

Statement: Implementation of G20 Commitment to Phase-Out Fossil Fuel Subsidies

We – representing insurers with more than USD 1.2 trillion in assets under management, and other institutions and businesses – urge G20 governments to establish a deadline for the phase out of fossil fuel subsidies and public finance for fossil fuels at the 2016 G20 Summit.

We were pleased to see the G20 Finance Ministerial in Shanghai on February 28, 2016, reaffirmed the long-standing G20 commitment to phase out fossil fuel subsidies, a promise which has been made at G20 leaders' summits every year since 2009. However, given the urgency of the climate change crisis, underscored by the Paris Agreement reached in December of 2015, the next steps on this commitment are long overdue.

To catalyze real progress on phasing out fossil fuel subsidies, the 2016 G20 communique should include clear language that:

- Sets a clear timeline for the full and equitable phase-out by all G20 members of all fossil fuel subsidies by 2020, starting with the elimination of all subsidies for fossil fuel exploration and coal production.
- Sets a clear timeline for the phase out of domestic and international public finance for oil, gas and coal production by 2020, except in extreme cases where there is clearly no other viable option for increasing energy access to the poor.
- Commits all G20 members to be fully transparent from 2017 onwards about all fossil fuel subsidies in a consistent format that is publicly available on an annual basis. The OECD inventory should be strengthened and expanded to include all G20 countries (based on the current OECD model for tracking agricultural subsidies). The G20 should simultaneously increase transparency of reporting on investment in and finance for fossil fuel production by G20 majority publicly-owned financial institutions and state-owned enterprises.

To signal a commitment to these objectives, G20 members could enshrine the following text in the 2016 G20 communique:

- We reinforce our commitment to phase out and rationalize fossil fuel subsidies by 2020, recognizing the need to support the poor, and supported by transparent and publicly available annual reporting. Fossil fuel subsidies encourage wasteful consumption, reduce our energy security, impede investment in clean energy sources and undermine efforts to deal with the threat of climate change.
- We commit to strengthening green and low-carbon policies and regulations with a view to ending public investment in oil, gas and coal projects both domestically and internationally by 2020, starting with the elimination of public finance for fossil fuel exploration and coal, supported by transparent and publicly available annual reporting.

These proposals (a) are in line with the objective of the recent Paris climate agreement to “align finance flows with low-emission, climate-resilient development and to shift public finance away from high-emitting infrastructure”, (b) fulfil the U.S. and China’s commitment to working closely with other G20 members to phase out fossil fuel subsidies by a “date certain”, (c) support the G20’s 2015 statements that “actions on energy, including improving energy efficiency, increasing investments in clean energy technologies and supporting related research and development activities will be important in tackling climate change and its effects”, and (d) on “the importance of diversification of energy sources and continued investments for increased energy security.”

A recent assessment found that G20 governments are spending \$444 billion every year on support to fossil fuel production - via national subsidies (\$70 billion), investments by state-owned enterprises (\$286 billion) and public finance (\$88 billion). [1] The report shows that subsidies are locking in long-lived, high-emitting infrastructure and unlocking new fossil fuel reserves. This is at the very time that we need to be investing public resources into alternatives to fossil fuels, and in spite of the recognition that we will need to keep 80% or more of existing fossil fuel reserves in the ground if we hope to avoid the worst impacts of climate change. Public finance continues to drive the climate crisis, while, by contrast, the cost of renewables is falling, and the investment returns on public support are better.

We urge G20 members to take the decisive steps toward ending fossil fuel subsidies outlined in this statement, with the key action being the establishment of an ambitious 2020 deadline for the phase out of subsidies, in order to drive sustained and scaled-up action in the coming years.

[1] <https://www.odi.org/publications/10058-empty-promises-g20-subsidies-oil-gas-and-coal-production>

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