



REFORMING ENVIRONMENTALLY HARMFUL SUBSIDIES

Katia Karousakis, PhD
Programme Lead – Biodiversity, Land Use and Ecosystems
OECD Environment Directorate

IUCN World Conservation Congress, 2021

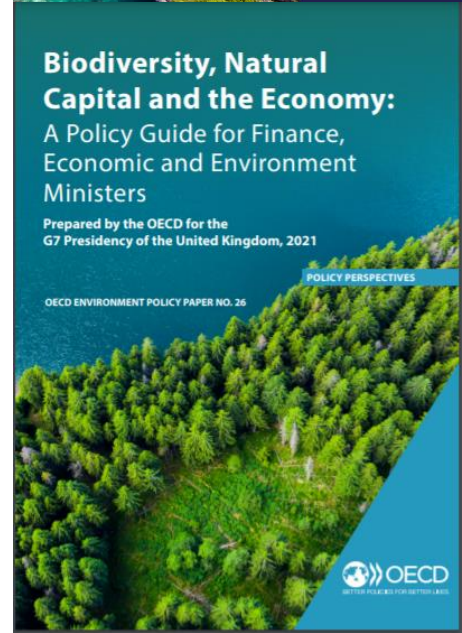


The need to identify, assess and monitor biodiversity and environmentally harmful subsidies

- OECD estimated total global finance for biodiversity protection at USD 78-91 billion a year (OECD, 2020)
- Yet potentially environmentally harmful government support estimated at approx. USD 500 billion a year (OECD, 2020) and > USD 800 billion a year (OECD, 2021).

Positive and harmful incentives under the CBD

- CBD Aichi Target 3 (2011-2020)
- Proposed Target 18 in the first draft of the Post-2020 Global Biodiversity Framework





Steps to reforming environmentally harmful subsidies

- Admitting that certain subsidies might be causing problems
- Having good information on the size and nature of the subsidies
- Understanding the effects of subsidies, and their reform, on economic, social, and environmental indicators
- Learning from the lessons of past examples of reform
- Developing realistic reform plans that address the needs of the poorest
- Leveraging international collective action to lend legitimacy to domestic action

