

The Global Subsidies Initiative
*Catalytic Actors and the Politics of Fossil
Fuel Subsidy Reform*

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10.1 Introduction

Amid the more recent push for fossil fuel subsidy reform, the Global Subsidies Initiative (GSI) was an early entrant into the political fray and arguably played a significant role in catalysing global action. Since it was established by the International Institute for Sustainable Development in 2005, the GSI has become a key player in international and domestic efforts to reform fossil fuel subsidies. This chapter examines the GSI's catalytic role in promoting and maintaining the momentum of subsidy reform as an issue with global resonance. It focuses on the political mechanisms through which the GSI has generated interest in, and promoted, subsidy reform and its specific impacts on intergovernmental organisations (IGOs) and the national governments of India and Indonesia.

Our focus on politics responds to the dearth of such research on fossil fuel subsidy reform (see Chapter 1). Moreover, most of those studies focus on country-level or IGO-led efforts (Doukas 2016; Van de Graaf and van Asselt 2017; see also Chapter 3). While valuable, our attention to the role of the GSI – a non-governmental organisation (NGO) – adds an important aspect of the global subsidy reform politics story previously neglected.

Given that the world's economic, energy and transportation systems are locked into carbon (Unruh 2000; Seto et al. 2016), these subsidies exist within fossil fuel-reliant economies where producers and consumers typically claim to 'need' and 'deserve' support and where subsidies are seen as essential for economic growth. Given this dominant frame, we need an approach that explains the political dynamics – leveraged and catalysed by the GSI – that led to the disruption of this conventional wisdom. Furthermore, such an analysis should provide insight into whether that disruption is durable and likely to catalyse and scale actions towards ending fossil fuel subsidies.

To this end, we focus on three political mechanisms identified by Bernstein and Hoffmann (2016) by which purposeful interventions (such as the GSI) attempt to

disrupt the status quo of carbon locked-in systems (such as those which support fossil fuel subsidies): coalition building, capacity building and normalisation. Because our starting point is a single important actor and mechanisms of influence, we do not make claims about the ultimate causes of fossil fuel subsidy reform. Rather, focusing on these mechanisms at both the international and domestic levels allows us to identify the processes through which the GSI generated influence and trace how it catalyses change and/or induces more actors to pursue change (scaling) and whether these effects show evidence of durability or resistance to reversal (entrenchment). Our focus is therefore on *how* an intervention such as the GSI produces effects and disruption. Initiatives to disrupt the status quo will also, inevitably, interact with other causal factors such as economic and political interest; indeed, the GSI aims precisely to affect those interests, and the mechanisms identified provide insight into how this could occur.

The chapter proceeds as follows. First, we provide an historical overview of the GSI's work. Second, we elaborate on how the three political mechanisms work to catalyse change. We then analyse the political dynamics that the GSI catalysed and their impact on fossil fuel subsidy reform. Throughout, we focus especially on the cases of India and Indonesia. Both are currently implementing significant subsidy reform (see Chapters 11 and 12). Moreover, relative to the other countries it targeted, the GSI has devoted substantial resources to those reform efforts, meaning that they provide clear illustrations of many of the dynamics under examination. For evidence of these mechanisms and impacts, we draw from a variety of primary and secondary sources, as well as interviews conducted via telephone and in person at the GSI office in Geneva between 23 April 2014 and 8 August 2016.

10.2 The Global Subsidies Initiative's Role

The beneficiaries of fossil fuel subsidies are, not surprisingly, wary of subsidy reform because it may erode the benefits they receive or diminish the ability of a government to maintain power (Victor 2009). Thus, to disrupt this aspect of carbon lock-in and reform fossil fuel subsidies, political change is needed. Analysing such change requires attention to interventions such as the GSI that aim to disrupt the fossil fuel subsidy system.

