

# Regional Experience:

## Fossil Fuel Subsidy Reform and Green Recovery in Asia- Pacific Cities

[2021-22] International Mayors Forum

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UN ESCAP

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# Outline

- Asia-Pacific is facing a series of crises throughout the 21<sup>st</sup> Century – pandemic, climate, economic, biodiversity.
- Removal of fossil fuel subsidies offers strong support for the region's low carbon transformation.
- A green recovery from COVID-19 is needed to meet economic, sustainability and climate goals. Fossil fuel subsidy reform can assist this process.



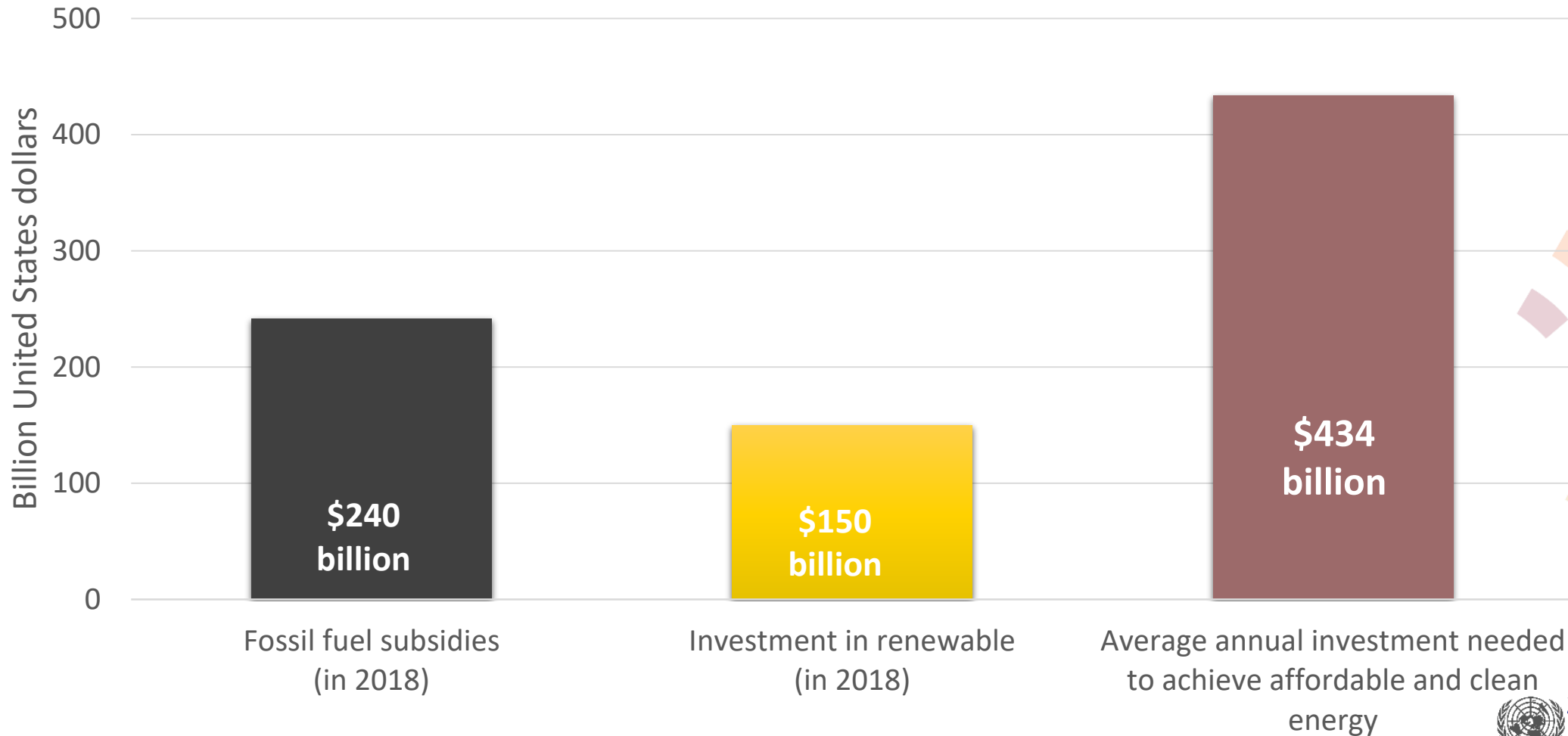
# 1. Fossil Fuel Subsidies

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- Rationalizing or phasing out fossil subsidies = enormous opportunity to increase fiscal space for COVID-19 recovery and set climate mitigation plans on track.
- Fossil fuel subsidies pervasive despite many years of advocacy and efforts to reduce them.
- Specific mention in Glasgow COP26 outcome.
- Now is the time for real progress.



# Asia-Pacific fossil-fuel subsidies outweigh investment in renewables...



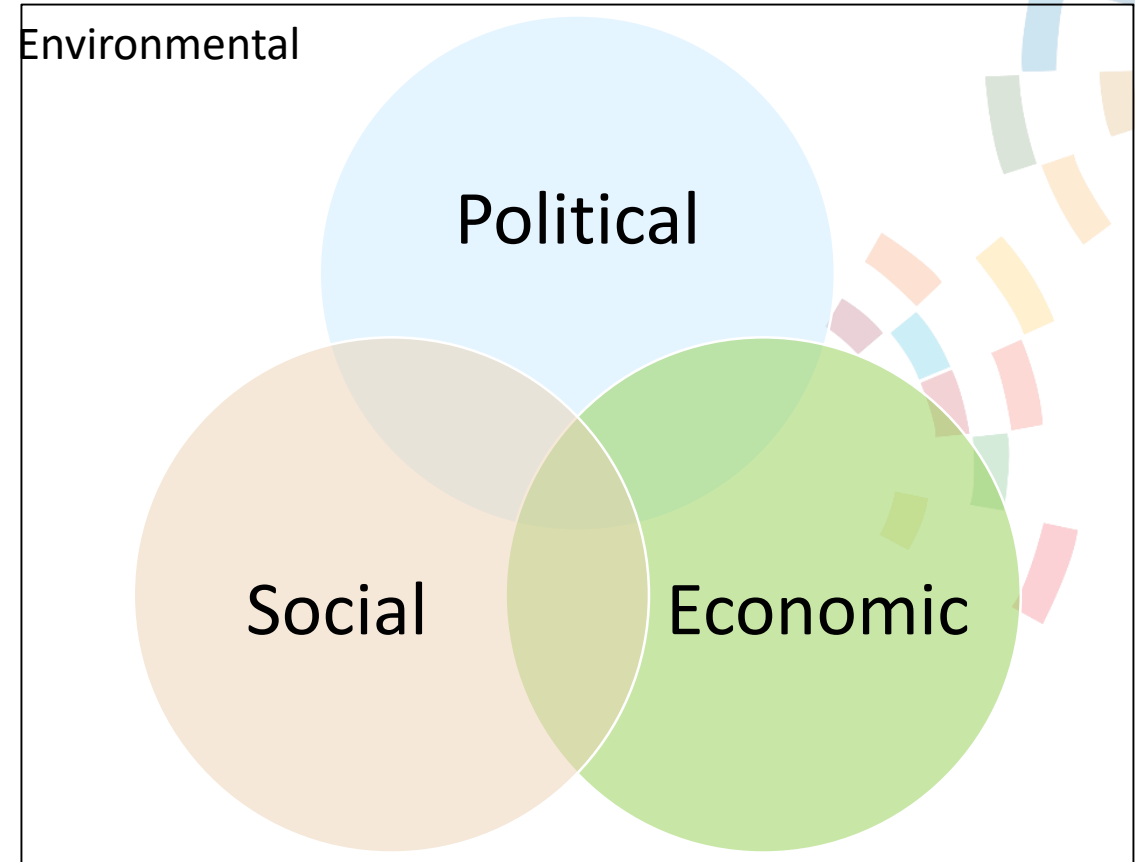
# Fossil Fuel Subsidy Reform – challenges and considerations

