

Joint statement on Fossil Fuel Subsidies

We call your attention to the urgency of phasing out fossil fuel subsidies given the current climate crisis and, in an effort to limit global average temperatures to 1.5°C above pre-industrial levels. In the past decade, the world has seen historic investments in the energy transition, and there is growing momentum to urgently phase-out fossil fuel subsidies.

We note many governments have committed to phase out inefficient fossil fuel subsidies - The Leaders of the Group of Twenty (G20) in 2009, and all parties to the UNFCCC in the Glasgow Climate Pact in 2021 (reaffirmed at COP27). We also recall international commitments to Fossil Fuel Subsidy Reform under Sustainable Development Goal 12 of the 2030 Agenda and the WTO Statement on Fossil Fuel Subsidies of June 2022.

We note the lack of transparency when it comes to fossil fuel subsidies, and the lack of practical action being taken to implement the abovementioned commitments. We urge all parties at COP28 to urgently implement their commitment of phasing out inefficient fossil fuel subsidies made in the Glasgow Climate Pact and to take practical action along a clear timeline. Concurrently we stress the need to ensure public and private finance aligns with the goals of the Paris Agreement. Phasing out public financing of fossil fuels while pursuing public investments in the energy transition will drive necessary climate action and increase competitiveness in a net-zero global economy. To this end, we support and build upon existing initiatives, such as the Friends of Fossil Fuel Subsidy Reform.

We identify the following barriers for implementation of the abovementioned commitments: (1) There is no comprehensive international methodological framework that identifies the scope of fossil fuel subsidies to be measured, which forms a barrier for transparency and comparability. (2) Several fossil fuel subsidies stem from international agreements and thus cannot be phased out unilaterally. Furthermore, (3) cooperation between countries to jointly phase-out fossil fuel subsidies is necessary to maintain an international level playing field and prevent carbon leakage.

To remove these barriers and to facilitate transparency and the phase-out of fossil fuel subsidies, we commit to the following actions:

1 Transparency

Transparency regarding fossil fuel subsidies is an essential element of implementing the abovementioned phase-out commitments.

Commitment to transparency. We commit to providing transparency before or by COP29 on our own fossil fuel subsidies by publishing an inventory. This inventory goes beyond direct subsidies, and also includes indirect subsidies (such as expenditure schemes, discounts, and incomplete pricing). Existing definitions provide a starting point. The objective is to jointly move towards a comprehensive methodological framework.

Developing a comprehensive methodological framework. Although no comprehensive and common standard exists, several International organizations, such as IMF, OECD, WTO, WB, IRENA, IEA, IMO and ICAO, are already involved in relevant work that can be drawn upon.¹ We encourage further

¹ The SDG 12.c.1 reporting and the negotiations on Climate, Trade and Sustainability (ACCTS) could also represent important input.

cooperation between all relevant actors with the aim of moving towards a more comprehensive methodological framework, identifying the scope of fossil fuel subsidies to be measured, taking into account external costs. This will enable countries to give full transparency on their fossil fuel subsidies and it allows for comparability. The framework should consider direct subsidies as well as indirect subsidies, including incomplete pricing, and perverse incentives that stimulate the consumption of fossil energy. The first results of this joint work can be presented at COP29.

2 Identifying international barriers (e.g. international agreements)

We will work together to identify international barriers preventing the phase-out of fossil fuel subsidies. These international barriers can cause a continuation of underpricing of emissions in certain sectors which undermines the realization of the goals of the Paris Agreement. Special attention should be given to international aviation and maritime transport. These sectors are complex to regulate due to a variety of bilateral and multilateral agreements or barriers in international trade. We should also identify the opportunities that allow for the development of international pricing mechanisms via IMO and ICAO.

3. Dialogue on national phase-out of fossil fuel subsidies

Signatories will set up an international dialogue to share lessons learned, develop national phase-out strategies and strive for joint action to minimize carbon leakage and to maintain a level playing field. This international dialogue can be held yearly at COP meetings.

Phasing out fossil fuel subsidies is a vital element for countries to reduce emissions in line with the long-term goals of the Paris Agreement. Signatories commit to developing national strategies within a clear timeline. Reduction of emissions should be the main focus when forming a national phase-out strategy. Therefore, it is essential to not only look at subsidies², but to consider the overall picture: the gap in pricing of external costs of emissions stemming from fossil fuels. National phase-out strategies should focus on closing this gap. Such strategies could also consider (in)efficiency³ and address the role of energy poverty and ensuring a just transition.

We ask international organizations, such as IMF, OECD, WTO, WB, IRENA, IEA, IMO and ICAO, to develop guidance that can be used by all countries developing a national phase-out strategy.

² For instance as formulated by the WTO definition

³ An example of such a phase-out strategy is the Canadian framework of inefficient fossil fuel subsidies.

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