

## 10. Energy: Fossil Fuels

### Commitment [#127]:

*“We reaffirm our commitment to rationalize and phase-out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption, with timing based on national circumstances, while providing targeted support for the poorest.”*

Seoul Summit Document

### Assessment:

Country	Lack of Compliance	Work in Progress	Full Compliance
Argentina		0	
Australia			+1
Brazil			+1
Canada			+1
China	-1		
France		0	
Germany	-1		
India		0	
Indonesia		0	
Italy	-1		
Japan		0	
Korea		0	
Mexico			+1
Russia			+1
Saudi Arabia		0	
South Africa			+1
Turkey	-1		
United Kingdom			+1
United States		0	
European Union		N/A	
Average Score		+0.16	

### Background:

The commitment to rationalize and phase-out inefficient fossil fuel subsidies over the medium term was first introduced at the 2009 G20 Pittsburgh Summit. During the Pittsburgh Summit, leaders agreed that inefficient fossil fuel subsidies “encourage wasteful consumption, distort markets, impede investment in clean energy sources and undermine efforts to deal with climate change.”<sup>924</sup> In response, members agreed to rationalize and phase out, over the medium term, inefficient fossil fuels that encourage wasteful consumption. At the same time, the G20 members recognized the importance of providing developing countries with essential energy services through various mechanisms.

At the Pittsburgh Summit, energy and finance ministers committed to assess their respective national circumstances in order to develop implementation strategies and timeframes and to report back to the G20 leaders at the Toronto Summit. Further, G20 members asked four

<sup>924</sup>G20 Leaders Statement: The Pittsburgh Summit, G20 Information Centre (Toronto) 24-25 September 2009. Date of Access: 27 December 2010. <http://www.g20.utoronto.ca/2009/2009communique0925.html>

intergovernmental organizations (IGO-4) (the International Energy Agency [IEA], the Organization of Petroleum Exporting Countries [OPEC], the Organization for Economic Co-operation and Development [OECD] and World Bank) to provide “analysis of the scope of energy subsidies and suggestions for the implementation of this initiative”<sup>925</sup> and to report their findings during the Toronto Summit.

At the G20 Toronto Summit in June 2010, 13 of the G20 countries provided implementation strategies for phasing out selected fossil-fuel subsidies. The remaining countries (Australia, Brazil, France, Japan, Saudi Arabia, South Africa and the United Kingdom) stated that they did not have inefficient fossil-fuel subsidies. During the summit, the IGO-4 released their report, which included suggestions for G20 countries on how to implement their phasing out strategies.<sup>926</sup> In response to this report, G20 members stated, “We also encourage continued and full implementation of country-specific strategies and will continue to review progress towards this commitment at upcoming summits.”<sup>927</sup>

At the Seoul Summit, G20 members re-committed to rationalizing and phasing-out over the medium term inefficient fossil fuel subsidies. The IGO-4 also released another report outlining data on fossil fuel consumption subsidies for 2009 and provided a strategy for phasing out fossil fuel subsidies.

#### **Commitment Features:**

This commitment requires G20 members to rationalize and phase-out over the medium term inefficient fossil fuels according to their national circumstances and to provide targeted support for the poorest.

At the G20 Toronto Summit in June 2010, 13 of the G20 countries provided outlined implementation strategies for phasing out selected fossil-fuel subsidies (see Table 9). The remaining countries (Australia, Brazil, France, Japan, Saudi Arabia, South Africa and the United Kingdom) stated that they do not have inefficient fossil-fuel subsidies and thus have not formulated implementation strategies.

Compliance will be evaluated based on individual implementation goals. Members that have specified they do not have inefficient fossil fuels subsidies will not be evaluated on their efforts to implement their implementation strategies, but they will be evaluated on their efforts to provide target support to the poorest.

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<sup>925</sup> G20 Leaders Statement: The Pittsburgh Summit, G20 Information Centre (Toronto) 24-25 September 2009. Date of Access: 27 December 2010. <http://www.g20.utoronto.ca/2009/2009communique0925.html>

<sup>926</sup> Analysis of the Scope of Energy Subsidies and Suggestions for the G20 Initiative. IEA, OPEC, OECD, World Bank Joint Report (Toronto) 16 June 2010. Date of Access: 27 December 2010. [http://www.opec.org/opec\\_web/static\\_files\\_project/media/downloads/publications/OPECIEA\\_OECDWB\\_Joint\\_Report.pdf](http://www.opec.org/opec_web/static_files_project/media/downloads/publications/OPECIEA_OECDWB_Joint_Report.pdf)

<sup>927</sup> Draft G20 Toronto Summit Declaration, G20 Information Centre (Toronto) 27 June 2010. Date of Access: 27 December 2010. <http://www.g20.utoronto.ca/2010/to-leakedcommunique.html>

**Table 9: Member-Specific Implementation Strategies**

G20 Member with Fossil Fuel Subsidies	Implementation Strategy
Canada	Proposes to implement recently released draft legislation to phase out the accelerated capital cost allowance for oil sands assets over the 2011-15 period. Previously phased out other tax preferences applying to fossil fuel producers.
Germany	Proposes to discontinue subsidized coal mining in a socially acceptable manner by the end of 2018.
Russia	Proposes to implement the commitment to rationalize and phase out inefficient fossil fuel subsidies through national economic and energy policy, within the framework of its Energy Strategy 2030 and the Concept of Long-Term Social and Economic Development, as well as in the context of its joining the WTO.
Argentina	Proposes to reduce household subsidy for propane gas consumption as natural gas access is expanded.
China	Proposes to gradually reduce the urban land use tax relief for fossil fuel producers
India	Proposes to work out implementation strategies and timetables for rationalizing and phasing out inefficient fossil fuel subsidies based on the recommendation of the Empowered Group of Ministers that has been constituted.
Indonesia	Proposes to phase out inefficient fossil fuel subsidies in a gradual manner in parallel through managing the demand side by adopting measures that will reduce fossil fuel energy consumption and by gradually narrowing the gap between domestic and international prices.
Italy	Proposes to continue with planned expiration of subsidy for certain cogeneration plants, and negotiate on a voluntary basis with private operators of these plants on the timing of their recess from the subsidy scheme.
Korea	Proposes to phase out subsidies to anthracite coal and briquette producers.
Mexico	By continuing current policies and based on current market conditions, subsidies to gasoline, diesel and LP gas are expected to disappear in the medium term.
Turkey	Proposes to work on a restructuring plan to rationalize the inefficient producer subsidies transferred to a stated-owned hard coal producing enterprise.
United States	Proposes to pass legislation to eliminate twelve preferential tax provisions related to the production of coal, oil, and natural gas.

**Scoring Guidelines:**

-1	Member takes no action towards the implementation of the proposed strategy or takes actions that go against the proposed strategy AND provides no support for the poorest.
0	Member takes no action towards the implementation of the proposed strategy but provides support for the poorest OR member takes no action towards the implementation of the proposed strategy but does not provide support for the poorest.
+1	Member has no inefficient fossil fuel subsidies OR member takes tangible actions towards the implementation of its proposed strategy AND provides support for the poorest.

**Argentina: 0**

Australia has partially complied with its commitment to rationalize and phase out inefficient fossil fuel subsidies that encourage wasteful consumption while providing targeted support for the poorest.

On 13 December 2010, Argentina's state regulatory agency, Enargas approved plans for a pipeline to transport natural gas from Bolivia to Argentina's northeast, which will reduce the country's reliance on fuel oil, diesel, and LPG. Argentine Energy Secretary Daniel Cameron stated that the creation of the pipeline would allow Argentina's northeastern provinces to use 3 million to 4 million cubic meters/day of Bolivian gas, which would reduce consumption of diesel, fuel oil, and LP.<sup>928</sup>

On 21 April 2011, the Argentinean initiative to install a wind turbines plan in Chorriaca as part of the Development and Use of Neuquén Wind power Program progressed as the country accepted the tenders of two bidding companies. The initiative to install a wind farm in Chorriaca is part of the Development and Use of Neuquén Wind Resource Program, which aims to install and operate a wind farm for a 30 years term.<sup>929</sup>

Thus Argentina has been awarded a score of 0. Argentina has complied with its commitment to rationalize and phase out inefficient fossil fuel subsidies, however it has not provided targeted support for the poorest since the G20 Seoul Summit.

