

7 ways the
GLOBAL STOCKTAKE
can accelerate the phase-out
of fossil fuel finance



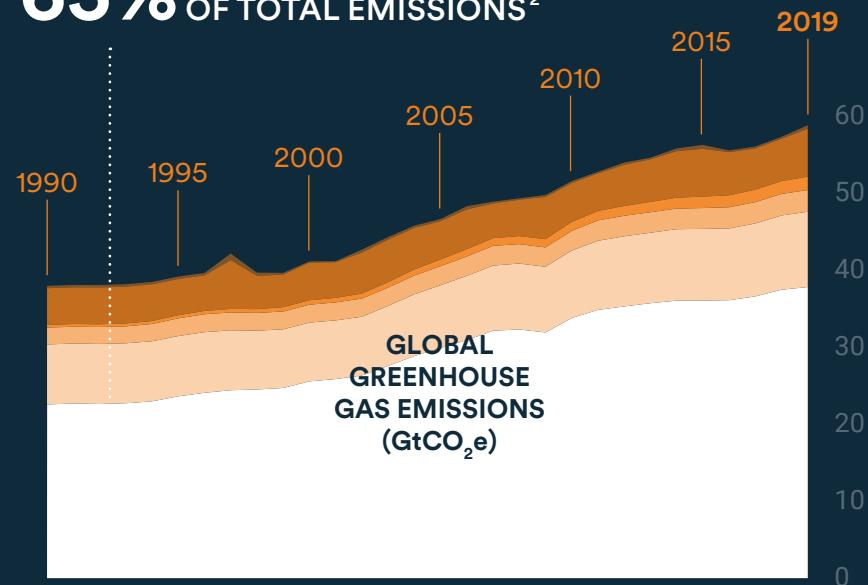
1 The Global Stocktake (GST) can reinforce that fossil fuel finance acts in opposition to the goals of the Paris Agreement

A RELIANCE ON
COAL, OIL AND GAS
FOR THE WORLD'S ENERGY NEEDS
IS NOT COMPATIBLE WITH ITS
CLIMATE TARGETS

Continued investments into fossil fuel production and consumption will **JEOPARDISE** collective mitigation goals¹

Rising temperatures will **INCREASE CLIMATE RISKS AND IMPACTS**, requiring more adaptation

CO₂ EMISSIONS
from fossil fuels make up
65% OF TOTAL EMISSIONS²



- Land-use change (CH₄+N₂O)
- Land-use change (CO₂)
- Fluorinated gases (F-gas)
- Nitrous oxide (N₂O)
- Methane (CH₄)
- Fossil carbon dioxide (CO₂)



G20 ECONOMIES PROVIDE
\$584bn³
OF FOSSIL FUEL FINANCE
PER YEAR

GOVERNMENT SUBSIDIES
for fossil fuels are not explicitly called out in the Paris Agreement.

The GST could raise awareness and drive countries to

PHASE OUT OF FOSSIL FUEL FINANCE

2 The GST can encourage countries to undertake new and more ambitious commitments by monitoring and reflecting on achievements to date

FEW COUNTRIES HAVE COMMITTED

TO PHASING OUT FINANCING FOR FOSSIL FUELS

– and when they have, those commitments are often **vague**, **without clear timelines** and **milestones** for action

HIGH-LEVEL COMMITMENTS AND CALLS TO END FOSSIL FUEL FINANCE INCLUDE:

2009 **VAGUE**
G20 commitment to end 'inefficient' fossil fuel subsidies in the 'medium term'⁴

2010 **NOT MET**
The European Commission call to end fossil fuel subsidies by 2020⁵

2016 **NO PLANS**
G7 agreement on 2025 timeline to end fossil fuel subsidies – no concrete phase-out plans so far⁶

2017 **NOT MET**
Group of vulnerable countries 'V20'⁷ call for G20 to end fossil fuel subsidies by 2020⁸

