



## Agenda Item 8 – 31<sup>st</sup> Session of the Committee on Sustainable Energy

### Understanding subsidies and carbon pricing

22 September 2022, 16:15 – 17:00 CEST (Geneva time)

**Objective:** Explore the status of subsidies, taxes, duties and carbon pricing in the ECE region, and available tools related to subsidy reform, to help the ECE region understand how to ensure the market sends the appropriate signals that support the design and creation of resilient and sustainable energy systems in the UNECE region.

**Context:** The sixty-ninth session of the Economic Commission for Europe (20-21 April 2021) requested the Committee to continue studying how best to address efficient use of energy resources, and in this regard the impact of subsidies as well as carbon pricing options (E/2021/37 and E/ECE/1494, section E(69), para 6).

Energy subsidies, taxes, duties and carbon (or other GHG) pricing mechanisms are critical instruments for the ECE region to use to ensure the appropriate market signals are sent to deliver on a secure, affordable and sustainable energy future. Without the proper economic signals that reflect both the costs and benefits of energy choices, the markets will not respond fast enough to ensure that the ECE region meets the longer-term objectives of the 2030 Agenda for Sustainable Development in general, and of the 1.5-2°C target set by the Paris Agreement. The design of subsidies, taxes, duties and carbon pricing mechanisms can heavily influence the success of the instrument. For example, the allocation structure for any revenue generated through a pricing mechanism can heavily influence and potentially mitigate much of the impact upon consumers.

**Setting the scene:** This segment will explore which energy subsidies, taxes, and duties - including those that support end-use consumers, fossil fuels and/or renewables - and carbon (or other GHG) pricing mechanisms currently exist in the ECE region. It will also examine available tools and resources to help member States reforming existing regulatory and economic instruments in the region.

#### **Effective Carbon Rates/Taxing Energy Use 2022: Turning climate targets into climate action**

- *Jonas Teusch, Economist, OECD Centre for Tax Policy and Administration (confirmed)*

#### **A Guide to Carbon Pricing and Fossil Fuel Subsidy Reform**

- *Kirthisri Rajatha Wijeweera, Advisor, Nature Performance Debt Instruments, United Nations Development Programme (tbc)*

The Committee will be invited discuss the needs of member States for additional information to support the increased adoption of effective, transparent economic and regulatory approaches to convey the appropriate market signals. The Committee will then be invited to discuss what concrete activities it will undertake on this topic and with what resources.

**Next steps:** Based on the discussion the Committee will identify and pursue priorities for research and activity in the coming year, subject to identification of extrabudgetary resources.