



# United Nations Environment Programme

برنامج الأمم المتحدة للبيئة • 联合国环境规划署  
PROGRAMME DES NATIONS UNIES POUR L'ENVIRONNEMENT • PROGRAMA DE LAS NACIONES UNIDAS PARA EL MEDIO AMBIENTE  
ПРОГРАММА ОРГАНИЗАЦИИ ОБЪЕДИНЕННЫХ НАЦИЙ ПО ОКРУЖАЮЩЕЙ СРЕДЕ

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## Update on DTIE/ETB's ongoing work on Energy Subsidies

### Background

Climate change poses serious threats to ecosystem services, human well-being, and sustainable development. Dealing with it has become a policy priority for governments. The use of fossil fuels is one of the major contributors to climate change. Massive government subsidies encourage excessive use of such fuels and discourage the switch to cleaner fuels and renewable sources of energy. Reforming such environmentally harmful subsidies is critical for any response to climate change.

But reforming energy subsidies does not have to be tied to the climate agenda exclusively. Other arguments for reform include:

- Energy subsidies often fail to reach the target beneficiaries – the poor;
- Subsidies for fossil fuels contribute to local air pollution resulting in harmful health impacts;
- Price control over electricity reduces incentives to invest in electricity infrastructure, perpetuating the problem of access;
- Energy subsidies place pressure on public finance and reduce governments' ability to spend on other development priorities;
- More efficient and sophisticated mechanisms and instruments exist to achieve objectives (usually linked to fossil fuel subsidies);
- Energy subsidies have the potential to create trade and market distortions, violating related WTO rules

### DTIE Economics & Trade Branch's Activities and Priority Areas of Future Work

#### A Expert Meeting in November 2007

UNEP has initiated a multi-stakeholder process to reform environmentally harmful subsidies, which aims to achieve a long-term transition to a truly sustainable and secure energy system. Together with the United Nations Economic Commission for Europe (UNECE), UNEP convened a meeting of experts in Geneva on 15-16 November 2007. Over thirty experts from inter-governmental and non-governmental organisations took stock of the work done in this area, shared views, and proposed collective efforts to move the issue of energy subsidies onto the policy agenda.

Discussions focused upon: international mechanisms which are or might be relevant for reforming environmentally harmful energy subsidies; major potential and actual stumbling blocks; different perspectives on reform; the need of institutional mechanisms to ensure the continuity of the work on energy subsidies, and important steps on the way forward.

#### B Priority Areas of Future Work

Based on the UNEP/UNECE workshop in November 2007, UNEP-ETB will actively pursue its work on reforming environmentally harmful energy subsidies in 2008 and beyond.

The key challenge is to address the pressing need for more reliable and up-to-date information on the scale and pervasiveness of such subsidies, in order to get a better understanding about the harm they cause as well as for practical advice to policymakers about effective and equitable approaches to reforming them. For this reason, UNEP-ETB will facilitate the development of standards for reporting and compiling consistent data on energy subsidies in collaboration with statistical institutions and experts. As a first step, ETB plans to host a meeting on energy subsidy accounting in April. Furthermore, a brochure and an update of a previous UNEP publication on the subject will provide policy-makers with facts and figures on the subject, raising their awareness for the problems caused by environmentally harmful energy subsidies as well as for potential reforms.