade Organization (WTO³) Members in 2017 to advance FFSR at the WTO. The Ministerial Statement presented at the WTO Eleventh Ministerial Conference in Buenos Aires established FFSR as a trade issue requiring international cooperation.

We further welcome the efforts of six ambitious countries⁴ that launched the plurilateral Agreement on Climate Change, Trade, and Sustainability (ACCTS). ACCTS aims to develop disciplines on eliminating harmful fossil fuel subsidies. It promises to provide a tangible example of how to design a new legal framework for reform and inspiration for multilateral efforts.

Unfortunately, despite these welcome developments, inefficient fossil fuel subsidies continue to counteract global efforts to reduce greenhouse gas emissions and distort trade and investment. There are also signs that the COVID-19 crisis and the accompanying low oil prices have adversely affected progress on FFSR due to the implementation of new subsidies in many jurisdictions.⁵ Reforming fossil fuel subsidies generates public finance that can then be used to invest in green energy.

We urge partner countries, businesses, and other organizations to view the COVID-19 crisis as an opportunity to implement measures that accelerate the transition toward the low-emission, climate-resilient future we are all seeking for our generation and those that follow. Without a focus on green recovery, there is a risk that fiscal stimulus packages will further entrench the use of fossil fuels.

We call on governments, against the backdrop of the fifth anniversary of the FFSR Communiqué, to turn their high-level commitments into action with urgency. FFSR is a prerequisite for creating efficient global carbon pricing and enabling the green transition. Thus, it will make a significant contribution to limiting global average temperatures to 1.5°C above pre-industrial levels.

We invite countries, businesses, and civil society organizations to join us in supporting accelerated action to eliminate inefficient fossil fuel subsidies, and by doing so, play a significant part in climate change mitigation.

We must act now.

[December 10, 2020]

³ Chile, Costa Rica, Iceland, Liechtenstein, Mexico, Moldova, New Zealand, Norway, Samoa, Switzerland, The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, and Uruguay.

⁴ New Zealand, Costa Rica, Fiji, Iceland, Norway and Switzerland

⁵ <https://www.energypolicytracker.org/>