

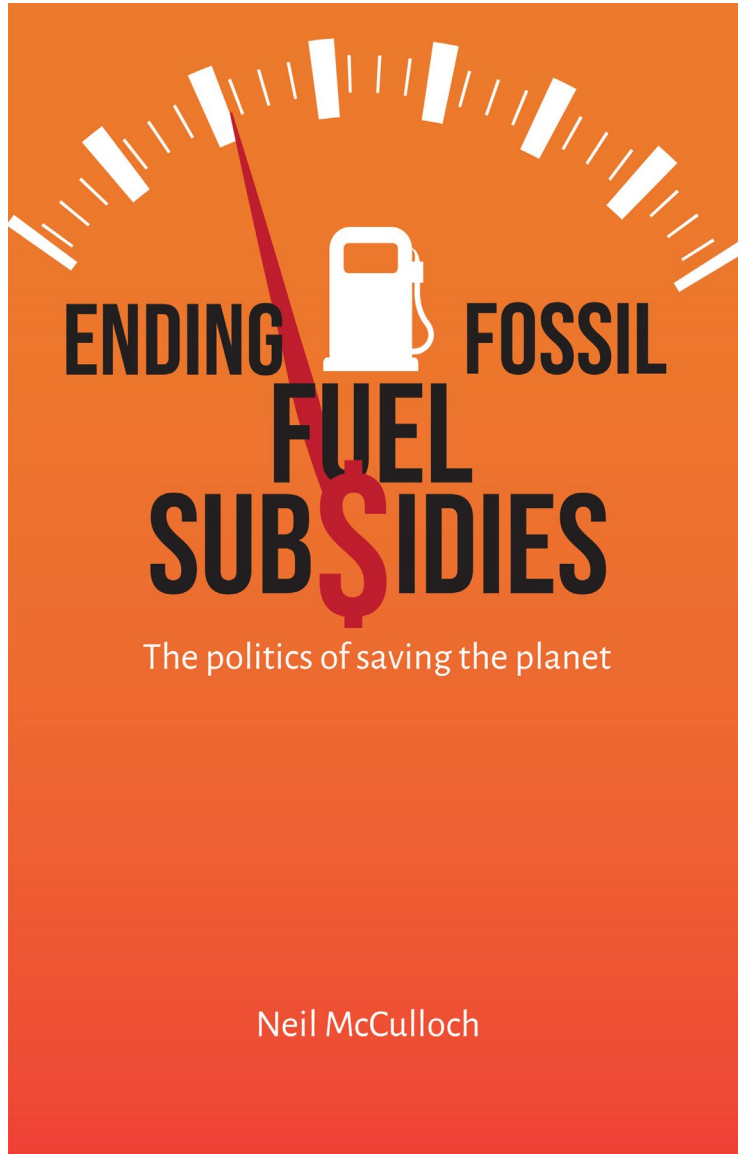
The political economy of fossil fuel subsidy reform

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The Policy Practice

Slides for WTO Fossil Fuel Subsidy Reform initiative meeting

15 February 2023



‘This book exposes how progressive political leadership could end [fossil fuel] subsidies and promote climate justice for all.’

Mary Robinson, Former President of Ireland

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Overview

1. What are fossil fuel subsidies and how big are they?
2. The impact of fossil fuel subsidies?
3. Why do subsidies persist? (i.e. why is fossil fuel subsidy reform so hard?)
4. Country experience in subsidy reform
5. COVID, war and the energy crisis
6. A new approach to fossil fuel subsidy reform



Key Messages

1. Fossil Fuel Subsidy Reform is not a technical problem. It is always a political problem.
2. Reforms therefore succeed or fail depending on whether they get the domestic politics right or not
 - We need much more fine-grained analysis of the political economy of subsidy reform in and across countries
3. For subsidy reform to succeed politicians need:
 - Coalition (buy in from those that could block or destroy the reform)
 - Credibility (trust that they will deliver)
 - A politically resonant 'offer' (i.e. something good, NOT just compensation)
4. The international community need to 'think and work politically' by supporting the strategies of domestic political actors to find feasible pathways for reform

The challenge for the WTO

Most international commitments on fossil fuel subsidies have achieved virtually nothing:

- G20 and G7 commitments to phase out 'inefficient fossil fuel subsidies' since 2009
- G20 have managed to produce 7 peer reviews in 13 years
- COP26/27 commitments even water down the G20 language

...but the WTO has ...

- The ASCM principles
- WTO Ministerial statement in Dec 2021 on fossil fuel subsidies
- Agreement on fisheries subsidies in June 2022

... how might an Agreement on fossil fuel subsidies help domestic politicians to implement reform?