## Effects of fossil fuel subsidies:

- *narrow fiscal space*
- *distort prices*
- *defer action on energy efficiency*
- *create a price differential with clean energy*
- *may benefit the rich more than the poor*
- *make climate action and energy transition more challenging*

## Unwinding fossil fuel subsidies requires managing:

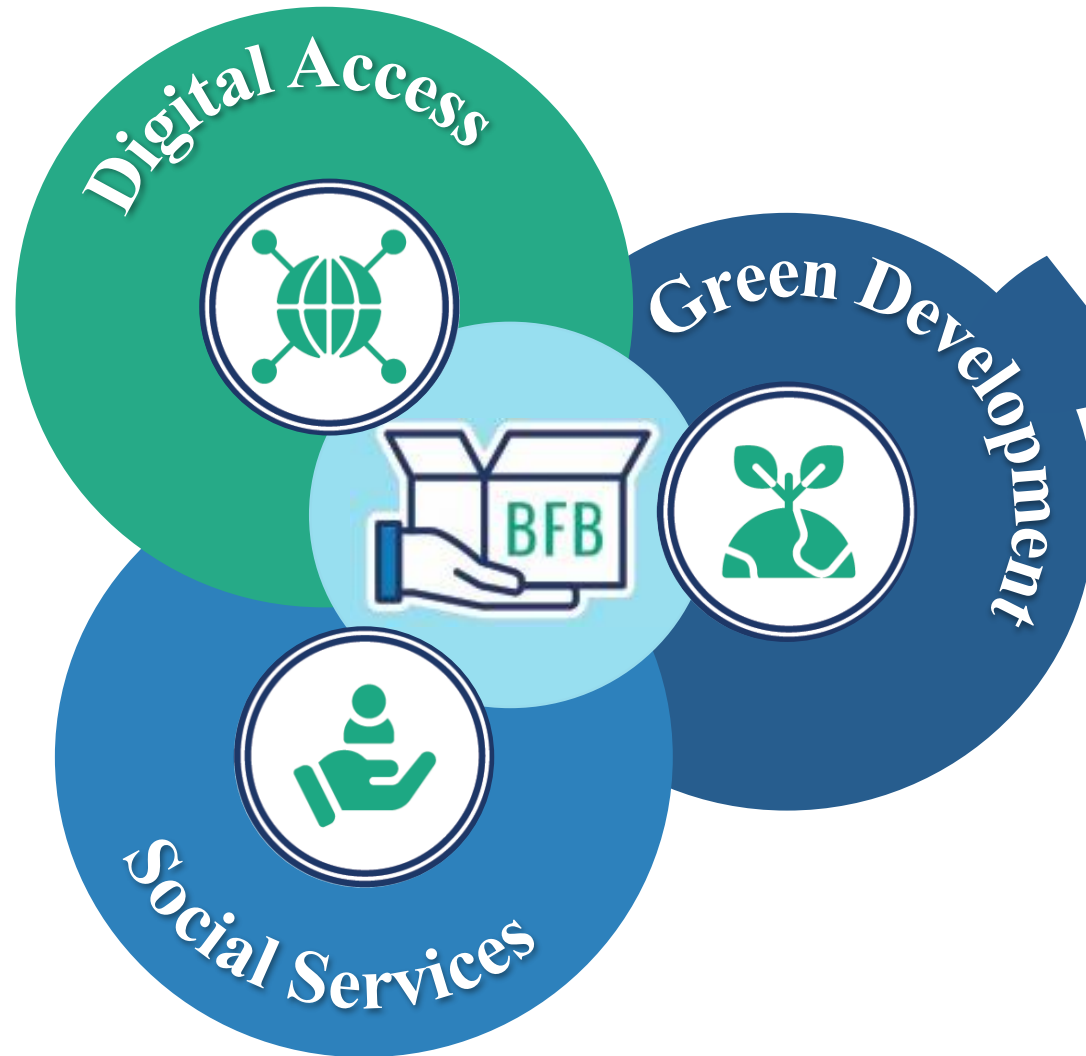
- *social impacts, social safety nets*
- *political tensions*
- *long term vs. short term planning*
- *energy access programmes*