In 2005, the International Institute for Sustainable Development, a Canadian NGO that works globally on sustainable development issues, marshalled funding from several European countries and philanthropic foundations to found the Global Subsidies Initiative, based in its Geneva office.¹ Originally, the GSI focused on

¹ Funding has come from the governments of Denmark, Finland, New Zealand, Norway, Sweden, Switzerland and the United Kingdom, and grants have come from the William and Flora Hewlett Foundation. The GSI also gets income from consulting with NGOs, IGOs, governments and corporations.

biofuel subsidy reform, but since 2009, it has largely focused on reforming fossil fuel subsidies, which represents around 70 to 75 per cent of total GSI expenditures (Danida 2015; GSI 2016b). In 2016, the GSI was a 10-person team with an annual budget of USD 2 million (GSI 2016a).² The organisation also contracts with many external consultants and national research institutes to undertake country-level analysis and facilitate engagement on subsidy reform.

In general terms, the GSI helps improve the ability of countries and organisations to estimate subsidies, evaluates options for subsidy reform and communicates those options to the public. The GSI has published dozens of research reports on the characteristics of producer and consumer subsidies, identified lessons for reform, conducted country-specific research and reported on subsidy estimation methods. Communication of its findings to non-experts is also a major activity. It publishes the Subsidy Watch Blog, publicises subsidy reform-related events and news articles on its website, produces policy brief versions of many of its reports and provides an online archive of subsidy reform research from a host of organisations.³ The GSI also facilitates discussions on fossil fuel subsidy reform among key governments, NGOs and IGOs, including through the organisation of side events at major international meetings, such as the Conferences of the Parties to the United Nations Framework Convention on Climate Change, the 2012 United Nations Conference on Sustainable Development (Rio+20), the Group of 20 (G20) and the Asia-Pacific Economic Co-operation (APEC) forum. It also acts as a consultant that governments, IGOs and NGOs hire on a pro-bono basis for technical and communications advice on subsidy reform (GSI 2016b). Since 2010, the GSI has targeted subsidy reform in Brazil, Canada, China, France, Ghana, India, Indonesia, Iran, Italy, Malaysia, Mexico, North Sudan, Poland, Russia, Senegal, South Africa, Turkey and Ukraine.

10.3 Analysing the Global Subsidies Initiative's Impact

Assessing the GSI's impact entails tracing the political ramifications of its activities. The mechanisms through which these activities can produce impacts include capacity building, coalition building and normalisation on both the national and international levels (Bernstein and Hoffmann 2016).

Coalition building can help interventions strengthen ties across a wide variety of political actors and build necessary alliances. For example, an NGO can catalyse coalitions by framing an issue in ways that allow disparate actors to see common interests and benefits and that actively try to build a social movement around that frame, ideally generating commitment to a longer-term campaign (Tarrow 2005;

² On a full-time equivalent basis. ³ See www.iisd.org/gsi/news.

Levi and Murphy 2006). Coalition building is facilitated by identifying and building linkages among ‘winners’ who benefit from change and neutralising ‘losers’. It can even include ‘baptist-bootlegger’ coalitions of activists and businesses if changes reward those already engaging in practices that could benefit from policy changes (Vogel 1995; Levin et al. 2012).

Capacity building can take a number of forms, including ‘direct funding, education, training, [technical] assistance, and co-governance via partnerships between public and private actors and authorities’ (Bernstein and Cashore 2012: 593; Weible and Sabatier 2014). In this case, the most relevant means are knowledge based (e.g. information and learning processes, especially about policy options and effects), technical expertise and demonstration effects (Selin and VanDeveer 2009; Bernstein and Cashore 2012).

Normalisation can be catalysed by interventions when they reframe notions of appropriate action or support arguments and advocacy that persuade others to accept new norms (Finnemore and Sikkink 1998; Keck and Sikkink 1998; see also Chapter 5). In tandem with capacity building (learning and demonstration effects), normalisation can usher in a new common sense for decision-makers.

