

Getting Rid of Harmful Subsidies

Patricia Lerner & Sofia Tsenikli,
Senior Political Advisors, Greenpeace International
patricia.lerner@greenpeace.org; stsenikli@greenpeace.org (on fishing subsidies)

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Governments have talked a good game about sustainable development over several decades, while continuing to encourage environmental and social destruction **close to \$1 trillion US dollars' worth of harmful subsidies a year**¹, covering fossil fuels to fertilisers and fisheries.

This didn't make sense before. It makes even less sense during times of economic instability and austerity measures. Pouring taxpayers' money down the drain on things we are trying to get rid of is a huge waste of resources and opportunities. Environmentally and socially harmful subsidies undermine sustainable choices, which is why over the years governments have repeatedly made promises and commitments to get rid of them, mostly without specifying a timetable.

- In Rio in 1992 governments agreed "in the near term" to consider to "remove or reduce those subsidies that do not conform with sustainable development objectives".²
- In Johannesburg in 2002 they agreed to "eliminate subsidies that contribute to **illegal, unreported and unregulated fishing and to over-capacity**" and to "phasing out **harmful [energy] subsidies**, where they exist, to reflect their environmental impacts, with such policies taking fully into account the specific needs and conditions of developing countries, with the aim of **minimising the possible adverse impacts on their development**".³
- In 2009, G20 leaders committed to "phase out and rationalise over the medium term **inefficient fossil fuel subsidies** while providing targeted support for the poorest." A similar commitment was agreed at a subsequent APEC Leaders meeting, which brings the total number of countries with such a commitment to more than 50.
- In 2010, governments also agreed under the Convention on Biological Diversity (CBD) that "by 2020, at the latest, incentives, including subsidies, **harmful to biodiversity are eliminated**, phased out or reformed in order to minimise or avoid negative impacts (...)"⁴

So commitments exist, but their implementation has been sorely lacking. While much of the action will have to take place at the national level, international collaboration and agreement can support national efforts, including with technical assistance, sharing of information and best practice, and through increased accountability.

Rio+20 could accelerate the phase out of harmful subsidies. Governments could agree on clear **deadlines** and on **transparent reporting**, which will enable civil society to **hold countries accountable**. This would send clear signals to the private sector and ordinary citizens that subsidy reforms are really happening.

Reduced government spending on harmful subsidies can help relieve fiscal burdens and **free up resources for spending on green investments**, energy access, job creation, building social protection and providing much needed (and promised) finance for the poor, including for climate adaptation. So the task is not just phasing out subsidies, but also redirecting and spending them better. An often-held misconception, for example, is that renewable energies are heavily supported by public funds, but in fact support for them globally is less than one tenth of the fossil fuel subsidies, even though supporting renewables is about new technology and their diffusion, whereas fossil fuel technologies are mature, competitive technologies in no need of extra help.

Reforms have to be well planned, to avoid harming vulnerable groups who may today benefit from the subsidy. At the same time, supporting the poor should not be used as an excuse to support harmful practices where better alternatives exist. The case of fossil fuel consumption subsidies shows **there are more-effective means to support the poor**. According to the International Energy Agency, of all the fossil fuel consumption subsidies estimated globally for 2010, only 8% of them reached the poorest fifth of the population.⁵

There are countries that have already “walked the talk”. Costa Rica reformed its fossil fuel subsidies 20 years ago as part of an initiative to introduce taxes on fuel. Ethiopia phased out its fossil fuel subsidies three years ago, as they were very costly (representing 50% of total export earnings), curtailing investment in other development fields such as health and education. Since the reform, Ethiopia has seen a decline in the importation of kerosene.⁶

Then there are those who support illegal fishing. The EU is using taxpayers’ money to subsidise unsustainable fishing operations in overfished European waters, as well as to subsidise European industrial vessels to expand into the fishing grounds off West Africa and in the Pacific, encouraging the plunder of the waters of some of the world’s poorest countries. There are even a lot of subsidy-receiving (Spanish) vessels, with convictions for illegal fishing.⁷

The “To Do” list for governments in Rio and beyond

- Agree on a timetable and deadlines. Australia has suggested 2015 for harmful fishing subsidies, and the Global Sustainability Panel⁸ 2020 for fossil fuel subsidies. These should be endorsed as “by the very latest” dates, also for other environmentally and socially harmful subsidies, including those for forest destruction, nuclear power, agrochemicals and other toxics.
- Agree to transparent, regular and comparable reporting of progress, for accountability and credibility.
- Outline national subsidies’ reform plans, with measures for socially just transition, and identify needs for technical or international assistance.
- Exchange best practices and technical knowhow, for mutual learning.
- Redirect funds to catalysing the transition to a green, fair economy.

For more information, see the Global Subsidies Initiative at <http://www.iisd.org/gsi/>

For more details on fossil fuel subsidies in the context of Rio+20, see the separate Greenpeace policy briefing.

For more information, contact:
pressdesk.int@greenpeace.org

Greenpeace International
Ottho Heldringstraat 5
1066 AZ Amsterdam
The Netherlands
Tel: +31 20 7182000

greenpeace.org

¹ UNEP News Centre (2011). UNEP Chief on Rio+20. 17 May 2011

² Agenda 21, Chapter 8, paragraph 8.32. (b) and 20. (p)

³ Johannesburg Plan of Implementation, 31.(f) and . The JPOI also called on countries to fulfil the commitment to comprehensive WTO negotiations, with a view to “phasing out all forms of export subsidies [in agriculture]”.

⁴ Aichi Biodiversity Targets, Strategic Goal A, Target 3

⁵ IEA World Energy Outlook 2011.

⁶ GSI & IISD (2012). Fossil-Fuel Subsidy Reform: Building Momentum at Rio and Beyond. 26 March 2012.

⁷ Ocean Inquirer (2011). Issue #01/3, October 2011.

⁸ http://www.greenpeace.org/eu-unit/Global/eu-unit/reports-briefings/2011%20pubs/7/ocean_inquirer_v10_low_res.pdf

⁹ UN SG’s High-level Panel on Global Sustainability (2012). Resilient People, Resilient Planet: A future worth choosing. New York: United Nations.