Fossil Fuel Subsidies Continue to Overshadow Climate Finance
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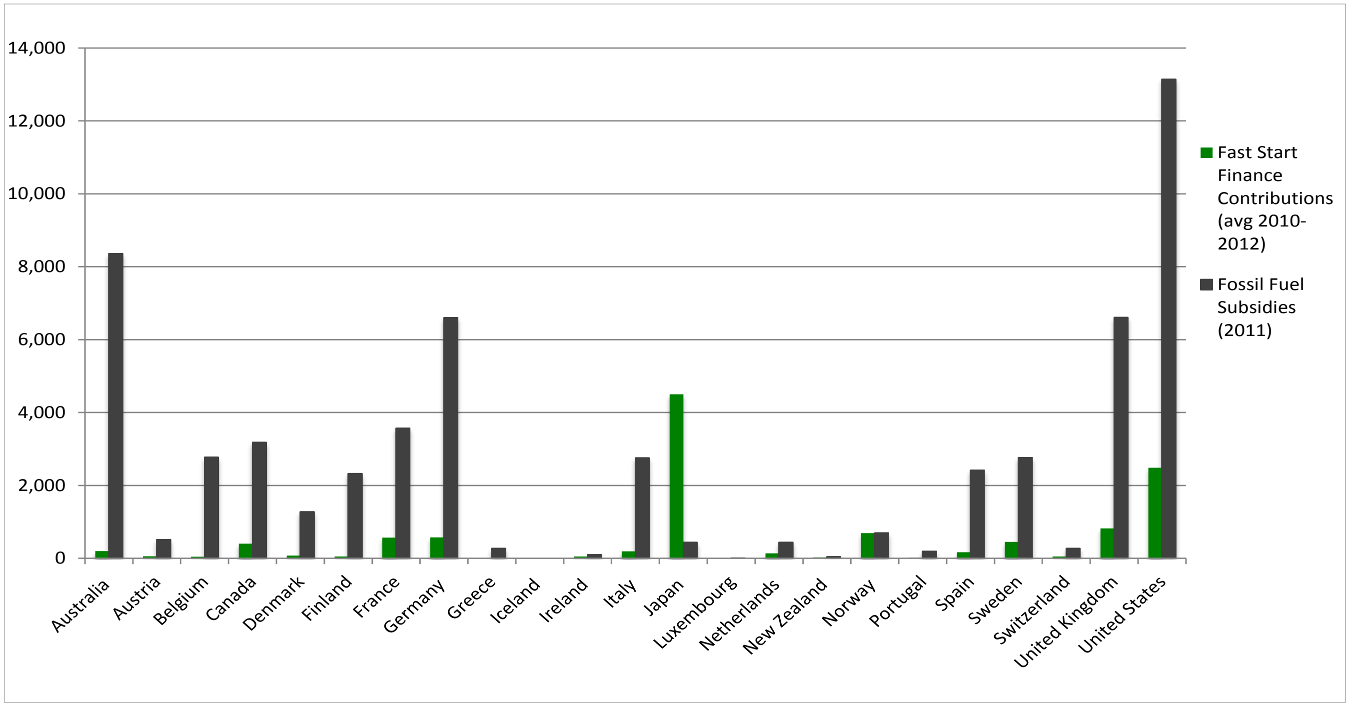
As the 2013 United Framework Convention on Climate Change (UNFCCC) negotiations enter their second week in Warsaw, participants are working to figure out how developed (Annex 2) countries will meet their pledge to provide $100 billion of climate finance per year by 2020 to support mitigation and adaptation in developing countries. In an effort to provide shorter term resources and build frameworks for climate finance, Annex 2 countries had collectively committed to $30 billion of "fast-start" climate finance from 2010 through 2012. Looking back at the experience from the fast-start finance period shows that developed countries are still funneling far more public money into fossil fuel subsidies compared to climate finance, contributing to growing greenhouse gas emissions and therefore directly undermining the investments made to reduce climate impacts.