*Analyst: Ivana Jankovic*

**Australia: +1**

Australia has fully complied with its commitment to rationalize and phase out inefficient fossil fuel subsidies that encourage wasteful consumption while providing targeted support for the poorest.

On 24 February 2011, Prime Minister Julia Gillard announced that the government would seek to implement a carbon tax from 1 July 2012.<sup>930</sup> This carbon tax proposal is a step towards the introduction of a full emissions trading scheme.<sup>931</sup> Approximately 10% of the revenue collected from the proposed carbon tax would be used to fulfill Australia's commitment to the new Green Climate Fund, established at the Climate Change United Nations Framework Convention on Climate Change (UNFCCC) conference in Cancun. This fund would provide support for

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<sup>928</sup> Pipeline would transport Bolivian gas to Argentina's northeast. Oil & Gas Financial Journal. 13 December 2010. Date of Access: 20 April 2011. <http://www.ogfj.com/index/article-display/1873162109/articles/oil-gas-financial-journal/midstream-news/pipeline-would-transport.html>

<sup>929</sup> Wind energy in Argentina – The Chorriaca wind farm is progressing. Regulacion Eolica con Vehiculos Electricos. 21 April 2011. Date of Access: 22 April 2011. [http://www.evwind.es/noticias.php?id\\_not=11285](http://www.evwind.es/noticias.php?id_not=11285)

<sup>930</sup> Australia plans carbon tax on polluters from 2012, Associated Press (Canberra) 24 February 2011. Date of Access: 26 March 2011. <http://finance.yahoo.com/news/Australia-plans-carbon-tax-on-apf-3014577049.html?x=0&.v=1>.

<sup>931</sup> Gillard plans FY13 carbon price, Business Spectator (Australia) 24 February 2011. Date of Access: 26 March 2011. <http://www.businessspectator.com.au/bs.nsf/Article/Carbon-price-set-from-July-1-2012-Gillard-pd20110224-ED2X9?OpenDocument&src=rab>.

underdeveloped states to mitigate and adapt to climate change.<sup>932</sup> The Commitment to Phase Out Fossil Fuel Subsidies recognized the need to “provide targeted support for the poorest.”<sup>933</sup>

On 17 December 2010, AUSAid announced that Australia would allocate AUD17.5 million to support Caribbean efforts to adapt to climate change and the impacts of natural disasters that result from it. This funding is a part of the AUD60 million package of development assistance commitment to the Caribbean, made in November 2009. A portion of the AUD599 million climate change foreign aid program established in June 2010 will also fund this commitment.<sup>934</sup>

On 9 December 2010, the Minister of Foreign Affairs, Kevin Rudd, and the Minister for Climate Change and Energy Efficiency, Greg Combet, announced a new allocation of AUD45 million to support Indonesia’s efforts to address climate change. While AUD30 million is specifically committed to forest preservation, AUD15 million was allocated to support Indonesia’s adaptation to climate change, including support for “the development and implementation of local adaptation responses.”<sup>935</sup> These allocation announcements are also a part of a AUD599 million climate change foreign aid program, established in June 2010.

On 14 November 2010, Australia, as a member of APEC, reaffirmed its commitments to rationalizing and phasing out inefficient fossil fuel subsidies, and providing “those in need with essential energy services, and review progress toward this goal on a voluntary basis.”<sup>936</sup> APEC has further prioritized the elimination of fossil fuel subsidies as a priority in 2011.<sup>937</sup>

Thus Australia has been awarded a +1. It has committed monetary aid to help underdeveloped states mitigate and adapt to climate change more broadly and has strengthened strategic coordination to provide climate change support for the poor through participation in multilateral institutions. It has also taken the first steps towards the implementation of a carbon tax system that would provide a source of revenue for fulfilling multilateral funding commitments.

*Analyst: Jessica Soedirgo*

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<sup>932</sup> Carbon tax billions to help poor nations, *The Western Australian* (Perth) 28 February 2011. Date of Access: 25 March 2011. <http://au.news.yahoo.com/thewest/a/-/latest/8916664/carbon-tax-billions-to-help-poor-nations/>.

<sup>933</sup> The Seoul Summit Document, G20 Seoul Summit 2010 (Seoul) 12 November 2010. Date of Access: 24 March 2011. [http://media.seoulsummit.kr/contents/dlobo/E2\\_Seoul\\_Summit\\_Document.pdf](http://media.seoulsummit.kr/contents/dlobo/E2_Seoul_Summit_Document.pdf).

<sup>934</sup> Australia supports climate change action in the Caribbean, AUSAid (Canberra) 20 December 2010. Date of Access: 26 March 2011. [http://www.ausaid.gov.au/hottopics/topic.cfm?ID=5932\\_2381\\_1893\\_4536\\_8051&From=HT](http://www.ausaid.gov.au/hottopics/topic.cfm?ID=5932_2381_1893_4536_8051&From=HT).

<sup>935</sup> Strengthening Australia’s Climate Change Partnership with Indonesia, Office of the Australian Minister of Foreign Affairs (Bali, Cancun) 9 December 2010. Date of Access: 26 March 2011. [http://www.foreignminister.gov.au/releases/2010/kr\\_mr\\_101209.html](http://www.foreignminister.gov.au/releases/2010/kr_mr_101209.html).

<sup>936</sup> 2010 Leaders’ Declaration (Yokohama Vision), Asia-Pacific Economic Cooperation (Yokohama) 14 November 2010. Date of Access: 26 March 2011. [http://www.apec.org/Meeting-Papers/Leaders-Declarations/2010/2010\\_aelm.aspx](http://www.apec.org/Meeting-Papers/Leaders-Declarations/2010/2010_aelm.aspx).

<sup>937</sup> APEC USA 2011: Outlook, Asia-Pacific Economic Cooperation (Washington) 28 January 2011. Date of Access: 26 March 2011. [http://www.apec.org/en/Press/Features/2011/0128\\_usa.aspx](http://www.apec.org/en/Press/Features/2011/0128_usa.aspx).

**Brazil: +1**

Brazil has fully complied with its commitment to provide targeted support for the poorest. Brazil has not identified any inefficient subsidy regarding either the production or consumption of fossil fuels.<sup>938</sup>

In March 2011, Brazil President Luiz Inácio Lula da Silva announced that the government would commit USD526 billion in public and private investments over 2011-2014. The commitment marks the second phase of the government's Growth Acceleration Program (PAC 2).<sup>939</sup> PAC 2 focuses on investments to "secure reliable supply of energy through a mix of clean, renewable sources" with a specific focus on electricity, oil, natural gas, shipbuilding, renewable fuels, energy efficiency, and mineral research.<sup>940</sup>

In an effort to provide support to those who were negatively affected by PAC initiative, the government established the Transnational Housing Grant Program. On 26 April 2011, Tião Viana, a Brazilian governor, provided 60 families with new houses.<sup>941</sup> The Acting Secretary of Housing Wolven Camargo stated, "Also in April we will deliver 88 more at Ilson Ribeiro and 19 homes in Alto Alegre. There are units to be delivered during the entire month of May, including Sena Madureira." On 29 April 2011, Tião Viana provided 107 houses to Amazonian residents. Governor Viana stated that the government would provide two thousand residences by the end of 2011. He stated, "We will work to deliver four thousand homes in the coming year."<sup>942</sup> At present, at least 36 000 families are registered with the housing of the State Government.<sup>943</sup>

Thus Brazil has been awarded a score of +1 for its commitment to provide support for residents who were most vulnerable to changes to its shift to energy policies.

