

START FUNDING CLIMATE ACTION, STOP FUNDING CLIMATE CHAOS

Climate finance for developing countries is a major sticking point in the UNFCCC negotiations.

Pledges to the Green Climate Fund – a key channel for climate finance – currently stand at only \$10 billion over several years.

Every year, governments spend hundreds of billions of dollars to support oil, gas and coal production, fueling climate chaos.

G7 countries plus Australia spend \$80 billion annually to support fossil fuel production, compared to just \$2 billion in annual support to the Green Climate Fund.



FOSSIL FUEL PRODUCTION SUBSIDIES (\$M)



WHY IS CLIMATE FINANCE IMPORTANT?

The landmark 2015 United Framework Convention on Climate Change (UNFCCC) negotiations in Paris are expected to deliver a new global climate change agreement, but the topic of climate finance remains a key sticking point. Climate finance is essential to help poor countries to tackle the effects of climate change and to transform their economies away from fossil fuels. The Green Climate Fund (GCF) is expected to be a key channel for delivering some of the \$100 billion of finance per year by 2020 that developed countries have committed to providing developing countries for climate mitigation and adaptation. Despite this expectation, current GCF pledges stand at just \$10.2 billion, with disbursement of those pledged resources expected to occur over several years.

WHAT DOES THE INFOGRAPHIC SHOW?

The infographic compares the amount of government support to fossil fuel production being provided by those Annex II countries that are members of the G20, against those same countries' GCF pledges. Annex II countries are those countries that are, under the UNFCCC, "required to provide financial resources to enable developing countries to undertake emissions reduction activities under the Convention and to help them adapt to adverse effects of climate change." The fossil fuel production figures include national subsidies (direct budget support and industry-specific tax breaks for fossil fuel producers) as well as domestic and international public finance that supports fossil fuel production. (See Table 1 for the figures used to generate the infographic.)

WHY ARE FOSSIL FUEL PRODUCTION SUBSIDIES A PROBLEM?

A report launched by Oil Change International and Overseas Development Institute in November, 2015 finds that G20 country governments are providing \$452 billion a year in subsidies for the production of fossil fuels. Continued support for fossil fuel production is not only driving climate change by supporting ever more fossil fuel exploration and production, but is also depriving treasuries of money that could be use other public goods, like climate finance to help developing countries mitigate and adapt to the impacts of climate change. Governments are propping up the production of oil, gas and coal – most of which can never be burned if the world is to avoid dangerous climate change. G20 governments are allowing fossil fuel producers to undermine national climate commitments, while paying them for the privilege, effectively providing a negative carbon price that incentivizes more production.

Table 1. Annual fossil fuel production subsidies vs. annual amount of Green Climate Fund pledges for select Annex 2 countries

COUNTRY	Annual fossil fuel production subsidies (USD millions)*	Annual amount of GCF pledge (USD millions)**	Ratio of fossil fuel production subsidies to GCF pledge amount
Australia	5,294	47	113
Canada	5,449	69	79
France	1,507	259	6
Germany	5,386	251	21
Italy	3,472	84	42
Japan	19,765	375	53
UK	14,562	303	48
US	24,226	750	32

RECOMMENDATIONS

In order to credibly claim that they are serious about climate change, governments must stop funding the climate crisis. Rich governments are also bound by their commitment under the UNFCCC to provide financial support to developing countries for climate change mitigation and adaptation. These objectives can be complimentary: as subsidies to fossil fuel production are phased out, some of the resources freed up can be directed to climate finance, contributing to a rapid increase in levels of public climate finance through 2020.

To enable a transformative shift in finance from dirty to clean sources of energy, COP21 decisions need to strongly encourage Parties to:

- Adopt strict timelines for the phase-out of fossil fuel production subsidies (and remaining subsidies to consumption) by 2020, with country-specific and measurable outcomes. The first step would be to eliminate all subsidies to fossil fuel exploration and coal.
- Increase the transparency of reporting on subsidies to, investment in, and finance for, fossil fuels by governments, state-owned enterprises and majority publicly owned financial institutions.
- Shift subsidies from fossil fuel production to support wider public goods, including through climate finance, to support, for example, the transition to low-carbon energy systems and universal energy access.
- Commit, at the climate summit in Paris to scale up public climate finance up to 2020 and beyond, whilst also shifting financial support to low-carbon and climate resilient technologies.

Oil Change International
www.priceofoil.org
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*Annual fossil fuel production subsidies include the annual average of national subsidies and public finance for fossil fuel production between 2013 and 2014, as reported in Empty promises G20 subsidies to oil, gas and coal production. Overseas Development Institute and Oil Change International, 2015. Available at <http://priceofoil.org/2015/11/11/empty-promises-g20-subsidies-to-oil-gas-and-coal-production/>

**Total amount of GCF pledge divided by four, using the assumption that a replenishment of the GCF will be completed within four years of the original pledges (although there is no fixed replenishment schedule, and replenishment is triggered by a certain portion). The GCF replenishment process is triggered when cumulative funding approvals of the GCF exceed 60 per cent of the total contributions received during the Initial Resource Mobilization period. Data on GCF pledges from "Green Climate Fund. Status of Pledges and Contributions made to the Green Climate Fund: 2 November 2015." Available at <http://www.greenclimate.fund/contributions/pledge-tracker>