Annual Fossil Fuel Subsidies vs. Fast-Start Climate Finance in Annex 2 Countries (in millions of USD)



Sources: OCN 2013, OECD 2013.[i]

The chart "Annual Fossil Fuel Subsidies vs. Fast-Start Climate Finance in Annex 2 Countries" uses new data from the Open Climate Network (OCN that provides total country-by-country fast-start finance contribution data. In total, Annex 2 countries contributed $35 billion of fast-start finance from 2010 through 2012, exceeding the

$30 billion pledge. However, climate finance data is self-reported, and OCN's analysis raises serious questions about the legitimacy of how countries calculate their contributions. In particular, most climate finance is not additional to traditional development assistance, and transparency in reporting contributions still varies widely between countries.

Total Annex 2 Country Fossil Fuel Subsidies (OECD 2013) Compared to Climate Finance (Average Annual 2010-2012)

Sources: OCN 2013, OECD 2013.[ii]

Meanwhile, according to data from the Organization for Economic Cooperation and Development (OECD), these same countries provided more than $58 billion in fossil fuel subsidies, more than **five times greater** than average annual climate finance over the fast-start period. This data includes domestic fossil fuel subsidies, but does not include bilateral financing of fossil fuel projects or contributions to development banks.

For example, Japan – which appears to be the positive exception in this chart – lent $3.34 billion for coal projects abroad through the Japan Bank for International Cooperation and Nippon Export and Investment Insurance in 2011.[iii] Further, the major development banks, including the World Bank, African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, the European Investment Bank, and Inter-American Development Bank, which are supported largely by Annex 2 countries, provided over $6.5 billion to fossil fuel projects in 2011.

Globally, public support for fossil fuels is far greater – the International Energy Agency (IEA) estimates that subsidies for fossil fuel consumption alone totaled $544 billion in 2012. When health and environmental externalities are included, the International Monetary Fund (IMF) estimates global energy subsidies at $1.9 trillion, most of which goes to fossil fuels. This massive expenditure of taxpayer money to bolster the oil, gas, and coal industries continues more than four years after G20 member countries pledged to phase out inefficient fossil fuel subsidies. The IMF study calculates that removing energy consumption subsidies only could reduce global carbon emissions by 13 percent.

For comparison, a recent report from the Climate Policy Initiative (CPI) estimates that global public sector climate finance (not just developed to developing countries) was just $135 billion that year. This figure is mostly made up of government-provided low-interest loans, grants, and equity for renewable energy development and other climate-related projects.

In order to ensure meaningful progress on climate finance in Warsaw, Annex 2 countries should commit to predictable and steadily increasing levels of public climate finance through 2020.[iv]

Given the broad agreement on fossil fuel subsidies phase out, COP19 decisions need to strongly encourage Parties to immediately adopt and implement concrete, time-bound plans to effectively phase out fossil fuel subsidies by 2015. These plans should include:

- ***transparency and consistency in reporting;***
- ***concrete measures to phase out producer subsidies including an immediate ban on subsidies for further exploration;***
- ***phase out plans for subsidies provided by international financial institutions and export credit agencies; and***
- ***assistance and safeguards for the poor and most vulnerable who must be guaranteed access to energy.***

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[i] Smita Nakhooda, et al., "Mobilising International Climate Finance: Lessons from the Fast-Start Finance Period," Open Climate Network, November 2013; Organization for Economic Cooperation and Development, Fossil Fuel Subsidies and Other Support, http://www.oecd.org/site/tadffss/, data accessed 12 November 2013.

[ii] Ibid.

[iii] Natural Resources Defense Council, forthcoming 2014.

[iv] Climate Action Network, a global network of over 850 non-governmental organizations in more than 90 countries, has called on developed countries to make immediate, substantial, and concrete commitments of public climate finance and to remove fossil fuel subsidies.