## 2. Building Forward Better: \_\_\_\_\_ Advantages of a green policy package



# Building Forward Better – 3 components



MACROECONOMIC POLICY AND FINANCING FOR DEVELOPMENT DIVISION

## Policy Scenarios to Build Forward Better in Asia and the Pacific

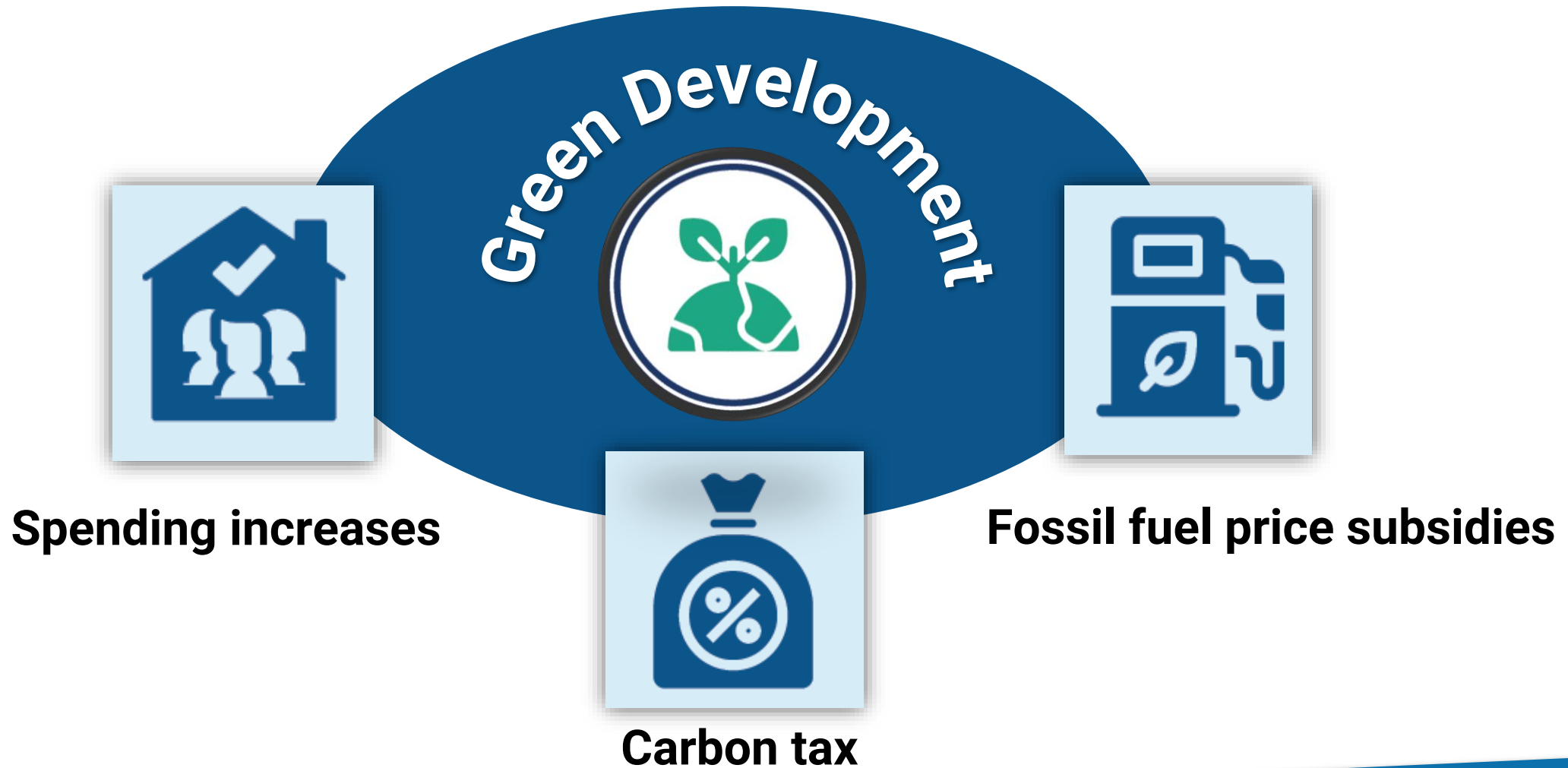
Dawn Holland and Vatcharin Sirimaneetham



