

The Pittsburgh Summit: Acting on our Global Energy and Climate Change Challenges

Today the Leaders at the Pittsburgh Summit made a critical commitment to phase out inefficient fossil fuel subsidies over the medium term while providing targeted support for the poorest. This groundbreaking effort will encourage the conservation of energy, improve our energy security, and provide a down-payment on our commitment to reduce greenhouse gas emissions.

Phase out Fossil Fuel Energy Subsidies: G-20 Leaders committed to phase out inefficient fossil fuel subsidies over the medium term. This will improve energy security, encourage investment in clean energy sources, promote green growth, free-up resources to use for pressing social needs such as health, food security, and environmental protection. They recognized the importance of preventing an adverse effect on the poorest by providing them with targeted cash transfers and other appropriate forms of support. This reform will not apply to support for clean energy, renewables or technologies that dramatically reduce greenhouse gas emissions.

- **Energy Security:** Cutting energy subsidies leads to reduced consumption, lower import demand and increased availability of energy for export – all helping to reduce the likelihood of a future supply crunch. In 2008, demand grew in countries subsidizing oil by nearly 1 million barrels per day, despite high prices.
- **Climate Change:** The G-20 accounts for over 80 percent of the world's energy use. The OECD and IEA estimate that eliminating fossil fuel subsidies worldwide would reduce global greenhouse gas emissions by 10 percent or more by 2050. Removing fossil fuel subsidies helps eliminate market distortions, strengthening incentives for investments in energy efficient technologies and non-fossil energy supply.
- **Economic Growth:** Fossil fuel subsidies displace important public investments and drain government finances, worsen balance of payments, lead to underinvestment in infrastructure, and can contribute to energy shortages. Twenty of the largest non-OECD governments spend more than \$300 billion in energy subsidies annually.
- **Poverty Reduction:** Globally, the lowest 40 percent of income earners receive only 15 to 20 percent of the benefit of energy subsidies. The poorest households often lack access to modern energy services and when they do have access their consumption is so small that many subsidies offer little economic benefit to them. Eliminating fossil

fuel subsidies and using those freed resources for targeted social assistance could significantly improve the quality of life of low-income households.

- **Health and Environment:** Phasing out the subsidies that contribute to unsustainable use of fossil fuels in tandem with international efforts to expand access to modern energy services will make a substantial contribution to the reduction of air pollution and help save lives.
- **Demonstrating Success:** After years of increasing fuel subsidies and problems implementing price hikes, Indonesia instituted a cash transfer system that enabled the government to direct cash payments to over 19 million households while reducing across-the-board subsidies. This action improved the national balance sheet while also enhancing the economic condition of the poorest 40 percent of the country's population.

Increase Oil Market Transparency and Oversight: The G-20 committed to improving the functioning of oil markets through increased reporting of oil production, consumption, and stock data and better oversight of oil commodity futures markets. Timely and accurate data make markets more efficient and help avoid excessive volatility by reducing uncertainty of supply and demand trends. G-20 countries agreed to swiftly implement recommendations by the International Organization of Securities Commissions to improve oil market regulation and to take further steps to oversee related over-the-counter markets.

Boost Investments in Clean Technologies and Climate Change: The G-20 is committed to a resilient, sustainable and green recovery. It underscored its resolve to take strong action to address the threat of dangerous climate change and committed to intensify its efforts to a successful outcome of the UN climate conference in Copenhagen. G-20 Leaders called on their finance ministers to report back at their next meeting with a range of possible options for climate change financing, and to make those options available as a resource in the UNFCCC negotiations. These efforts build on a number of successful initiatives undertaken by the international community and the United States this past year, including:

The Major Economies Forum (MEF): President Obama launched the MEF in April 2009, creating a new dialogue among developed and emerging economies to combat climate change and promote clean energy. At the July L'Aquila summit, MEF Leaders announced important new agreements to support the UN climate talks and launched a new Global Partnership to promote clean energy technologies.

Bilateral Climate Partnerships: The United States is accelerating its collaboration with China, India, Mexico and other key international partners to combat climate change, coordinate clean energy research and development, and support the international climate talks.

Taking Action at Home: The United States is investing \$80+ billion in clean energy through its Recovery Act. President Obama announced the first ever joint fuel economy/carbon dioxide tailpipe standards for cars and trucks in May. The United States House of Representatives has passed a comprehensive energy and climate bill that would promote clean energy investments and lower U.S. greenhouse gas emissions more than 80 percent by 2050.