SUBSIDY WATCH

A topical roundup of news, views and ideas on subsidies and sustainable development

Global Subsidies Initiative

www.globalsubsidies.org

ISSUE 34, DECEMBER 2009

COMMENTARY:

Walking the tightrope: balancing effectiveness against cost in the Netherlands' feed-in tariffs

by Dr. S.M. Lensink, ECN

A feed-in electricity tariff is a policy mechanism used in many countries to support renewable energy technologies until they can compete with other methods of generating electricity. But, as experience in the Netherlands shows, it is a challenging policy task to support renewables without wasting government money or creating perverse incentives.

The Dutch government has implemented two feed-in tariff schemes since 2003, the first being the Environmental Quality of Electricity program (in Dutch, the *Milieukwaliteit van de Elektriciteitsproductie*), or 'MEP'. This was followed in 2008 by the Promoting Renewable Energy scheme (*Stimulering Duurzame Energie*), better known as the SDE.

The general principle behind the Netherland's policies has been to guarantee generators of renewable-energy-based electricity a premium payment per kilowatt hour (kWh) of energy that takes into account production costs plus a 'fair' profit margin, which is differentiated by technology. This is different from the way feed-in tariffs are applied in most other countries, where electricity distributors are often obliged to buy renewable energy at a pre-determined price (which raises consumers' electricity bills).The Netherland's scheme is funded by taxpayers.

The economic justification for feed-in tariffs is under debate, but proponents argue that the subsidy is defensible given the 'positive externality' of reduced CO2 emissions and the environmental and economic gains to be won by helping a young industry through its teething stages. As it is, renewable-energy producers find it difficult to obtain the investment and experience they need to start up and become cost-competitive. Opponents argue that renewable-energy-based electricity offers no additional CO2 reductions if it exists alongside a cap-and-trade permit market (although it does shift the burden of who must reduce their emissions), and that it would be more cost-effective for the government to invest in research and development.

The principle of a good scheme is that it should help technologies build a foothold in the market until they can compete without direct financial support. It should be regarded as stable if it is to be attractive to investors, but needs to be flexible too, to adapt to changing market conditions. Above all, it needs to be effective (achieving the desired results) and efficient (doing so

continued on page 2

Contact:
Christopher Beaton
IISD
International Environment House 2
9 chemin de Balexert
1219 Châtelaine
Geneva Switzerland
Phone +41 22 917-8748
Fax +41 22 917-8054
cbeaton@iisd.org

iisd International Institute for Sustainable Development / Institut international du développement durable

SUBSIDY WATCH

A bi-monthly roundup of news, views and ideas on subsidies and sustainable development

GSI Global Subsidies Initiative

ISSUE 34, DECEMBER 2009

Walking the tightrope: balancing effectiveness against cost...

continued from page 1

cost-effectively). And it should be temporary.

Results of the Netherlands' first feed-in tariff, the MEP, were mixed. The scheme was designed to guarantee a fixed payment to reduce the cost of renewable-energy-based electricity for 10 years. The price was set to make up the difference between the expected long-term electricity price in the market and the cost of producing electricity from renewables.

The scheme's effectiveness was undisputed. The goal was for renewable energy to provide 9% of national consumption by 2010. By 2006 it was already apparent that that target would be met.

But the scheme performed more poorly on the criterion of efficiency. The payments for renewable-based electricity were based on an assumed market price for electricity of 2-3 euro cents per kWh in the long-term, whereas the actual price was much higher than expected, between 6 and 8 cents per kWh. This meant that the MEP offered a greater financial incentive – and cost a lot more money – than had been planned. Furthermore, it was open-ended: all applicants that met certain minimum criteria could benefit from the feed-in tariff. For these reasons, the public came to see the MEP as an uncontrollable policy instrument that created a windfall for operators of renewable-energy-based power plants. The current annual expenditure is around €600-700 million a year, although figures vary depending on the market price for electricity.

This combination of a faster-than-expected expansion of renewable energy and unpopularity due to its inefficiency led to the MEP's early retirement. It was closed to all new applicants as of 18 August 2006. It will, however, continue to make payments to all the companies that joined the scheme within its lifetime until they have received their 10 years-worth of support.

