



## **Reforming Fossil Fuel Subsidies for an Inclusive Green Economy**

The 2<sup>nd</sup> joint UNEP/GIZ/IMF/GSI workshop

*Date: April 28-29, 2014*

*Venue: Conference Room 3, UNEP headquarters, Nairobi, Kenya*

### **Introduction**

The removal of inefficient and environmentally harmful subsidies is one of the most promising avenues to promote investments for a green economy transition. In particular, energy subsidy reforms—removing both direct subsidies and implicit subsidies from the failure to charge for environmental damages—could generate significant revenues for fiscal consolidation, lowering other burdensome taxes, or funding desirable spending. At the same time, they discourage excessive energy consumption and mobilize clean energy investments. Leaders around the world have already made commitments to energy subsidy reforms. In 2009, G20 leaders agreed to phase out inefficient fossil-fuel subsidies in the medium term and leaders of the Asia-Pacific Economic Cooperation (APEC) have made similar commitments.

The purpose of the second joint workshop is to provide a better understanding of the policies that support the production and use of fossil fuels, share countries' experiences of subsidy reform, and identify remaining knowledge gaps in terms of data, methodology, and policy guidance. The outcome of the workshop will bridge knowledge gaps on how fossil fuel subsidy reforms could contribute to green investment and deepen understanding of common policy challenges across countries on how to promote more efficient and inclusive green economy policies.

This workshop is organized under the framework of the Green Fiscal Policy Network, a joint initiative between the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the International Monetary Fund (IMF) and the United Nations Environment Programme (UNEP), and with the participation of the Global Subsidies Initiative (GSI) of the International Institute for Sustainable Development. The network was initiated to create a body of knowledge on fiscal policy reforms for green economy investment through analytical studies; to disseminate the knowledge through a fiscal policy network website; and to exchange useful practical experiences among countries through policy dialogues.

### **Objectives**

The meeting has the following objectives

- Identifying and bridging (i.e. methodological and analytical) knowledge gaps on fossil fuel subsidy reforms and their contribution to green investment
- Knowledge and experience sharing between countries that are undergoing or have undergone energy subsidy reforms
- Receiving feedback on policy papers produced by network partner organizations
- Creating a global network of practitioners on energy subsidy reforms

### **Participants**

About 60 participants are expected from both developed and developing countries that are at different stages in the course of a green economy transition. In particular, countries that are partnering with UNEP's Green Economy Advisory Services and GIZ have been invited to share their experiences. Participants will include government officials from ministries of finance, energy and environment, as well as academics, and experts from international organizations and non-governmental organizations.



This workshop is made possible thanks to generous support from the European Commission and Gesellschaft für Internationale Zusammenarbeit (GIZ).

## Day 1

Time	Session	Speakers
8.30-9.00	Registration and welcome coffee	
9.00 -9.30	<b>Welcoming Remarks</b> Achim Steiner, Executive Director UNEP*  <b>Opening statements</b> Benedict Clements, Division Chief, Fiscal Affairs Department, IMF Detlef Schreiber, Head of the Competence Center Environment, Resource Efficiency and Waste Management, GIZ Peter Wooders, Senior Economist, Climate Change, Energy and Trade, GSI	UNEP  IMF/ GIZ/ GSI
9.30 – 11.00	<b>Session 1: Assessing Fossil Fuel Subsidies</b>  Fossil fuel subsidy reforms could play a crucial role in promoting greener economies through mobilizing green investment and raising revenue. This session will discuss recent studies on the size of fossil fuel subsidies, the efficient pricing of energy, and the fiscal and environmental benefits of pricing reform. It further addresses the existing technical gaps in the measurement of energy subsidies.	
	Assessing fiscal space for green economy through fossil fuel subsidy reforms: model based simulation results  Measuring energy subsidies, efficient pricing of energy, and the benefits of reform  <u>Discussants:</u> Kaushik Ranjan Bandyopadhyay  Peter Wooders  Q&A	Joy Kim, UNEP  Benedict Clements/ Ian Parry IMF  TERI University, India  GSI
11.00-11.15	<i>Tea Break</i>	
11.15– 12.45	<b>Session 2: Overcoming Obstacles to Policy Reform</b>  Energy pricing reforms are especially challenging, given the burdens they impose on vulnerable households and firms. This session will discuss techniques for measuring these burdens and measures (e.g., social safety nets) for mitigating the impacts.	

