



If oil causes so many problems, why do we keep bank-rolling it?

“**Oil Aid**” is the government’s practice of diverting taxpayer money, intended for developing country poverty alleviation, to instead subsidize the international oil industry.

Oil accounts for about 40 percent of the modern energy used in the world and 95 percent of transportation fuel. Our dependence on oil dominates our daily lives and is increasingly tied to many of the biggest problems facing humanity today:

- *Oil fuels global warming.* It is contradictory to fight climate change and fund Big Oil at the same time. More than one third of all global greenhouse gas emissions come from oil and gas, and overcoming our dependence on oil is a critical component in avoiding dangerous climate change.
- *High oil prices drive impoverished countries into debt.* The oil shocks of 1970s helped to trigger the modern debt crisis and today's soaring oil prices are undermining the benefits of debt cancellation and putting serious stress on many of the world's most impoverished countries (and some of its richest too!).
- *Oil triggers and intensifies armed conflict.* Countries that have a lot of oil are more likely to suffer civil wars than those that don't, and countries that depend on oil imports are all too often prepared to go to war to secure oil supplies.
- *Oil is often linked to human rights abuses and repression.* There is an alarming record of human rights abuses by governments and corporations associated with oil projects, and oil money is propping up some of the most authoritarian regimes in the world.
- *Oil harms human health and undermines sensitive ecosystems.* Oil production and transportation can have a devastating impact on local communities and ecosystems, and the process of refining and burning oil generates massive amounts of pollution.

The world's addiction to oil runs deep and oil corporations are among the most influential companies in the world. They are actively using their influence to develop allies within government and block much needed reforms. The result is that we are pursuing an

incoherent and often contradictory energy policy whereby governments are promoting the expansion of the oil industry and working to overcome oil addiction at the same time.

The best and most visible example of this counterproductive energy policy is the billions of dollars in subsidies that governments provide to international oil companies each year, including the use of limited development assistance to subsidize the expansion of the international oil industry. Through domestic policy international financial institutions like the Export-Import Bank and the World Bank Group, rich governments are providing goods, services, grants, loans and a range of financial guarantees – along with billions of dollars in tax breaks - to the largest and most profitable companies in the world. Governments and aid agencies are also financing the infrastructure that oil companies use to produce and transport oil and pressuring countries in Asia, South and Central America and Africa to change laws and regulations in ways that favor Big Oil.

These subsidies are a symbol of what is wrong with global energy policy today and they are within our power to change. Subsidizing the expansion of the international oil industry is not the most effective way to spend limited development assistance. We should end oil aid and focus on supporting a just transition away from dependence on oil.

The End Oil Aid Campaign is working internationally to raise public awareness and pressure decision-makers in donor countries, the World Bank and other institutions to stop using development assistance to subsidize the expansion of the international oil industry.

Oil Aid Quick Facts:

The United States is currently spending about \$1.3 billion a year on multilateral development banks, almost \$1 billion of which goes to the World Bank alone.

Every year multilateral “development” banks provide hundreds of millions of dollars in subsidies to oil corporations. Since 1992, the World Bank Group alone has provided at least \$5 billion for oil extraction projects, the great majority of which were designed to help fuel SUVs in rich countries rather than meet the energy needs of people in the global South.

Export Credit Agencies, which are public agencies that provide government-backed loans, guarantees, credits and insurance to private corporations from their home country to do business abroad, provided at least \$7.5 billion in long-term credits for increased oil and gas extraction between 1998 and 2004.

The United States Export Import Bank (Ex-Im), one of two US Export Credit Agencies (the other is the Overseas Private Investment Corporation – OPIC), authorized \$1.5 billion in financing for projects in the oil, gas and petrochemicals sector in fiscal year 2005.

The United States Agency for International Development (USAID) and the United States Trade and Development Agency (USTDA) also openly claim to play an important role in helping diversify and boost oil supplies to the United States. For instance, the US Embassy in Georgia openly acknowledges that USAID provided “significant assistance” to legal reforms in the oil and gas sector in Georgia, and USAID has commissioned reports on oil sector privatization in Iraq and provided advisors to the Iraqi government to help draft a critical petroleum law.