"The principle of a good scheme is that it should help technologies build a foothold in the market until they can compete without direct financial support. It should be regarded as stable if it is to be attractive to investors, but needs to be flexible too, to adapt to changing market conditions. Above all, it needs to be effective (achieving the desired results) and efficient (doing so cost-effectively). And it should be temporary."

The SDE, introduced in April 2008 and still in force today, was designed to correct some of the MEP's short-comings. The payment to renewable-energy producers, called a flexible premium, is now calculated on a yearly basis taking into account electricity prices as realized on the spot market. Final subsidies are paid at the end of the year, corrected to take into account the average price of electricity on the spot market throughout that year. New applications are approved only if the budget ceiling has not been reached. And the duration of support has been extended from the previous 10 years to between 12 and 15 years, depending on the technology.

Renewables-based electricity is intended to generate 35% of the Netherlands's electricity by 2020. Most of the new capacity is made up of renewables registered under the MEP, which have been late coming online. Contributing factors to the pause in project development between 2006 and the beginning of 2008 include the economic crisis and the tight credit market in 2008-2009, as well as unfamiliarity of the market with the new support scheme.

The cost-effectiveness of the SDE remains an open question, as it is only one-and-a-half years old. Of concern among its supporters is the continued stability of the support. Fine-tuning the instrument from time to time can be good, but major changes can be disruptive. The SDE needs time to establish itself as reliable support mechanism for renewable electricity.

Clearly, if a government offers a big enough subsidy, just about any goal can be achieved. But at any given time there are many competing demands on public finances. Ideally, policies need to offer enough stability to be effective and enough flexibility to be efficient. The market for renewable energy is particularly challenging in this regard, where prices are volatile and new technologies can emerge quickly. It all comes back to a question of taking as much care as possible to ensure that policies are intelligently designed.

SUBSIDY WATCH

A bi-monthly roundup of news, views and ideas on subsidies and sustainable development

GSI Global Subsidies Initiative

ISSUE 34, DECEMBER 2009

ANALYSIS:

Kenya to launch pilot food-security program, using cash transfers

The government of Kenya has launched the pilot phase of a subsidy program which aims to provide poor Kenyans with a monthly cash allowance to meet their basic food needs. At a news conference held in Nairobi on 4 November, Prime Minister Raila Odinga announced that the government would be transferring US$20 a month to 20,000 Kenyan families living in Nairobi slums for the next nine months.

The pilot program marks the first phase of the Saidia Jamii ('Help the Family') program. During this phase, "Each household will be receiving Sh1,500 per month [KSh 1,500, approximately US$20] delivered through mobile phone transfer and electronic card system," said the Prime Minister, according to the Kenyan newspaper the *Daily Nation*.

A second pilot phase, beginning in March, will expand the program to Kenya's second and fourth largest cities, Mombasa and Kisumu, where another 20,000 families will receive the subsidies. If successful, the results of these two pilot phases will inform the roll-out of the full Saidia Jamii program into other urban areas in July of 2010.

Prime Minister Odinga's announcement came as he received an interim report from a taskforce on the development of a comprehensive, targeted food-subsidy scheme in Kenya. The taskforce was formed in response to escalating food prices in the country, which have left many of the country's poor unable to meet their basic needs. The program must still be approved by the country's Cabinet.

Cash transfers are seen as good alternatives to traditional food and energy subsidies in developing countries, says a 2008 report by the German Development Institute (GDI). According to the DIE, for example, only an estimated 30% of spending by the government of India on food subsidies actually reaches the poor, while 70% 'leaks' to non-intended recipients.

> *"Marcus Prior, East and Central Africa Spokesman for the WFP... explained that the Saidia Jamii program is 'a direct cash-transfer program to protect the most vulnerable urban Kenyans from food insecurity. It will increase the purchasing power of households to help supplement and increase their food consumption.'"*

Cash transfers have also become popular in recent years because they have lower administrative costs than subsidy payments and do not distort market prices, adds the DIE paper.

The Kenyan subsidy scheme is being implemented by the Kenyan government with the support of Oxfam and the World Food Programme (WFP). The pilot phase of the Saidia Jamii program is being funded primarily by the Kenyan government, which will invest KSh 600 million (approximately US$ 8 million), while the WFP will contribute about KSh 81 million (approximately US$ 1 million).