2020 **LOOPHOLE**
UK commitment to end fossil fuel financing overseas – but loopholes remain for some natural gas projects⁹

2021 **TO BE SEEN...**
G7 and G20 commitments to end financing for new, unabated coal plants overseas.^{10 11} US Treasury announcement to limit support for international coal and gas projects through bilateral and multilateral development agencies¹²



While there is strong momentum behind phasing out coal finance, **OIL** and **GAS** receive **SIGNIFICANTLY HIGHER LEVELS OF PUBLIC SUPPORT**¹³

Commitments allowing support to some activities in **EXCEPTIONAL CIRCUMSTANCES** – such as natural gas extraction and consumption – **NEED TO CLARIFY** how it will be used in the energy transition and in line with **CLIMATE GOALS**¹⁴

THE GST CAN



GET THESE COMMITMENTS ON RECORD



STIMULATE OTHERS TO DO THE SAME



HOLD THOSE MAKING COMMITMENTS TO ACCOUNT

3 The GST process can strengthen data and data transparency to help the phase-out of subsidies and public finance for fossil fuels

There are **HUGE DATA GAPS** in reporting on **FOSSIL FUEL FINANCE**, LIMITING GLOBAL COMPARABILITY

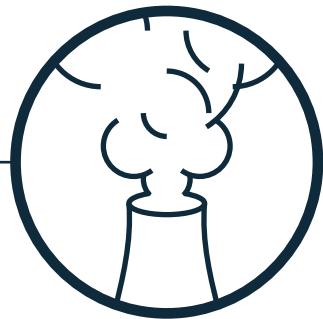
MANY GOVERNMENTS



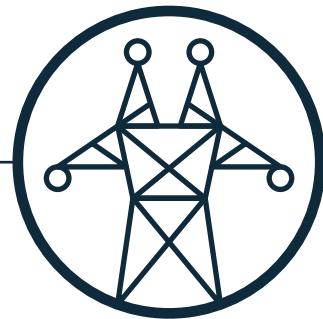
HIDE BEHIND their own definition of a subsidy



DO NOT REPORT on their domestic subsidies (e.g. through tax breaks, budget support)



DO NOT DISCLOSE which projects they finance overseas (e.g. through development banks and export credit agencies)

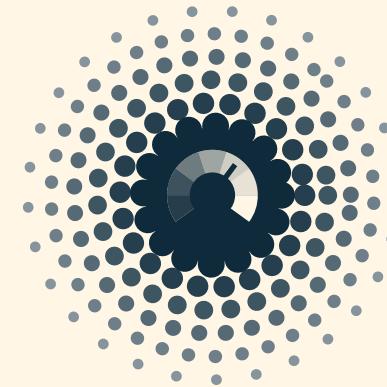


DO NOT ACCOUNT FOR support provided through state-owned enterprises

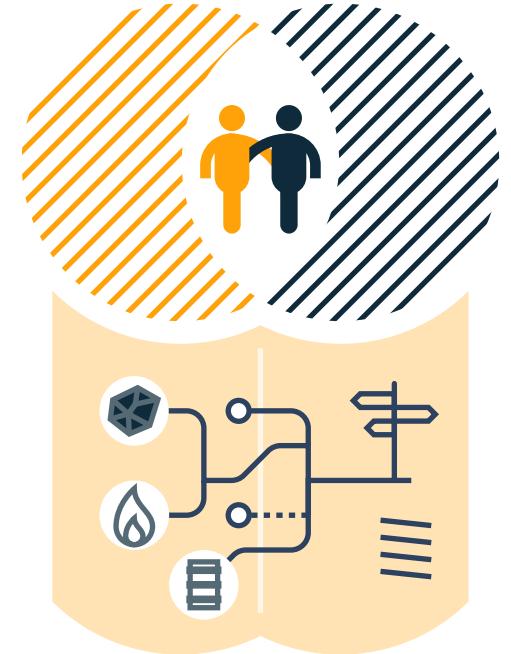


UNDER THE UN SUSTAINABLE DEVELOPMENT GOAL (SDG) TARGET 12.c¹⁵

COUNTRIES MUST REPORT ON THE AMOUNT OF FOSSIL-FUEL SUBSIDIES (production and consumption) per unit of GDP