An intervention such as GSI – which may spark these political mechanisms – is crucial for disrupting the taken-for-grantedness of fossil fuel subsidies for the simple reason that the largest obstacles to political change include existing coalitions that support subsidies, insufficient technical capacity to make the case for reform and popular beliefs that subsidies are beneficial or do not exist. In Indonesia, where fuel subsidies sometimes account for 20 per cent of central government spending (Owen 2016), popular resistance to subsidy reform has been particularly acute (Pradiptyo et al. 2015). An International Monetary Fund (IMF) study of 22 countries that have attempted subsidy reform found that opposition to reform was highly dependent on the national context. In some countries, trade unions played a key role; in others, national oil companies or pro-poor political parties did so (IMF 2013). According to the IMF (2013), the difficulty faced by policymakers who want to implement reform often stems from making changes too drastically over a short period of time, with little information, compensation or alternatives provided to concerned groups. In India and Indonesia, until recently, the public and even government officials knew little about energy subsidies. Several interviewees noted the limited knowledge and engagement of journalists and consumer-protection NGOs on subsidy reform; similarly, several noted the limited expertise within the bureaucracy (Interviews 1 and 2). This limited capacity has made the normalisation process more difficult for the GSI.

Thus, the political mechanisms provide the potential for the GSI to have a catalytic impact on subsidy reform. This impact is observable in the way that the GSI’s campaign goals spread to other actors (scaling) and become durable or

embedded (entrenchment) in policies and programmes. Below we elaborate on how these mechanisms played out in the GSI case.

10.3.1 Coalition Building

The GSI has leveraged and organically built diverse coalitions to advocate for fossil fuel subsidy reform at the national and international levels (Interviews 3, 5 and 6). It has positioned itself as a ‘bridge’ or ‘matchmaker’. It has worked with countries from five continents and with organisations as diverse as Greenpeace and the Organization of the Petroleum Exporting Countries (OPEC) (Interviews 7, 8 and 9). The membership of these coalitions varies across locations. In general, environmental NGOs are a key ally in the global North, whereas anti-poverty NGOs and social welfare ministries are key allies in the global South (Interviews 3 and 4). According to a GSI employee, one unique role of the GSI has been to bring together actors who do not normally communicate around the common goal of fossil fuel subsidy reform to build what another GSI staff member calls a ‘community of practice’ (Interviews 3 and 8).

Defining subsidies has been a source of some division among proponents of subsidy reform (see Chapter 2). By 2010, the GSI chose to advance a definition in line with the World Trade Organization’s (WTO’s) Agreement on Subsidies and Countervailing Measures (WTO 1994; GSI 2010a; see Chapter 7). When the IMF adopted a more expansive – and, for some, more controversial – definition of subsidies in 2013, the GSI did not revisit its definition, which likely would have undermined the GSI’s credibility and previous analysis and alienated existing collaborators. This decision strengthened the GSI’s legitimacy and ability to build coalitions because of the widespread use of this earlier definition of subsidies. WTO members are obligated to follow the WTO definition, which is applied across sectors, not only in relation to fossil fuels. This helped position the GSI as a moderate organisation that can constructively engage a wide range of institutions.

In countries where the GSI is active, such as India and Indonesia, it builds coalitions by partnering with local research or poverty-reduction organisations (e.g. The Energy and Resources Institute and Integrated Research and Action for Development in India or the National Team for the Acceleration of Poverty Reduction in Indonesia). These organisations, in turn, can convene key local stakeholders and disseminate GSI-sponsored research to the media, academics, government officials and politicians (Interviews 2 and 9). Through its networking activities – with the Friends of Fossil Fuel Subsidy Reform (FFFSR), the G20, APEC, the Organisation for Economic Co-operation and Development (OECD), domestic NGOs, states and donor governments – the GSI has built and

strengthened coalitions pushing for subsidy reform (Interview 10).⁴ They also act as a bridge between domestic partners, international financial institutions, donor governments and philanthropic foundations (Interview 5).

