CAN EUROPE BRIEFING
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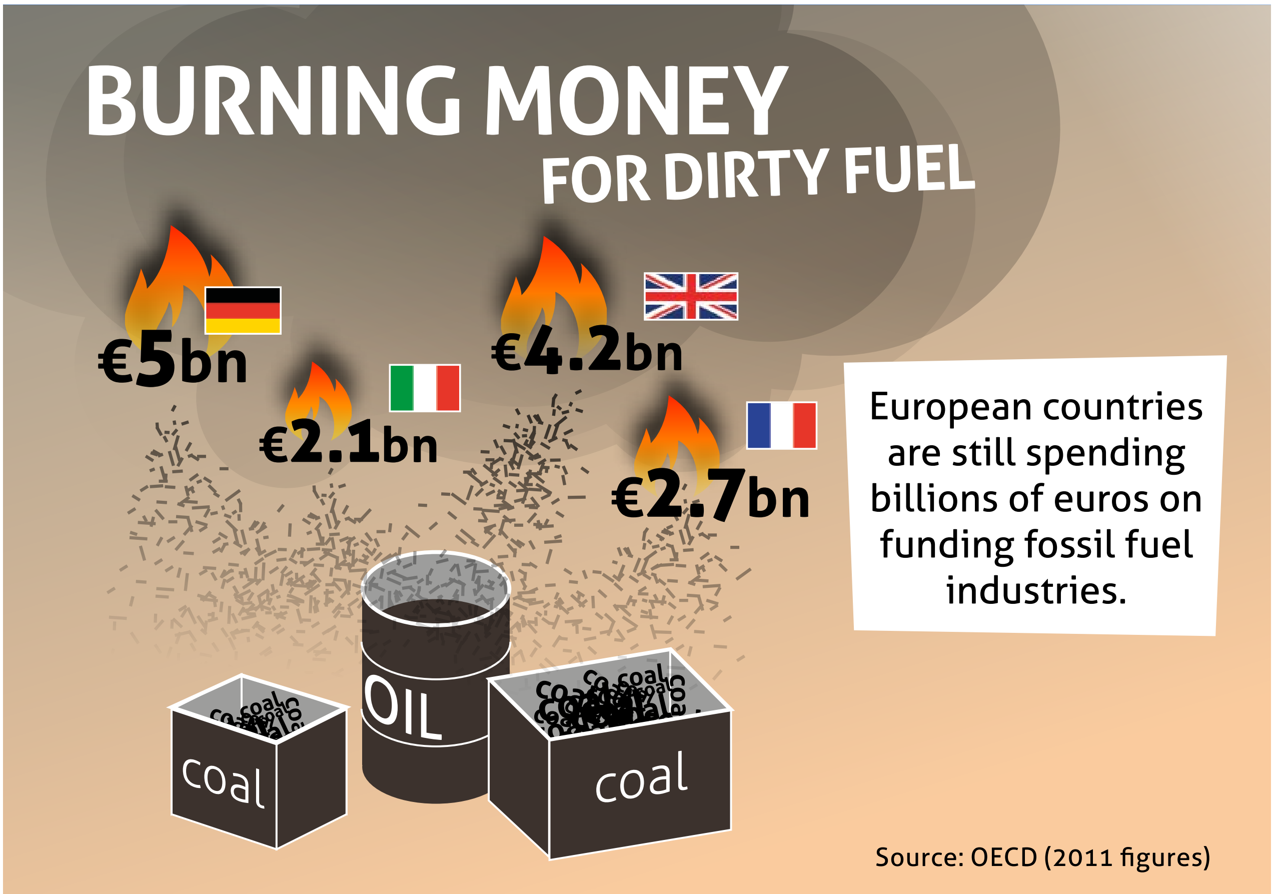
Reverse the flows