	<p>Overview of key obstacles to reform and dealing with low-income households and exposed firms</p> <p>Compensating Low-income households: The case of Indonesia</p> <p>Case of South Africa</p> <p>Case of Iran</p> <p>Q&amp;A</p>	<p>Benedict Clements/ Ian Parry IMF</p> <p>Perdana Ari, TNP2K Indonesia</p> <p>Memory Machingambi, National Treasury, South Africa</p> <p>Prof. Djavad Salehi- Isfahani, Virginia Tech (via video conference)</p>
12.45 – 14.15	Lunch	
	<p><b>Session 3: Country experiences and lessons learned</b></p> <p>Several countries have already implemented fossil fuel subsidy reforms with various degree of success. This session will present country case studies to share experiences and draw practical lessons, focusing first on general subsidy reforms and then on the reform of petroleum and electricity subsidies. Issues to be covered include methodological aspects of measuring subsidies, production efficiency, and governance for successful reforms.</p>	
14.15 – 15.30	<p><b>3a General Energy Subsidy Reforms</b></p> <p>Case of Vietnam</p> <p>Case of Ghana</p> <p>Case of Ethiopia</p> <p>Q&amp;A</p>	<p>Hai Nguyen Man, Central Institute for Economic Management, Vietnam</p> <p>Robert Mensah, Ministry of Finance, Ghana</p> <p>Sintayehu Wondwossen, formerly at Environmental Protection Authority, Ethiopia</p>
15.30 – 15.45	Tea Break	
15.45 - 17.15	<b>3b. Sector-Specific Reforms: Petroleum and Electricity</b>	

	<p>Fossil fuel subsidy reform: Case of Kenya</p> <p>Electricity subsidy reforms and renewable energy development: Case of Jordan</p> <p>Power sector: Case of China</p> <p>Transport Sector</p>	<p>Peter Odhengo, National Treasury, Kenya</p> <p>Dr. Ahmad Hiyasat, Orient Energy Services, Jordan</p> <p>Dr. Feng An, Innovation Center for Energy and Transportation (iCET)</p> <p>Armin Wagner, Head of Transport Policy Advisory Services</p>
17.15 – 17.30	<b>Wrap-Up</b>	

## Day 2

Time	Session	Speaker
9.00 - 9.15	<b>Recap of Day 1 and Overview of Day 2</b>	Organizers
9:15 - 10:30	<b>Session 4. Working group on case studies</b>  Chair: Rwanda	
	<p>Break out into 3/4 groups. Each group discusses the following issues with a view to bridging the knowledge gaps and identifying capacity needs to fill in the knowledge gaps.</p> <ul style="list-style-type: none"> <li>Assessing fiscal space for a green economy</li> <li>Assessing the economic, environmental, distributional, and other impacts of subsidy reforms</li> <li>Measuring and reforming petroleum/electricity subsidies</li> <li>Overcoming obstacles to subsidy reforms</li> </ul>	<p>Participants split into 3/4 sub-groups</p> <p>3/4 Note-Takers (to be selected from UNEP, GIZ, GSI and IMF organizers)</p>
10:30 - 10.45	Tea Break	
10:45 - 12:00	<p><b>Session 5: Reconvene to discuss findings of break-out groups and draw general guidelines and lessons on fossil fuel subsidies</b></p> <p>Rapporteurs report back from the group discussions.</p>	
12:00 - 13:15	<p><b>Session 6:</b></p> <ul style="list-style-type: none"> <li>-Presenting the Green Fiscal Policy Network</li> <li>-Information on the 2015 Green Growth Knowledge Platform (GGKP) conference</li> </ul>	UNEP/IMF/GIZ/GSI



	<b>-Discussion of the work of the GGKP Fiscal Instruments Committee</b> <b>-Concluding remarks</b>	
	Workshop adjourned and Lunch	

\*To be confirmed