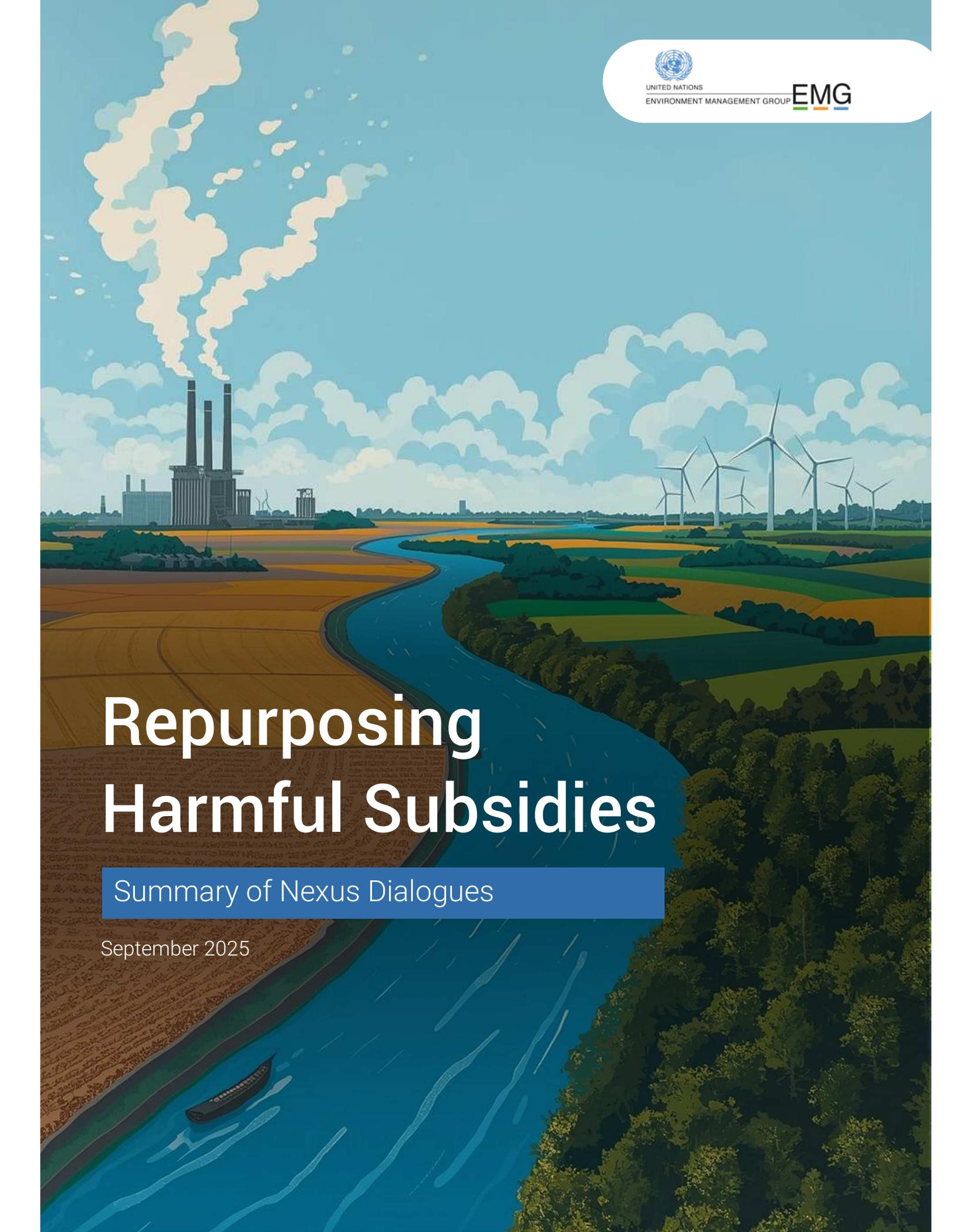




UNITED NATIONS

ENVIRONMENT MANAGEMENT GROUP

EMG

The background is a stylized illustration. On the left, a factory with several tall smokestacks emits thick white smoke into a blue sky. The landscape is divided into fields of brown, green, and yellow. A winding blue river flows through the center, with a small boat on it. On the right, a forest of green trees is visible. In the distance, several white wind turbines stand on a hill. The overall style is flat and graphic.