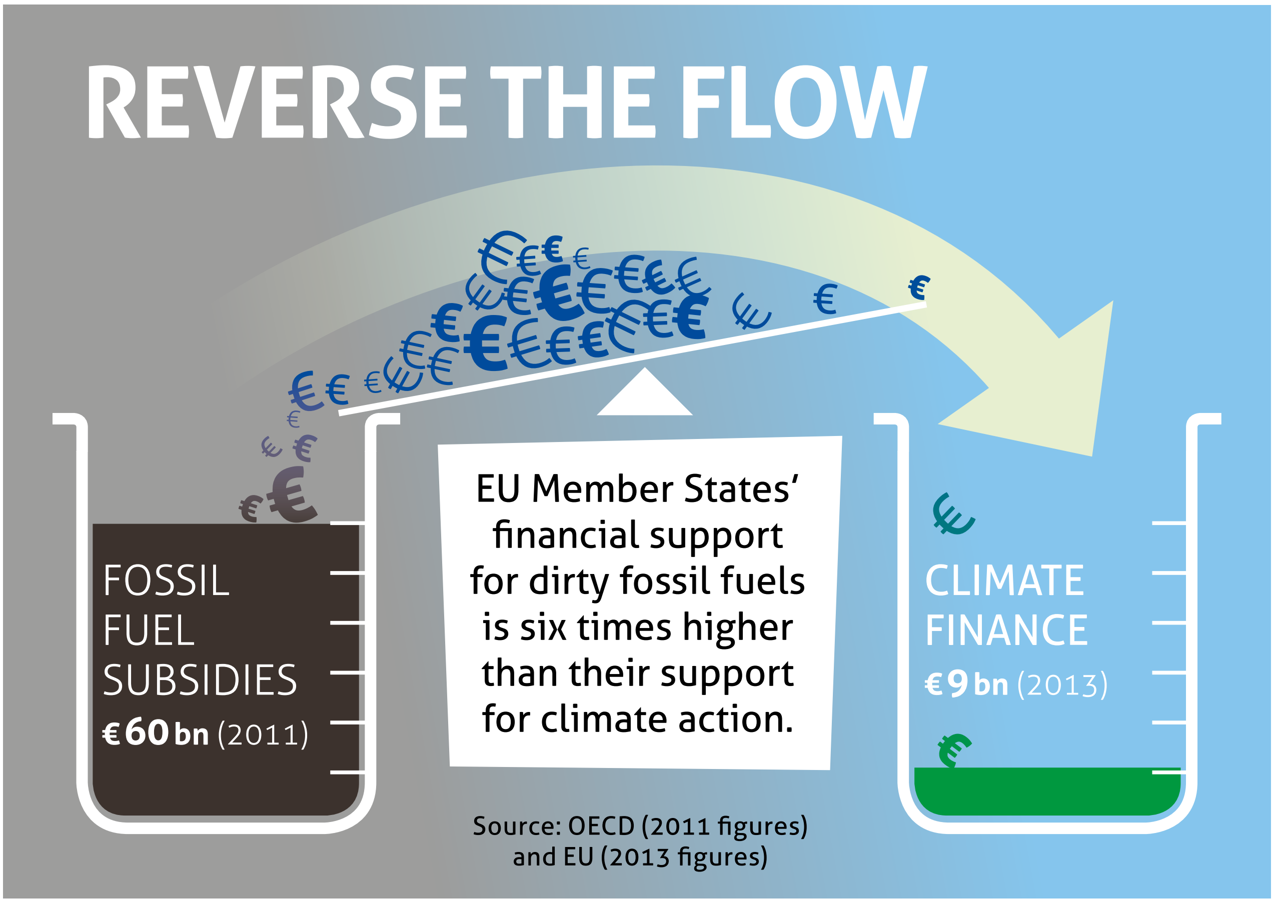
G20 countries should stop funding the causes of climate change and increase support for real solutions



Introduction

Despite earlier commitments to stop funding polluting fossil fuels, G20 countries are still spending billions of euros on providing support through different kinds of subsidies for the fossil fuel industry.[1] In the meantime, their contribution for climate finance remains meager. The four EU Member States that are part of the G20 are spending nearly three times as much on fossil fuel subsidies as on climate finance. The EU, also a member of the G20, has spent six times as much on subsidizing fossil fuels as it has on climate finance.

Climate Action Network Europe calls upon the G20 members to take responsibility to end fossil fuel subsidies and increase financial flows and investments for renewable energy, energy efficiency and climate change adaptation.



Members of the G20 should use the global momentum towards the December 2015 climate summit in Paris to demonstrate strong leadership in phasing out fossil fuel subsidies and championing support for low-carbon and climate resilient development. G20 countries should implement their existing commitment to phase out fossil fuel subsidies in a way that protects the poorest and most vulnerable people. More transparency around fossil fuel subsidy phase out is essential, particularly through actions that highlight the efforts that countries are making to phase out fossil fuel subsidies.

Background

The member countries of the G20, including four EU Member States and the EU itself, have committed to phase out fossil fuel subsidies. In spite of this commitment, our economies are still propping up the production and consumption of dirty fossil fuels.

Our addiction to fossil fuels is most starkly seen through the level of public support provided by governments for both the production and consumption of them. In the face of this problem are the impacts of climate change which are a direct result of burning fossil fuels. Coupled with climate change impacts, fossil fuel subsidies also have negative effects on health, local air and water quality, and environmental degradation. It is now time to quit fossil fuel subsidies and build more support to tackle climate change impacts and increase low-carbon development.

In the years 2010-2012 the EU and its Member States collectively contributed €7.2 billion[2] to jump-start much needed climate funding. The EU and its Member States, together with other developed countries, also committed to a goal of mobilising US$100 billion per year by 2020 towards meaningful climate action. It is necessary to lay down a roadmap for scaling up climate finance to achieve the EU's fair share (€24.3 billion annually) of the US$100 billion by 2020.

As we approach the end of 2015, progress towards this finance target has been slow; in order to stay on track to meeting its fair share of climate finance in 2013, the EU commitment should be at least €11.14 billion.[3] However, the EU and its Member States committed approximately €9.46 billion. In addition, there is little clarity on how support will increase from one year to the next, while poor and vulnerable countries have very little information on how money will be sourced and provided for much needed climate projects on the ground. As we approach the global climate summit, a clear and coherent pathway to the 2020 climate finance goal will be crucial to the integrity of the international climate agreement.