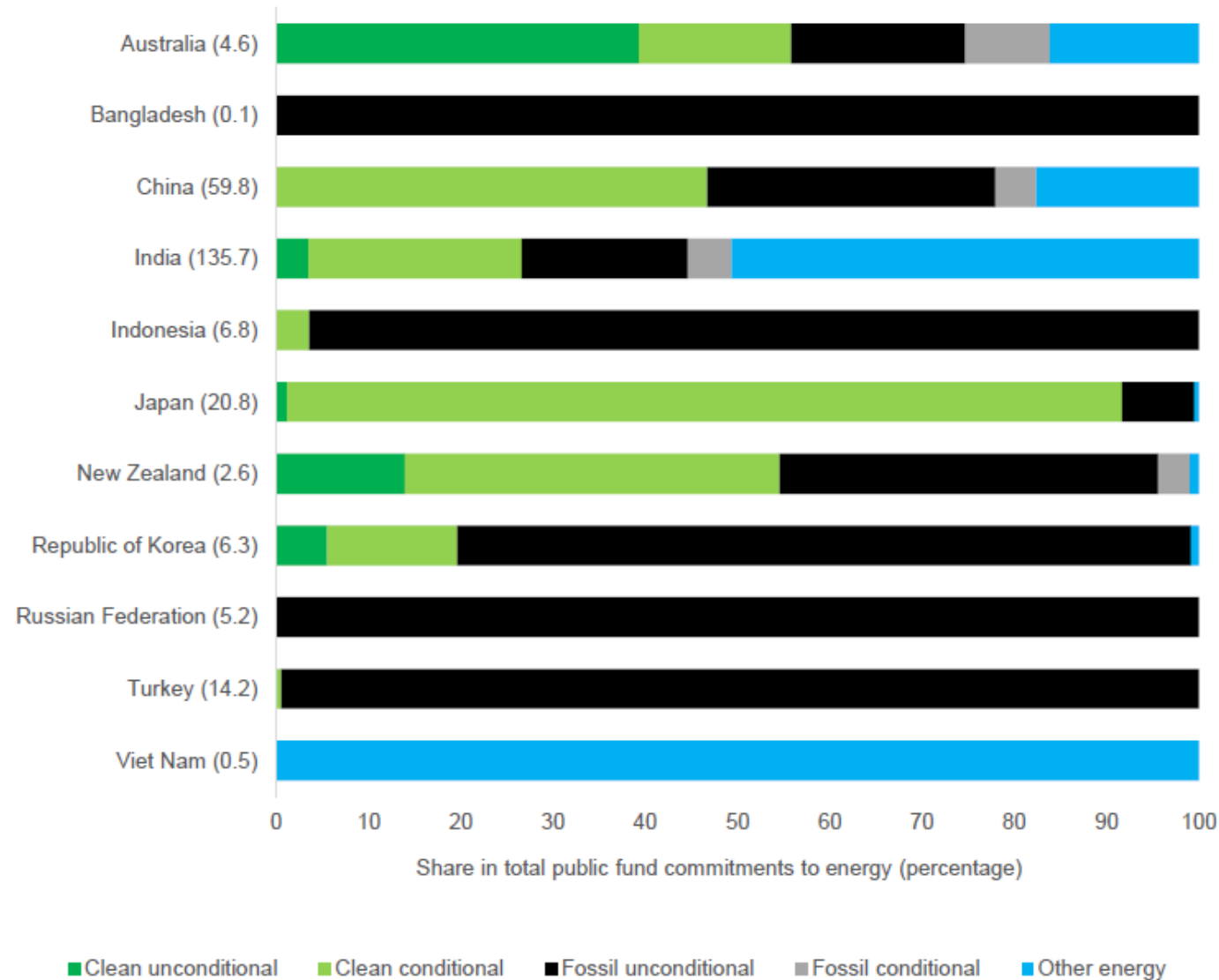
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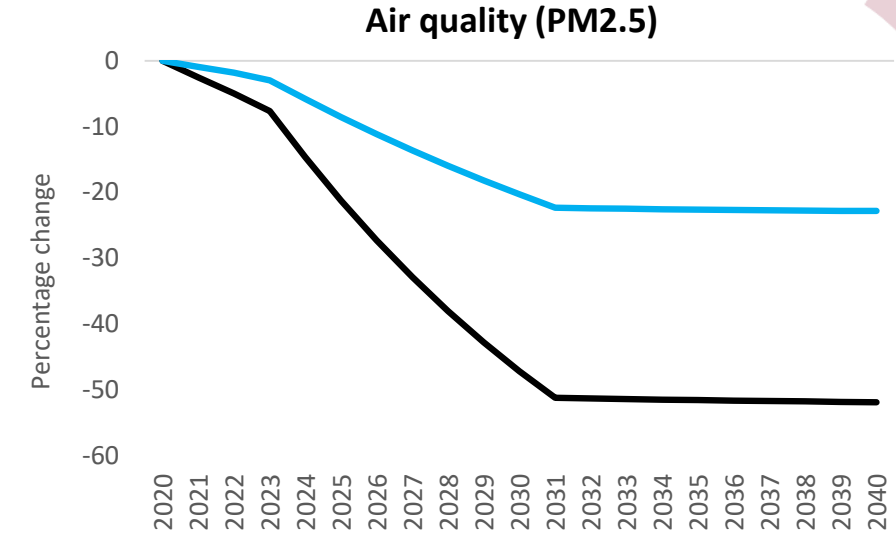
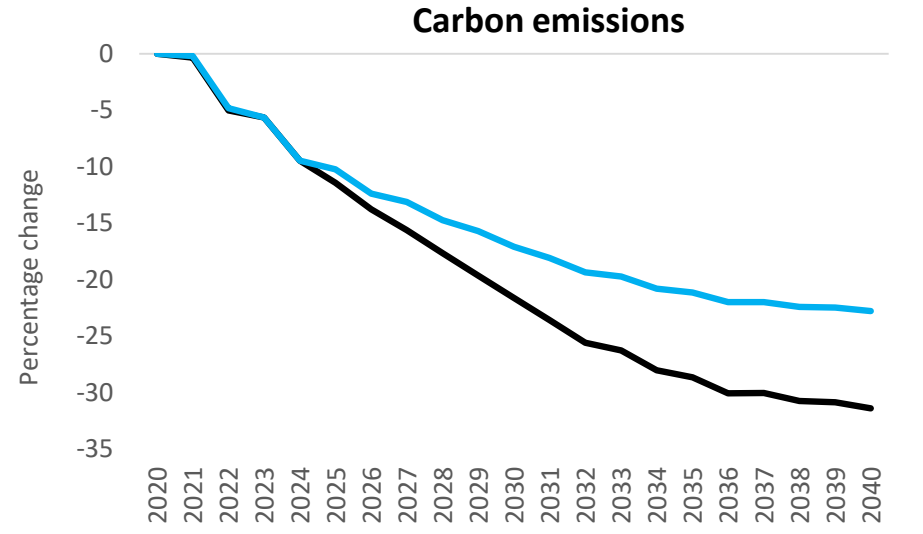