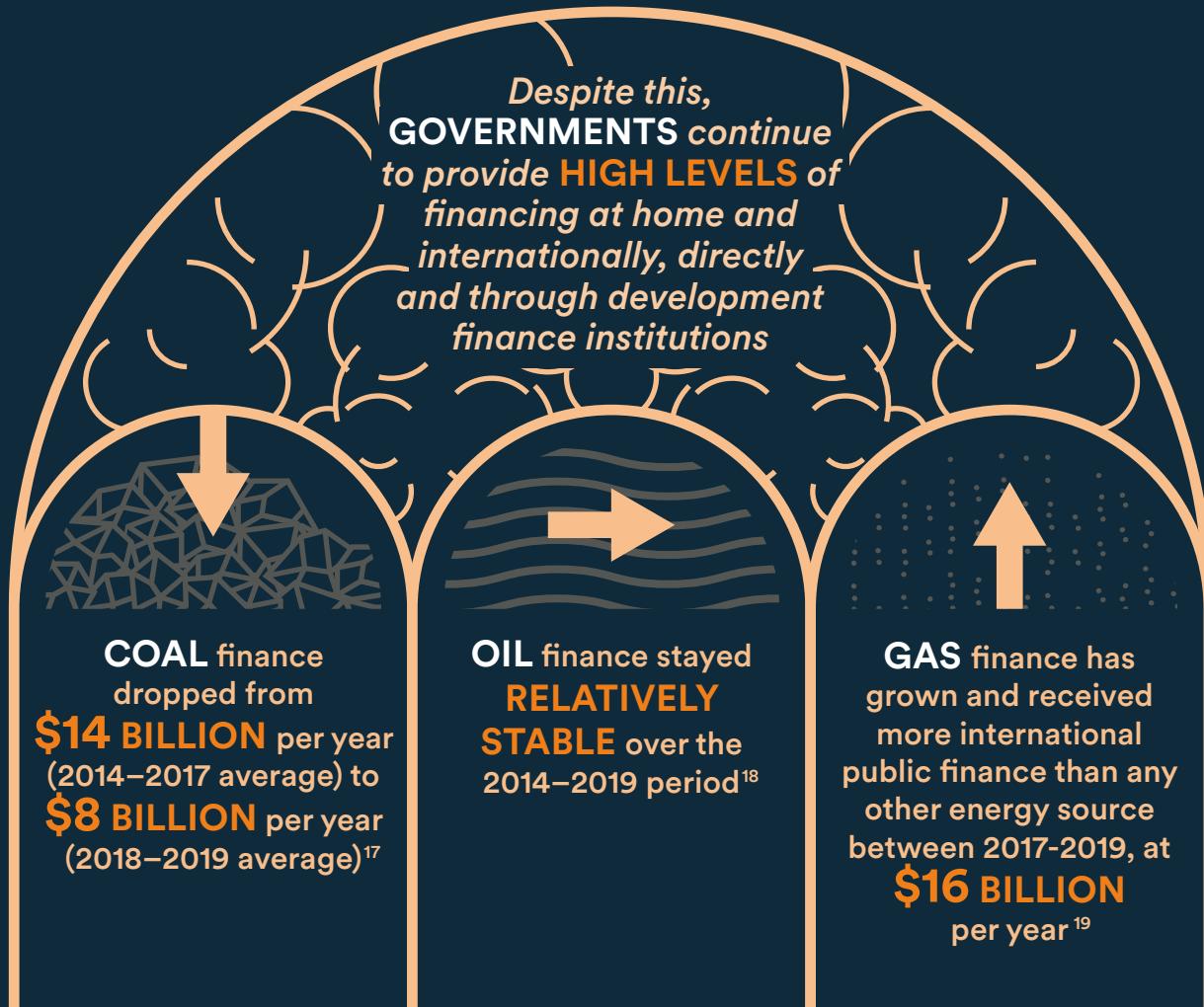
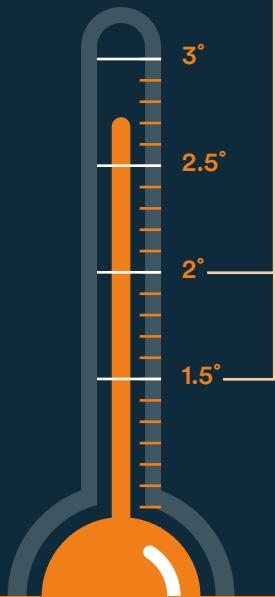
THE GST can turn this static indicator into a **COLLECTIVE ALIGNMENT AND UNDERSTANDING OF GLOBAL PROGRESS** towards fossil fuel phase-out through regular monitoring and adding up