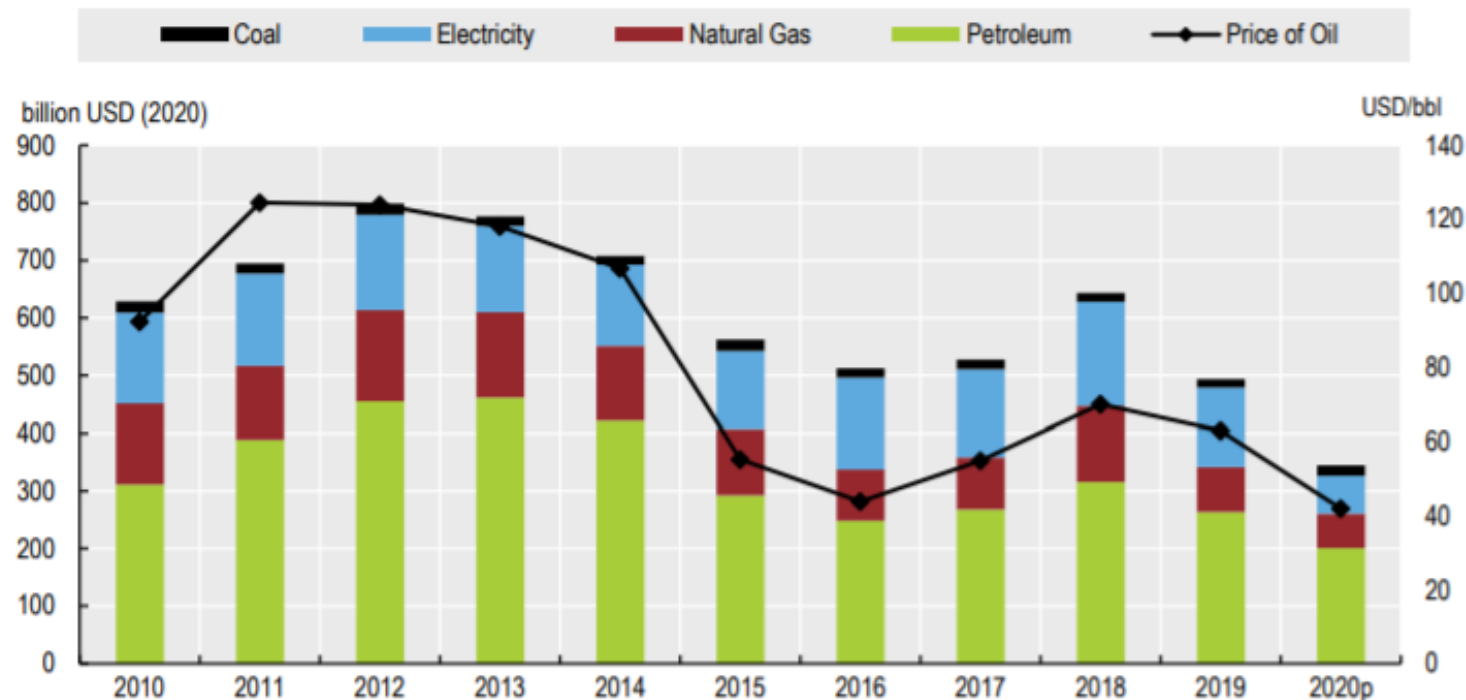


Tracking fossil fuel support and the G20 voluntary peer review mechanisms



- Preliminary combined estimates of government support for fossil fuels measured by the IEA and OECD for 52 G20 and emerging economies show a decline in subsidies, from USD 494 billion in 2019 to USD 345 billion in 2020 (OECD, 2021)

- G20 Peer Review on Fossil Fuel Subsidies, chaired by the OECD
 - Indonesia, Italy, China, Germany, Mexico, USA
 - Argentina and Canada, forthcoming
 - France and India, expression of interest



Source: OECD-IEA 2021

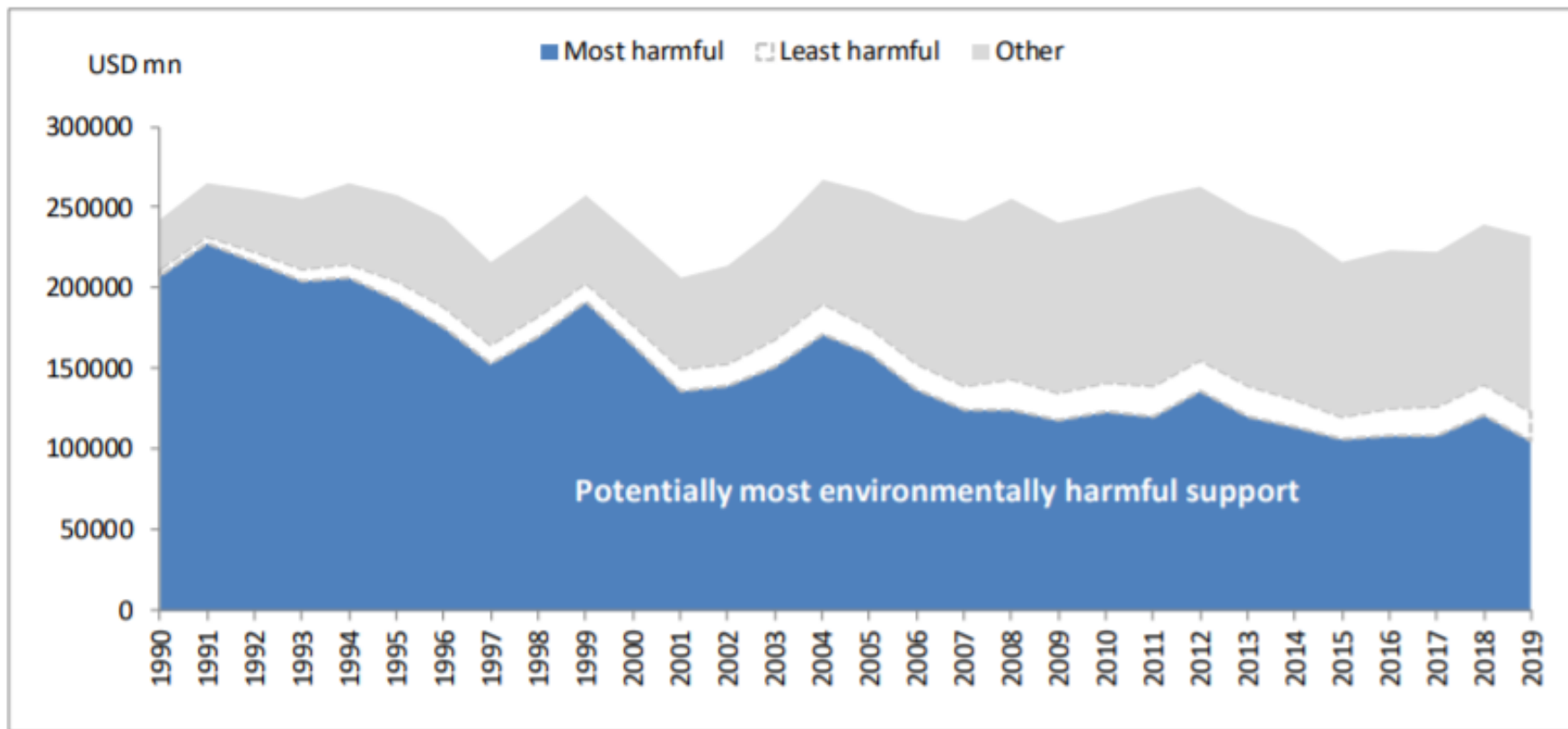
<https://www.oecd.org/fossil-fuels/publicationsandfurtherreading/OECD-IEA-G20-Fossil-Fuel-Subsidies-Reform-Update-2021.pdf>



