



# The role of fossil fuel subsidy reform in green recovery

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# What is a “Fossil-Free Recovery”?

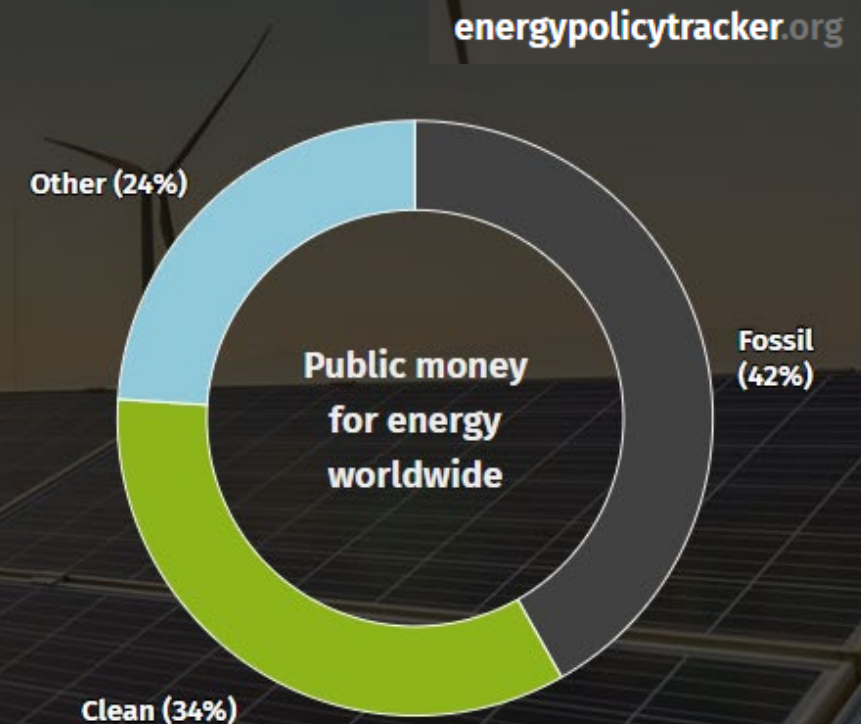
## And why is it important?



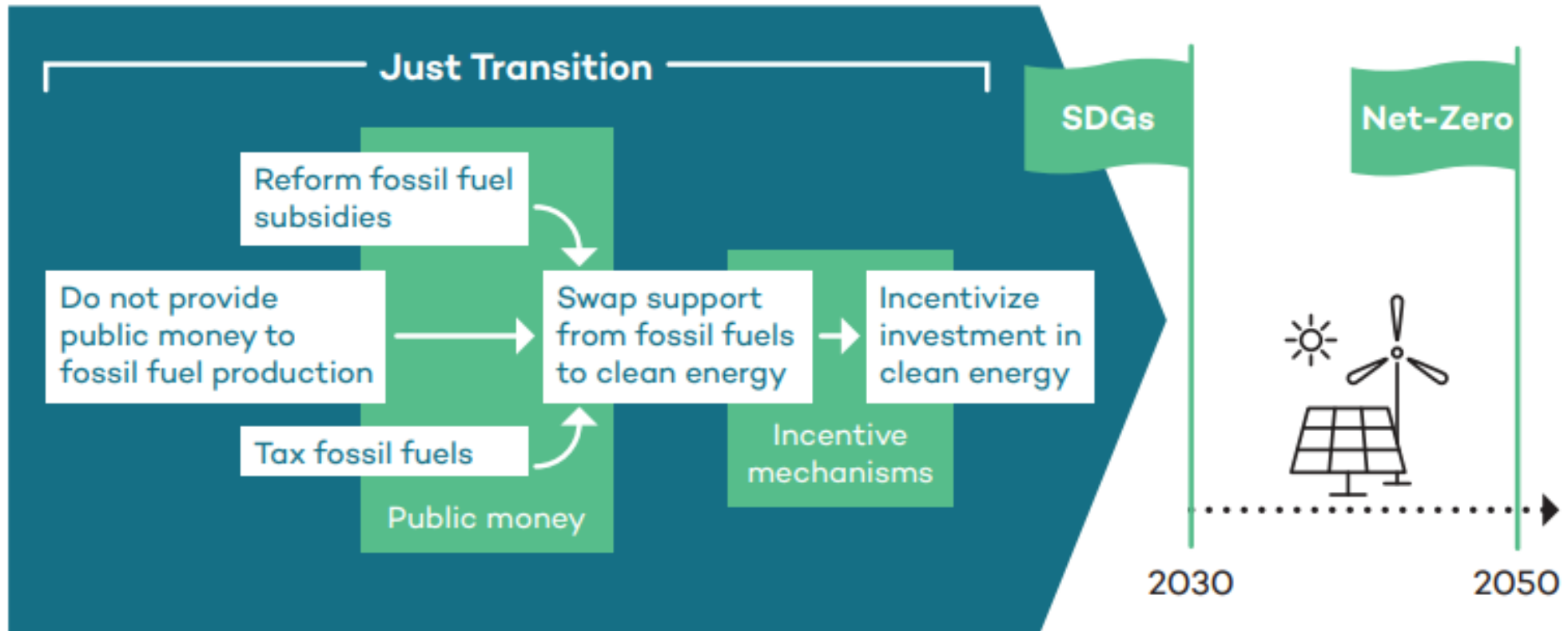
**Fossil-free recovery from the COVID-19 crisis:** a recovery that boosts the economy and creates jobs via a rapid move to clean energy for all while taking steps toward a just transition away from fossil fuels.