# Repurposing Harmful Subsidies

Summary of Nexus Dialogues

September 2025

# Background

Globally, governments channel trillions of US dollars annually to subsidy regimes that severely undermine efforts to combat climate change, preserve biodiversity protection and transition to sustainable systems. These include subsidies for energy, agriculture, and overexploited fisheries, all of which contribute significantly to environmental degradation, for example:

- **Fossil fuel subsidies** totalled an estimated USD 7 trillion in 2022, equivalent to 7.1% of global GDP, reinforcing fossil fuel dependency and delaying energy transitions.
- **Agricultural subsidies**, at approximately USD 440 billion annually, often encourage monoculture farming, excessive chemical use, and land degradation, all of which drives biodiversity loss.
- **Fisheries subsidies** of USD 10 billion contribute directly to overfishing, particularly through fuel tax rebates and vessel construction grants, weakening ocean resilience and threatening food security.

Beyond their environmental consequences, these subsidies distort market signals and burden public finances often crowding out investments in healthcare, education, and green infrastructure. In addition, they frequently benefit wealthier groups, intensifying social inequality and public discontent.

Crucially, these practices are increasingly incompatible and jeopardize compliance with international commitments such as the [Kunming-Montreal Global Biodiversity Framework](#) (KMGBF), which under [Target 18](#) calls for the identification and elimination, phase-out or reform of harmful incentives, with a reduction target of at least USD 500 billion per year by 2030. In addition, the achievement of [Sustainable Development Goals](#) (SDGs), in particular [Target 12.C](#) which specifically addresses phasing out harmful fossil fuel subsidies.

However, this widespread financial misallocation also presents a crucial untapped opportunity. By reforming and redirecting these subsidies, policymakers could not only reduce harmful effects on the environment but also develop sustainable economic potential through innovative technologies. Furthermore, integrating social considerations into this transformative change could enhance equity and inclusivity through a whole-of-society approach.



Beyond supporting Member States in meeting international commitments, United Nations system entities are actively assisting subsidy reform through targeted initiatives and knowledge products. Examples include the United Nations Development Programme's (UNDP) BIOFIN Initiative, and the joint publication "[A Multi-Billion-Dollar Opportunity: Repurposing agricultural support to transform food systems](#)" (2021) produced by FAO, UNEP and UNDP, which provide practical guidance and evidence to advance more sustainable policy choices.

Recognizing the influence this critical issue has on the environment and the role the UN system plays in supporting Member States, the UN Environment Management Group (EMG), convened representatives from the European Commission, Food and Agriculture Organization of the United Nations (FAO), Global Environment Facility (GEF), International Institute for Sustainable Development (IISD), Organisation for Economic Co-operation and Development (OECD), Sveriges Riksbank, United Nations Resident Coordinator's Office India, UN Trade and Development (UNCTAD), UNDP - BIOFIN Initiative, the World Bank, World Trade Organization (WTO), World Wide Fund for Nature (WWF) in 2024 for an [EMG Nexus Dialogue Series on Repurposing Harmful Subsidies](#). The three-part webinar series examined the global landscape of subsidies across the energy, agriculture, and fisheries sectors. It highlighted key issues around harmful subsidies, challenges and opportunities of reform, outlining key strategies to integrate subsidy reform into broader sustainable development agendas. The dialogue concluded that the structural redesign of subsidy regimes offers a rare triple-win scenario where fiscal policy becomes a catalyst for sustainable development across all environmental, economic and social dimensions.

The recommendations in this policy note stem from the insights shared during the dialogue. They intend to inform and support future efforts to reform harmful subsidies.