*Analyst: Ivana Jankovic*

**Canada: +1**

Canada has fully complied with its commitment to rationalize and phase out inefficient fossil fuel subsidies that encourage wasteful consumption while providing targeted support for the poorest.

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<sup>938</sup> Annex of the G20 Initiative on Rationalizing and Phasing out Inefficient Fuel Subsidies, G20 Energy Experts Working Group (Seoul) 11 June 2010. Date of Access 27 March 2011.

[http://www.g20.org/Documents2010/expert/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.g20.org/Documents2010/expert/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf)

<sup>939</sup> Brazil Announces Phase Two of the Growth Acceleration Program. The Secretariat for Social Communication (SECOM), Government of Brazil. 30 March 2010. Date of Access: 20 April 2011.

<http://blogs.worldbank.org/growth/node/8715#secom>

<sup>940</sup> Brazil Announces Phase Two of the Growth Acceleration Program. The Secretariat for Social Communication (SECOM), Government of Brazil. 30 March 2010. Date of Access: 20 April 2011.

<http://blogs.worldbank.org/growth/node/8715#secom>

<sup>941</sup> Tião Viana delivers 60 houses in the residential Aroeira. State Government of Acre. 26 April 2011. Date of Access: 26 April 2011.

[http://www.agencia.ac.gov.br/index.php?option=com\\_content&task=view&id=15452&Itemid=26](http://www.agencia.ac.gov.br/index.php?option=com_content&task=view&id=15452&Itemid=26)

<sup>942</sup> Tião Viana delivers 60 houses in the residential Aroeira. State Government of Acre. 26 April 2011. Date of Access: 26 April 2011.

[http://www.agencia.ac.gov.br/index.php?option=com\\_content&task=view&id=15452&Itemid=26](http://www.agencia.ac.gov.br/index.php?option=com_content&task=view&id=15452&Itemid=26)

<sup>943</sup> Tião Viana delivers 60 houses in the residential Aroeira. State Government of Acre. 26 April 2011. Date of Access: 26 April 2011.

[http://www.agencia.ac.gov.br/index.php?option=com\\_content&task=view&id=15452&Itemid=26](http://www.agencia.ac.gov.br/index.php?option=com_content&task=view&id=15452&Itemid=26)

According to the G20 Initiative on Rationalizing and Phasing out Inefficient Fossil Fuel Subsidies, Canada will continue to phase out the Accelerated Capital Cost allowance for tangible oil sand assets between 2011 and 2015.<sup>944</sup>

The 2011 Government of Canada budget proposed the deduction of rates for intangible capital expenses in oil sands projects.<sup>945</sup> According to the budget, “these changes will improve fairness and neutrality of the taxation of oil sands relative to other sectors of the economy.”<sup>946</sup> Furthermore, eligibility for accelerated CCA will be expanded to promote clean energy generation and energy efficient equipment, in order to promote the use of green energy and “displace the use of fossil fuels for generation of electricity.”<sup>947</sup>

The Canadian government will invest CAD400 million during the 2011-2012 year in the ecoENERGY retrofit program. According to the Budget plan, this investment will “help homeowners make their homes more energy efficient and reduce the burden of high energy costs.”<sup>948</sup>

Thus Canada has been awarded a score of +1 for its commitment to rationalize and phase out inefficient fossil fuel subsidies that encourage wasteful consumption while providing targeted support for the poorest.

*Analyst: Cloe Bilodeau*

#### **China: -1**

China has not complied with its commitment to rationalize and phase out inefficient fossil fuel subsidies that encourage wasteful consumption while providing targeted support for the poorest.

On 18 January 2011, China’s Minister of Science and Technology Wan Gang attended the U.S.-China Cooperation on Clean Energy Research and Technology forum. During the forum he stated that the United States and China share common interests in regards to clean energy. Minister Gang stated, “I’m sure this is one of the best points of convergence and cooperation between our two countries, and will be one of the bright spots in our future cooperation.” During the forum, officials from the United States and Chinese governments unveiled plans to continue joint research and development in clean energy, including work on electric vehicles, clean coal and energy efficient buildings through the US-China Clean Energy Research Center.<sup>949</sup> However,

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<sup>944</sup> Annex of the G20 Initiative on Rationalizing and Phasing out Inefficient Fuel Subsidies, G20 Energy Experts Working Group (Seoul) 11 June 2010. Date of Access 27 March 2011.

[http://www.g20.org/Documents2010/expert/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.g20.org/Documents2010/expert/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf)

<sup>945</sup> The Next Phase of Canada’s Economic Action Plan. A Low Tax Plan for Jobs and Growth, Honourable James M. Flaherty, P.C., M.O. Minister of Finance (Ottawa), March 22 2011. Date of access 27 March 2011. <http://www.budget.gc.ca/2011/plan/Budget2011-eng.pdf>

<sup>946</sup> The Next Phase of Canada’s Economic Action Plan. A Low Tax Plan for Jobs and Growth, Honourable James M. Flaherty, P.C., M.O. Minister of Finance (Ottawa), March 22 2011. Date of access 27 March 2011. <http://www.budget.gc.ca/2011/plan/Budget2011-eng.pdf>

<sup>947</sup> The Next Phase of Canada’s Economic Action Plan. A Low Tax Plan for Jobs and Growth, Honourable James M. Flaherty, P.C., M.O. Minister of Finance (Ottawa), March 22 2011. Date of access 27 March 2011. <http://www.budget.gc.ca/2011/plan/Budget2011-eng.pdf>

<sup>948</sup> The Next Phase of Canada’s Economic Action Plan. A Low Tax Plan for Jobs and Growth, Honourable James M. Flaherty, P.C., M.O. Minister of Finance (Ottawa), March 22 2011. Date of access 27 March 2011. <http://www.budget.gc.ca/2011/plan/Budget2011-eng.pdf>

<sup>949</sup> Clean energy seen as 'bright spot' for U.S.-China relations. Reuters (Washington) 19 January 2011. Date of Access: 20 April 2011.

China has not demonstrated any evidence of progress towards its original commitment to “gradually reduce the urban land use tax relief for fossil fuel producers.” Thus China has been awarded a score of -1.

*Analyst: Ivana Jankovic*

**France: 0**

France has partially complied with its commitment to rationalize and phase out inefficient fossil fuel subsidies, with targeted support for the poorest. France declared that it does not have any inefficient fossil fuel subsidies and therefore does not require an implementation strategy. It has put in progress plans to provide support for the poorest to help them to cope with any increased energy costs that result from eliminating fossil fuel subsidies.<sup>950</sup>

On 7 March 2011, under the Investment for the Future Program, the Minister for Ecology, Sustainable Development, Transportation and Housing, the Minister of Economy, Finance and Industry, the Minister of Agriculture, Food, Fisheries, Rural Affairs and Planning, the Minister of Economy, Finance and Industry in charge of Industry, Energy and the Digital Economy, Secretary of State for Transport, and the Commissioner General of Investment called for expressions of interest, led by Agence de l'Environnement et de la Maîtrise de l'Energie (ADEME) to support the production of advanced biofuels.<sup>951</sup> In addition to helping to address fuel costs, this program reconciles the need for energy security with food security. In light of this, research focuses on obtaining biofuel from non-food crop sources, such as lignocellulosic biomass.<sup>952</sup> This project provides targeted support for the poorest on two levels: it will help offset the increased cost of energy caused by the elimination of fossil fuel subsidies, and it will ensure that food security is not compromised, which may have negative effects on the underprivileged and hungry.