### Track public money for energy in recovery packages

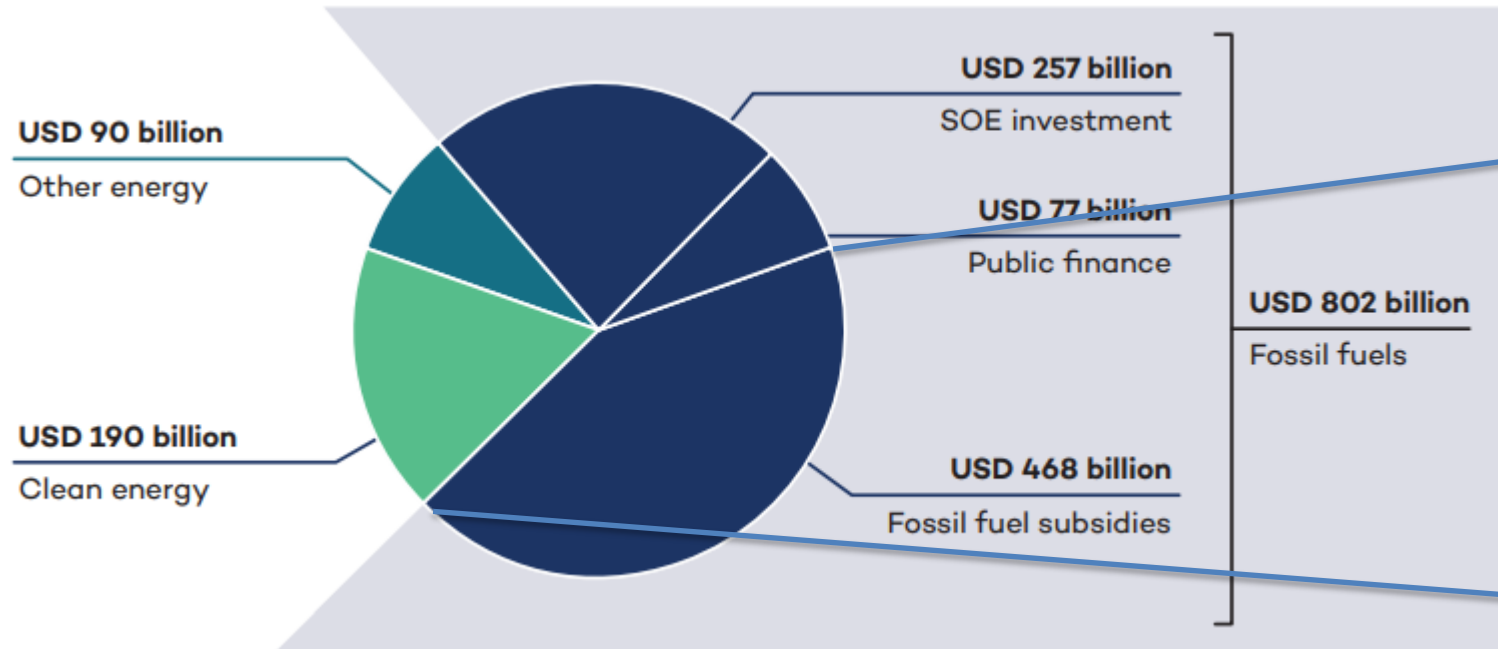
31 major economies and 8 MDBs pledged USD 336 billion to fossil fuel-intensive sectors, 42% of all public money committed to energy-producing and consuming activities.