Subsidy Watch contacted Marcus Prior, East and Central Africa Spokesman for the WFP, who explained that the Saidia Jamii program is "a direct cash-transfer program to protect the most vulnerable urban Kenyans from food insecurity. It will increase the purchasing power of households to help supplement and increase their food consumption." The cash transfer will be an unconditional, as opposed to a conditional cash transfer, which would require individuals to participate in one or more qualifying activities, such as attending labour-training courses, getting regular health checkups or enrolling their children in school.

According to Mr. Prior, given the WFP's extensive experience "managing similar projects in other parts of the world, and the care that has been taken in targeting beneficiaries correctly, WFP is confident this project will provide a vital boost to household food security amongst the poorest urban dwellers."

Yet the WFP recognizes that, as with all subsidies, there will be challenges to implementation. In particular, Mr. Prior said that targeting could be a sensitive issue as "not everyone who feels that they will be eligible can be targeted, at least not in the pilot phase." In order to deal with these concerns, local NGOs will be used to get the message across that only the neediest will be targeted, he added.

'Community-based targeting' is to be used to select families, through a local community targeting committee. These will be composed of a local administration representative, the village chief (a figurehead common in slums), head teachers, community mobilizers, community elders, a city council representative, staff from other NGOs and other relevant actors.

They will choose which households are eligible for support based on targeting

continued on page 4

Kenya to launch pilot food-security program...

continued from page 3

criteria such as the presence of several elderly people, child household-heads or people living with terminal illness and no support.

In order to prevent possible abuse, WFP will ensure that targeted households are registered in its database. WFP will also verify the registered database against a monthly disbursement list. Additionally, there will be monthly monitoring of randomly selected households to ensure their receipt of the entitlement. House-to-house calls will also be made to verify that recipients qualify for the subsidy.

The cash transfer program will complement other existing government social safety net programs including the Orphan and Vulnerable Children (OVC) cash transfer program and the Hunger Safety Net Programme (HSNP), added Mr. Prior.

Saidia Jamii is not without its critics. Francis Atwoli, secretary general of the Central Organization of Trade Unions (COTU), argues that other similar programs have failed, citing examples such as the Kazi kwa Vijana ('Jobs for Youth') and Unga ('Flour') programmes. Mr. Atwoli told the *Daily Nation*, "Like any other government scheme, it is prone to abuse by powerful forces in government who will use it to siphon taxpayers' money." MP Joshua Kutuny also raised concerns that the program could encourage rural-to-urban migration.

ANALYSIS:

Energy subsidies: can Iran kick the habit?

by Dousa Daneshdoust

The Iranian government recently announced their intention to phase out several of Iran's subsidies. The reform bill, the outlines of which were approved by the parliament in November, aims to eliminate subsidies over a five year period, the most notable being fossil-fuel subsidies. The reforms will also apply to subsidies for water, food and some services (post, rail and air transportation for passengers).

According to the International Energy Agency (IEA), Iran is the world's largest subsidizer of energy, spending over US$ 55 billion in 2007. In total, according to Reuters, subsidies are thought to cost the leading OPEC oil producer up to US$100 billion a year.

The cost of these subsidies is not just financial. Cheap energy has encouraged inefficient consumption patterns, creating an artificially high level of demand. This wastes energy and, because Iran's main source of energy is fossil-fuels, increases pollution.

"Shams Al-Din Hosseini, Iran's Minister of Economics and Finance, has stated that 70% of the spending on subsidies goes to the country's richest 30%.
Under the proposed targeted cash-transfer system, people will receive payments based on their income, giving low-income families greater purchasing power."

The energy subsidies, which are intended to shield consumers from high and volatile prices, have been shown to be an inefficient means of transferring benefits to low-income households. Shams Al-Din Hosseini, Iran's Minister of Economics and Finance, has stated that 70% of the spending on subsidies goes to the country's richest 30%.

Under the proposed targeted cash-transfer system, people will receive payments based on their income, giving low-income families greater purchasing power.

There is a long history of subsidies in Iran, and previous attempts to reduce or eliminate them have failed.

