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Federal Department of Economic Affairs,
Education and Research EAER
State Secretariat for Economic Affairs SECO

Swiss Confederation

**Speech Ivo Germann
ESMAP Knowledge Exchange Forum
Geneva, 30 October 2018**

Distinguished representatives from partner ministries, academia, development agencies and finance institutions,

Distinguished guests, ladies and gentlemen, dear colleagues,

It is my pleasure to welcome you today on behalf of the Swiss State Secretariat for Economic Affairs SECO to the ESMAP Knowledge Exchange Forum in Geneva on Fossil Fuel Subsidy Reform.

Let me start with sharing a personal experience. I was in Tashkent, Uzbekistan, last year and took a ride with a taxi. I was talking to the driver, and said to him that at home I very rarely take a taxi, but travel mostly by bus, tram, train, or possibly on foot. It was impossible for him to understand my choice. He also considered that removing the tramway was a good thing because it leaves more space for other traffic.

It is exactly this type of situation and its consequences in terms of noise, pollution and traffic jam that one should expect when fossil fuels are subsidised. On the opposite side, taxed gasoline in Switzerland sets a clear incentive to use the public transport system. It is efficient and reliable, thanks to adequate financing, partially subsidised by fossil fuel taxes.

The scene has been now set. Please allow me to say a few words about SECO and about the Swiss approach regarding fossil fuel subsidies reform.

SECO's Economic Cooperation and Development contributes to achieving the strategic goals of Switzerland's International Development Cooperation as well as its foreign economic policy. Through our work, we aim at contributing to a world free of poverty and resilient to global risks, where all have equal opportunities to strive for and benefit from sustainable and inclusive growth. Therefore, responses to climate change challenges and economic inequalities are key pillars for SECO. We support developing and transition countries in designing and implementing economic and trade policy measures towards a climate-friendly, sustainable growth.

Reforming fossil fuel subsidy reform is good economics and good for the environment, not only for fostering climate-friendly growth, but also for strengthening economic and financial policy.

- In 2017, global subsidies for fossil fuels amounted to 300 billion USD, which puts a significant fiscal burden on government budgets. The increasing fiscal pressure in many countries provide windows of reform that we should use.
- Fossil fuel subsidies impede government's resource to be invested in productive assets or to support the most vulnerable ones.
- They are also an important barrier for sustainable development, for the promotion of renewable energy and energy efficiency as well as for climate action. Indeed, subsidies

encourage overuse of fossil fuels and deter private investment in renewables and energy efficiency.

- Finally yet importantly, fossil fuel subsidies are also key drivers of greenhouse gas emissions.

However, reforming fossil fuel subsidies is a challenging task for governments and many developing and transition countries lack awareness and expertise.

This is where ESMAP comes in.

- ESMAP plays an important role internationally in knowledge production and dissemination for sustainable energy solutions. With regard to reforming fossil fuel subsidies, ESMAP advises and supports partner countries in dealing with the complexity of this issue.
- ESMAP particularly supports countries to handle the political economy of subsidy and pricing reforms as well as to communicate the negative impacts of subsidies and the need to reduce them.
- ESMAP also supports countries to design specific solutions to mitigate the adverse impacts of reform on poor and vulnerable populations.

Now, what is the role of Switzerland in this?

- SECO's overall approach is based on different pillars, namely macroeconomic support, infrastructure financing, trade promotion and promotion of the private sector, with the overall objective to contributing to sustainable and inclusive growth. With regard to fossil fuel subsidy reform, SECO puts a focus on the one hand on the macroeconomic and fiscal aspects and on the other hand on the infrastructure, sustainable energy and climate aspects. Thus, SECO has a very holistic, integrated approach towards removing fossil fuel subsidies.
- Of course, SECO is contributing to fossil fuel subsidy reforms through its multi-year partnership with ESMAP. Indeed, ESMAP is a key partner for SECO not only regarding fossil fuel subsidy reforms, but also for the promotion of renewable energy and energy efficiency.
- SECO further supports the IMF's Managing Natural Resource Wealth Thematic Fund, which addresses energy subsidy reform in resource-rich countries and contributes to the IMF's broader work on energy subsidy reform.
- In addition, the Swiss Federal Department of Foreign Affairs is engaged in the circle of Friends for fossil fuel subsidy reforms. The Friends group was formed in June 2010 to support G20 and APEC leaders' commitments to phase out inefficient fossil fuel subsidies. They work in several international forums to convince governments of the benefits of reform, and to help them with ways to do it.
- Finally, the Geneva-based International Institute for Sustainable Development (iisd) also supports international processes, national governments and civil society organizations to align subsidies with sustainable development.

Hosting ESMAP's Knowledge Exchange in Geneva is thus embedded in Switzerland's wider activities and engagement in the field of fossil fuel subsidy reform.

Indeed, Genève International is a perfect location for such a conference. The city has a long tradition in hosting international organizations and conferences. This has made Geneva – and hence Switzerland – a recognised centre of expertise in international diplomacy, peace and sustainable development.

Geneva is not only an international, but also a sustainable city. For over 30 years, the city has been pursuing a proactive energy policy. Today, the city of Geneva is committed to follow a strategy of “100% renewable energy and zero emission of CO2 by 2050”. All this makes Geneva a perfect location to host ESMAP’s Knowledge Exchange Forum.

Before concluding, I would like to take this opportunity and thank ESMAP staff for their important work, for the organization of this valuable forum and for sharing their expertise with us.

Finally and most importantly, I would like to thank you, distinguished representatives and guests, for your interest in fossil fuel subsidies reform. We from SECO believe that this forum is not only an opportunity to learn more about ESMAP’s framework and tools, but also to learn from you and your good practices in this field.

It is in that spirit that I welcome you once again in Geneva, wishing you fruitful discussions and inspiring two days.

Thank you.