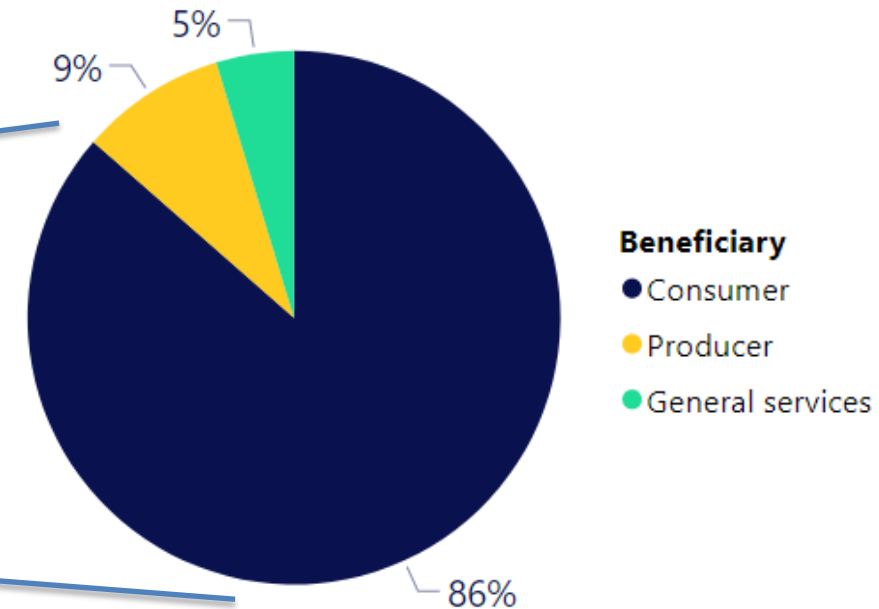
# The key principles of a “Fossil-Free Recovery”