On 24 February 2011, the Minister for Ecology, Sustainable Development, Transportation and Housing, the Minister of Economy, Finance and Industry, the Minister of Agriculture, Food, Fisheries, Rural Affairs and Planning, and the Minister for Industry, Energy, and the Digital Economy announced a new support scheme to help consumers deal with increasing energy costs. They have taken two measures to achieve this: the first involves injecting networks of natural gas

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[http://www.reuters.com/article/2011/01/19/us-usa-china-energy-idUSTRE70H5WB20110119?feedType=RSS&feedName=GCA-GreenBusiness&utm\\_source=feedburner&utm\\_medium=feed&utm\\_campaign=Feed%3A+reuters%2FUSgreenbusinessNews+%28News+%2F+US+%2F+Green+Business%29](http://www.reuters.com/article/2011/01/19/us-usa-china-energy-idUSTRE70H5WB20110119?feedType=RSS&feedName=GCA-GreenBusiness&utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+reuters%2FUSgreenbusinessNews+%28News+%2F+US+%2F+Green+Business%29)

<sup>950</sup> Annex of the G20 Initiative on Rationalizing and Phasing out Inefficient Fuel Subsidies, G20 Energy Experts Working Group (Seoul) 11 June 2010. Date of Access 27 March 2011.

[http://www.g20.org/Documents2010/expert/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.g20.org/Documents2010/expert/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf)

<sup>951</sup> Investment for the Future: Launching the Call for Expressions of Interest "Advanced Biofuels," Ministère de l'Economie, des Finances et de l'Industrie (Paris) 7 March 2011. Date of Access: 25 March 2011. [http://www.economie.gouv.fr/discours-presse/discours-communiqués\\_finances.php?type=communiqué&id=5154&rub=1](http://www.economie.gouv.fr/discours-presse/discours-communiqués_finances.php?type=communiqué&id=5154&rub=1)

<sup>952</sup> Investment for the Future: Launching the Call for Expressions of Interest "Advanced Biofuels," Ministère de l'Economie, des Finances et de l'Industrie (Paris) 7 March 2011. Date of Access: 25 March 2011. [http://www.economie.gouv.fr/discours-presse/discours-communiqués\\_finances.php?type=communiqué&id=5154&rub=1](http://www.economie.gouv.fr/discours-presse/discours-communiqués_finances.php?type=communiqué&id=5154&rub=1)



with biogas produced by anaerobic respiration.<sup>953</sup> The second provides for “the purchase rate for electricity produced from biogas [to be] upgraded by the end of April, to become comparable to existing rate in Germany, The revaluation in 2020 will increase about 1% of the electricity bill of consumers, corresponding to a support of 300 million EUR/year.”<sup>954</sup> This support will aid the poorest in dealing with their energy costs.

Thus France has been awarded a score of 0 for its commitment to provide targeted support for the poorest. They have put into motion plans that will help consumers deal with rising energy costs, which resulted from the elimination of inefficient fossil fuels. However, these plans have yet to be fully realized.

*Analyst: Emily Evangelista*

### **Germany: -1**

Germany has not complied with its commitment to rationalize and phase out inefficient fossil fuel subsidies that encourage wasteful consumption while providing targeted support for the poorest.

Germany proposed to discontinue subsidized coal mining in a socially acceptable manner by the end of 2018. However, since the 2010 G20 Seoul Summit, the German government has shown no progress towards this commitment.<sup>955</sup>

Thus Germany has been awarded a score of -1.

*Analyst: Ivana Jankovic*

### **India: 0**

India has partially complied with its commitment to rationalize and phase out inefficient fossil fuel subsidies that encourage wasteful consumption while providing targeted support for the poorest.

On 24 March 2011, the Parliament of India approved Finance Minister Pranab Mukherjee’s plan to “cut petroleum subsidies on fuel” in its 2011-2012 Union Budget.<sup>956</sup>

On 28 February 2011, in a speech to the Parliament of India, Minister of Finance Pranab Mukherjee presented the Union Budget for 2011-12 and announced that “the Government will move towards direct transfer of cash subsidy to people living below the poverty line in a phased

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<sup>953</sup> N. Kosciusko-Morizet, C. Lagarde, B. Mayor and E. Besson Specify the New Framework to Support Digestion and Binding Consultation on the New Framework, Ministère de l'Economie, des Finances et de l'Industrie (Paris) 24 February 2011. Date of Access: 26 March 2011.

[http://www.economie.gouv.fr/discours-presse/discours-communiqués\\_finances.php?type=communiqué&id=5110&rub=1](http://www.economie.gouv.fr/discours-presse/discours-communiqués_finances.php?type=communiqué&id=5110&rub=1)

<sup>954</sup> N. Kosciusko-Morizet, C. Lagarde, B. Mayor and E. Besson Specify the New Framework to Support Digestion and Binding Consultation on the New Framework, Ministère de l'Economie, des Finances et de l'Industrie (Paris) 24 February 2011. Date of Access: 26 March 2011.

[http://www.economie.gouv.fr/discours-presse/discours-communiqués\\_finances.php?type=communiqué&id=5110&rub=1](http://www.economie.gouv.fr/discours-presse/discours-communiqués_finances.php?type=communiqué&id=5110&rub=1)

<sup>955</sup> Annex of the G20 Initiative on Rationalizing and Phasing out Inefficient Fuel Subsidies, G20 Energy Experts Working Group (Seoul) 11 June 2010. Date of Access 27 March 2011.

[http://www.g20.org/Documents2010/expert/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.g20.org/Documents2010/expert/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf)

<sup>956</sup> India Parliament Approves Annual Budget Seeking to Lower Taxes, Unni Krishnan, Bloomberg News (New York) 24 March 2011. Date of Access: 31 March 2011. <http://www.bloomberg.com/news/2011-03-24/india-parliament-approves-annual-budget-seeking-to-lower-taxes.html>

manner” in order “to ensure greater efficiency, cost effectiveness and better delivery for both kerosene and fertilizers.” Minister Pranab Mukherjee also announced that a “task force headed by Shri Nandan Nilekani has been set-up to work out the modalities for the proposed system of direct transfer of subsidy for kerosene, LPG and fertilizers” and that an “interim report of the task force is expected by June 2011” with the system proposed to be put in place by March 2012.<sup>957</sup>

India has followed the recommendations of the Empowered Group of Ministers that was created following the Dr. Kirit Parikh Committee. Subsidies on two fossil fuels, PDS Kerosene and Domestic LPG, are not included in India’s country specific strategy to reduce inefficient fossil fuel subsidies in order to provide targeted support for the poor.<sup>958</sup>

Thus India has been awarded a score of 0 for partially complying with its commitment to implement its country-specific plan to reduce fossil fuel subsidies while providing targeted support for the poorest.

*Analyst: Nehal Tolia*

### **Indonesia: 0**

Indonesia has partially complied with its commitment to phase out inefficient fossil fuel subsidies in a gradual manner through managing the demand side by adopting measures that will reduce fossil fuel energy consumption and by gradually narrowing the gap between domestic and international prices.

On 2 December 2010, Ibrahim Hasyim, a committee member of petroleum regulator BPHilir Migas, announced that the government was preparing a program to limit the use of subsidized fuels from 1 January 2011.<sup>959</sup> On 14 December 2010, the Indonesian House of Representatives approved a government proposal to disallow the use of subsidized fuels for private cars. Under this proposed policy, access to subsidized fuels would be limited to motorcycles, public transportation vehicles and fishermen. However, arguing that the state-owned Pertamina energy firm lacked capacity, parliament delayed the start of the program in Jakarta and its surrounding suburbs from January until the end of March, with the program gradually rolled out across the rest of the country by 2013.<sup>960</sup> On 21 March 2011, the House of Representatives approved a motion to indefinitely postpone the implementation to restrict access to subsidized fuels. Although feasibility studies and trials have been completed, the government stated the necessity of delaying program implementation due to the lack of infrastructure capacity and the fluctuating global oil prices due to the popular mobilizations in the Middle East.<sup>961</sup>

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<sup>957</sup> Union Budget 2011-2012 Speech by Honourable Finance Minister Pranab Mukherjee, Ministry of Finance, Government of India (Delhi) 28 February 2011. Date of Access: 31 March 2011. <http://indiabudget.nic.in/bspeecha.asp>

<sup>958</sup> Annex of the G20 Initiative on Rationalizing and Phasing out Inefficient Fuel Subsidies, G20 Energy Experts Working Group (Seoul) 11 June 2010. Date of Access 31 March 2011. [http://www.g20.org/Documents2010/expert/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.g20.org/Documents2010/expert/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf)

<sup>959</sup> Indonesia Preparing Options to Limit Subsidized Fuels, Bloomberg News (Jakarta) 2 December 2010. Date of Access: 27 March 2011. <http://www.bloomberg.com/news/2010-12-02/indonesia-preparing-options-to-limit-subsidized-fuels-update1-.html>.