In 1974, responding to the high rate of inflation and price volatility, notably in the market for petroleum products, the government established a Consumers Support Fund, to control prices and distribute subsidies. In 1977, the Fund was replaced by the Organization for Protection of Consumers and Producers (OPCP). Iran's oil production declined in the wake of the 1979 Islamic Revolution, and as a consequence of high inflation and growth in the black market, the government had to increase subsidies again.

Iran's second Economic Development Plan (1995-1999) called for reducing expenditure on subsidies, but instead subsidies as a percentage of the

continued on page 5

Energy subsidies: can Iran kick the habit?...

continued from page 4

government budget continued to rise. Reform efforts were similarly unsuccessful in the third (2000-2004) and fourth (2005-2009) Economic Development Plans, despite the fact that the government had been instructed to carry out extensive research to develop a plan for subsidy reform.

Observers attribute past failures to reform Iran's massive subsidy system to the government's fear of the consequences of sudden price rises. As time went on, and the more the populace grew accustomed to artificially low prices, the harder it became to contemplate subsidy reform. The government is hoping, this time, that providing targeted cash transfers to the poor while gradually eliminating subsidies will make it politically feasible.

Compared with price subsidies, targeted cash transfers have numerous advantages. Because people can choose how to spend their money, it leads to a more efficient allocation of resources. At the same time, the demand for fossil fuels can be expected to decline, in response to higher prices. Bringing domestic prices into line with world prices would also eliminate the current incentive to smuggle petroleum products out of Iran to neighbouring countries.

The extra revenue freed up by the subsidy reforms will provide the government with more funds for investment in infrastructure, and the higher fuel prices will spur producers to make their production processes more energy-efficient. As it is, Iran does not have enough refinery capacity to satisfy its domestic demand – so the fastest way to become resilient against possible trade sanctions affecting petroleum products is to reduce demand itself.

"As time went on, and the more the populace grew accustomed to artificially low prices, the harder it became to contemplate subsidy reform. The government is hoping, this time, that providing targeted cash transfers to the poor while gradually eliminating subsidies will make it politically feasible."

However, critics argue that household-income data are insufficiently detailed to implement the proposed plan, and as a result the government might not meet its target of achieving a more just distribution of income. They note also that the plan might trigger inflation and harm the economy. Accordingly, the speed at which the subsidized prices are raised will be an important factor in determining whether the reform succeeds.

How likely is Iran's subsidy reform to succeed?

This time, Iran's government is seriously pursuing subsidy reform and is trying to develop robust implementation strategies. Notably, it has proposed the establishment of an independent organization to administer its targeted cash transfers which needs to be approved by the parliament. And, thanks to extensive debate, the country's citizens are also more informed and may be better prepared to accept change than they had been in the past.

The threat of trade sanctions targeted at refined petroleum products, particularly gasoline, also adds urgency for the government to turn the reform plan into action and decrease the domestic demand for these products.

Taking these elements together, the probability that the government will follow through with its plans has increased.

However, overall success of the plan depends on actions that the government will have to take to control inflation and to accurately determine which households merit targeted cash transfers.

As of 1st December, the bill still needs to be approved by Iran's watchdog Guardian Council, and was at the centre of some discord about how the saved revenues could be spent. "If the bill does not provide the necessary capacities for government to implement it, then we would withdraw it from the parliament," the IRNA news agency quoted President Ahmadinejad as saying on 2 December. "If necessary, we will propose another bill."

SUBSIDY WATCH
A bi-monthly roundup of news, views and ideas on subsidies and sustainable development

GSI Global Subsidies Initiative

ISSUE 34, DECEMBER 2009

NEWS:
Green Economy Coalition call on G-20 Finance Ministers for fast and fair fossil-fuel phase out

In November, the Green Economy Coalition wrote to the G-20 finance ministers ahead of their meeting in Scotland to outline how to remove fossil-fuel subsidies, stressing the need for a prompt phase-out of the subsidies in a way that ensures the poorest consumers are not adversely affected.

