

Addressing Inefficient Fossil Fuel Subsidies in APEC

1. For over a decade, APEC has demonstrated global leadership on the issue of fossil fuel subsidy reform. This includes APEC’s longstanding commitment to rationalise and phase out over the medium-term inefficient fossil fuel subsidies that encourage wasteful consumption, while recognizing the importance of providing those in need with essential energy services.
2. The reform of inefficient fossil fuel subsidies has been discussed as a cross-cutting issue across a number of APEC fora including the Energy Working Group (EWG), Finance Ministers’ Process (FMP), and the Committee on Trade and Investment (CTI).
3. To complement these broader efforts, the concept of a standstill on inefficient fossil fuel subsidies has emerged. The June 2021 Joint Statement issued by Ministers Responsible for Trade (MRT) tasked officials “to explore options, for those members that are in a position to do so, to undertake a potential voluntary standstill on inefficient fossil fuel subsidies for progress to be reported to ministers in November.”
4. Concrete progress has been made to support this mandate, including a policy dialogue that was convened on the issue in the margins of SOM3 in 2021, during which CTI discussed the use of a template for facilitating the voluntary self-reporting of inefficient fossil fuel subsidies that economies are prepared to subject to a standstill. It was noted that broad participation from economies is encouraged in order for a standstill to be effective, and that this is relevant to broader reform activity including the suggestion of phasing out inefficient fossil fuel subsidies by a certain date. CTI additionally approved the completion of a self-funded study by New Zealand that explored options for implementing a standstill, and highlighted how a standstill could support economies’ efforts to promote a sustainable recovery consistent with the goals of the 2030 Agenda for Sustainable Development and the Paris Agreement.
5. Acknowledging that a potential voluntary standstill is one of the actions that economies could take to fulfil APEC commitments to address the climate crisis, while recognizing the importance of providing those in need with essential energy services, CTI reports to Ministers the following actions that member economies, as tasked in MRT 2021, could pursue and implement from the beginning of 2022:
 - In the margins of SOM1 in 2022, participate in a cross-fora capacity-building workshop and organize other ad hoc meetings that will facilitate discussions on the economic benefits and both positive and negative impacts of a standstill and discuss the terms of an APEC template (see enclosed illustrative template) for self-identifying inefficient fossil fuel subsidies;
 - By SOM2 in 2022, or as soon as possible, voluntarily self-report any current inefficient fossil fuel subsidies, using the adopted template, where each economy individually determines inefficiency;
 - By the end of 2022, or as soon as possible, voluntarily refrain from: introducing new inefficient fossil fuel subsidies beyond what was identified; and/or introducing self-nominated categories of such subsidies; and/or renewing current inefficient fossil fuel subsidies that will expire on a specified date; and

- Participate in a review of progress once every two years through the relevant sub-fora, during which participating economies could provide an update on their standstill plans and share best practices with other member economies.

6. We suggest that Ministers should ask the CTI, EWG, FMP and other relevant sub-fora in 2022 to continue technical discussions and capacity-building efforts on other potential actions that could contribute to fulfil APEC's commitment to phase out and rationalize inefficient fossil fuel subsidies, while recognizing the importance of providing those in need with essential energy services.

Illustrative template for self-identification of inefficient fossil fuel subsidy measures¹

Inefficient subsidy measure	Description of rationale for domestic measure	Beneficiaries of the measure (if available)	Standstill or reform commitment applied to this measure	Timeframes for implementation of the standstill or reform commitments (if available)	Fiscal value - Optional

¹ Subject to further discussion.