<sup>960</sup> Indonesia parliament approves fuel subsidy cuts, delays to March, Reuters (Jakarta) 14 December 2010. Date of Access: 27 March 2011. <http://www.reuters.com/article/2010/12/14/indonesia-economy-fuel-idUSL3E6NE0C520101214>.

<sup>961</sup> House approves plan to delay fuel restriction, The Jakarta Post (Jakarta) 22 March 2011. Date of Access: 27 March 2011. <http://www.thejakartapost.com/news/2011/03/22/house-approves-plan-delay-fuel-restriction.html>.

On 14 February 2011, Indonesia, represented by the Director General for New Renewable Energy and Energy Conservation Luluk Sumiarso, and Finland signed a bilateral agreement to create the Energy and Environment Partnership (EEP) program. The EEP aimed to reduce greenhouse gas emissions by promoting the use of new renewable energy, targeting the provinces of Riau and West Kalimantan. This initiative is part of the government's plan to increase the utilization of renewable energy sources from the current 5% of Indonesia's energy consumption to 17% by the year 2025.<sup>962</sup> Indonesia committed to adopt measures that would reduce fossil fuel energy consumption in order to manage demand for fossil fuels.<sup>963</sup>

On 25 March 2011, Maryam Ayuni, Director of Energy Conservation at the Energy and Mineral Resources Ministry urged all high-consuming energy firms to undergo an energy audit. These calls were made to highlight a 2009 government regulation that required companies that were high-energy consumers to regularly audit their energy consumption.<sup>964</sup> However, there was no mention of new resources that would facilitate the conducting of audits or programs to help companies make their companies more energy efficient.<sup>965</sup>

On 14 November 2010, Indonesia, as a member of APEC, reaffirmed its commitments to rationalizing and phasing out inefficient fossil fuel subsidies, and providing "those in need with essential energy services, and review progress toward this goal on a voluntary basis."<sup>966</sup> APEC has further prioritized the elimination of fossil fuel subsidies as a priority in 2011.<sup>967</sup>

Thus Indonesia has been awarded a 0 for its implementation and application of the principles in the Commitment to Phase Out Fossil Fuel Subsidies. It has conducted trials and feasibility studies towards implementing a program that would limit access to subsidized fuels and has strengthened strategic coordination for reducing inefficient fossil fuel subsidies through multilateral and bilateral partnerships. However, Indonesia must implement the proposed plans to narrow the gap between domestic and international fuel prices and to implement measures that would reduce fossil fuel consumption across all provinces in the archipelago to be fully in compliance.

*Analyst: Jessica Soerdigo*

#### **Italy: -1**

Italy has failed to comply with its commitment towards eliminating its inefficient fossil fuel subsidies and has not provided support for the poorest.

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<sup>962</sup> Agreement signed on renewable energy, The Jakarta Post (Jakarta) 16 February 2011. Date of Access: 27 March 2011. <http://www.thejakartapost.com/news/2011/02/16/agreement-signed-renewable-energy.html>.

<sup>963</sup> The Seoul Summit Document, G20 Seoul Summit 2010 (Seoul) 12 November 2010. Date of Access: 24 March 2011. [http://media.seoulsummit.kr/contents/dlobo/E2\\_Seoul\\_Summit\\_Document.pdf](http://media.seoulsummit.kr/contents/dlobo/E2_Seoul_Summit_Document.pdf).

<sup>964</sup> Govt renews call for a reduction in rice intake, The Jakarta Post (Jakarta) 14 October 2010. Date of Access: 25 October 2010. <http://www.thejakartapost.com/news/2010/10/14/govt-renews-call-a-reduction-rice-intake.html>.

<sup>965</sup> Energy-thirsty firms must undergo audit: Ministry, The Jakarta Post (Jakarta) 25 March 2011. Date of Access: 27 March 2011. <http://www.thejakartapost.com/news/2011/03/25/energy-thirsty-firms-must-undergo-auditing-ministry.html>.

<sup>966</sup> 2010 Leaders' Declaration (Yokohama Vision), Asia-Pacific Economic Cooperation (Yokohama) 14 November 2010. Date of Access: 26 March 2011. [http://www.apec.org/Meeting-Papers/Leaders-Declarations/2010/2010\\_aelm.aspx](http://www.apec.org/Meeting-Papers/Leaders-Declarations/2010/2010_aelm.aspx).

<sup>967</sup> APEC USA 2011: Outlook, Asia-Pacific Economic Cooperation (Washington) 28 January 2011. Date of Access: 26 March 2011. [http://www.apec.org/en/Press/Features/2011/0128\\_usa.aspx](http://www.apec.org/en/Press/Features/2011/0128_usa.aspx).

In January 2011, Italy introduced a new three-year 2011-2013 Strategic Plan of the Italian Energy Regulatory Authority, which outlines seven objectives including the promotion of energy efficiency and universal energy service.<sup>968</sup> However, the policy does not address the issue of inefficient fossil fuel subsidies. One of the objectives of the Strategic Plan provides for the universal service and protection for consumers, however it does not outline targeted support for the poorest.

Thus Italy has been assigned a score of -1 for failing to rationalize and phase-out over the medium term inefficient fuel subsidies that encourage wasteful consumption.

*Analyst: Nadia Bucciarelli*

### **Japan: 0**

Japan has partially complied with its commitment to rationalize and phase out inefficient fossil fuel subsidies that encourage wasteful consumption while providing targeted support for the poorest.

On 19 June 2010, during the ninth meeting of APEC Energy Ministers, Japan and other APEC countries pledged their support for energy efficient strategies and commended the Peer Review on Energy Efficiency (PREE).<sup>969</sup> The report also mentions contributions made by Japan to the APEC support Fund to promote energy efficient activities.<sup>970</sup>

Japan has continued to pledge commitment to energy efficiency and sustainable growth but has consistently stated it does not have inefficient subsidies.<sup>971</sup>

Thus Japan has received a score of 0. Although Japan does not have inefficient fossil fuel subsidies, it has not worked towards providing support to the poorest.

*Analyst Victoria Cho*

### **Korea: 0**

Korea has partially complied with its commitment to phase out subsidies to anthracite coal and briquette producers.

In 2007, the Ministry of Commerce, Industry and Energy (MOCIE) announced plans to phase out subsidies to briquette producers by 2011.<sup>972</sup> According to the G20 Initiative on Rationalizing and Phasing Out Inefficient Fossil Fuel Subsidies, Korea planned to retract its subsidy for anthracite coal production by the end of 2010 and phase out its subsidy for briquette production by gradual

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<sup>968</sup> Energy: the strategic plan was approved. Seven guidelines were adopted for the period 2011-2013. 10 January 2011. Date of Access 28 March 2011.