"It is inconsistent for governments to finance carbon-reduction policies whilst simultaneously increasing fossil fuel consumption through subsidies," said the letter. "The current annual fossil-fuel subsidy bill of hundreds of billions of dollars would be better spent on health, education, renewable energy or other actions that would accelerate the transition to a green economy."

Citing studies by the IEA, OECD and UNEP, the Coalition estimates that an end to subsidies would help stabilize the world climate by reducing global carbon dioxide emissions by 10%, or the equivalent of Russia and Japan's combined total.

"These subsidies are a massive diversion of public funds that could be better spent in other ways," says Mark Halle of IISD. "Subsidies create false impressions about the relative cost of lower-carbon energy alternatives and this is bringing us closer to irreversible climate change."

"It is inconsistent for governments to finance carbon-reduction policies whilst simultaneously increasing fossil fuel consumption through subsidies," said the letter. "The current annual fossil-fuel subsidy bill of hundreds of billions of dollars would be better spent on health, education, renewable energy or other actions that would accelerate the transition to a green economy."

on fossil-fuel subsidies, combined with rigorous research from the international community on the impact of existing subsidies and the likely consequences of their removal. Some kind of verification process is also recommended, to confirm that governments follow through on their commitments.

The letter was signed by a large number of Green Economy Coalition organisations, namely the Bellagio Forum for Sustainable Development, the Mistra Foundation, the International Institute for Sustainable Development (IISD, of which the Global Subsidies Initiative is one of its programs), the Ecologic Institute, WWF International, Consumers International (CI), the International Union for the the Conservation of Nature (IUCN), the Centre for Human Ecology, the International Institute for Environment and Development (IIED) and the Inspire Foundation for Business and Society.

A full copy of the Coalition's letter can be found on the Global Subsidies Initiative website, http://www.globalsubsidies.org/en/research/gsi-outreach-shaping-agenda-reform-0

NEWS:
Oil and coal lobbies call for carbon-capture subsidies

On 9 November, Ottawa's *Globe and Mail* reported that companies engaged in extracting Canada's oil sands were calling for state aid to help them adopt carbon-capture-and-storage (CCS) technology.

A report, *Carbon Dioxide Capture and Storage: A Canadian Clean Energy Opportunity,* released by the Integrated CO2 Network (ICO2N), which represents Canada's major oil companies and coal-based utilities, makes its claim on environmental and economic grounds.

The Network argues that, given low projections for the price of carbon offsets until 2020, more direct financial incentives will be needed to stimulate investment in CCS. They estimate that the technology could achieve 25% of Canada's 2020 CO2 reductions, at a cost similar to wind power and ethanol, both of which already receive government support.

Billions of dollars have already been invested in Alberta's oil sands. The process of turning the sands into synthetic crude oil is relatively emission-intensive, which would be costly to mitigate under a future cap-and-trade

continued on page 7

Oil and coal lobbies call for carbon-capture subsidies...

continued from page 6

scheme. Given carbon-pricing, the industry argues that CCS is the only technological option that could make production viable.

According to *The Globe and Mail*, Ottawa and Alberta have already committed C$ 1.4 billion to fund CCS projects. The Network has not named a sum it would require over and above this, maintaining that it depends on the carbon price Ottawa imposes and the cost of the CCS itself.

The previous week, on 6 November, the World Coal Institute published a report with much the same message, *Securing the Future: Financing Carbon Capture & Storage in a Post-2012 World*.

The paper argues that there is "an urgent need to fund demonstration projects and that funding needs to come from both governments as well as a robust carbon market". Among its list of potential financing options, it mentions revenues from the auctioning of CO2 permits, feebates (a portmanteau of 'fee' and 'rebate', in which consumers pay a fee for environmentally damaging goods, that funds a rebate for environmentally friendly alternatives), feed-in tariffs, loan guarantees and the inclusion of CCS in the Clean Development Mechanism.

Subsequently, on 10 November the *Times Online* reported on the UK government's plans to fund four CCS demonstration plants using a new levy on retail electricity sales that will last 15 years and cost around £17 per household per year, raising a total of £9.5 billion. The new plants will only need to capture 25% of their emitted carbon in the first phase of the program, although 100% capture will be required by 2020.