Progressive countries could go further, **PAIRING UP TO DISCLOSE AND REVIEW** each other's subsidies, and **PLAN FOR REFORM** (similarly to the 'G20 Peer Reviews')¹⁶

4 The GST provides an opportunity for a collective reflection on national plans to phase out financial support to production of fossil fuels, domestically and abroad

GOVERNMENTS' CURRENT FOSSIL FUEL PRODUCTION PLANS WOULD FAR EXCEED 1.5°C OR EVEN 2°C GLOBAL HEATING PATHWAYS¹⁷



THE GST could become a key moment for **POLICY AND FINANCE LEVERS** to be pulled simultaneously, and for **TRANSITION, LIABILITY** and **PHYSICAL RISKS** to be internalised

In this way, countries could tap into alternative energy sources and quit reliance on fossil fuel exports at the speed needed to combat the climate emergency



5 The GST can offer a platform for countries to collaborate on reforming fossil fuel consumption subsidies

Countries continue to subsidise
HOUSEHOLD, BUSINESS AND INDUSTRIAL

CONSUMPTION OF FOSSIL FUELS

by lowering energy prices and providing exemptions on energy taxes



Down 40% from 2019

**\$180bn
2020**

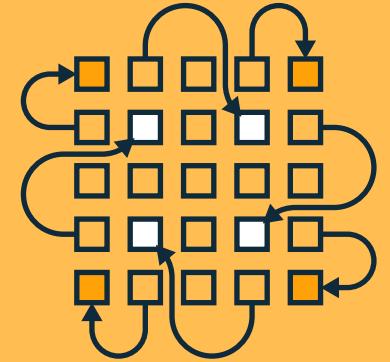
The International Energy Agency estimated that **SUBSIDIES TO FOSSIL FUEL** energy consumption amounted to **\$180 BILLION** in 2020, down by 40% from 2019 due to the COVID-19 pandemic²¹

-  **\$90bn**
Oil products (inc transport and residential use)
-  **\$50bn**
Fossil fuels used to produce electricity
-  **\$35bn**
Natural gas
-  **\$1.7bn**
Coal

SUBSIDIES TO CONSUMPTION ARE OFTEN REGRESSIVE as they mostly benefit the middle class and the wealthy, who consume more energy. They also encourage waste, by removing incentives for greater efficiency

BEST AVAILABLE SCIENCE and **EQUITY REQUIREMENTS** enshrined in the GST process point to **AN ORDERLY AND PLANNED REFORM** of fossil fuel consumption subsidies

THE GST CAN PROVIDE A PLATFORM for countries to collaborate on reforming their consumption subsidies to:



 **CHANNEL THE FUNDS** generated towards the most vulnerable

 Repurpose the funds for **SOCIAL GOODS** such as **EDUCATION** and **HEALTHCARE**

 **COMMUNICATE** the benefits of reform to avoid public backlash and inertia

 Work with industry and businesses who will be affected to **MANAGE THE TRANSITION** in an equitable and gradual way