[http://www.autorita.energia.it/it/inglese/press\\_releases/11/110110.htm](http://www.autorita.energia.it/it/inglese/press_releases/11/110110.htm)

<sup>969</sup> Fukui Declaration on Low Carbon Paths to Energy Security: Cooperative Energy Solutions for a Sustainable APEC, Ninth Meeting of APEC Energy Ministers (FUKUI) 19 June 2010. Date of Access: 31 March 2011 [http://www.mofa.go.jp/policy/economy/energy/pdfs/emm\\_declaration201006.pdf](http://www.mofa.go.jp/policy/economy/energy/pdfs/emm_declaration201006.pdf)

<sup>970</sup> Fukui Declaration on Low Carbon Paths to Energy Security: Cooperative Energy Solutions for a Sustainable APEC, Ninth Meeting of APEC Energy Ministers (FUKUI) 19 June 2010. Date of Access: 31 March 2011 [http://www.mofa.go.jp/policy/economy/energy/pdfs/emm\\_declaration201006.pdf](http://www.mofa.go.jp/policy/economy/energy/pdfs/emm_declaration201006.pdf)

<sup>971</sup> Annex of the G20 Initiative on Rationalizing and Phasing out Inefficient Fuel Subsidies, G20 Energy Experts Working Group (Seoul) 11 June 2010. Date of Access 27 March 2011.

[http://www.g20.org/Documents2010/expert/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.g20.org/Documents2010/expert/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf)

<sup>972</sup> Subsidies on Briquettes to Be Phased Out by 2011, Korea Times (Seoul) 23 May 2007. Date of Access: 31 March 2011 [http://www.koreatimes.co.kr/www/news/art/2010/06/143\\_3379.html](http://www.koreatimes.co.kr/www/news/art/2010/06/143_3379.html)

price increase.<sup>973</sup> According to World Energy Outlook 2010, Korea had an average subsidization rate of 0.1% in 2009.<sup>974</sup>

On 8 March 2011, the Ministry of Knowledge Economy released a Long-Term Coal Industry Plan (2011~2015).<sup>975</sup> Government aid for briquette pricing decreased from KRW277.5 billion in 2009 to KRW186.5 billion in 2010.<sup>976</sup> The Plan sets deadlines to reduce coal production from 210 million tonnes in 2010, to 200 tonnes in 2015, and finally to 150 tonnes in 2020.<sup>977</sup> The reduction in supply would reduce consumption of coal and briquettes and in turn eliminate the need for government subsidies. While committing to this long-term plan, the government also intends to continue to control price and introduce subsidy cuts gradually in order to regulate demand and prevent sudden pressure on farmers and household consumers of briquettes.<sup>978</sup>

Thus Korea has been awarded a score of 0 for its partial compliance.

*Analyst: Victoria Cho*

### **Mexico: +1**

Mexico has fully complied with its commitment to phase out inefficient fossil fuel subsidies over the medium term by continuing their current policies, while providing targeted support for the poorest. It has implemented and abided by policies that will eliminate inefficient fossil fuel subsidies within the target time frame, and they have provided targeted support for the poor in the past, however they have not taken further action since the Seoul summit.

Mexico's implementation strategy requires that they continue their current financial and energy policies, which will eliminate subsidies to gasoline, diesel, and liquefied petroleum gas. At the outset of his presidency Felipe Calderon launched Vision Mexico 2030, which includes the Energy Sector Program 2007-2012.<sup>979</sup> This program has three major goals, one of which is the promotion of renewable energy sources to offset the use of fossil fuels.<sup>980</sup> Within these goals, the program lists objectives for every sector, including setting prices at levels that will cover the production costs of energy, and ensuring the operation of the hydrocarbon sector complies with

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<sup>973</sup> Annex of G20 Initiative on Rationalizing and Phasing Out Inefficient Fossil Fuel Subsidies, G20 Energy Experts Group. Date of Access: 29 March 2011  
[http://www.g20.org/Documents2010/expert/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.g20.org/Documents2010/expert/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf)

<sup>974</sup> Fossil-fuel consumption subsidy rates as a proportion of the full cost of supply, 2009, IEA World Energy Outlook 2010. Date of Access: 31 March 2011 <http://www.iea.org/subsidy/index.html>

<sup>975</sup> Gradual Long-Term Increase of Coal Prices.Reduction and Elimination of Subsidies, Asia Economy (Seoul) 09 March 2011. Date of Access: 29 March 2011  
<http://www.asiae.co.kr/news/view.htm?idxno=2011030913484003454>

<sup>976</sup> Long-Term Coal Industry Plan ('11~'15), Ministry of Knowledge Economy (Seoul) 8 March 2011. Date of Access: 31 March 2011 <http://www.kocoal.or.kr/board/download.php?table=1004&number=1211>

<sup>977</sup> Gradual Long-Term Increase of Coal Prices..Reduction and Elimination of Subsidies, Asia Economy (Seoul) 09 March 2011. Date of Access: 29 March 2011  
<http://www.asiae.co.kr/news/view.htm?idxno=2011030913484003454>

<sup>978</sup> Gradual Long-Term Increase of Coal Prices..Reduction and Elimination of Subsidies, Asia Economy (Seoul) 09 March 2011. Date of Access: 29 March 2011  
<http://www.asiae.co.kr/news/view.htm?idxno=2011030913484003454>

<sup>979</sup> Energy Sector Program 2007-2012, Secretariat of Energy and Technology Development Planning, (Mexico City) 28 November 2007. Date of Access: 26 March 2010.  
[http://www.energia.gob.mx/webSener/portal/programa\\_sectorial\\_de\\_energia\\_2007-2012.html](http://www.energia.gob.mx/webSener/portal/programa_sectorial_de_energia_2007-2012.html)

<sup>980</sup> Energy Sector Program 2007-2012, Secretariat of Energy and Technology Development Planning, (Mexico City) 28 November 2007. Date of Access: 26 March 2010.  
[http://www.energia.gob.mx/webSener/portal/programa\\_sectorial\\_de\\_energia\\_2007-2012.html](http://www.energia.gob.mx/webSener/portal/programa_sectorial_de_energia_2007-2012.html)

international standards of efficiency and transparency.<sup>981</sup> The Energy Sector Program remains in effect until 2012.

Mexico's current energy policies involve the increase of national fossil fuel prices that are expected to phase out whatever subsidies exist in the energy market.<sup>982</sup> Furthermore the government of Mexico has begun phasing out motor fuel subsidies.<sup>983</sup> These policies are in line with their commitments to the G20, and their Energy Sector Program.

Recognizing the increased burden higher energy prices place on the poorest members of society, the Mexican government conducted, "a household-level census of fuel consumption that will allow the government to implement a well-targeted support program to compensate low-income households."<sup>984</sup> It can therefore be expected that this support will be forthcoming in the near future.

Thus Mexico has been awarded a +1 for its compliance to its commitment to phase out inefficient fossil fuel subsidies in the medium term. Mexico's implementation strategy required that it maintain its current policies of reducing subsidies and raising domestic costs, which it has continued to do. Mexico has also embarked on an effort to provide targeted support to the poorest to compensate for these increased energy costs, but it has not taken any new action.

*Analyst: Emily Evangelista*

#### **Russia: +1**

Russia has fully complied with the commitment on inefficient fossil fuel subsidies.

According to the Energy Strategy for the Period until 2030 by the end of the first phase of the Strategy's implementation (2013-2015) domestic gas and electricity markets will be completely liberalized. By 2030 the share of energy resources traded at exchanges is to be no less than 15-20%.<sup>985</sup>

According to the Rules of the Wholesale Electric Energy Market from 1 January 2011 all Russian electric energy market, except supplies for individual consumers, was fully liberalized (unregulated price formation).<sup>986</sup>

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<sup>981</sup> Energy Sector Program 2007-2012, Secretariat of Energy and Technology Development Planning, (Mexico City) 28 November 2007. Date of Access: 26 March 2010.

[http://www.energia.gob.mx/webSener/portal/programa\\_sectorial\\_de\\_energia\\_2007-2012.html](http://www.energia.gob.mx/webSener/portal/programa_sectorial_de_energia_2007-2012.html)

<sup>982</sup> Report to Leaders on the G20 Commitment to Rationalize and Phase Out Inefficient Fossil Fuel Subsidies, G20 Energy Experts Group. Date of Access: 26 March 2011.