On the international level, the GSI also serves as an informal secretariat for the FFFSR, a coalition of countries that helps hold G20 members accountable to their 2009 commitment to phase out fossil fuel subsidies (see Chapter 9). Officially spearheaded by New Zealand (Groser 2010), the group comprises representatives from Costa Rica, Denmark, Ethiopia, Finland, New Zealand, Norway, Sweden, Switzerland and Uruguay (FFFSR 2016a). The initial idea of the FFFSR came from Ronald Steenblik, a former GSI research director, and Vangelis Vitalis, a New Zealand diplomat and trade negotiator who was New Zealand's Deputy High Commissioner in Canberra at the time of the FFFSR's founding (Interview 6). Steenblik and Vangelis were once colleagues at the OECD and had been involved in creating the Friends of Fish, a group of countries that work to remove fisheries subsidies at the WTO.

Vitalis contends that 'it is not conceivable the Friends initiative would have gone forward without the GSI' (Interview 6). The coalition brought together by the FFFSR is expanding. In 2016, dozens of countries, beyond the formal members of the FFFSR – along with dozens of major corporations (e.g. Unilever, Tesco, 3M) – signed a communiqué organised by the FFFSR (FFFSR 2016b; see Chapter 9).

In both India and Indonesia, the influence of international actors in the fossil fuel subsidy reform process was minimal in comparison to the influence of domestic actors. The GSI is aware of this dynamic, which it encounters in many countries (see Chapters 6 and 12). As a consequence, it strategically partners with domestic organisations to aid in overcoming some of the potential barriers, such as concerns over foreign interference that domestic actors may have with international groups, especially those from the global North (Interviews 11 and 12). In India, domestic partnerships also helped improve the GSI's access to domestic policy networks that may otherwise have been less receptive to policy advice from foreign NGOs (Interview 12). However, an assessment of the GSI's work in Indonesia noted the lack of substantial engagement with the traditional opponents of subsidy reform, including trade unions and vested business interests (Danida 2015). An interviewee familiar with GSI's work in India stressed the need to build coalitions through capacity-building work with consumer-protection and rural-development NGOs (Interview 1).

⁴ When the G20 requested the IEA, OECD, World Bank and OPEC work together on the scoping of fossil fuel subsidies and reform implementation strategies, the GSI successfully leveraged existing working relationships with the other three IGOs to explain to OPEC how to engage with them.

10.3.2 Capacity Building

The GSI directs different capacity-building activities at its two targets: states and IGOs. The role of the GSI as a capacity builder of domestic policy is seen in its strategic approach to country-level engagement (Merrill 2014). Many countries lack significant domestic expertise on fossil fuel subsidy reform among both officials in finance and resource-development ministries and among NGOs and journalists in civil society. Estimating and reforming fossil fuel subsidies remain very technical and complex tasks. Despite the size of India's press corps, only five journalists there have the expertise to competently write on the subject, according to an expert in energy subsidy reform in India (Interview 1). In GSI's experience, it takes about 18 months to two years of working with reputable local experts and influential research institutions to build local technical capacity sufficient for results and impact. For example, the GSI has been engaged for five years in both Indonesia and India to help improve the ability of these countries to estimate fossil fuel subsidies,⁵ evaluate options for subsidy reform (Interview 2)⁶ and communicate those options to the public (Interview 12). Consistent and constructive domestic engagement on subsidy reform that reaches out to actors beyond those normally engaged by international financial institutions – such as journalists and civil society organisations – also helps the GSI to build local capacity (Interview 5). The GSI has published dozens of country-level case studies and lessons-learned reports from various reform efforts that 'demonstrated to countries that this problem [of fossil fuel subsidy reform] wasn't too difficult to tackle [and] that there were strategies that they could follow that could make the process easier' (Interview 13). One-off reports or inconsistent financial support has historically limited the effectiveness of NGOs and IGOs advocating for fossil fuel subsidy reform, especially when there is often very limited domestic technical capacity regarding subsidy reform (Interview 7). By contrast, since 2005, the GSI has built a solid base of institutional knowledge and publications (e.g. Koplow 2007; GSI 2010b; GSI 2013; Interview 7).