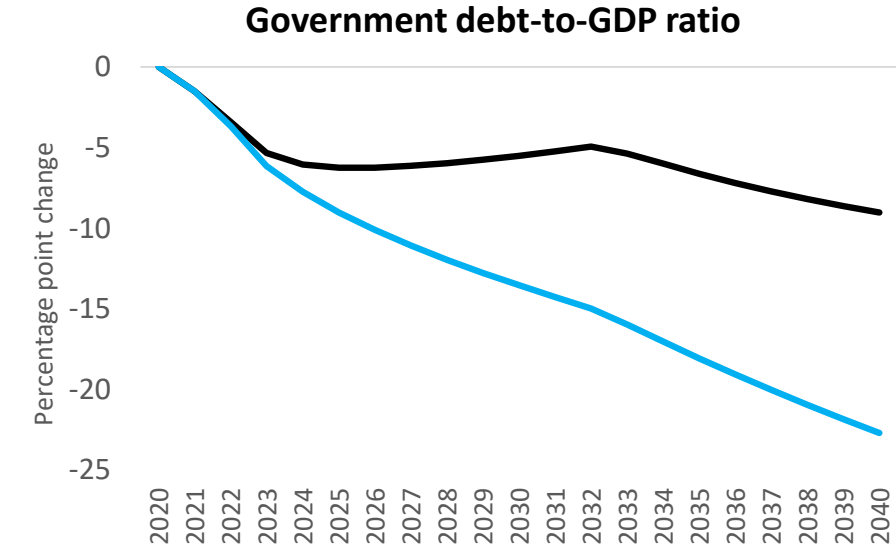
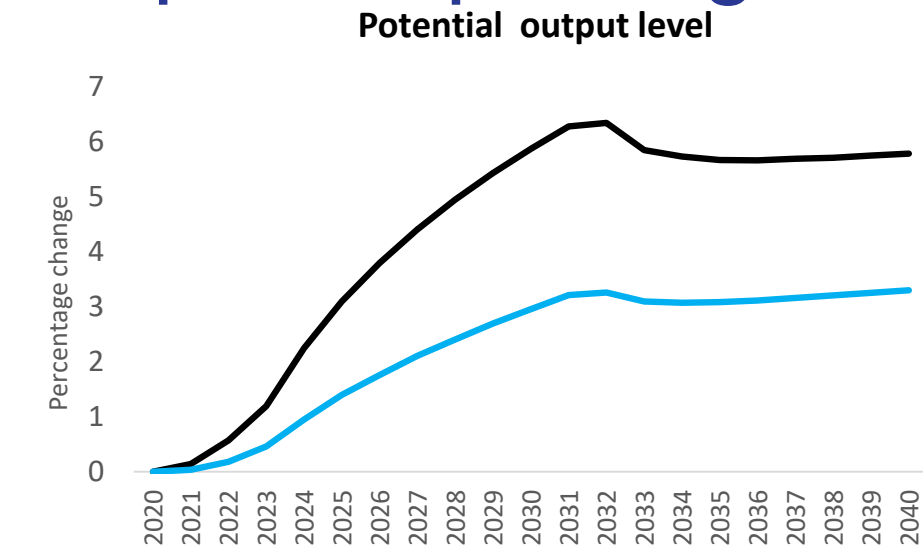
# ESCAP proposes a “*Green development*” policy package...