Trends in potentially environmentally harmful agricultural support



OECD agricultural support to farmers by potential environmental impact



For methodology, see OECD (2013), *Policy Instruments to Support Green Growth in Agriculture*

Not shown here but other countries contributing to the OECD PSE database include: Argentina, Brazil, Colombia, Costa Rica, India, Kazakhstan, Philippines, South Africa...

Source: OECD Secretariat calculations based on OECD PSE/CSE database, 2020.

www.oecd.org/agriculture/agricultural-policies/producerandconsumersupportestimatesdatabase.htm



Tracking government support to fisheries



- OECD collects data on support to the fisheries sector, under the [Fisheries Support Estimate](#) (FSE) database. The FSE database contains information on financing of services to the sector, such as for management, enforcement or support to fishing communities, as well as direct support to individuals and companies, such as for fuel, vessels, or income.
- [OECD Review of Fisheries 2020](#): Fisheries support in 39 countries = USD 9.4 billion (2016-2018 average); Fisheries support in OECD countries = USD 4.6 billion (2016-2018 average)
- OECD work shows that:
 - Impact of support policies varies depending on both type of policy and effectiveness of fisheries management.
 - Support policies lowering the cost of variable inputs are among the most likely to provoke unsustainable fishing, while at the same time favouring larger fishers. In 2016, the 33 countries included in the FSE database spent over 3 billion USD on such measures e.g. through subsidies for vessel construction or modernisation or through policies that lower the cost of fuel. Re-directing support away from such policies that create incentives to fish more intensively could have significant benefits for biodiversity as well as for fishers' livelihoods.
 - Support policies generally benefit fishers more and are less likely to encourage unsustainable fishing when an effective management system is in place.

http://dotstat.oecd.org/Index.aspx?DataSetCode=FISH_FSE

If you would like to contribute data, please contact: fish.contact@oecd.org



- Objective: to develop easy-step guidance for any country wishing to undertake a national-level assessment to identify and assess subsidies harmful to biodiversity
- Report forthcoming end of 2021
- Approach:
 - Compare and contrast existing (bottom-up) national-level assessments in terms of scope and methodology
 - France, Germany, Italy, Switzerland, and several others
 - Develop national-level guidance



Six lessons on overcoming barriers to policy reform



- Seize opportunities to advance biodiversity related reforms: from crisis to public concern
- Build alliances between economic and environmental interests
- Devise targeted measures to address potential impacts on competitiveness and income distribution
- Build a robust evidence base to support reform and provide resistance to pressure from vested interests
- Encourage stakeholder engagement to build broad and durable support for reform
- Consolidate gains to ensure that reforms are sustained over time