At the level of IGOs, the GSI is also able to go to where decision-makers meet and host side events, such as at G20, APEC and WTO meetings and at climate summits. These GSI side events – as well as those it organises for the FFFSR – are often attended by ministers from key states and high-level staff from the World Bank, IMF, IEA and the OECD and help to build capacity for fossil fuel subsidy reform (GSI 2015a). For example, the GSI built capacity by providing technical

⁵ Letter from Directorate General of Budget, Ministry of Finance, Republic of Indonesia, noting that the GSI's research on energy pricing reform has been highly appreciated, 23 March 2016; see also IISD (2014).

⁶ The Minister of Petroleum and Natural Gas of the Government of India, Dharmendra Pradhan, participated in a May 2016 event organised by the GSI, where he praised its research in informing liquefied petroleum gas and kerosene subsidy reforms (Sharma and Clarke 2016).

and logistical assistance to the G20 at key meetings, to G20 member governments and to the IGOs tasked with procuring information on subsidy reform, as well as to the APEC Energy Working Group (Interviews 8 and 10).⁷ One consultant to an IGO noted that in preparation for writing an analysis for the IGO on subsidy reform, he made sure to read several of the latest reports from the GSI (Interview 14). An IEA staff member stressed the valuable expertise that the GSI brought as one of the organisations that undertakes early peer reviews of IEA analysis on subsidy reform (Interview 13).

10.3.3 Normalisation

Because of the many actors working to reform fossil fuel subsidies at the national and international levels, it is difficult to isolate the role of the GSI in normalisation. The work of the GSI has clearly benefited from a normative shift in how policy-makers from around the world see fossil fuel subsidy reform (Interview 7). In Indonesia, there has been a recent dramatic shift in the acceptability of subsidy reform that was absent in previous attempts at reform. Since 2015, it has been normalised that energy subsidies should be increasingly given to low-income individuals rather than to fossil fuel products (e.g. kerosene or liquefied petroleum gas), which has tended to benefit the middle and upper classes (Interview 11).

At the international level, global expectations about what constitutes appropriate behaviour regarding fossil fuel subsidies has changed in the wake of the landmark G20 (2009) commitment to phase out and rationalise fossil fuel subsidies and the IMF's strong and integrated stance on the issue (see Chapter 5). The GSI has successfully leveraged these international normative shifts to increase its organisational effectiveness and legitimacy (Interview 15).

While the GSI does not have the same scope of influence as an IGO, it has been able to reach out to some NGOs and domestic actors who may be sceptical of organisations like the IMF or the World Bank and help to normalise fossil fuel subsidy reform with those groups (Interview 5). The GSI's partnerships with respected domestic research organisations also helps to legitimise and normalise subsidy reform as an issue of domestic concern, especially in countries where some political actors regard with apprehension international NGOs that strongly advocate on certain issues (Interview 9). The GSI has also been a key player in advocating for and normalising improved rigour in fossil fuel subsidy reporting, helping to 'shift the debate' on energy price reform (Interview 15). The consistency of the GSI's efforts over the past 10 years within key states – as well as its persistent

⁷ The GSI also tracked the progress of the G20, made recommendations on how G20 countries can fulfil their phase-out commitment (e.g. GSI 2010c) and published a paper on how G20 countries can peer review the subsidy estimates of other G20 countries.

engagement with subsidy reform at key IGO meetings and multilateral forums – has also helped to normalise the issue among states and IGOs.

Concurrent to norm changes specific to fossil fuel subsidies, a larger trend is evident in many countries towards improved transparency and accountability of financial reporting for both the private and public sectors (Camfferman and Zeff 2006; PwC 2015). Leveraging this trend, the GSI has linked norms around financial responsibility during times of fiscal hardship to norms of social justice and environmental stewardship (Interview 8). When these multiple frames are invoked, the barriers to removing fossil fuel subsidies are reduced, as actions aimed at reform become more commonsense.