# 1. Do not provide public money to fossil fuel production

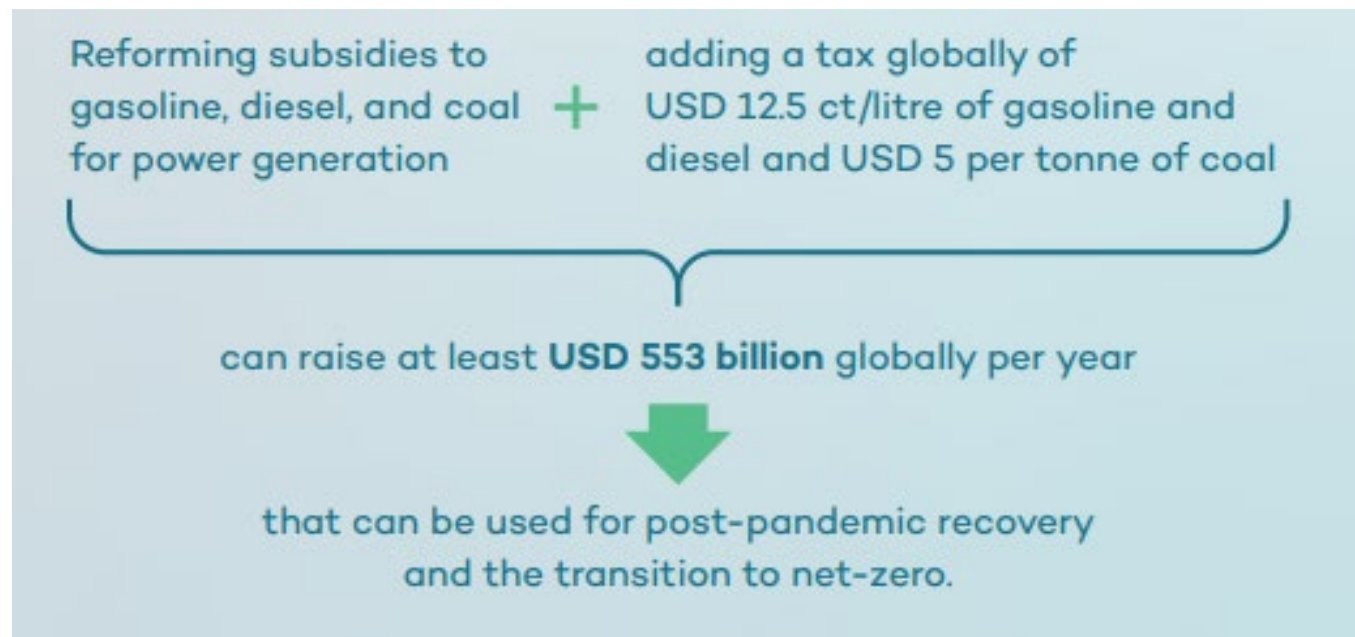


*Government global support to fossil fuels, clean, and other energy in 2019 (before COVID-19 crisis), USD billion.*



*Based on OECD and IEA data, including estimates from 2019 for 81 economies. FFS production data are underestimated due to lack of data in many countries*

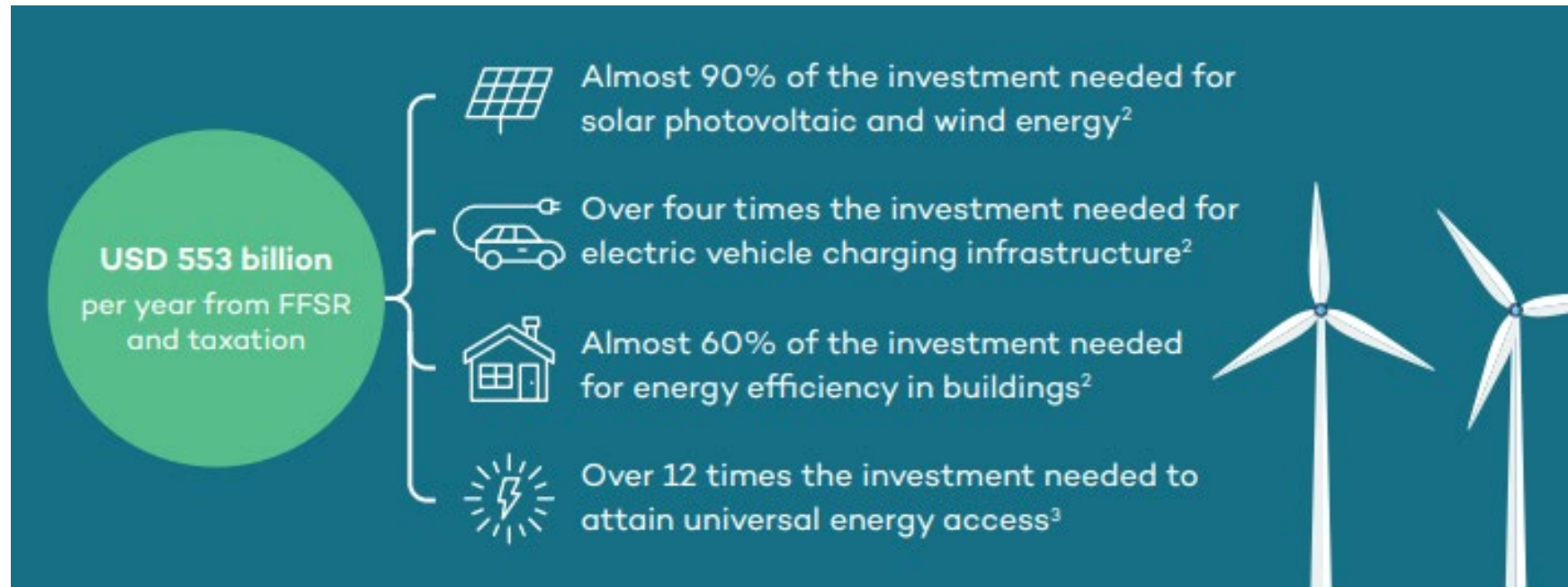
# 2. Raise money from FFSR and taxation



**Table 1.** Mobilizing government revenue potential of selected fossil fuels, USD billion (2019 data)

	Consumer subsidy elimination*	Tax increase**	Total
Gasoline & diesel	115	400	515
Coal	8	30	38
<b>Total</b>	<b>123</b>	<b>430</b>	<b>553</b>