# Policy

## Recommendations

To effectively repurpose harmful subsidies and align public finance with environmental and sustainability goals, governments and institutions should consider the following strategic policy recommendations:

### Recommendation 1.

#### **Align subsidies frameworks with the SDGs**

Redirect financial flows from environmentally harmful activities towards supporting nature positive and low-carbon solutions. Subsidies should be restructured to incentivize practices that enhance biodiversity, promote climate resilience, and support sustainable livelihoods. Governments can address multiple sustainability challenges by repurposing subsidies toward nature-based solutions, including biodiversity loss, climate change, and socio-economic inequalities. For instance, the [World Trade Organization's \(WTO\) Agreement on Fisheries Subsidies \(2022\)](#) sets a precedent by targeting subsidies that drive overfishing, overcapacity, and illegal, unreported, and unregulated (IUU) fishing, demonstrating how global frameworks can support SDG-aligned subsidy reform.

### Recommendation 2.

#### **Design Context-Specific and Outcome-Based Subsidy Instruments**

A one-size-fits-all approach to subsidy reform is ineffective. To maximise impact, policies must be tailored to regional and sectoral contexts, taking into account local socio-economic conditions and prioritising environmentally sustainable and economically viable interventions. For example, subsidies linked to the provision of environmental services can incentivise farmers to adopt eco-friendly practices, but must be accompanied by measures to mitigate potential productivity losses. A gradual phased approach to reform is essential to minimise economic disruptions and protect vulnerable populations. Promote results-based subsidies that reward carbon sequestration and biodiversity restoration outcomes



### Recommendation 3.

#### **Incentivize Green Innovation and Sustainable Practices**

Redirect subsidies to catalyse green innovation and sustainable production systems across sectors. Priority areas include renewable energy deployment, climate-smart agriculture, biodiversity-friendly practices, and low-emission technologies. Incentive structures should reward industry actors and farmers for delivering verified environmental services, supporting a shift toward long-term sustainability.



### Recommendation 4.

#### **Foster Global Cooperation and Technical Assistance**

Foster cross-sectoral and cross-border collaboration to share expertise, data, and resources. Engagement with Multilateral institutions such as the [International Monetary Fund \(IMF\)](#) and the [World Bank](#), should be promoted for financial and technical support to assist countries, particularly low-income and vulnerable states, to transition away from harmful subsidies while promoting nature-positive investments.

#### Recommendation 5.

### Ensure Equity and Social Inclusion through Just Transition Frameworks

All subsidy reforms must be underpinned by principles of equity and fairness, support vulnerable communities, and recognize the right to a clean, healthy and sustainable environment. There is a need for just transition frameworks that protect low-income households during the reform process. Measures such as cash transfers, social welfare programs, and targeted investments in green jobs can help mitigate the socio-economic impacts of subsidy reforms. Equity considerations ensure that reforms do not disproportionately burden marginalized communities.

#### Recommendation 6.

### Engage diverse stakeholders

Promote wider reaching stakeholder engagement through transparent consultations, public awareness campaigns, and participatory governance mechanisms. Establishing national or sectoral multi-stakeholder task forces, including civil society, the private sector, and local communities, can enhance legitimacy, improve reform design, and build the public trust necessary for successful implementation.



#### Recommendation 7.

### Strengthen robust monitoring and evaluation mechanisms

Implement comprehensive monitoring frameworks that enable transparent tracking of subsidy reforms. Leverage existing tools like FAO's optimization models and the OECD's data inventories to improve transparency and accountability in subsidy allocation. Establish precise monitoring mechanisms with biodiversity impact indicators, GIS mapping, and financial reporting systems to track progress and ensure subsidy reforms achieve their intended outcomes.



## Expected Outcomes

Expected outcomes, that will contribute toward achieving the targets of the KMGBF, particularly [Target 18](#), include:

- Witness an annual reduction in subsidies across sectors, including fisheries and fossil fuels.
- Increased uptake in sustainable agriculture incentives, particularly countries implementing biodiversity-positive agricultural policies, including support for agroecology, organic farming and crop diversification.
- Upward trends in public and private investments directed toward renewable energy, green technologies, and nature-based solutions.
- Widespread adoption of standardised biodiversity impact indicators, supported by GIS mapping and integrated into subsidy tracking systems.
- Routine social and economic impact assessments demonstrating that reforms are protecting vulnerable populations and contributing to poverty reduction and job creation.