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Page: 1/2

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MINISTERIAL STATEMENT ON FOSSIL FUEL SUBSIDIES

Revision

The following communication, dated 14 December 2021, is being circulated at the request of the delegations of Albania; Chile; Costa Rica; European Union; Fiji; Iceland; Liechtenstein; Moldova, Republic of; Montenegro; New Zealand; North Macedonia; Norway; Panama; Switzerland; Tonga; United Kingdom; Uruguay; and Vanuatu.

We, the Ministers representing the following Members of the World Trade Organization (WTO): Albania; Chile; Costa Rica; European Union; Fiji; Iceland; Liechtenstein; Moldova, Republic of; Montenegro; New Zealand; North Macedonia; Norway; Panama; Switzerland; Tonga; United Kingdom; Uruguay; and Vanuatu issue this statement:

1. *Recognizing* that inefficient fossil fuel subsidies encourage wasteful consumption, disadvantage renewable energy, and depress investment in energy efficiency, and that effectively addressing fossil fuel subsidies will deliver trade, economic, social and environmental benefits as well as release government funds to support a green and climate-resilient COVID-19 recovery;
2. *Recalling* our Leaders' commitment to fossil fuel subsidy reform under the Sustainable Development Goal 12 (c) of the 2030 Agenda, and recognizing that a growing number of World Trade Organization (WTO) Members have made further pledges under the auspices of the G20, G7, APEC and V20, and in the context of the Paris Agreement on Climate Change and the Addis Ababa Action Agenda on Financing for Development;
3. *Recognizing* that subsidies have continued to steadily increase in the past decade and were estimated at approximately USD 500 billion in 2019, and diverting funding from such subsidies will support a just transition towards a green, sustainable economy;
4. *Recognizing* that a phase out of fossil fuel subsidies would effectively contribute to the Paris Agreement objective of holding the increase in global average temperature below 2°C above pre-industrial levels, and would continue towards pursuing efforts to limit the temperature increase to 1.5 °C above pre-industrial levels and will deliver lower climate-related global risks as outlined by the 2018 Intergovernmental Panel on Climate Change Special Report on Global Warming of 1.5°C;
5. *Further recognizing* the significant potential for a fossil fuel subsidy phase out to support the Paris Agreement goal of making public financial contributions consistent with a pathway towards low greenhouse gas emissions and climate-resilient development;
6. *Acknowledging* that accelerating the reform of fossil fuel subsidies is therefore more urgent than ever;
7. *Considering* that sustainable development is a fundamental principle of the Marrakesh Agreement establishing the World Trade Organization and that trade has been explicitly identified as a powerful enabling force that is indispensable in progress toward sustainable development;

8. *Confirming*, therefore, that the World Trade Organization can play a central role in the reduction of trade and investment distortions caused by fossil fuel subsidies by achieving effective disciplines on inefficient fossil fuel subsidies;

We have accordingly reached the following shared understandings:

- We seek the rationalization and phase out of inefficient fossil fuel subsidies that encourage wasteful consumption along a clear timeline and encourage the remaining WTO Members to join us in those efforts, recognizing the substantial financial resource this could unlock globally to support the transition;
 - We recognize that reform needs to take fully into account the specific needs and conditions of developing countries and minimize the possible adverse impacts on their development in a manner that protects the poor and the affected communities;
 - We will share information and experiences to advance discussion in the World Trade Organization aimed at achieving ambitious and effective disciplines on inefficient fossil fuel subsidies that encourage wasteful consumption, including through enhanced World Trade Organization transparency and reporting that will enable the evaluation of the trade, economic, and environment effects of fossil fuel subsidy programmes;
 - We will elaborate concrete options to advance this issue at the World Trade Organization in advance of MC13.
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