



Towards the reform of environmentally harmful subsidies



UNEP Economics and Trade Programme

Mission

Enhance capacities of countries to integrate environmental considerations into economic, trade and financial policies and practices.

Including work on environmentally harmful subsidies in the fisheries and energy sector, which have both environmental and trade impacts

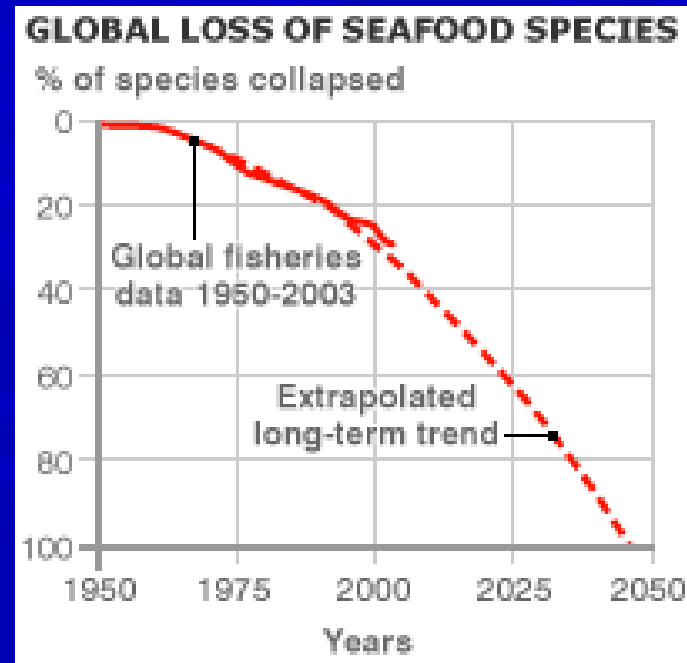


Trends in the Fisheries Sector

Most of commercial fish stocks are fully and overexploited (80%):

- 19% overexploited
- 52% fully exploited
- 8% significantly depleted
- 1% recovering

FAO (2008)



*Science Article Nov 2006:
Threat of Collapse by 2048*

Dangers of Decline: the Global Picture

Fish Stocks Decline:



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- Disrupting world's largest ecosystem
- Depriving the world of its major protein source (e.g. SIDS and developing coastal states fish products contribute over 50% to animal proteins consumed)
- Destroying future jobs and livelihoods
- Destabilizing communities and their culture

Slide 4

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Any short film on fisheries decline/small scale fishers' livelihoods that could be shown?

ETB, 05/01/2009

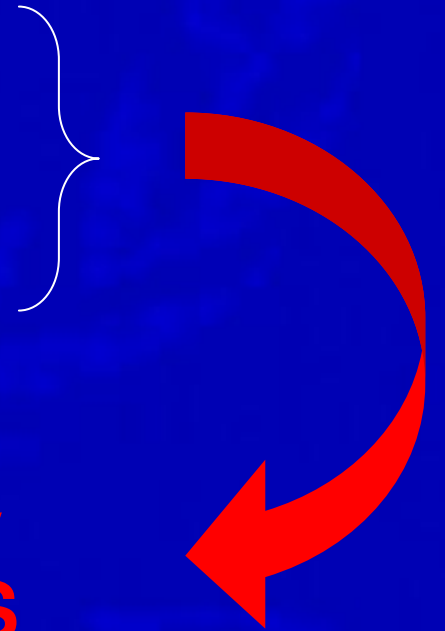
Main Contributors to Overfishing

Main contributors to overfishing:

- open access
- overcapacity
- illegal, unreported and unregulated (IUU) fishing



Enhanced by
SUBSIDIES



Size and Impact of Fisheries Subsidies

Fisheries Subsidies

15-34 billion USD annually

25% industry revenue

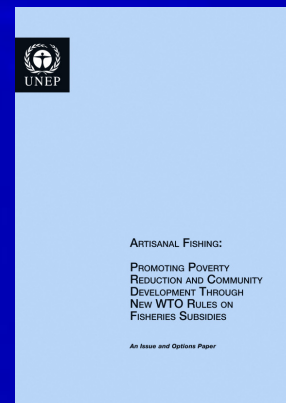
Trade
Effects

Environment
Effects

Current overcapacity at 250%!

Focus of UNEP Work

- Promoting fisheries subsidies reform at the international (WTO), regional and national level
- Promotion of certification of sustainable fisheries and supply chain management
- Analytical papers, advisory services, workshops
- Country projects (e.g. Vietnam, Ecuador, Southern Africa) to raise awareness, assess impact, and find starting points for subsidy reform
- Stakeholder consultations (national and international level)



Analysing resource impact of fisheries subsidies - Starting points for reform

=>Defining /classifying different types of fisheries subsidies

=>Analysing circumstances under which they are provided

Two elements:

- Existing level of fleet capacity (over capacity, full capacity, less than full capacity)**
- Type of management regime (effective management, catch control, open access)**



Which Fisheries Subsidies Are Harmful?