6 The GST can support the emerging discussion on finance for a just transition

A JUST TRANSITION

towards an environmentally sustainable economy needs to support **DECENT WORK FOR ALL, SOCIAL INCLUSION** and **ENDING POVERTY** ²²



As well as strengthening and adding up domestic efforts and finance, the GST can make the case for international climate finance to mainstream just transition into all mitigation support

Countries will have to adopt a **WHOLE-OF-SOCIETY APPROACH** to just transition, which includes:

- Supporting workers and communities, including through training in new skills and technologies
- Decommissioning of coal, oil and gas projects, and rehabilitation of sites
- Stakeholders (industry, government, business, employees, locals) working together to address common challenges
- Help for vulnerable energy consumers impacted by the transition
- Finding new sources of revenue for regions and provinces and sustainably diversifying their economies

National initiatives to support such a transition are emerging:

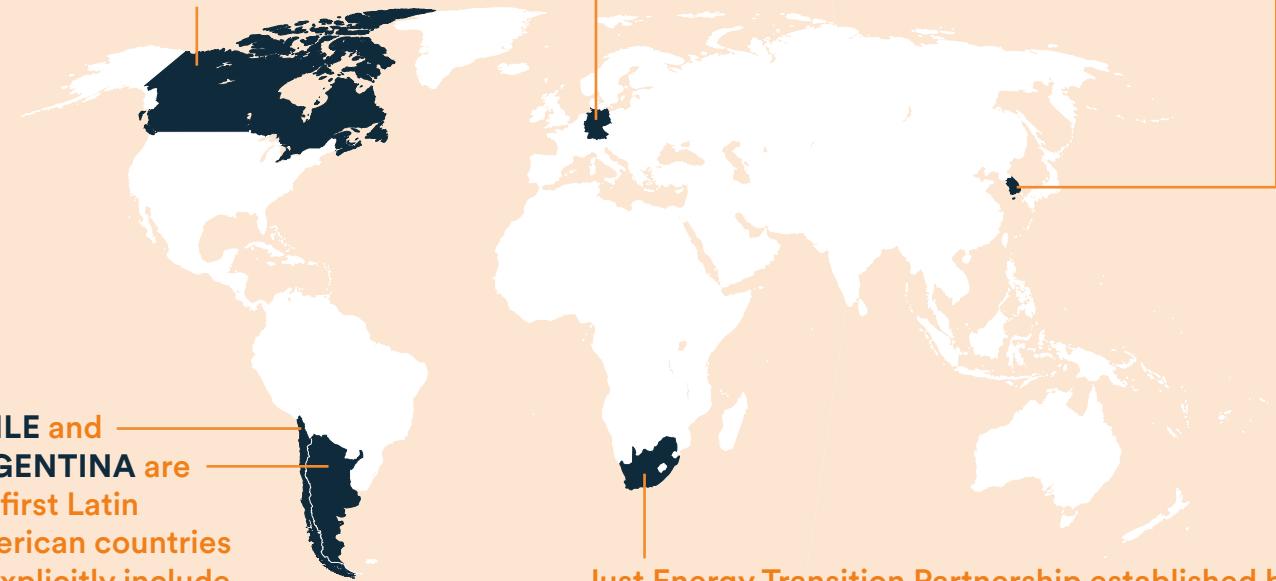
The **CANADIAN COAL TRANSITION INITIATIVE** to help communities and workers in different regions affected by the transition ²³

