

## FOSSIL FUEL SUBSIDY REFORM (FFSR) INITIATIVE

### BACKGROUND INFORMATION FOR PRESS

#### Did you know?

- Subsidies that artificially lower the price of fossil fuels, such as oil, gas, and coal, exacerbate climate change, cause toxic air pollution, are often not well targeted at the most vulnerable, and represent a sizeable fiscal burden for governments.
- The rising global investment in clean energy has been overshadowed by a dramatic increase in government support for fossil fuels during the global energy crisis, almost doubling in 2022, to reach more than USD 1.4 trillion.<sup>1</sup>

#### Background and objectives of FFSR

The Fossil Fuel Subsidy Reform (FFSR) Initiative seeks to achieve the rationalization, phase out or elimination of harmful fossil fuel subsidies through use of existing mechanisms or the development of new pathways to reform. The Initiative builds on Members' commitments under Sustainable Development Goal 12(c) of the 2030 Agenda, and in the context of the Paris Agreement on Climate Change, the Addis Ababa Action Agenda on Financing for Development. It also contributes to efforts towards achieving the COP28 call on Parties to transition away from fossil fuels in energy systems, in a just, orderly and equitable manner, accelerating action in this critical decade.

The Initiative recognizes the important contribution that phasing out harmful fossil fuel subsidies can make to the continued efforts to limit the temperature increase to 1.5 degrees above pre-industrial levels. Fossil fuel subsidy reform can also deliver wider trade, economic, social and environmental benefits, including promoting more energy-efficient consumption, reducing pollution, and freeing up government funds to support a green and climate-resilient economy.

Building on efforts from the 11th Ministerial Conference (MC11) in December 2017, a Ministerial Statement was issued by a group of WTO Members in December 2021 ([WT/MIN\(21\)/9/Rev.1](#)) and revised in June 2022 ([WT/MIN\(21\)/9/Rev.2](#)). The statement highlights the need to elaborate concrete options for rationalizing and phasing out inefficient fossil fuel subsidies by sharing information and experiences among members ahead of the 13th Ministerial Conference (MC13). The statement pledges to take into account the specific needs and conditions of developing countries and to minimize the possible adverse impacts on their development in a manner that protects the poor and the affected communities.

Coordinated by New Zealand, the FFSR Initiative is open to all WTO Members and has currently 48 Members as co-sponsors. The Initiative's inclusive approach involves stakeholders from the private sector, civil society, international organizations and academia who support discussions through technical expertise, experience and transparency.

#### FFSR Fact Box

Coordinator: New Zealand

Co-sponsors: 48 Members

Albania; Chile; Colombia; Costa Rica; European Union (and 27 Member States); Fiji; Iceland; Liechtenstein; Moldova, Republic of; Montenegro; New Zealand; North Macedonia; Norway; Panama; Paraguay; Samoa; Switzerland; Tonga; United Kingdom; Uruguay; and Vanuatu

FFSR website: [WTO | Fossil fuel subsidy reform](#)

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<sup>1</sup> Joint OECD-IEA estimate, OECD Inventory of Support Measures for Fossil Fuels 2023, published December 2023.

## FFSR Workstreams and MC13 Outcomes

Based on the Work Plan adopted by FFSR co-sponsors for the year 2022-23 ([WT/MIN\(22\)/8](#)), work of the FFSR Initiative has been organised around three main pillars:

- A. Enhancing transparency of fossil fuel subsidies and fossil fuel subsidy reform, including through use of existing WTO mechanisms.
- B. Ensuring that support measures adopted in response to the global energy crisis remain targeted, transparent and temporary.
- C. Identifying the types of fossil fuel subsidies that are most problematic from a trade and environment perspective and considering pathways to address them.

The FFSR Initiative's **outcomes for MC13** ([WT/MIN\(24\)/19](#)) include an updated Ministerial Statement by the FFSR co-sponsors, accompanied by two annexes setting out:

- i. A detailed programme of work outlining concrete options under the three pillars to guide the work of the Initiative's in the period to the 14<sup>th</sup> WTO Ministerial Conference.
- ii. A non-exhaustive list of sample questions on fossil fuel subsidies and fossil fuel subsidy reform for regular use by co-sponsors and other WTO Members in Trade Policy Reviews.

The FFSR **Work Programme** identifies concrete options to advance reform in 2024-2025 under the three pillars.

First, on transparency, co-sponsors will continue efforts to make fuller use of existing WTO mechanisms to enhance transparency with regard to fossil fuel support measures, and more specifically:

- i. Advocate the regular incorporation of information on fossil fuel subsidies and their reform in a dedicated section of Members' Trade Policy Review reports and use the list of sample questions in Annex 2 to engage with other Members on these issues.
- ii. Extend the transparency analysis to other WTO processes and review information from other international processes (UNFCCC, UNEP and OECD).
- iii. Advocate as part of current efforts to revitalise the work of the WTO Committee on Trade and Environment.

Second, on crisis support measures, co-sponsors will share experiences and lessons from temporary measures adopted in response to the recent energy crisis, reviewing progress in reducing, removing and/or refining the targeting of such measures, and more specifically:

- i. Compile information on Members' experience with the design, review, adjustment and roll-back of temporary fossil fuel support measures to address energy crises.
- ii. Develop guidelines to help make any future such measures targeted, transparent and temporary.
- iii. Undertake periodic reviews of Members' temporary crisis support measures and efforts to reform, reduce and remove these measures.

Third, on most harmful fossil fuel subsidies, co-sponsors will advance work to identify harmful fossil fuel subsidies and to build broader recognition and support for the development of pathways to reform, reduce and eliminate these types of fossil fuel subsidies, and more specifically:

- i. Develop a grid of key types of fossil fuel subsidies, including situations and sectors in which they are used, and their harm to the environment and trade.
- ii. Build broader recognition and support for the development of pathways to reform, reduce and eliminate those fossil fuel subsidies (via workshops, experience-sharing sessions, compilation of success stories, etc.).
- iii. Map out phased reduction pathways, including a timetable, for these most harmful types of subsidies, taking fully into account social and development concerns.