	Effective Management			Catch Controls			Open Access		
	Over Capacity	Full Capacity	Less than Full	Over Capacity	Full Capacity	Less than Full	Over Capacity	Full Capacity	Less than Full
Fisheries Infrastructure	NH	NH	NH	H	H	NH	H	H	NH
Management Services	NH	NH	NH	NH	NH	NH	NH	NH	NH
Access to Foreign Waters	NH	NH	NH	H	H	NH	H	H	NH
Decommissioning	NH	NH	/	PH	PH	/	H	PH	/
Capital Costs	NH	NH	NH	H	H	H	H	H	H
Variable Costs	NH	NH	NH	H	PH	PH	H	H	PH
Income Supports	NH	NH	NH	PH	PH	PH	H	H	PH
Price Supports	NH	NH	NH	H	H	PH	H	H	H

NH = Not Harmful
PH = Possibly or Probably Harmful
H = Harmful
/ = Not Applicable

Source: UNEP (2004), *Analyzing the Resource Impact of Fisheries Subsidies: A Matrix Approach*, Geneva

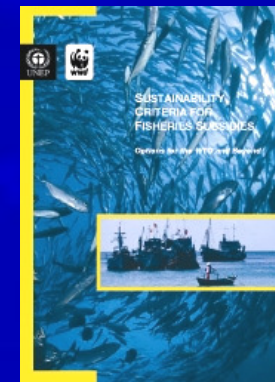
Approaches to Reform

Development of “Sustainability Criteria” for Fisheries Subsidies

Criteria Developed by UNEP-WWF:

- **Biological** = *can the stock withstand more fishing?*
- **Industrial** = *does the fleet have “room to grow”?*
- **Regulatory** = *is the fishery adequately managed?*

→ Subsidize only if answer is YES!



UNEP work: Certification of sustainable fisheries

Aim:

Analyse benefits and challenges of certification and eco-labelling for developing countries (application of certification may be particularly useful due to poor state of fisheries management and increasing levels of trade)

Upcoming publications:

- “Certification and Sustainable Fisheries”
- “The growth in certification of marine fisheries in Southern Africa, A discussion on the potential benefits and challenges”

Preliminary findings: certification does offer potential to lead to better fisheries management

Country Study: Vietnam

Analysed fisheries subsidies, fisheries certification and supply chain issues, as well as their inter-linkages:

=> Environmental side: Problems with overfishing and overcapacity resulting from open access regime and certain subsidies

=> Trade side: poor traceability, lack of branding and certification, concerns over poor food safety

Ways to subsidy reform:

- Mitigation/removal of harmful subsidies
- Promotion of better supply chain management (supply chain partnerships, development of cooperatives)
- Positive incentives for eco-labelling: improved management systems, data transparency, public procurement, financial support for pre-assessment/full assessment of eco-labelling schemes, such as MSC

UNEP's Work on Energy Subsidies

- Since 2000, series of regional workshops
 - Several publications focused on analysis of issues related to energy subsidies and their reform, including country studies (focus on fossil fuel subsidies)
 - Workshops in collaboration with UNECE and Statistics Sweden

 - Currently: Analyzing international fora to discuss energy subsidies and transparency issues
- Expected outcomes
 - Commitment at national and international level to improve data systems
 - Governments willing to discuss energy subsidies reform
 - Major institutions facilitating international discussions
- UNEP's role: facilitator, conveying key actors, supporting analysis

Typical justifications for energy subsidies

- Protect particular industry against international competition and promote jobs
- Stimulate regional and rural economic development (in the interest of national and social cohesion)
- Reduce dependence on imports for energy-security reasons
- Make modern energy services more affordable for specific social groups/rural communities (as way of raising income)
- Protect the environment (e.g. renewable energy promotion)
 - OECD countries: production subsidies
 - Developing countries: consumption subsidies

Impacts of Energy Subsidies

- Lead to increased levels of consumption and waste → negative environmental effects
 - Can place a heavy burden on government finances and weaken the potential for growth and investment in social equity
 - Can undermine private and public investment in the energy sector and impede the development and distribution of environmentally benign energy technologies
 - Do not always help the people who need them most
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- Around 0.7 per cent (\$300 billion) of global GDP spent on energy subsidies annually (OECD)
 - Removing energy subsidies might reduce greenhouse gas emissions by as much as 6 per cent/year while contributing 0.1 per cent to global GDP (OECD)

Pittsburgh Summit: G-20 communique

- **Commitment to phase out inefficient fossil fuel subsidies over the medium term while providing targeted support for the poorest**
 - Does not apply to support for clean energy, renewables or other technologies that reduce GHG emission significantly
- **Energy and Finance Ministers will develop implementation strategies and timesframes and report back to Leaders at the next Summit**

Approaches to Reform:

Understanding the current situation

- **What is subsidised**
- **Way of providing the subsidy**
- **Size of the subsidy**
- **Economic, social and environmental implications**

Reconsidering basic principles of subsidies

Good subsidy programmes should be:

1. Well-targeted
2. Efficient
3. Soundly based
4. Practical
5. Transparent
6. Limited in time

Subsidation of Rural Electrification in Chile

- **Successful expansion of electricity supplies to remote rural areas through a combination of market liberalisation and well-targeted subsidies (programme launched in 1994)**
 - Early 1990s: Almost 50% of the rural population had no access to electricity
 - End of 2006: Increase of rural electricity coverage to 92%
 - ➔ Approach: turn rural electrification into an attractive business opportunity through subsidies that are allocated to private electricity companies in a competitive bidding process to cover part of their investment costs

Dealing with barriers to reform

- **Gradual, programmed phasing out**
- **Compensation (support income in direct ways)**
- **Clear communication about cost and benefits**
- **Integration in broader process of economic and social reform (addressing social issues through other channels)**

Additional Action needed for Reform Process

- **Reporting and compiling consistent data on energy subsidies and analyzing their effects (transparency and accountability)**
- **Enhancing mechanisms of communication with policymakers to show the need for benefits of reforming subsidies and assistance in implementing policy reforms at the national level**
- **Capacity building for government officials and other stakeholders from developed and developing countries for reforming subsidies**



THANK YOU FOR YOUR ATTENTION

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