10.3.4 Evidence of Catalytic Effects

The political dynamics of coalition building, capacity building and normalisation suggest that the GSI has contributed to the scaling and entrenching of fossil fuel subsidy reform. To be clear, it is often not possible to make a direct causal link between the GSI's effort and the decision of a national government to eliminate subsidies. This is due to the confounding and interdependent effects of a growing number of actors (e.g. NGOs, IGOs and multiple government ministries) becoming more involved in reform efforts and the increasing fiscal burden of subsidies. Nevertheless, the evidence presented here suggests the GSI holds a catalytic role in fossil fuel subsidy reform.

10.3.4.1 Scaling

The work of the GSI has scaled up in three key ways. First, a growing number of states and IGOs began to listen to and work with the GSI on fossil fuel subsidy reform (McFarland and Whitley 2014). In 2014, nearly 30 countries – many of which have been strategically targeted by the GSI and other IGOs – took action to reduce fossil fuel subsidies (GSI 2015b). While these national-level actions are caused by a range of factors, preliminary evidence suggests that the GSI positively contributed to the subsidy reform process in India and Indonesia. In these countries, government officials have stated that the GSI's analysis improved their ability to evaluate options for subsidy reform, which their respective governments are implementing.⁸

Second, the GSI has catalysed the emergence of complementary initiatives. As noted earlier, the GSI was instrumental in providing support for the FFFSR,

⁸ Letter from Directorate General of Budget, Ministry of Finance, Republic of Indonesia, noting that the GSI's research on energy pricing reform has been highly appreciated, 23 March 2016. The Minister of Petroleum and Natural Gas of the Government of India, Dharmendra Pradhan, participated in a May 2016 event organised by the Global Subsidies Initiative, where he praised the GSI's research in informing recent liquefied petroleum gas and kerosene subsidy reforms (Sharma and Clarke 2016).

which can be seen as a complementary activity catalysed by the work of the GSI (Interview 6). Analysis by the GSI also improved the ability of other NGOs to advocate for subsidy reform (GSI 2011). Environmental groups such as Greenpeace leveraged the work of the GSI to inform its position at the UN Rio+20 Conference (Lerner and Tsenikli 2012).

Finally, other initiatives have explicitly copied the GSI's methods and prescriptions. In Canada, the GSI's 2010 producer subsidy report estimated that federal subsidies to the fossil fuel industry amounted to USD 1.3 billion in 2008 (Sawyer and Steibert 2010). Groups including the Green Budget Coalition, labour and environmental NGOs and political parties publicly used this estimate (BlueGreen Canada 2012; New Democratic Party n.d.). In addition, the Green Budget Coalition used the GSI's analysis to successfully lobby Canada's finance ministry for subsidy reform (Green Budget Coalition 2013). These activities, independent of the work of the GSI and often much more public than the GSI's own work, were highly complementary to the GSI's stated goals. Events such as the 2012 GSI subsidy reform forum for policy makers in Southeast Asia (GSI 2012) or the GSI's numerous 'lessons learned' reports have the explicit goal of sharing best practices among states and provide an ideal format for the conscious copying of subsidy reform policies and practices.

The GSI's work with IGOs is also in evidence. The World Bank's Energy Sector Management Assistance Programme – which, like the GSI, provides technical assistance to countries attempting to reform fossil fuel subsidies – has a partnership with the GSI to collaborate on framing the World Bank's subsidy reform programme and on knowledge events and publications (World Bank 2017). For example, the GSI and the World Bank have worked close on the communication of subsidy reform in some countries, and some World Bank documents draw upon GSI publications. Staff at the Energy Sector Management Assistance Programme also read GSI publications. However, as an IGO, the World Bank clearly has a different role than a small NGO in subsidy reform efforts of developing countries, working more closely with governments, as opposed to civil society organisations.