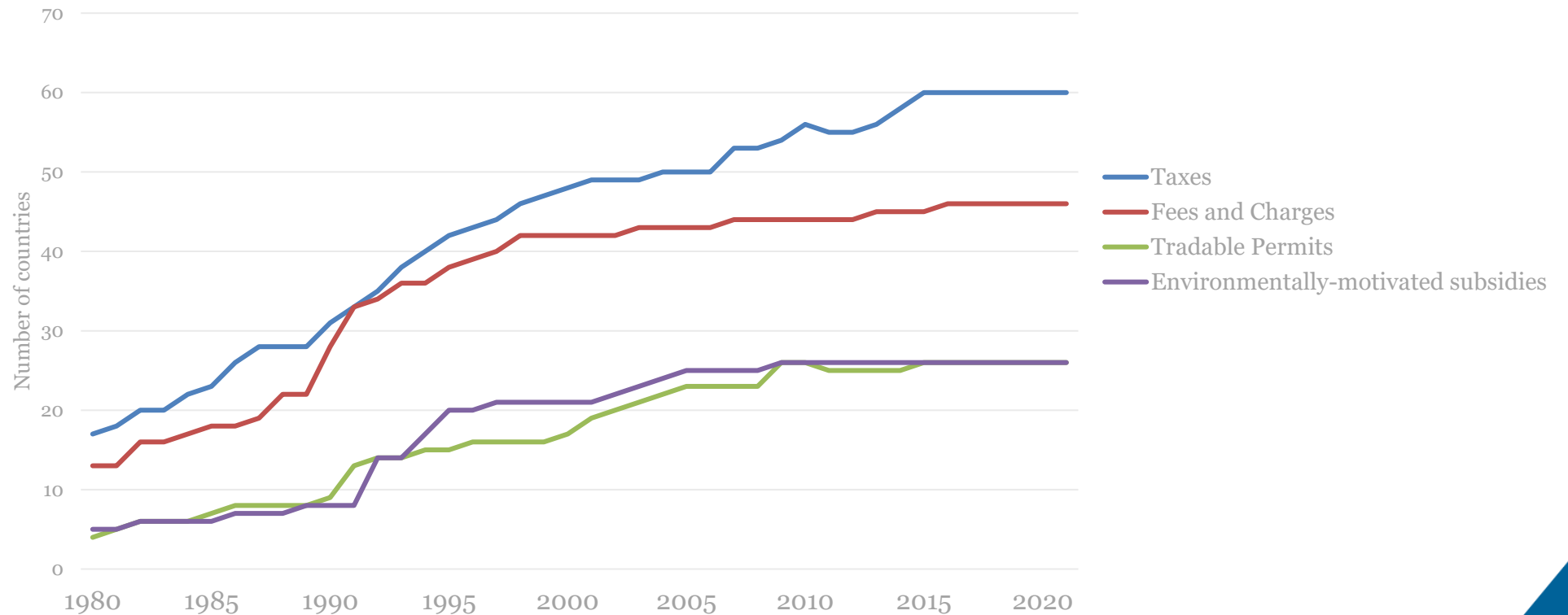
The Political Economy
of Biodiversity Policy Reform





...Need to also scale up positive incentives for biodiversity

- Positive incentives include biodiversity-relevant taxes, fees and charges, tradable permits, environmentally motivated subsidies, payments for ecosystems services and biodiversity offsets...
- Key instruments for mainstreaming biodiversity across sectors (they internalise negative externalities) – and they generate revenue or mobilise finance.
- But these economic instruments are not being used to their potential...



Note: More than 120 countries provide information to the OECD PINE database

Source: OECD (2021), Tracking Economic Instruments and Finance for Biodiversity - 2021



Relevant OECD work

- OECD (2021) [Biodiversity, Natural Capital and the Economy: A Policy Guide for Finance, Economic and Environment Ministers](#)
- OECD/IEA (2021), “Update on recent progress in reform of inefficient fossil-fuel subsidies that encourage wasteful consumption”
- OECD (2021), [Tracking Economic Instruments and Finance for Biodiversity](#) – 2021 (to be released this week)
- OECD (2020), [A Comprehensive Overview of Global Biodiversity Finance](#)
- OECD (2019), [*Biodiversity: Finance and the Economic and Business Case for Action*](#)
- Martini, R. and J. Innes (2018), “Relative Effects of Fisheries Support Policies”, *OECD Food, Agriculture and Fisheries Papers*, No. 115.
- OECD (2017), [*The Political Economy of Biodiversity Policy Reform*](#)
- OECD (2017), Towards a G7 target to phase out environmentally harmful subsidies
- OECD (2017), "Support to fisheries: Levels and impacts", *OECD Food, Agriculture and Fisheries Papers*, No. 103
- OECD (2013), [*Policy Instruments to Support Green Growth in Agriculture*](#)
- OECD Paris Collaborative on Green Budgeting
- OECD (forthcoming), Guidance to identify and assess subsidies harmful to biodiversity at national level