The U.K. government admits that CCS may not prove to be commercially viable, and that they will need to monitor its prospects as the program progresses. They admit, too, that, depending on the price of carbon, the scheme might need to be extended at the end of the initial 15-year period.

NEWS:

Wasteful renewable-energy subsidies exposed by *The Oregonian*'s Harry Esteve

According to an investigative report published on 31 October by Harry Esteve in *The Oregonian* newspaper, the administration of Ted Kulongoski, Oregon's Governor, intentionally underestimated the true cost of a tax credit created to subsidize renewable energy, in order to get it passed by the State Legislature.

The Business Energy Tax Credit (BETC), was introduced in order to attract green investments to the State. In 2006, the state government decided to increase the maximum subsidy for each project from US$ 2.5 million to US$ 20 million.

Oregon Department of Energy (ODOE) analysts initially estimated the extra costs of the amended tax credit to be US$ 13 million during the three years starting in 2007, a number that was reduced to US$ 1.2 million by the time the State Legislature considered the change in February 2007.

Two ODOE analysts admit to having been under pressure to come up with a low estimate and, according to Esteve, told to "plug in smaller figures".

The true cost turned out to be higher than anybody had anticipated – US$ 68 million in 2007-9, of which US$ 40 million was due to the subsidy expansion. The total price tag for 2009-11 is now expected to be US$ 167 million, and for 2011-13 US$ 243 million.

According to Oregon's *The Herald and News*, 97% of applications processed to date have been awarded the tax credit. And as Esteve illustrates, this often took place within ludicrous circumstances, with one company receiving money immediately before declaring bankruptcy, and another splitting into nine different companies to obtain nine times the maximum benefit.

In an op-ed piece published in *The Oregonian* on 14 November, Governor Kulongoski denied Esteve's exposé, claiming that the Department of Energy was already tightening the rules around the implementation of the BTEC. He said that he looks forward to debating the policy in more detail in upcoming legislative sessions.

STUDY:
GSI publishes The Politics of Fossil-Fuel Subsidies

This November, the Global Subsidies Initiative released the first of its series of reports on fossil-fuel subsidies, *The Politics of Fossil-Fuel Subsidies*.

The report, written by David Victor, Director of Stanford University's Laboratory on International Law and Regulation, investigates the logic behind the creation and endurance of perverse subsidies: despite the seemingly obvious problems they cause, entrenched vested interests among beneficiaries can create political obstacles to reform.

Victor considers two main types of subsidies – "populist" subsidies such as consumer subsidies, and subsidies benefitting more concentrated interest groups such as producers of fossil fuels. Consumer subsidies are often broad-based (though typically benefit the richer segments of societies), overt, transparent and can be difficult to reform without provoking civil unrest.

The study observes that subsidies to producers are more often indirect (e.g. through tax breaks or reduced-rate loans) and less transparent. Interest groups that demand and receive subsidies are usually well organized and aware that it is in their interest to defend the subsidy policy, and to block reform. Taxpayers and other parties that carry the burden are often unaware of the cost they are paying, making it difficult to pursue an informed debate over the subsidy.

It also looks that the entities which provide subsidies, noting that they often do so for political advantage, such as gaining voters' favour or securing donations for political campaigns. It makes the case that supply mechanisms require little administrative capability. Moreover, governments do not always speak with one voice. The arm of government that sets a subsidy policy may have little control over the arm of government that could implement a more effective and efficient policy for the same objective.

Victor draws four lessons for subsidy-reformers:

1. Any reform strategy must either compensate powerful interests for consenting to a change in policy, or find a way to inoculate policy reforms against strong opposition.

2. An effective political strategy usually benefits from transparency in the cost and purpose of the subsidy, to facilitate informed debate.

3. Where subsidies are unavoidable, better subsidy design can help reduce the perverse effects and ease the transition for future reform.

4. Subsidy-reformers can be more successful when governments have better administrative tools at their disposal.

The Politics of Fossil-Fuel Subsidies can be downloaded from: http://www.globalsubsidies.org/en/research/political-economy

STUDY:
'Reform the CAP' website launched

The European Centre for International Political Economy (ECIPE) and the German Marshall Fund of the United States (GMF) are supporting a new website which lobbies for reform of the European Union's Common Agricultural Policy (CAP), 'Reform the CAP'.

