<u>**Friends of Fossil Fuel Subsidy Reform Communiqué Launch**</u>
Venue: Auditorium J 1-050, World Bank, Washington, DC
Time: 4:00 – 4:30 p.m. EST

PRESS RELEASE - Issued: 17 April 2015

Governments Call for the Removal of Harmful Fossil-Fuel Subsidies

WASHINGTON, D.C. — A coalition of governments are calling for the phase-out of subsidies to fossil fuels in the lead-up to a major climate conference in Paris.

A group of eight countries known as the Friends of Fossil Fuel Subsidy Reform today released a Communiqué encouraging governments to prioritize the reform of fossil-fuel subsidies ahead of the United Nations Climate Change Conference in Paris this year. The Friends, with the support of the International Institute for Sustainable Development, are encouraging other governments to endorse the statement. France today became the first country outside the Friends group to do so.

By endorsing this Communiqué, we highlight the importance of fossil fuel subsidy reform as a key climate change mitigation policy with clear economic, social and environmental benefits. I am proud that Denmark has been leading in supporting FFSR through the past years and would hope for others to join our efforts going forward, said Danish Minister of Trade and Development Cooperation, Mogens Jensen.

Costa Rica, Denmark, Ethiopia, Finland, New Zealand, Norway, Sweden and Switzerland point to the fact that fossil-fuel subsidies are harmful to the environment and economic development. Often the benefits of subsidies disproportionately benefits wealthier households, which consume more energy.

By launching this Communiqué we invite countries and other actors to come forward and publicly express their support to phasing out harmful fossil fuel subsidies. The timing is right with Paris in the horizon and a growing number of countries considering or undertaking reform, said New Zealand's Minister for Trade and Climate Change Issues, Tim Groser.

Fossil-fuel subsidy reform has both economic and climate benefits. Reform will free up financing for sustainable development. Norway will contribute 100 million Norwegian kroner (app. US$ 12.5 million) to fossil-fuel subsidy reform, and we strongly encourage other countries to increase their efforts and support the call for reform, says the Norwegian Minister of Foreign Affairs, Børge Brende.

Recent years have seen significant progress to advance fossil-fuel subsidy reform; however, these subsidies are still a huge burden on public finances in many countries. In 2013, governments around the world spent more than 548 billion on fossil fuel subsidies.

By keeping prices to consumers artificially low, fossil-fuel subsidies encourage wasteful consumption, disadvantage renewable energy and drain scarce public resources that could be better spent on other sustainable development goals.

The elimination of fossil fuel subsidies would make a significant contribution to the goal of keeping average temperatures from rising more than two degrees Celsius above pre-industrial levels.

The evidence is actually quite clear. Estimations show that eliminating fossil fuel subsidies would reduce global greenhouse gas emissions by between 6 and 13 per cent by 2050 and can be done without harming the poor, said Swiss Federal Councillor Johann N. Schneider-Ammann.

The statement is being presented to the public by Ministers from the Friends of Fossil Fuel Subsidy Reform and France at the World Bank on Friday April 17 at 4:00 p.m. in Washington, D.C.

Please register your attendance to bbarrientos@worldbank.org with the subject line "Friends of Fossil Fuel Subsidy Reform" for access to the building by COB 16 April.

FFSR hashtag: #fossilfuelsubsidyreform
FFSR Web site: http://www.iisd.org/publications/fossil-fuel-subsidy-reform-communique

END OF PRESS RELEASE.

Additional facts about fossil fuel subsidy reform for media use:

Size

- The scale of global subsidies to fossil fuels is enormous and a concern of both developing and developed countries. The IEA estimates that consumer subsidies from 40 emerging and developing countries amounted to *$548 billion (2013)* annually (IEA, 2014).

- Production subsidies, upstream to producers of fossil-fuels, have been estimated to stand at around US$100 billion globally and at around US$88 billion annually across the G20 for both exploration and production.

Unsmart finance

- $548 billion is at least equivalent to four times the level of development assistance provided by developed countries in 2013 ($134 billion). Four times the value of financial support to renewable energy ($121 billion) and more than four times the amount invested globally in improving energy efficiency ($120 billion).

- Current fossil fuel subsidies are over five times the value of the amount the world aims to raise for investment in low-emission and climate-resilient development pathways by 2020 ($100 billion annual Green Climate Fund target by 2020).

Emissions reductions

- A staggered removal of consumer fossil-fuel subsidies could lead to an 8 per cent reduction in global GHG emissions (including an emissions cap, increases the reduction to 10 per cent). This is one seventh of the global effort needed to stay within the 2 degrees C target.

- It is estimated that 36 per cent of global carbon emissions between 1980 and 2010 were driven by subsidies to fossil fuels.

- Removing subsidies from fossil fuels is the first step to getting the prices right for carbon fuels and this in turn would encourage greater energy efficiency and enable renewable energy to compete on more equal economic terms. For example renewable energy targets for 2020 in the Middle East and North Africa could cost up to $200 billion and this is less than one year's worth of fossil fuel subsidies in the region, which total $237 billion.

- At the moment we have the opposite situation, currently, 15% of global CO_2 emissions receive an *incentive* of $110 per tonne in the form of fossil-fuel subsidies while only 8% are subject to a carbon price (IEA, 2013).

Bad Social Policy

- Fossil fuel subsidies are failing as a social welfare policy tool. They do not benefit the poor and they are often regressive in nature (only 8% of the subsidy typically reaches the poorest income group). Resources directed at fossil fuel subsidies could be better utilised through government investment in health, education, and targeted social welfare systems.

Benefits that could be derived from fossil fuel subsidy reform

- The process of reform enables countries to shift from subsidising fossil fuels to taxing them, and 'getting the prices right' to cover the social cost that society pays for in terms of air pollution and carbon emissions. Shifting from subsidising to taxing fossil fuels means that governments move from a situation where fossil fuels are a drain on fiscal revenues and government budgets to being an earner.

- Savings from fossil fuel subsidy reform can go towards cash transfers to reduce poverty, sustainable energy for all to expand access to clean energy, education and health. Government resources can be shifted from support to fossil fuels to more targeted welfare support and other sectors of the economy. Governments in Indonesia, Jordan, Iran, Ghana and Mexico have put money into cash transfers when undergoing fossil fuel subsidy reform in the past.

The Friends of Fossil Fuel Subsidy Reform

- The Friends of Fossil Fuel Subsidy Reform (Costa Rica, Denmark, Ethiopia, Finland, New Zealand, Norway, Sweden, and Switzerland) was set up in June 2010 to support the commitments of G-20 and APEC leaders to phase-out inefficient fossil-fuel subsidies, and aims to build political consensus on the importance of fossil-fuel subsidy reform within international forums.

- To promote the removal of inefficient subsidies, the Friends of Fossil Fuel Subsidy Reform are publicly launching a Communiqué that encourages the international community to increase efforts to reform fossil fuel subsidies and recognizes subsidy reform as an important climate change mitigation policy with clear economic, social and environmental co-benefits.

Infographic on fossil fuel subsidy reform and climate change:
http://www.iisd.org/gsi/sites/default/files/FFSR_and_climate_infographic_snd10-12_0.jpg