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Dirty energy subsidies

https://www.e-ir.info/2009/09/26/dirty-energy-subsidies/

RODGER A PAYNE, SEP 26 2009

Last August, the UN Environmental Programme reported that “around $300 billion or 0.7 per cent of global GDP is being spent on energy subsidies annually.” These subsidies are particularly important because most are devoted to fossil fuels. They artificially reduce the price of those fuels, thereby increasing consumption and dramatically influencing greenhouse gas emissions. The UNEP press release from 2008 continued:

The lion’s share is being used to artificially lower or reduce the real price of fuels like oil, coal and gas or electricity generated from such fossil fuels.

Cancelling these subsidies might reduce greenhouse gas emissions by as much as six per cent a year while contributing 0.1 per cent to global GDP.

This week, leaders of the G20 states agreed to phase out subsidies on fossil fuels, though they did not announce an agreed timetable and they included the prospects of exemptions to aid their poorest citizens with energy credits.

The *Washington Post* reported the G20 statement, which was apparently pushed by the Obama administration:

“We commit to rationalize and phase out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption,” the statement said. “As we do that, we recognize the importance of providing those in need with essential energy services, including through the use of targeted cash transfers and other appropriate mechanisms. This reform will not apply to our support for clean energy, renewables and technologies that dramatically reduce greenhouse gas emissions.”

David Roberts of Grist notes that current “green” energy subsidies and tax credits in the USA are dwarfed by comparable subsidies and credits to the fossil fuel producers.

Various environmental interest groups had been pushing for this subsidy cut for years, including the U.S. Climate Emergency Council.

By contrast, of course, the petroleum industry has strongly supported fossil fuel subsidies and can be expected to fight hard to block implementation of this G20 agreement. They link the subsidies to jobs, growth and national security interests.

In any case, this is good news on the road to Copenhagen.

About the author:

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