10.3.4.2 Entrenchment

Evidence presented below indicates that the GSI's prescriptions are becoming more durable. Fossil fuel subsidy reform is becoming more entrenched, with the GSI playing a catalytic role in entrenchment through the three political mechanisms described earlier.

First, a growing number of countries have eliminated or progressively reduced fossil fuel subsidies. As phase-outs progress, they become harder to reverse, especially if financial benefits accrue from eliminating them from budgets. For

example, in Canada, where GSI analysis has been used extensively in subsidy reform policy debates and federal lobbying, the federal budgets of 2007, 2011 and 2012 eliminated approximately USD 400 million a year of fossil fuel subsidies (Green Budget Coalition 2013).

Second, over time, we observe increasing political costs to reversing at least the rhetorical shift towards fossil fuel subsidy reform. This can be seen in the renewal of the G20 and APEC commitment to phase out fossil fuel subsidies at every subsequent G20 and APEC meeting since 2009, in the 2016 G7 commitment to phase out fossil fuel subsidies by 2025 and at larger venues such as the UN Rio+20 conference in 2012. The GSI's catalytic role can be seen in its efforts to raise the profile of the G20 commitment, to disseminate best practices of subsidy reform and to support the FFFSR. Each subsequent reaffirmation makes it politically more costly for a country to avoid reforming fossil fuel subsidies or to justify a lack of reforms. The rising political costs of reversing commitments to subsidy reform also contribute to normalisation, as efforts to phase out fossil fuel subsidies become taken for granted. That said, national governments could continue to publicly support such pledges while working to erode the stringency of the pledge's requirements (Consultant 2014).

Finally, entrenchment is occurring as the benefits from pursuing reform become tangible. This can be seen as more IGOs become more consistently involved in fossil fuel subsidy reform. Since 2013, the IEA, IMF, OECD and World Bank – along with the GSI – have been holding face-to-face or web-based meetings more or less quarterly to keep each other informed of their respective efforts (Interview 8). As these IGOs commit more funding, technical expertise and senior staff time to fossil fuel subsidy reform, their role as advocates on this issue becomes more entrenched. This occurs not only through involvement in inter-organisational meetings but also through technical assistance missions, policy papers and mainstreaming subsidy reform considerations into other core activities, which helps create institutional lock-in. In certain cases, the IMF and other international lending agencies now attach conditions related to fossil fuel subsidy reform (IEA 2015; see Chapter 6). For national governments, the new beneficiaries from public funding that was previously spent on fossil fuel subsidies can create new coalitions that defend against retrenchment of these new policies.

10.3.5 An Uneven Trajectory

The trajectory of fossil fuel subsidy reform has progressed in fits and starts. While this chapter argues that the GSI played a catalytic role, helping to speed up subsidy reform, other events have clearly shifted the trajectory of reform. The clearest example of a quick leap towards reform is the 2009 G20 commitment to phase out

fossil fuel subsidies, which caught many working on this policy issue – including the GSI staff – by surprise and resulted in ‘an order of magnitude difference in the political attention on that issue from one day to the next’ (Interview 8). Suddenly ‘we had political commitment but we didn’t have the data’, which is a reversal of the ‘typical’ evidence-based policymaking process (Interview 10; see also Steenblik 1999). The G20 announcement helped fossil fuel subsidy reform to ‘gain traction globally’, and the GSI was ‘well positioned to lead’ reform efforts after this announcement (Interview 16). In this vastly changed policy landscape, the GSI advocated for creating a consistent definition of subsidies and mapping out the stages needed to obtain greater transparency; it also selected which countries should be more closely examined and where it could best contribute to the larger effort (Interview 10).