GERMANY €40 BILLION PLEDGE to support regions on coal phase-out ²⁴

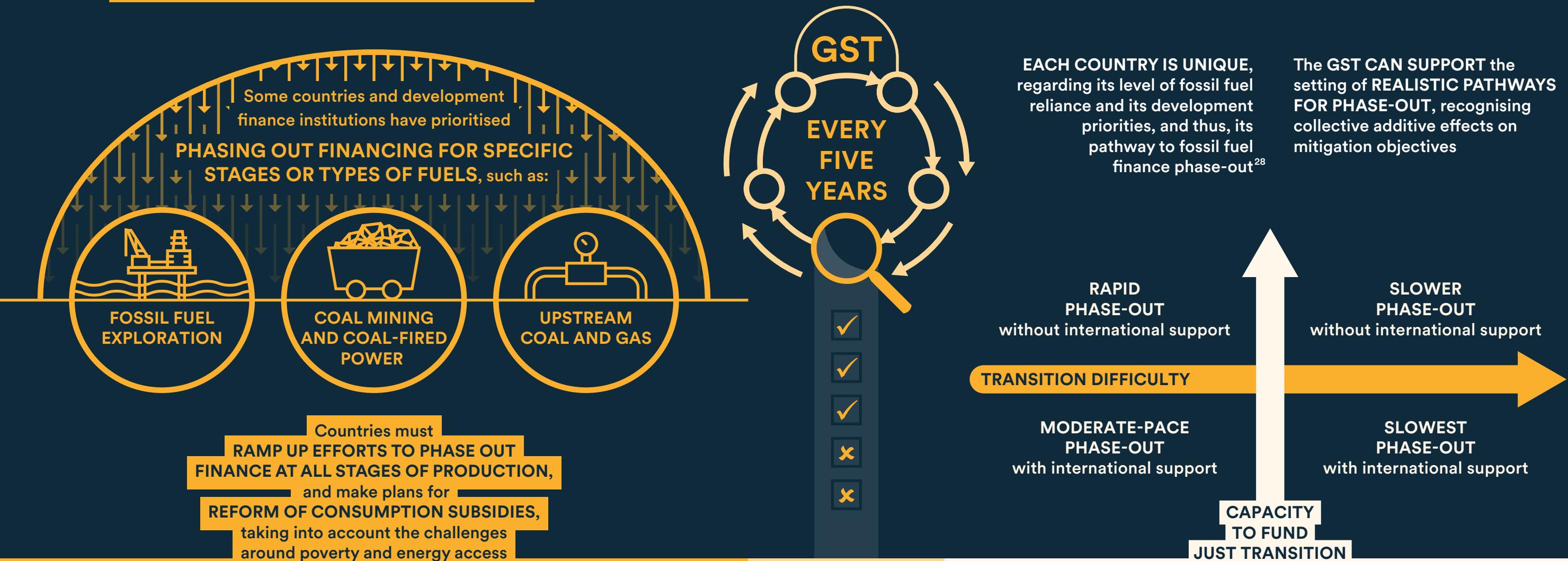
The **2050 CARBON NEUTRAL STRATEGY** of **SOUTH KOREA** includes a just transition framework for those in fossil fuel industries ²⁵

CHILE and ARGENTINA are the first Latin American countries to explicitly include just transition in their Nationally Determined Contributions (NDCs) ²⁶

Just Energy Transition Partnership established by **SOUTH AFRICA**, together with France, Germany, the UK and the US, to support the country's decarbonisation efforts, with **\$8.5 BILLION** of initial financing ²⁷



7 In accelerating the phase-out of fossil fuel financing, the GST can take into account countries' circumstances and urgency of needs based on climate and equity considerations



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Acknowledgements:

María Marta Di Paola, Joojin Kim, Chavi Meattle, Hannah Roeyer, Nandini Sharma, Joe Thwaites, Fabby Tumiwa, Jorge Villarreal



The Independent Global Stocktake (iGST) is a consortium of civil society actors working together to support the Global Stocktake (GST), the formal process established under the Paris Agreement to periodically take stock of collective progress toward its long-term goals.



The Finance Working Group (FWG) of the Independent Global Stocktake (iGST) is an open partnership bringing together a range of expert perspectives from the global north and south on the progress made toward financing climate action. The FWG aims to support and independently benchmark the official UNFCCC Global Stocktake (GST) process.