# 3. Swap support from fossil fuels to clean energy



**Notes :** Amounts estimated per year between 2021 and 2050 to limit temperature increase to 1.5°C, according to International Renewable Energy Agency's (IRENA's) World Energy Transitions Outlook: 1.5°C Pathway. 3 Amount estimated per year between 2019 and 2030 for electricity and clean cooking according to Tracking SDG 7: The Energy Progress Report by IRENA, IEA, United Nations Statistics Division (UNSD), the World Bank, and World Health Organization (WHO)

<https://www.iisd.org/publications/achieving-fossil-free-recovery>

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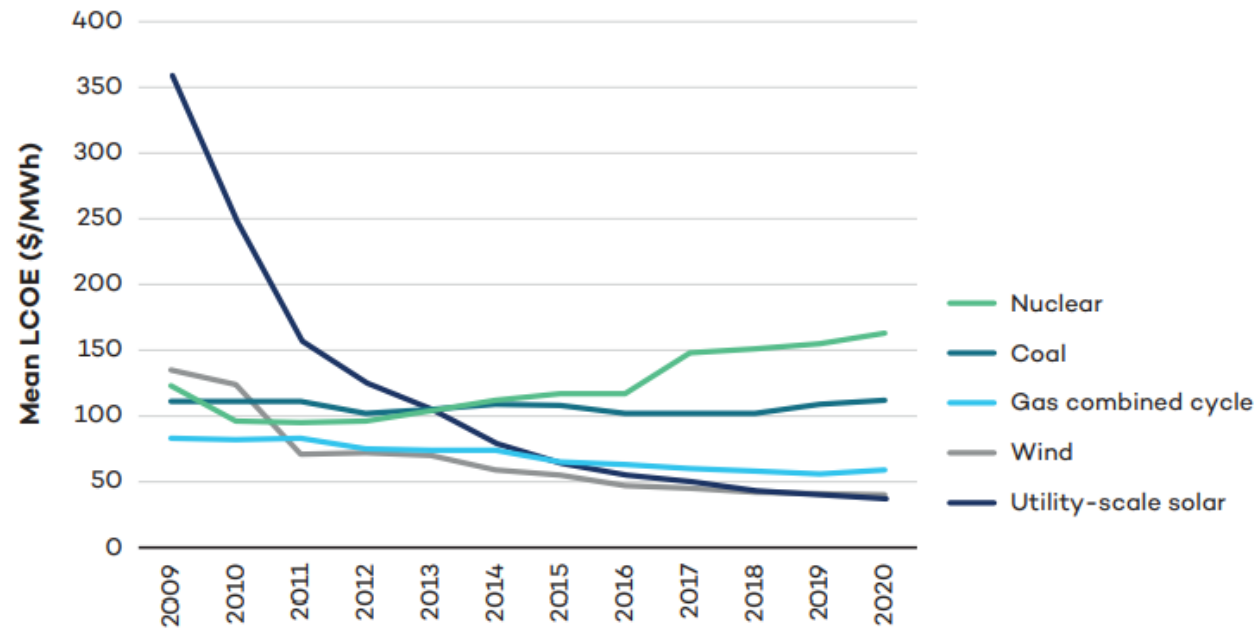


# 4. Incentivize investment in clean electricity



**Electricity will be the backbone of the energy transition.** Significant investment is needed, mostly from private sources. Government's role is to de-risk, incentivize and leverage private investment

**Figure 8.** Lazard's levelized cost of energy comparison, global average



Source: Lazard, 2020.

## Three main approaches to supporting private investment in clean electricity:

- Subsidies and other support policies for renewables
- Mandate public finance institutions to address country-specific risks
- Work with state-owned enterprises to transition away from fossil fuels

# 5. Ensure the transition is a just one



The energy transition is inevitable and will affect industries, labour, communities, and whole economies. Governments must plan for it carefully and follow a just transition approach<sup>4</sup> centred on dialogue between

  
**WORKERS**

  
**EMPLOYERS**

  
**GOVERNMENT**

as well as meaningful engagement with other critical stakeholders (such as energy consumers and communities) in order to ensure that nobody is left behind.

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Thank you!

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