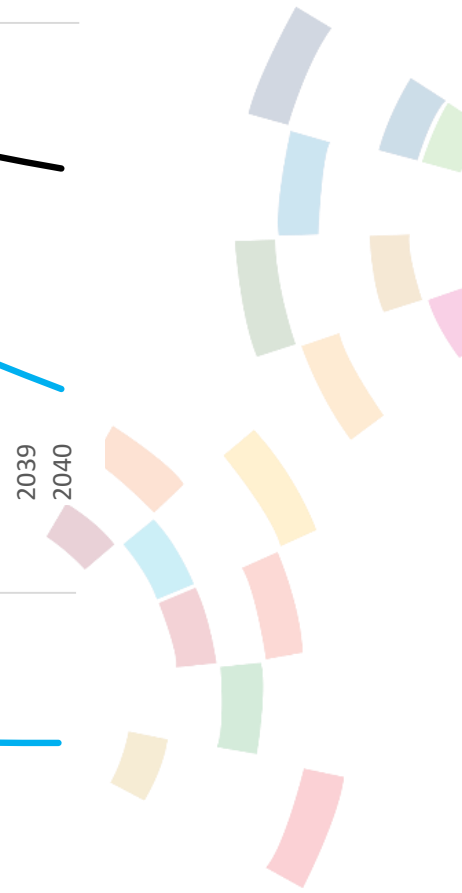
# Asia-Pacific's fiscal response to COVID could have been greener