The site is organised according to strategies, actors and issues, addressing respectively how the CAP can be reformed, who the stakeholders are and how to answer difficult questions about the policy. In this latter section, subsidies provided under the CAP are summarized and their perverse effects are discussed. The content is designed to be accessible to people with little knowledge about the subject, with all arguments explained in clear and simple language, backed up with links or references to studies from a wide range of institutions.

The site also gives recommendations for users who want to take grass-roots action and outlines several visions for how the CAP should look in 2013 and beyond. This includes a 'Declaration by a Group of Leading Agricultural Economists', expressing its opposition to the CAP, with one initial signatory from each European member State. The Declaration is also open for users of the website to add their names in support.

'Reform the CAP' welcomes users to send it CAP-related studies. It is currently available in English only, but intends to offer translations in French, German, Spanish, Italian and Polish.

www.reformthecap.eu

STUDY:

GSI call for proposals: Canadian oil industry study

The International Institute for Sustainable Development (IISD) is conducting a research program on fossil-fuel subsidies as part of its Global Subsidies Initiative (GSI).

We are currently welcoming proposals for a case study on subsidies to the petroleum industry in Canada. The report will form part of a series researching subsidies to specific energy sectors in both developing and developed countries. Its aim is to provide valuable input to the GSI's ongoing work to build a global picture of the size and scale of fossil-fuel subsidies with a view to promoting subsidy reform.

The focus for the research is conventional and non-conventional petroleum industries in Alberta, Saskatchewan and Newfoundland. The study will:

a. identify and classify the types of subsidies that the industry receives;
b. identify data gaps and areas where transparency could be improved;
c. quantify the subsidies identified;
d. assess which subsidies cause the most significant economic, environmental or social impacts; and,
e. develop a range of policy recommendations to improve the transparency and reporting of subsidies and to reform the most harmful subsidies.

The GSI anticipates an in-country launch of the report, which would include a presentation of the report's key findings to government representatives, industry and other important stakeholders. It will be published on-line and in hard copy, and disseminated to a wide network of stakeholders through a variety of channels.

The deadline for submitting proposals is 21 December 2009.

The full call for proposals can be downloaded electronically from the GSI's website: http://www.globalsubsidies.org/files/assets/canada_casestudy_prop.pdf

The contact for this project is:

Kerryn Lang
Research Officer
Global Subsidies Initiative, International Institute for Sustainable Development (IISD)

Email: klang@iisd.org
Telephone: +41 22 917 8920

EVENT:

COP 15 Global Subsidies Initiative side-event: "Phasing out Fossil-Fuel Subsidies: Moving from Rhetoric to Reform"

Time: 15:00-17:00, 14 December 2009

Location: Mount Everest 3 Room, Crowne Plaza Copenhagen Towers Hotel, Orestads Blvd 114-118 – Copenhagen

Though long overdue, the issue of fossil-fuel subsidies suddenly became the focus of international attention when G-20 leaders, meeting in Pittsburgh on 24-25 September 2009, agreed to phase out such subsidies over the medium term. While the underlying rationale for fossil-fuel subsidy reform is compelling and the goal is clear, the challenge now lies in implementation: collecting the data, countering political reticence and resistance from entrenched interests, and softening the impact of higher energy prices on the poor.

For a special side-event at the 15th United Nations Climate Change Conference (COP 15), the International Institute for Sustainable Development (IISD) invites speakers and observers from a range of G-20 governments, inter-governmental and non-governmental organisations as well as the private sector to focus on how the political commitment to phase out fossil-fuel subsidies can be translated into effective reform.

Speakers include Mark Halle, Executive Director, IISD-Europe; Per Callesen Deputy Permanent Secretary, Danish Ministry of Finance; William A. Pizer, Deputy Assistant Secretary for Environment and Energy, U.S. Department of the Treasury; Andrew Dobbie, Department of Energy and Climate Change, United Kingdom; Helen Mountford, Acting Deputy Director, Environment Directorate, OECD; and Fatih Birol, Chief Economist, International Energy Agency.

The full agenda can be downloaded at: http://www.globalsubsidies.org/files/assets/iisd_cop15_sideevent.pdf