



## **Submission to the Ad Hoc Working Group on the Durban Platform for Enhanced Action Regarding Views on Options and Ways for Further Increasing the Level of Ambition**

### **TASK 1: PHASE OUT FOSSIL FUEL SUBSIDIES**

The first step to recovery – in this case from a dangerous fossil fuel addiction – is to admit you have a problem. In Durban, Parties did just that recognizing, ‘with grave concern,’ the significant gap between current pledges and what the science tells us is required to stay below 2°C or 1.5°C of warming with a high probability. The next step is to take action. Parties must take concrete steps *each year* to increase their ambition, culminating in a fair, ambitious and legally binding agreement no later than 2015. In other words, the workplan on enhancing mitigation ambition launched in Durban must deliver tangible results towards narrowing the gap each year and not simply talk about possible options until 2015. There are many options to raise ambition from increasing targets to addressing emissions from international aviation and shipping.<sup>1</sup> The focus of this submission is one such option – a no-brainer really – phasing out of fossil fuel subsidies.

Fossil fuel subsidies are costly and unnecessarily increase greenhouse gas emissions. According to the OECD, its member countries spend USD 45 billion to 75 billion a year on fossil fuel subsidies, while globally that figure was over USD 400 billion in 2010.<sup>2</sup> Analysis by the International Energy Agency shows that phasing out subsidies to fossil fuel consumption, largely in developing countries, economies in transition and OPEC nations, could reduce energy-related carbon dioxide emissions by 4.7% in 2020 and 5.8% in 2035 compared to business as usual, and that is only part of the subsidy equation.<sup>3</sup> Similar analysis has not been done for developed countries, however higher per capita subsidies and emission rates in developed countries suggest that much greater emissions reductions could be achievable if all subsidies were removed in those countries, and, in line with the principle of developed countries taking the lead in combating climate change (Art. 3.1 of the Convention), this is where the first steps should be taken.

Money saved through eliminating fossil fuel subsidies can be used to support climate-friendly activities (and should be considered as part of the AWGLCA’s work programme on long-term finance). Developing countries are legitimately concerned about access to energy for their populations, and the removal of fossil fuel subsidies may be seen as a threat to that access – unless the subsidy removal is accompanied by increased climate finance.<sup>4</sup> In other words, it is crucial to both avoid locking developing countries’ energy systems into dirty, carbon intensive ones (through the elimination of fossil fuel subsidies) and to enable them to leapfrog over such unsustainable systems to clean, renewable ones (through the provision of climate finance).

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<sup>1</sup> See the CAN International Submission for a discussion of the multiple options available to Parties, online: <http://www.climate-network.org/publication/can-ambition-submission-february-2012>.

<sup>2</sup> OECD (2011), *Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels*, online: <http://www.oecd.org/dataoecd/40/35/48805150.pdf>.

<sup>3</sup> IEA (2011), *World Energy Outlook 2011*, online: <http://www.iea.org/weo>. The data is based on 37 economies which subsidize consumption.

<sup>4</sup> It should be noted, however, that consumption subsidies are socially regressive with only 8% of that 400 billion reaching the poorest 20%: IEA (2011), *World Energy Outlook 2011*, online: <http://www.iea.org/weo>.

In 2012, all Parties must agree to (1) phase out fossil fuel subsidies, (2) the provision of capacity building and financial assistance to developing countries in order to meet that objective and (3) commit to reporting on their reform in their first biennial reports. Such agreement should be made no later than COP18; however there is no need to wait until then. Heads of State and Government should undertake such commitments as part of the Rio +20 outcome.

**The urgency of climate change is time-bound. Eliminating fossil fuel subsidies can both contribute to closing the gigatonne gap and raising climate finance. It is a 'win-win' option that should be squarely on the ADP's work plan, and, more important, implemented without delay.**