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## MINISTERIAL STATEMENT ON FOSSIL FUEL SUBSIDIES

The following communication, dated 26 February 2024, is being circulated at the request of the delegations of Albania; Chile; Colombia; Costa Rica; European Union; Fiji; Iceland; Liechtenstein; Moldova, Republic of; Montenegro; New Zealand; North Macedonia; Norway; Panama; Paraguay; Samoa; Switzerland; Tonga; United Kingdom; Uruguay; and Vanuatu.

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

1. *Recalling* our commitments to fossil fuel subsidy reform under Sustainable Development Goal 12(c) of the 2030 Agenda, and in the context of the Paris Agreement on Climate Change and the Addis Ababa Action Agenda on Financing for Development;
2. *Recalling* that the September 2023 SDG Summit reaffirmed climate change as one of the greatest challenges of our time, and expressed deep concern that all countries, particularly developing countries, are vulnerable to its adverse effects; as well as marking a new phase of accelerated progress towards achievement of the SDGs, including through efforts to ensure access to affordable, reliable, sustainable and modern energy for all;
3. *Acknowledging* the need for deep, rapid and sustained reductions in greenhouse gas emissions to limit global warming to 1.5°C identified at the 28<sup>th</sup> Conference of the Parties to the UNFCCC, and the call on Parties to transition away from fossil fuels in energy systems, in a just, orderly and equitable manner, accelerating action in this critical decade, so as to achieve net zero by 2050 in keeping with the science;
4. *Deeply concerned* about the recent substantial increase in government support for fossil fuels, which almost doubled in 2022 during the energy crisis, to reach more than USD 1.4 trillion<sup>1</sup>;
5. *Highlighting* the important contribution phasing out inefficient fossil fuel subsidies that do not address energy poverty or just transitions, as soon as possible, can make to the objectives of the Paris Agreement on Climate Change, as well as to continued efforts to limit the temperature increase to 1.5 degrees above pre-industrial levels and lower global climate-related risks, significantly reducing the risks and impacts of climate change;
6. *Recognising further* the role fossil fuel subsidy reform can play in delivering wider trade, economic, social and environmental benefits, including promoting more energy-efficient consumption, reducing pollution, and freeing up government funds to support a green and climate-resilient economy;
7. *Underscoring* the urgency of fossil fuel subsidy reform in support of the COP28 objectives, including work at the national and international level to this end;

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<sup>1</sup> Joint OECD-IEA estimate, OECD Inventory of Support Measures for Fossil Fuels 2023, published December 2023.

8. *Taking note* of the recent reaffirmation by members of the G20 of their intention to increase efforts to implement their 2009 Pittsburgh commitment to phase out inefficient fossil fuel subsidies, while providing targeted support for the poorest and most vulnerable;

9. *Considering* that the WTO founding agreement, the Marrakesh Agreement, recognises sustainable development as a fundamental principle, and that trade has been identified as a powerful enabling force for progress towards sustainable development;

10. *Reaffirming* paragraph 14 of the MC12 Outcome Document setting out the important contribution the multilateral trading system has to make in promoting the UN 2030 Agenda and its SDGs, especially in the context of global environment challenges such as climate change and related natural disasters, loss of biodiversity and pollution;

11. *Building* on the analytical work and constructive discussions held under the WTO Fossil Fuel Subsidy Reform Initiative in the period since the 12<sup>th</sup> WTO Ministerial Conference;

Decide as follows:

- We will work to achieve the rationalisation, phase out or elimination of harmful fossil fuel subsidies, including through use of existing mechanisms or the development of new pathways to reform, as appropriate, in the following three pillars:
    - A: Enhanced Transparency;
    - B: Crisis Support Measures; and
    - C: Identifying and Addressing Harmful Fossil Fuel Subsidies;
  - We adopt the attached programme of work outlining concrete options under these three pillars to guide this work in the period to the 14<sup>th</sup> WTO Ministerial Conference (Annex 1);
  - We will lead by example in providing and encouraging further transparency and awareness of fossil fuel subsidies and their reform through regular WTO processes;
  - To this end, we note the non-exhaustive list of sample questions on fossil fuel subsidies and fossil fuel subsidy reform that has been developed, and intend to use these when engaging with other WTO Members, including in WTO Trade Policy Reviews (Annex 2);
  - We will work together to share experience and lessons from temporary measures adopted in response to the recent energy crisis, reviewing progress in reducing, removing and/or refining the targeting of such temporary crisis measures, as well as to develop guidelines to help make any future such measures targeted, transparent and temporary;
  - We will advance work to identify harmful fossil fuel subsidies and to build broader recognition and support for the development of pathways to reform, reduce and eliminate these fossil fuel subsidies, considering the social impact, in particular on vulnerable groups; and
  - We will take fully into account in all aspects of the WTO FFSR Initiative work programme consideration of the particular needs and circumstances of developing countries, and the identification of approaches to address them in the adoption and implementation of fossil fuel subsidy reform; as well as to minimise possible impacts and address essential energy needs of vulnerable groups, particularly in developing countries.
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## ANNEX 1