While the influence of the GSI accelerated following the G20 commitment, several challenges remain that make fossil fuel subsidy reform, and the work of the GSI in particular, more difficult. In some cases, the same institutions that support subsidy reform sometimes also reinforce carbon lock-in, slowing the trajectory of reform. Negative feedback can occur if – as is the case with the World Bank and some other international lending agencies – reform is tied to the funding of fossil fuel energy infrastructure (IEA 2015; Doukas 2016). For example, the World Bank’s policy loan programme – which provides funding in exchange for mutually agreed upon policy and institutional reform – provided USD 5 billion in fossil fuel subsidies in four countries (Egypt, Indonesia, Mozambique and Peru) between 2007 and 2016 (Bank Information Center 2017), working at cross-purposes to the World Bank’s efforts to reform energy subsidies. The Asian Development Bank, with whom the GSI has worked closely,⁹ continues to finance coal power plants (Friends of the Earth Asia-Pacific 2017). Thus some organisations simultaneously promote subsidy reform and further entrench fossil fuel use. This inconsistency undermines the transformative potential of fossil fuel subsidy reform and complicates the GSI’s engagement strategy with these lending agencies.

Fossil fuel markets, particularly for oil, are some of the most volatile commodity markets. Hence, there is significant uncertainty regarding the potential financial impacts from reforming fossil fuel subsidies. As countries such as Indonesia, Nigeria and Yemen have experienced, avoiding retrenchment of subsidy reforms can be extremely complex. This makes the work of organisations like the GSI – which can share best practices in implementation, help policymakers navigate the

⁹ See acknowledgements section of the Asian Development Bank’s 2016 report on fossil fuel subsidy reform (ADB 2016: viii), which mentions that the report was coordinated with the GSI and draws on a previous report from the GSI for the Asian Development Bank. The GSI gave the Asian Development Bank similar assistance on country-specific fossil fuel subsidy reform reports for Thailand and Indonesia.

politics of reform and work with local civil society organisations – all the more important.

10.4 Conclusion

This chapter has underscored the importance of politics in achieving fossil fuel subsidy reform. The key to implementing reform is not simply finding the right technical solution based on the most appropriate methodology or even timely high-level support, although both help. Rather, it is in understanding how fossil fuel subsidy reform gains support or is resisted.

The GSI is a small but well-connected and influential NGO that has had an important catalytic impact on efforts to reform fossil fuel subsidies at the international level and the national level, as illustrated here in the cases of India and Indonesia. Serious obstacles to durable reform remain (Van de Graaf and van Asselt 2017), but the GSI has played an important catalytic and entrepreneurial role in shifting the politics of subsidy reform at both national and international levels by building capacity through technical analyses and local partnerships, by building and supporting coalitions through the FFFSR and assistance to IGOs and by normalising subsidy reform through consistent and strategic engagement.

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Interviews

- Interview 1 Bhamy Shenoy, expert on Indian energy subsidies and former senior advisor to the Center for Energy Economics, University of Texas (22 July 2016)
- Interview 2 Professional working for the Republic of Indonesia in the area of poverty reduction and subsidy reform, Republic of Indonesia (27 July 2016)
- Interview 3 Employee, Global Subsidies Initiative (11 July 2014)
- Interview 4 Employee, Global Subsidies Initiative (11 July 2014)
- Interview 5 Economist on energy subsidies, International Monetary Fund (23 February 2016)
- Interview 6 Vangelis Vitalis, former Deputy High Commissioner to Australia, New Zealand (19 November 2015)
- Interview 7 Doug Koplow, President, Earth Track, Inc. (20 May 2014)
- Interview 8 Employee, Global Subsidies Initiative (2 June 2014)
- Interview 9 Energy economist, Indian think tank (28 July 2016)
- Interview 10 Former employee, Global Subsidies Initiative (23 May 2014)
- Interview 11 Indonesian academic expert on subsidy reform (27 July 2016)
- Interview 12 Indian academic expert on subsidy reform (8 August 2016)
- Interview 13 Economist on energy subsidies, International Energy Agency (23 February 2016)

- Interview 14 Trevor Morgan, managing director, Menecon Consulting, Ltd., former IEA economist (10 February 2016)
- Interview 15 Economist on energy subsidies, International Monetary Fund (17 February 2016)
- Interview 16 Former employee, International Institute for Sustainable Development (23 April 2014)