[http://www.g20.org/Documents2010/expert/Report to Leaders\\_G20 Inefficient Fossil Fuel Subsidies.pdf](http://www.g20.org/Documents2010/expert/Report%20to%20Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf)

<sup>983</sup> G20 Seoul Summit Fact Sheet on Energy Issues, Office of the Press Secretary (Washington) 12 November 2010. Date of Access: 26 March 2011. <http://www.america.gov/st/texttrans-english/2010/November/20101112131330su0.4250256.html>

<sup>984</sup> G20 Seoul Summit Fact Sheet on Energy Issues, Office of the Press Secretary (Washington) 12 November 2010. Date of Access: 26 March 2011. <http://www.america.gov/st/texttrans-english/2010/November/20101112131330su0.4250256.html>

<sup>985</sup> Energy Strategy for 2030, Ministry of Energy 13 November 2009. Date of Access 3 April 2010. <http://minenergo.gov.ru/activity/energostrategy>

<sup>986</sup> Government resolution No. 205 of 7 April 2007, Government of Russia 7 April 2007. Date of Access 3 April 2010. <http://government.consultant.ru/page.aspx?8411;908519>

The Energy Strategy for the Period until 2030 also provides for development of mechanisms to minimize negative impacts caused by price growth on the most vulnerable groups of energy consumers, first of all, the impacts on household consumers.<sup>987</sup>

On 17 February 2011, the Russian Prime Minister instructed relevant agencies to take measures to keep down price for electric power for consumers. On 1 March 2011, the Russian Ministry of Energy presented its proposals, including non-applying of adjustment for inflation to electricity payment. Another part of the proposition is lowering investments for nuclear power plants and hydropower plants for redistribution of the saved funding in favor of the households.<sup>988</sup>

Russia has taken actions to implement its strategy of rationalization and phasing-out inefficient fossil fuel subsidies and to provide support for the poorest. Thus Russia has been awarded a score of +1.

*Analyst: Andrey Shelepov*

### **Saudi Arabia: 0**

Saudi Arabia has partially complied with its commitment to provide targeted energy support to the poorest, a pledge that was reaffirmed at the Seoul Summit. Saudi Arabia has committed to increasing transparency between energy producing and consuming countries and has pledged to respond to potential oil shortages in the Middle East. However, Saudi Arabia has not announced any concrete plans to deliver energy support to developing countries.

On 22 February 2011, Saudi Arabia hosted the Extraordinary International Energy Forum (IEF) Ministerial Meeting in Riyadh.<sup>989</sup> At the meeting, 87 ministers signed an energy charter intended to “create[s] an enhanced framework for dialogue between energy producing and energy consuming countries.” IEF Secretary-General Noe van Hulst noted that increased transparency in communication is “vital to the future of energy security.” Furthermore, Saudi Minister of Petroleum and Mineral Resources Ali Al-Naimi added that “the agreement strengthens cooperation in the energy sector ‘for the benefit of future generations.’”<sup>990</sup>

On the same day, Minister Al-Naimi also announced that “OPEC is prepared to meet any shortage of supplies due to unrest in the Middle East and that its members have spare capacity to do so.” This was in response to concerns over potential shortages in oil supplies in the region.<sup>991</sup>

Thus Saudi Arabia has been awarded a score of 0 for partial compliance to its commitment to provide targeted energy support to the poorest.

*Analyst: Samir Siddiqui*

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<sup>987</sup> Energy Strategy for 2030, Ministry of Energy 13 November 2009. Date of Access 3 April 2010. <http://minenergo.gov.ru/activity/energostrategy>

<sup>988</sup> Russian Ministry of Energy makes proposals to keep down price for electric power for consumers, Ministry of Energy 2 March 2011. Date of Access 3 April 2010. [http://minenergo.gov.ru/press/min\\_news/6952.html](http://minenergo.gov.ru/press/min_news/6952.html)

<sup>989</sup> Extraordinary IEF Ministerial Meeting, International Energy Forum (Riyadh) 22 February 2011. Date of Access: 25 March 2011. <http://www.ief.org/whatsnew/Pages/ExtraordinaryIEFMinisterialMeeting,22February2011,Riyadh.aspx>.

<sup>990</sup> IEF hails energy charter signed in Saudi Arabia, New Europe (Brussels) 27 February 2011. Date of Access: 25 March 2011. <http://www.neurope.eu/articles/104947.php>.

<sup>991</sup> Saudi- OPEC ready to meet any shortage supply, Middle East North Africa Financial Network (Amman) 23 February 2011. Date of Access: 25 March 2011. [http://www.menafn.com/qn\\_news\\_story\\_s.asp?storyid=1093395220](http://www.menafn.com/qn_news_story_s.asp?storyid=1093395220).

**South Africa: +1**

South Africa has fully complied with its commitment to rationalize and phase-out inefficient fossil fuel subsidies and to provide targeted support for the poorest.

On 23 March 2011, South Africa cut its proposed subsidies for renewable energy. A review paper published in March 2011 showed that the South African government revised subsidies for several types of energy sources downward by between 7 to 40%.<sup>992</sup>

To support groups vulnerable to inflation and high-energy prices, South Africa offers free electricity of 50 kWh per household per month for the poorest households through the Free Basic Electricity Programme.<sup>993</sup> However, this policy was instituted in 2003 and no new policies aimed to support the poorest since the 2010 G20 Summit has been established.

Thus South Africa has been awarded a score of +1 because it has complied with its commitment to provide support for the poorest.

*Analysts: Cloe Bilodeau & Ivana Jankovic*

**Turkey: – 1**

Turkey has not complied with its commitment to take action towards the implementation of its proposed strategy and has provided no support for the poorest.

Turkey's strategy includes a restructuring plan that rationalizes inefficient fossil fuel subsidies transferred to the state-owned hard coal producing enterprise, the Turkish Hard Coal Company.<sup>994</sup> Turkish Hard Coal Company's work is labour intensive due to its geological location and the selling price does not cover the commercial costs.<sup>995</sup> As a result, the Turkish government transfers capital to the company.<sup>996</sup> The Turkish government plans to rationalize inefficient subsidies for the Turkish Hard Coal Company through a restructuring plan.<sup>997</sup>

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<sup>992</sup>South Africa cuts proposed green energy subsidies. Reuters (Johannesburg) 23 March 2011. Date of Access: 20 April 2011. <http://www.reuters.com/article/2011/03/23/us-safrica-tariffs-idUSTRE72M6XS20110323>

<sup>993</sup> Electricity Basic Services Support Tariff (Free Basic Electricity) Policy for the Republic of South Africa, Department of Minerals and Energy (Pretoria), 4 July 2003, Date of Access 27 March 2011, <http://www.energy.gov.za/files/policies/Free%20Basic%20Electricity%20Policy%202003.pdf>

<sup>994</sup> Annex- G20 Initiative on Rationalizing and Phasing Out Inefficient Fossil Fuel Subsidies: Implementation Strategies & Timetables, (Toronto) July 2010. Date of Access: 27 March 2011. [www.g20.org/Documents2010/expert/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.g20.org/Documents2010/expert/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf)

<sup>995</sup> Annex- G20 Initiative on Rationalizing and Phasing Out Inefficient Fossil Fuel Subsidies: Implementation Strategies & Timetables, (Toronto) July 2010. Date of Access: 27 March 2011. [www.g20.org/Documents2010/expert/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.g20.org/Documents2010/expert/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf)

<sup>996</sup> Annex- G20 Initiative on Rationalizing and Phasing Out Inefficient Fossil Fuel Subsidies: Implementation Strategies & Timetables, (Toronto) July 2010. Date of Access: 27 March 2011. [www.g20.org/Documents2010/expert/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.g20.org/Documents2010/expert/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf)

<sup>997</sup> Annex- G20 Initiative on Rationalizing and Phasing Out Inefficient Fossil Fuel Subsidies: Implementation Strategies & Timetables, (Toronto) July 2010. Date of Access: 27 March 2011. [www.g20.org/Documents2010/expert/Annexes\\_of\\_Report\\_to\\_Leaders\\_G20\\_Inefficient\\_Fossil\\_Fuel\\_Subsidies.pdf](http://www.g20.org/Documents2010/expert/Annexes_of_Report_to_Leaders_G20_Inefficient_Fossil_Fuel_Subsidies.pdf)



However, Turkey has not taken action to rationalize its inefficient fossil fuel subsidies for the Turkish Hard Coal Company through a restructuring plan and has not provided the developing countries with essential energy services.

