

Submission by Switzerland, Costa Rica, Finland, New Zealand and Sweden, supported by Monaco

Talanoa Dialogue – How do we get there?

Fossil Fuel Subsidy Reform

Switzerland, Costa Rica, Finland, New Zealand and Sweden¹, supported by Monaco, welcome the opportunity to make a submission to the Talanoa Dialogue. Our input refers to its third question “How do we get there?” and depicts the potential of fossil fuel subsidy reform (FFSR) as a means for climate change mitigation at a global level.

Costa Rica, Finland, Monaco, New Zealand, Sweden and Switzerland equally welcome the collective efforts made so far by the global community to combat climate change. According to UNEP’s emission gap report, however, the global community’s current path of global greenhouse gas emissions is not yet on track to reach the long-term temperature goal.

Fossil Fuel Subsidy Reform is a means to reach the global temperature goals

Fossil fuel subsidies (FFS) have an impact on global carbon emissions and their removal is one of the missing pieces of the climate change puzzle. Indeed, eliminating fossil fuel subsidies could **reduce global CO₂ emissions by between 1 to 4% by 2030** (Jewell, et al. 2018) and **between 6 to 8% by 2050** (Schwanitz et al. 2014; Burniaux and Chateau 2011).

The reform of fossil fuel subsidies therefore offers a contribution to help deliver deeper, faster emissions cuts and to achieve the international goal of limiting global warming to well below 2°C above pre-industrial levels, and would contribute to the pursuit of efforts to limit the temperature increase to 1.5°C above pre-industrial levels. A study for the IMF (Parry et al. 2014) shows that phasing out **fossil fuel subsidies combined with correct taxation could even lead to a reduction of carbon emissions of 23% globally**. Around 15 countries (out of a total of 196) included FFSR within their Nationally Determined Contributions (NDCs) in the lead up to the Paris Agreement on climate change in 2015 (Terton et al. 2015).

Moreover, if only 30% of savings from subsidy reform were invested in renewable energy and energy efficiency, national emissions from across 20 countries could be reduced by an average of 18% by 2020 (Merrill et al. 2015; figure below).

Hence, accelerated global action to remove fossil fuel subsidies offers a very promising avenue to tackle climate change.

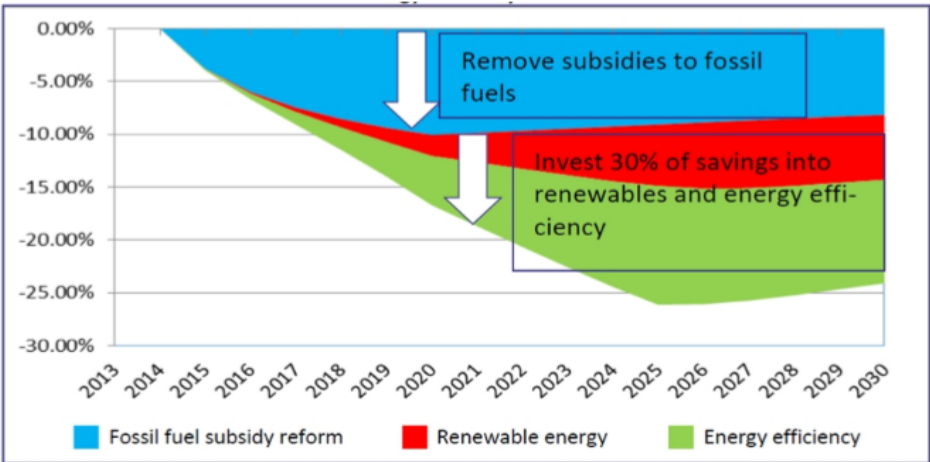


Figure. Average emissions reductions from FFSR across 20 countries with 10% of savings invested in renewables and 20% into energy efficiency (as against business as usual [BAU]). Source: Merrill et al. 2015.

¹ Costa Rica, Finland, New Zealand, Sweden and Switzerland are members of the [Friends of Fossil Fuel Subsidy Reform](#) (along with Denmark, Ethiopia, Norway and Uruguay).

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Share best practice examples

With regard to the potential that the elimination of inefficient fossil fuel subsidies bears for global climate change mitigation, we seek to advance discussions about FFSR at the UNFCCC. **The Talanoa Dialogue is the ideal platform to promote an exchange** about international efforts and it offers an opportunity to share countries' experiences and best practices.

Additional information on fossil fuel subsidy reform

The necessity to eliminate inefficient subsidies for fossil fuels is internationally widely recognized, as FFS have many negative effects. Fossil fuel production subsidies disadvantage renewable energy, and depress investment in energy efficiency, while consumption subsidies encourage wasteful consumption. Moreover, the subsidies are often socially regressive and tend to disproportionately benefit the wealthier consumers. Thus, effectively addressing fossil fuel subsidies will deliver environmental, social, trade and economic benefits.

Fossil fuel subsidies matter as the sums involved at the global level are substantial: The Nordic Council of Ministers (2017) identified around USD 425 billion for 2015, OECD (2018) traced a range of USD 373 billion to USD 617 billion for the period 2010-2015. Hence, fossil fuel subsidies carry a high cost for some countries, while often failing to reach the intended goal of protecting poor and vulnerable consumers.

If externalities, such as health costs due to air pollution or climate change, are also **taken into account**, research for the IMF affirms that **FFS comprise over USD 5 trillion annually** (Coady et al. 2017).

On one hand, FFSR represents thus a significant opportunity on a global level to combat climate change, but on the other hand **reforming fossil fuel subsidies can also release funds on a national level for other development priorities** such as health, environment, education, renewable energy or infrastructure. Furthermore, fossil fuel subsidy reform would have a **significant positive impact on public health**: eliminating these subsidies would have reduced deaths, which are due to air pollution from fossil fuels, by 55% in 2013 (Coady et al. 2015).

➤ In conclusion, FFSR does not only offer positive effects on the climate and release funds for other meaningful purposes, but it also fosters the competitiveness of renewable energies, liberates funds for climate mitigation and adaptation as well as sustainable development, and significantly contributes to a reduction of air pollution, thus improving public health.

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