### WTO FOSSIL FUEL SUBSIDY REFORM INITIATIVE: NEXT STEPS ON CONCRETE OPTIONS

Focus Pillar	Products/Deliverables	Specific Action Steps	Timeframe
<b>A. Enhanced Transparency</b>	(i) Develop short list of sample questions on fossil fuel subsidies and fossil fuel subsidy reform for regular use in WTO Trade Policy Reviews.	Co-sponsors to prepare short non-exhaustive list of sample questions.	End 2023 / MC13
	(ii) Advocate incorporation of regular section in TPR Secretariat and Government reports covering fossil fuel subsidies and fossil fuel subsidy reform efforts, in a single, readily identifiable place in TPR reports.	Co-sponsors lead by example in including this information in their own TPR reports (in an identified section of the report).  Co-sponsors and other interested Members propose this, and champion it as part of the 8 <sup>th</sup> appraisal of the TPR mechanism (in a section that might also cover wider trade and environment matters).	As TPRs arise  2024/2025
	(iii) Propose, support and contribute to a Committee on Trade and Environment 'thematic session' that includes fossil fuel subsidies and fossil fuel subsidy reform, to increase visibility of the issue across WTO bodies.	Co-sponsors to advocate as part of current efforts to revitalise the work of the Committee on Trade and Environment.	Session held 2024
	(iv) Use of other WTO mechanisms to increase transparency.	Request Secretariat extend their work on TPR information to compile information from other sources (e.g. information provided in Committee on Trade and Environment).  Secretariat to provide periodic compilation of latest information available from joint international organizations' Subsidy Platform; as well as from other international organizations and processes, e.g. UNEP, OECD, G20, APEC.	Two update reports 2024/2025
	(v) Broaden base of stakeholder input.	Consultations with stakeholders, including affected economic actors, including MSMEs.	By MC14
<b>B. Crisis Support Measures</b>	(i) Compile information on Member experience with the design, review, adjustment and roll-back of temporary fossil fuel support measures to address energy crises.	Secretariat and co-sponsors to put together a paper with information on the design, review, evolution and removal of crisis support measures. Opportunity for other interested Members to also engage in this work and to draw on relevant compilations of information on crisis support measures in the OECD, APEC etc.	Q2 2024

Focus Pillar	Products/Deliverables	Specific Action Steps	Timeframe
	(ii) Develop guidelines to give effect to the 'Three Ts' principles for such measures: i.e. targeted, transparent and temporary.	Co-sponsors and other interested Members to draft a short, practical set of guidelines reflecting Member experience and informed by research and best practice guidance developed by relevant international organizations.	Guidelines prepared in 2024
	(iii) Monitor and encourage reduction and removal of temporary fossil fuel support measures adopted to address recent energy crisis.	Schedule periodic review of Members' temporary crisis support measures and efforts to reform, reduce and remove these.	1st session: Q3 2024; 2nd session: 2025
<b>C. Address Most Harmful Fossil Fuel Subsidies</b>	(i) Identify characteristics of those fossil fuel subsidies that are most harmful to the environment and to trade.	<p>Co-sponsors to review studies by OECD, UNEP, IMF, IISD etc. on identification of categories of fossil fuel subsidies most harmful to the environment and to trade.</p> <p>Request additional Secretariat analysis of specific types, situations or sectors affected by fossil fuel subsidies, e.g. those benefitting fossil fuel production, the plastics industry, to help inform this work.</p> <p>Begin to develop a grid of key types of fossil fuel subsidies, including situations and sectors in which fossil fuel subsidies are used, as well as the criteria by which they rank in harm to the environment and trade.</p>	Calendar year 2024
	(ii) Build broader recognition and support for the development of pathways to reform, reduce and eliminate those fossil fuel subsidies recognised as harmful to the environment and to trade.	<p>Schedule workshops to examine particular types of fossil fuel subsidies, including by sector and/or situation in which they are used. Document the volume, impacts, trends and alternatives to these subsidies.</p> <p>Dedicated session on experience sharing among Members on approaches to fossil fuel subsidy reform, including complementary strategies and alternative approaches to address the needs of vulnerable social groups for a just transition and wider development objectives. Prepare compilation of success stories and learnings from Member experience and international advisory and funding agencies (e.g. UNDP, UNEP, World Bank).</p>	<p>Workshops in 2024</p> <p>2024 meeting on design of reform policies</p>

