



Foreword

The need to reform energy subsidies was one of the pressing issues highlighted at the World Summit on Sustainable Development held in Johannesburg in September 2002. Many types of subsidy, especially those that encourage the production and use of fossil fuel, and other non-renewable forms of energy, are harmful to the environment. They can also have high financial and economic costs, and often bring only few benefits to the people for whom they are intended.

Removing, reducing or restructuring such energy subsidies is helpful for the environment and the economy at the same time. Potential social costs in terms of employment in the conventional energy industry or reduced access to energy could be addressed by redirecting the money formerly spent on subsidies to income support, health, environment, education or regional development programmes.

Of course, subsidies can have certain positive consequences, particularly where they are aimed at encouraging more sustainable energy production and use. Temporary support for renewable energy and energy-efficient technologies to overcome market barriers, and measures to improve poor or rural households' access to modern, commercial forms of energy, for instance, could be positive measures in support of sustainable development.

I hope that this book will be successful in raising awareness of the actual and potential impacts of energy subsidies and in providing guidance to policy-makers on how to design and implement energy subsidy reforms. It provides methodologies for analysing the impact of subsidies and their reform and reviews experiences with energy subsidies in a number of countries and regions. Drawing on these case studies, it analyses the lessons learned as well as the policy implications, and provides guidance on how to overcome resistance to reform.

A handwritten signature in black ink, appearing to read 'Klaus Töpfer', with a long horizontal line extending to the right.

Klaus Töpfer
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