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Fossil Fuel Subsidies under the Agreement on Climate Change, Trade and Sustainability (ACCTS)

Submitted by: Quaker United Nations Office (QUNO)



**Sustainable Trade Innovations in
the Agreement on Climate Change,
Trade and Sustainability Workshop
10 June 2025**



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Fossil Fuel Subsidies under the ACCTS

Sustainable Trade Innovations in the Agreement on Climate Change,
Trade and Sustainability Workshop, 10 June 2025

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Outline of the presentation

1. Brief overview of the components of Chapter 4 of the ACCTS (Fossil Fuel Subsidies).
2. A review of why governments seek to reform fossil fuel subsidies
3. Explaining the ACCTS within a historical and institutional context
4. How previous APEC activities informed the development of the ACCTS Chapter on fossil fuel subsidies.
5. How the ACCTS could inform APEC and other international processes in which the reform of fossil fuel subsidies is being discussed.

Chapter 4 of the ACCTS: Fossil Fuel Subsidies

- states the objective of the Chapter;
- provides definitions of both what is a *fossil fuel*, what *energy products* are considered as fossil fuels, and what are *fossil fuel subsidies* (FFSs);
- calls for a standstill on the introduction of new FFSs (unless within *de minimus* amounts); sets out what kinds of FFS are prohibited (and how their elimination can be scheduled);
- lists specific exceptions to the general prohibition on FFSs (e.g., targeted support to low-income, remote or vulnerable communities);
- encourages the Parties to cooperate between themselves, in international fora, and together with non-parties, on fossil fuel subsidy reform; and to help with capacity-building
- sets out requirements for notifying their FFSs, and changes to them; and
- establishes a process for periodically reviewing Chapter 4, including a suggested list of issues that the Joint Commission may wish to consider during its first review cycle.

Why phase out fossil fuel subsidies?

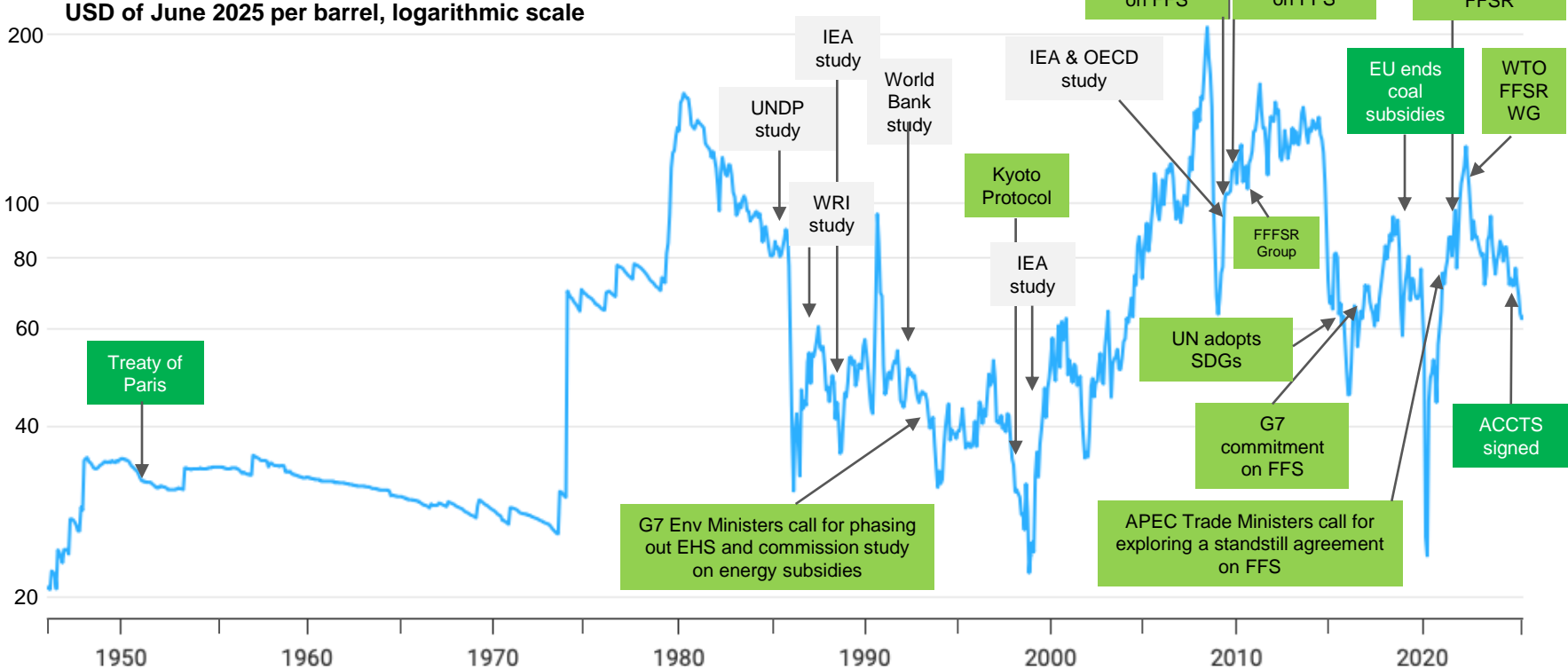
— Fossil fuel subsidies still exceed USD 1 trillion a year globally —

- **Adverse trade effects:** domestic subsidies can reduce trade in like products (coal vs. coal) as well as “unlike products” (fossil fuels vs. cleaner alternatives).
- **Adverse effects on government finances:** subsidies in some economies have exceeded domestic expenditure on education; large opportunity costs.
- **Adverse local environmental and health effects:** subsidies stimulate the production, consumption, or both of fossil fuels, which can then lead to higher levels of water pollution and land disturbance from production, and higher levels of emissions of air pollutants from the combustion of the fuels.

Fossil fuel subsidy reform: the long and winding road

Real price of West Texas Intermediate (WTI or NYMEX) crude oil, (1946-2025)

(Source: <https://www.macrotrends.net/1369/crude-oil-price-history-chart>)



How the ACCTS Chapter on FFSs was informed by the work of APEC

November 2009 Leader's Declaration on FFS



Provided the inspiration & high-level rationale for including FFSs in an Agreement on Trade, Climate and Sustainability

Peer Reviews of non-G20 APEC economies' efforts to reform their FFSs (2015-17)



Provided opportunities for better understanding the nature and scale of FFSs in economies at different levels of development and with different energy endowments and needs

Exploration of options to undertake a potential voluntary standstill on inefficient FFSs (since 2021)



Showed the utility of including a standstill provision, and of capacity building, and provided ideas on what information on FFSs could and should be notified



The ACCTS Chapter on FFSs could inform ongoing and future deliberations in multiple international forums



Thank You

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