Focus Pillar	Products/Deliverables	Specific Action Steps	Timeframe
		Identify existing and additional new pathways to reform, reduce and eliminate fossil fuel subsidies of this type or in use in these situations, including complementary strategies and approaches to help support vulnerable social groups and the development objectives of developing countries.	2024 meeting on pathways to action
	(iii) Map out phased reduction pathways on these most harmful types of subsidies.	<p>Co-sponsors and other interested Members to map out phased reduction pathways of particular types of fossil fuel subsidies identified as harmful.</p> <p>Co-sponsors and other interested Members to work on the development of a timetable for phased reduction pathways on these particular types of fossil fuel subsidies for possible pledges at MC14. Approaches to this transition that address social and development concerns to be explored alongside such reduction commitments.</p>	<p>2024/2025</p> <p>2025 and at MC14</p>

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## ANNEX 2

### PROPOSED NON-EXHAUSTIVE LIST OF SAMPLE QUESTIONS ON FOSSIL FUEL SUBSIDIES AND FOSSIL FUEL SUBSIDY REFORM FOR REGULAR USE IN WTO TRADE POLICY REVIEWS

*As part of efforts to promote enhanced transparency in relation to fossil fuel subsidies and fossil fuel subsidy reform, the co-sponsors of the WTO Fossil Fuel Subsidy Reform Initiative have developed the following non-exhaustive list of sample questions. They are intended for use, on a voluntary basis, to guide the preparation of information for and engagement with other Members on these issues in WTO Trade Policy Reviews.*

#### Information about the nature, extent, design and implementation of fossil fuel subsidy measures

1. Noting the commitment made to fossil fuel subsidy reform under SDG 12(c) of the UN 2030 Agenda, could [WTO Member under review] please provide information about the nature, extent, design and implementation of any programmes or schemes, existing or under consideration, that support the production or consumption of fossil fuels?<sup>1</sup> *[Where information is provided, but is incomplete: could [WTO Member under review] please provide more information about the [nature], [extent], [design] or [implementation] of the programmes or schemes that support the production or consumption of fossil fuels discussed in [the Member's TPR report], or any others that may be under consideration?]*
2. What was [WTO Member under review]'s response to the 2021 energy crisis in terms of temporary measures that support the production or consumption of fossil fuels?

#### Information about current and planned reforms of fossil fuel subsidy measures

3. How is [WTO Member under review] implementing commitments to accelerate efforts to rationalize and phase out harmful fossil fuel subsidies agreed at recent UNFCCC COPs and in line with UN Sustainable Development Goal 12(c)? For G20 Members: What steps has [WTO Member under review] undertaken to abide by its G20 commitment to phase out inefficient fossil fuel subsidies, and what steps are being considered or introduced to implement this phase-out? *[If information about FFSR has been provided: could [WTO Member under review] please provide more details about its experiences with reforming and phasing out programmes supporting the production or consumption of fossil fuels?]*
4. What steps has [WTO Member under review] taken to phase out any temporary measures in support of the production or consumption of fossil fuels adopted in response to the 2021 energy crisis?

#### Information about economic, social and environmental impacts of fossil fuel subsidy measures

5. **[impact]** Has [WTO Member under review] undertaken recent analysis of the economic, social and environmental impacts of fossil fuel subsidies it applies and what have been the findings?
6. **[cost/budget]** Could [WTO Member under review] please provide information on the impact of fossil fuel subsidies on the actual costs paid domestically for fuel and on the government's budget?
7. **[vulnerable groups]** In the context of fossil fuel subsidy reforms, what actions are being taken to mitigate the effects on vulnerable groups?

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<sup>1</sup> For example, this could include, *inter alia*, direct spending, price support, tax exemptions or risk transfers.