



## FOSSIL FUEL SUBSIDIES REFORM MINISTERIAL STATEMENT

The following communication, dated 11 December 2017, is being circulated at the request of the delegations of Chile; Costa Rica; Iceland; Liechtenstein; Mexico; the Republic of Moldova; New Zealand; Norway; Samoa; Switzerland; the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu; and Uruguay.

1. *Recognizing* that 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;
2. *Recalling* our Leaders' commitment to fossil fuel subsidy reform under the Sustainable Development Goal 12 (c) of the 2030 Agenda, and recognising that a growing number of 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 for fossil fuels were estimated at USD 425 billion in 2015, and that fossil fuel subsidies amounted to 20 per cent of the value of internationally traded fuels;
4. *Recognizing* that a phase-out of fossil-fuel subsidies would generate an estimated 12 percent of the total abatement needed by 2020 from energy sector emissions and action towards holding the increase in global average temperature below 2°C above pre-industrial levels, and would contribute to the pursuit of efforts to limit the temperature increase to 1.5 °C above pre-industrial levels;
5. *Acknowledging* that reforming fossil fuel subsidies can release funds for other development priorities;
6. *Acknowledging* that accelerating the reform of fossil fuel subsidies is therefore a priority;
7. *Considering* that trade has been explicitly identified as a powerful enabling force that is indispensable in progress toward sustainable development;
8. *Recognizing* that sustainable development is a fundamental principle of the Marrakesh Agreement establishing the World Trade Organization;
9. *Acknowledging* that the trade and investment distortions caused by fossil fuel subsidies reinforce the need for global action including at the World Trade Organization;
10. *Confirming*, therefore, that the World Trade Organization can play a central role in achieving effective disciplines on inefficient fossil fuel subsidies;

We have accordingly reached the following shared understandings:

- We seek the rationalisation and phase out of inefficient fossil fuel subsidies that encourage wasteful consumption, and encourage the international community to join us in those efforts;

- We recognise 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 seek 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 and resource effects of fossil fuel subsidies programmes.

Buenos Aires, December 2017

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