

DID YOU KNOW? ... BY INCLUDING HEALTH IN ENERGY AND CLIMATE POLICY, YOU CAN IMPROVE THE ECONOMY, ADDRESS CLIMATE CHANGE AND IMPROVE PUBLIC HEALTH.

***WHO Message to finance ministers:** You can increase economic efficiency, increase revenue, improve health and address climate change by considering health issues when developing climate policy.*

Why should finance ministers care about the impacts of climate change?

- 1. Failure to include health in energy and climate policy leads to economically inefficient decisions.** Subsidies and externalities (impacts on people not directly involved in the transaction) are well known to distort markets, reducing overall benefits to populations. Globally, support to the energy sector in terms of subsidies and uncompensated externalities equal approximately US\$5.3 trillion in 2015. Although attention has mainly been focussed on the estimated US\$ 330 billion of pre-tax subsidies (i.e. directly on the price of fuels), energy receives much larger support due to the fact that additional harmful external effects are not included in fuel prices. Globally, the largest negative externality of energy consumption is the contribution to local air pollution, which now causes over 7 million deaths every year, with over 4 million deaths from household air pollution, and over 3.5 million from outdoor air pollution. The value of the uncompensated health impacts of energy consumption through outdoor air pollution is estimated at US \$2.7 trillion, or just over half of total support to the sector, in 2015.
- 2. Countries can remove these subsidies by placing a price on carbon, which is in their own national interest.** Even without considering the benefits for the global climate, countries can set a price on carbon that gives an overall benefit to their own populations. A nationally appropriate carbon price would increase the price of highly polluting fuels so as to maximize the overall net benefit: the gains for health and other environmental benefits, plus higher revenues, minus the losses due to consumers facing higher energy prices. As the gains and costs accrue to their own populations, countries do not need to wait for international agreements to take actions that will benefit their own people.
- 3. Removing energy subsidies would lead to very large health and environmental gains.** Placing an appropriate price on the health externalities of fuels would remove the unfair competitive advantage that is currently enjoyed by more polluting fuels, make cleaner fuels relatively cheaper, and encourage energy efficiency. It is estimated that the implementation of nationally appropriate energy prices would cut outdoor air pollution deaths by approximately one third, and reduce greenhouse gas emissions by over 20%.
- 4. Placing a nationally appropriate carbon price would generate an important source of revenue that could be reinvested in health and other socially beneficial investments.** Analysis shows that removing energy subsidies by placing a tax that is consistent with countries own national interests would raise approximately 3% of GDP, or US\$3 trillion dollars per year. These revenues could be reinvested in growth-enhancing public spending, for example in infrastructure, health and education.

5. **Nations at different levels of development have reinvested energy subsidies in health and other socially beneficial investments.** Economies around the world are increasingly challenged by the rising costs of health services, particularly those of treating non-communicable diseases. As support to energy consumption is currently larger than global government spending on health, and as the largest proportion of these subsidies is through health damages, there is a strong case for investing the resulting revenues in Universal Health Coverage, with a particular emphasis on prevention. Already, countries such as Norway, Iran, and Indonesia have experience in removing harmful energy subsidies, and redirecting the investment to investments in health and education.

What can finance ministers do to help?

1. **Work with health experts to assess the health impacts of different energy sources.** Different fuel types and have very different effects on health and other externalities, and therefore should be priced accordingly. Global estimates exist and can be used as a first approximation, but these can be improved by assessing the health, economic and environmental effects within the national context.
2. **Consider placing a price on carbon that maximizes overall benefits to populations.** Information on the health and other impacts of different fuel sources and uses, coupled with valuation of the health and other externalities, can be used to determine an appropriate level of carbon pricing that will benefit the overall welfare of the population.
3. **Design transitional measures to safeguard the welfare of poorer populations.** On average, energy subsidies accrue mainly to richer individuals and households, so that removing them is both an economically beneficial and a progressive, pro-equity measure. However, some subsidies do bring health benefits, for example through lowering the price and thereby increasing access of the poor to less polluting fuels for cooking and heating. At least in the short term, removal of subsidies, and imposition of a price on carbon can impose costs that may harm the welfare of some populations, particularly the poorest, that typically spend a higher proportion of their income on energy and basic goods. It is therefore important to carefully assess how to ensure that revenues from removal of subsidies and increases in prices of polluting energy are reinvested in measures that give more social benefit, for example ensuring access of the poorest citizens to cleaner energy.
4. **Engage the health community to support the case for lower prices for cleaner energy, and higher prices for polluting sources.** National Ministries of Health have already made international commitments to strengthen action on air pollution. Associations of health professionals, and civil society groups, are increasingly engaged on raising awareness and mobilizing support both for cleaner air, and for action to address climate change. Health professionals are important, and respected advocates for policies that improve air quality and protect the climate.

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