Thus Turkey has been awarded a score of -1 for not rationalizing its inefficient fossil fuel subsidies and providing targeted support for the poorest.

*Analyst: Mina Akrami*

### **United Kingdom: +1**

The United Kingdom has fully complied with its commitment to provide targeted energy support to the poorest, a pledge that was reaffirmed at the Seoul Summit. The UK has initiated plans to deliver renewable energy in Asia and Africa, and has broadly committed to expand its efforts in providing clean energy to developing countries.

On 18 November 2010, International Development Secretary Andrew Mitchell announced that the UK “is working on two new public-private partnership projects to generate renewable energy in developing countries.” One of the public-private partnership funds “will target low carbon and adaptation investments in Asia,” and “could generate 5 gigawatts of new renewable energy” over 25 years. In addition, the project could “create 60,000 jobs while removing 150 million tonnes of carbon dioxide from the atmosphere.” Furthermore, a second potential partnership fund could generate “up to 500 megawatts of new renewable energy per year” in Africa from 2015, “enough to provide electricity for over four million rural households.”<sup>998</sup>

In the same speech, Secretary Mitchell also announced that the “Coalition Government is committed to ensuring that UK Trade and Investment and the Export Credits Guarantee Department become champions for British companies that develop and export innovative green technologies around the world, instead of supporting investment in dirty fossil-fuel energy production.” This pledge falls in line with the UK’s focus on generating more efficient energy usage and achieving energy-security worldwide.<sup>999</sup>

Furthermore, on 18 January 2011, Secretary Mitchell suggested that reforms be made to the Commonwealth Development Corporation (CDC) – “Britain’s investment fund for developing countries” – in an attempt to better address poverty alleviation. Secretary Mitchell recommended that the CDC “refocus its attention on development,” and called for increased investment in the area of clean energy.<sup>1000</sup>

Thus the United Kingdom has been awarded a score of +1 for full compliance on its commitment to provide targeted energy support to the poorest. This fulfills the UK’s pledge, reaffirmed at the Seoul Summit, as a G20 member that has no inefficient fossil-fuel subsidies.

*Analyst: Samir Siddiqui*

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<sup>998</sup> Mitchell: UK to help drive low carbon revolution in poorest countries, Department for International Development (London) 18 November 2010. Date of Access: 25 March 2011.

<http://www.dfid.gov.uk/Media-Room/Press-releases/2010/Mitchell-UK-to-help-drive-low-carbon-revolution-in-poorest-countries/>.

<sup>999</sup> Speech by Andrew Mitchell, International Development Secretary, at a Climate and Development Knowledge Network event at British Council on 18 November 2010, Department for International Development (London) 18 November 2010. Date of Access: 25 March 2011.

<http://www.dfid.gov.uk/Media-Room/Speeches-and-articles/2010/Climate-change/>.

<sup>1000</sup> Private sector-led reform ‘key to CDC’s future’ says Andrew Mitchell, The Guardian (London) 19 January 2011. Date of Access: 25 March 2011. <http://www.guardian.co.uk/global-development/2011/jan/19/commonwealth-development-corporation-private-sector>

## United States: 0

The United States has partially complied with its commitment to implement its country specific strategy to reduce inefficient fossil fuel subsidies that encourage wasteful consumption, while providing targeted support for the poorest.

On 30 March 2011 President Barack Obama released “The Obama Administration’s Blueprint for a Secure Energy Future” affirming its G20 commitment to reduce wasteful use of fossil fuels and “to work under the auspices of the G20 to prompt policies that increase transparency and efficiency of international gas markets.”<sup>1001</sup> According to the Blueprint for a Secure Energy Future “in addition to phasing out inefficient fossil subsidies, the United States is also working with partners including Japan, the United Kingdom, France, and Germany, to catalyze both the use of natural gas and hybrid-diesel buses and expansion of mass transit in developing countries” and will support “transport programs in Egypt, Mexico, Philippines, Thailand, Vietnam and Colombia” as part of the “Clean Technology Fund” to “reduce demand for oil and help to catalyze similar efforts in other developing countries.”<sup>1002</sup>

On 14 February 2011 President Barack Obama released the United State’s 2012 Fiscal Year Budget. The 2012 Budget proposal includes a commitment to eliminate “inefficient fossil fuel subsidies that impede investment in clean energy sources and undermine efforts to address the threat of climate change”<sup>1003</sup> through elimination of US\$46 billion in tax subsidies for fossil fuel production, with President Obama proposing to use “these funds to support clean energy innovation.”<sup>1004</sup>

The United States has failed to maintain the level of targeted support for the poorest alongside its efforts to reduce inefficient fossil fuel subsidies through its Low Income Home Energy Assistance Program (LIHEAP) which helps “struggling families make ends meet by offsetting some of their home heating and cooling costs.” The 2012 Budget included a “50 percent funding reduction” in the LIHEAP program and “does not re-propose the creation of a LIHEAP funding trigger included in previous budget requests.”<sup>1005</sup>

The United States has partially complied with its commitment to implement its country specific strategy to reduce inefficient fossil fuel subsidies that encourage wasteful consumption. However, because proposed cuts to the Low Income Home Energy Assistance Program (LIHEAP) in the 2012 Budget removes support for the poor in meeting their energy needs, the United States has received a score of 0.

*Analyst: Nehal Tolia*

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<sup>1001</sup> The Obama Administration’s Blueprint for a Secure Energy Future, Heather Zichal, White House Blog (Washington) 30 March 2011. Date of Access: 31 March 2011.

<http://www.whitehouse.gov/blog/2011/03/30/obama-administration-s-blueprint-secure-energy-future>

<sup>1002</sup> The Obama Administration’s Blueprint for a Secure Energy Future, Heather Zichal, White House Blog (Washington) 30 March 2011. Date of Access: 31 March 2011.

<http://www.whitehouse.gov/blog/2011/03/30/obama-administration-s-blueprint-secure-energy-future>

<sup>1003</sup> Department of Energy, Office of Management and Budget (Washington) 14 February 2011. Date of Access: 31 March 2011. [www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/energy.pdf](http://www.whitehouse.gov/sites/default/files/omb/budget/fy2012/assets/energy.pdf)

<sup>1004</sup> The Obama Administration’s Blueprint for a Secure Energy Future, Heather Zichal, White House Blog (Washington) 30 March 2011. Date of Access: 31 March 2011.

<http://www.whitehouse.gov/blog/2011/03/30/obama-administration-s-blueprint-secure-energy-future>

<sup>1005</sup> Giving a Hand Up to Low-Income Families: The Federal Budget Fiscal Year 2012, The White House, Office of Management and Budget (Washington) 14 February 2011. Date of Access: 31 March 2011.

<http://www.whitehouse.gov/omb/factsheet/giving-a-hand-up-to-low-income-families>

**European Union: N/A**

The European Union has been omitted from scoring for this commitment. The European Union did not indicate specific fossil fuel subsidies to be suspended in the Appendix to the G20 Summit Declaration. Though the EC did commit to review environmentally harmful and unsustainable subsidies, no evidence has been found to confirm that this review process is underway.

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