Climate finance should be the building block to a global climate agreement

All developed countries must set down a clear pathway for reaching global 2020 climate finance targets, and anchor down clear commitments for the delivery of climate finance after 2020.

A global climate agreement in Paris is dependent on a robust plan to deliver climate finance, and G20 countries need to show that they are taking this aspect of the negotiations seriously. The G20 should champion support for the solutions that can tackle climate change and help vulnerable communities adapt to its impacts.

Where our money is going: support for fossil fuels

The graphics laid out in this briefing highlight the contradiction between the level of public funds provided for climate action and the level of public funding used to support one of the main causes of climate change – fossil fuels. Our analysis aims to illustrate the monetary magnitude of fossil fuel subsidies in the four EU G20 members – Germany, France, Italy and the United Kingdom – and across the EU as a whole. The scale of fossil fuel subsidies is contrasted against the small size of public climate finance that is needed to tackle the causes and adverse effects of climate change.

The numbers speak for themselves: across the 4 EU G20 countries, the scale of **fossil fuel subsidies, at €14 billion in 2011, is nearly 3 times higher than the annual approved climate finance of approximately €5 billion in 2013.**[4] Across the whole EU, the scale of fossil fuel subsidies at **€60 billion in 2011, is six times the level of public climate finance, €9.5 billion, committed by the EU as a whole in 2013.**[5]

Although the EU prides itself in being the largest donor of international development assistance and climate finance, EU Member States have undermined these efforts through spending public money to support the production and consumption of fossil fuels within its own borders.

The EU should take further steps to ensure that fossil fuel subsidies are completely phased out across its Member States as soon as possible. Some of the key actions the EU can take include setting down a strict timeline and a follow-up and monitoring plan for Member States' efforts to phase out fossil fuel subsidies, as well as provide support and capacity-building for countries to make a just transition away from fossil fuels.

Our info-graphic explained: Specific parameters & methodology behind the numbers

Data on both fossil fuel subsidies and on the provision of public climate finance are not easily available, and there is definitely a need for more transparency and internationally agreed accounting rules. Fossil fuel subsidy data are from the most recent figures available at the OECD, while data on climate finance were mostly tracked from data from the European Commission.

The real cost of burning fossil fuels

Not only is public money being siphoned off to support fossil fuel production and use, the external costs of fossil fuel extraction and burning put enormous economic pressure on our economies. A recent report from the IMF, who considers all these costs as forms of subsidies, shows that for the four EU G20 countries, **the external costs of burning fossil fuels would amount to approximately €120 billion in 2015**.

The failure to reflect the real costs of fossil fuels in prices and policies means that the lives and livelihoods of people around the world are being threatened by climate change and local air pollution. The IMF has calculated that ending global fossil fuel subsidies would slash global carbon emissions by 20%.

END NOTES

1 2009 Pittsburgh statement from the G20 on phasing out fossil fuel subsidies

2 Fast Start Finance represents the collective commitment of developed countries to provide US$30 billion in climate finance between 2010 and 2012

3 Birdlife, WWF, CAN Europe & Oxfam, 2012, 'Climate finance in the MFF'; http://www.birdlife.org/sites/default/files/attachments/3-implement_climate_commitment_sep_2012.pdf. It suggests the EU's average fair share of global climate finance commitments is one third of the US$100 bn goal. The average is based on a method to agree shares of the overall climate finance commitment weighted between GDP and Greenhouse Gas emissions

4 Calculated from OECD & EU Commission data sources (see sources below)

5 The figures on climate finance for 2013 include figures from the European Commission and from EU Member States.

6 Tax expenditures for any given country are measured with reference to a benchmark tax treatment that is generally specific to that country. Consequently, the estimates contained here are not necessarily comparable between the countries. For data see: http://www.oecd.org/site/tadffss/

7 EU submission on strategies and approaches to scale up climate finance, 2014; http://ec.europa.eu/clima/policies/finance/docs/eu_strategies_and_approaches_en.pdf (pgs.36, 38 & 55)

8 http://cdr.eionet.europa.eu/gb/eu/mmr/art16_finance/envvdezpw

SOURCES

Climate finance

- EU submission on strategies and approaches for scaling up climate finance; http://ec.europa.eu/clima/policies/finance/docs/eu_strategies_and_approaches_en.pdf
- EU Accountability Report, 2015; https://ec.europa.eu/europeaid/sites/devco/files/eu-financing-for-development-accountability-report-2015-staff-working-document_en.pdf
- Mechanism for monitoring and reporting; http://cdr.eionet.europa.eu/gb/eu/mmr/art16_finance/envvdezpw

Fossil fuel subsidies

- OECD, 2013, Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil-Fuels 2013

Economic costs of fossil fuels (post-tax subsidies)

- International Monetary Fund, 2015, Coady, Parry, Sears & Shang; "How Large Are Global Energy Subsidies?"
- Link to original dataset (click on: 'Access the country database')

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