G-20 Inefficient Fossil Subsidy Reform Peer Review Process

In the Leader’s Statement from the 2009 Pittsburgh meeting of the G-20 leaders committed to the following language that launched the fossil subsidy reform work within the G-20:

“To phase out and rationalize over the medium term inefficient fossil fuel subsidies while providing targeted support for the poorest. Inefficient fossil fuel subsidies encourage wasteful consumption, reduce our energy security, impede investment in clean energy sources and undermine efforts to deal with the threat of climate change.

We call on our Energy and Finance Ministers to report to us their implementation strategies and timeline for acting to meet this critical commitment at our next meeting.”

In this year’s Leader’s Statement at Los Cabos, G-20 countries reaffirmed the original reform commitment and asked Finance Ministers to explore options for a peer review process:

“We welcome the progress report on fossil fuel subsidies, and we reaffirm our commitment to rationalize and phase out inefficient fossil fuel subsidies that encourage wasteful consumption over the medium term while providing targeted support for the poorest. We ask Finance Ministers to report back by the next Summit on progress made, and acknowledging the relevance of accountability and transparency, to explore options for a voluntary peer review process for G20 members by their next meeting. We also welcome a dialogue on fossil fuel subsidies with other groups already engaged in this work.”

The Voluntary Peer Review could take one of the following forms:

Option 1: Country Only Voluntary Peer Review

- Groups of 2-4 countries agree to work with each other to review each others’ phase out progress which could include:
  1) Strategies and timeline for phasing out subsidies;
  2) Progress on the implementation of these strategies; and
  3) Procedures for reporting on phase-out strategies and implementation.

Option 2: Third Party Voluntary Peer Review

- A group of third party experts (drawn from think tanks, academia, international organizations, etc.) could be convened to work with individual or groups of countries to review countries’ phase out progress which could include:
  1) Strategies and timeline for phasing out subsidies;
  2) Progress on the implementation of these strategies; and
  3) Procedures for reporting on phase-out strategies and implementation.
Option 3: Hybrid Voluntary Peer Review (Country and Third Party Participation)

- Groups of 2-4 countries agree to work with each other and could also, at their discretion, invite third party experts to join them to review each others’ phase out progress which could include:
  1) Strategies and timeline for phasing out subsidies;
  2) Progress on the implementation of these strategies; and
  3) Procedures for reporting on phase-out strategies and implementation.

Option 4: No Voluntary Peer Review Process

- The G20 would not take up a Voluntary Peer Review Process at this time.

In the discussions of the Sub-Group, many G-20 country experts expressed support for or were open to Option 1, a few countries expressed support for or were open to Option 2, and many countries expressed openness to Option 3. Two countries requested that Option 4 be included. Many countries noted that regardless of the specific form that peer reviews take that the process should remain country-led. A few countries indicated that they did not plan to participate in the peer review process due to not having inefficient fossil fuel subsidies that encourage wasteful consumption. Some countries requested that the peer review process remain open to including countries that do not have inefficient fossil fuel subsidies.

Potential timeline for the Voluntary Peer Review process:

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 2012 G-20 Finance Ministerial</td>
<td>Provide options for Voluntary Peer Review Process to Finance Ministers</td>
</tr>
<tr>
<td>January-February 2013</td>
<td>G20 Energy experts design and agree guidelines/terms of reference for Voluntary Peer Review Process</td>
</tr>
<tr>
<td>Spring 2013</td>
<td>Participating countries begin conducting peer reviews</td>
</tr>
<tr>
<td>Summer 2013</td>
<td>Hold a dialog/workshop on peer review process</td>
</tr>
<tr>
<td>2013 G-20 Leaders Summit in Russia</td>
<td>Deliver report/summary of outcomes achieved to date on the Voluntary Peer Review process to Leaders</td>
</tr>
</tbody>
</table>