# Economic & environmental benefits under a green development package



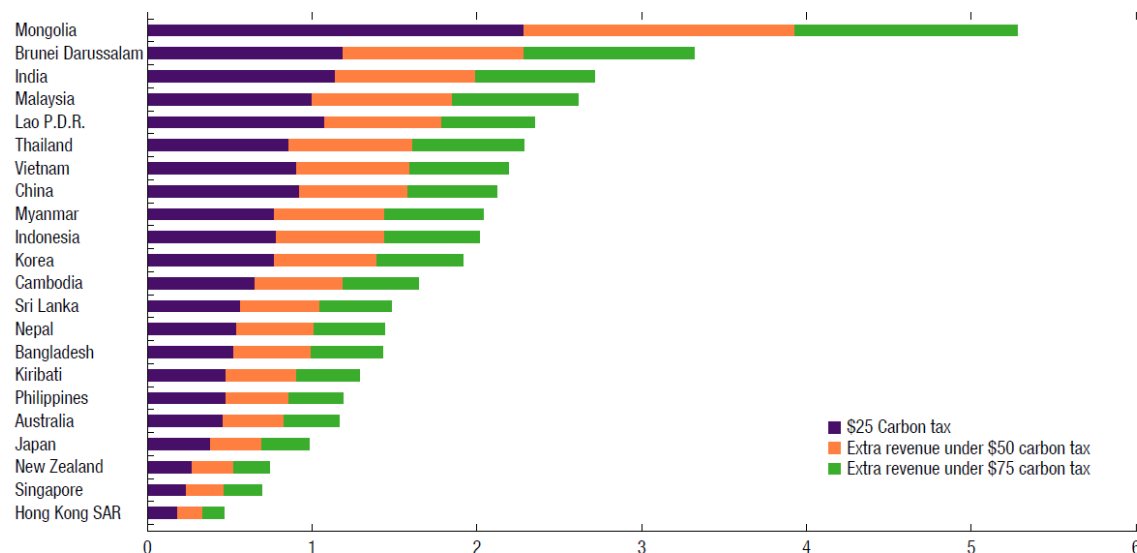
**Ambitious Spending**      **Business-as-usual spending**



# Opportunities to decarbonize the economies ...

- Remove fossil-fuel subsidies
- Adopt carbon pricing

## Carbon tax revenue



Source: IMF staff calculations.

GDP increase (%)

Source: ESCAP, based on IMF (2021g)

## Reductions in carbon emissions



Source: IMF staff calculations.

Note: Countries with zero emission-reduction target from the Paris Agreement climate pledge are assumed to be able to achieve the target in the business-as-usual scenario. Paris pledges reflect newly submitted proposals and updates by October 2020.

Emissions reductions (%)

# ESCAP – supporting cities develop sustainable Energy Transition roadmaps

- Cities and subnational authorities key to the energy transition.
- ESCAP program to support countries develop SDG7 roadmaps has been expanded to cities.
- 6 city or province level roadmaps already developed, open to more partner cities in 2022.
- See <https://www.unescap.org/projects/nexstep/cities>

# ESCAP – supporting cities develop sustainable Energy Transition roadmaps

4 aims:

<https://www.unescap.org/projects/nexstep/cities>



Facilitate the development of enabling policy measures at the sub-national level to achieve the sustainable energy transition, including SDG 7 targets, by 2030.



Support cities to increase the share of renewable energy



Assess the potential for decarbonization of the power sector by 2030 and/or net zero target by 2050



Analyse financing mechanisms to close the investment gap and efficient allocation of resources by 2030.



# THANK YOU

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# ESCAP



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