

ANALYSIS:

**DEVELOPED COUNTRY SUPPORT FOR
FOSSIL FUEL EXPLORATION FAR EXCEEDS
GREEN CLIMATE FUND PLEDGES.**

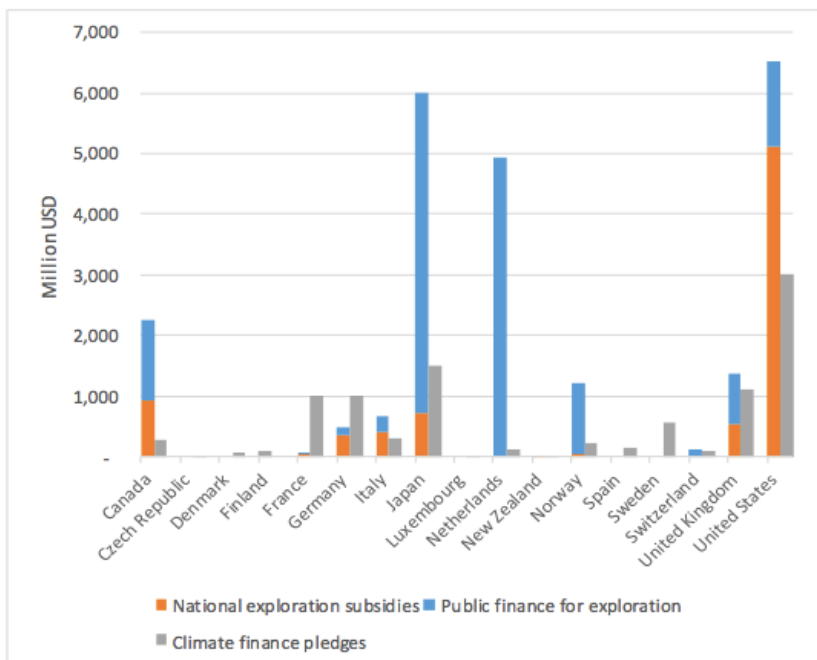


With the 2014 United Framework Convention on Climate Change (UNFCCC) negotiations underway in Lima, Peru, several developed (Annex 2) countries have made headlines with billions of dollars in pledges to capitalize the Green Climate Fund (GCF). The GCF is expected to be an important channel for funneling the \$100 billion of finance per year by 2020 that developed countries have committed to providing developing countries for climate mitigation and adaptation.

While these climate finance pledges have been met with some enthusiasm from the climate community in the hopes that they will inject momentum into this year's negotiations, this briefing finds that developed countries are still providing nearly three times more public money for *fossil fuel exploration alone* – supporting the search for more oil, gas, and coal – than they have pledged for the GCF.

The chart 'Annual Support for Fossil Fuel Exploration vs. Green Climate Fund Pledges in Annex 2 Countries' shows public support for fossil fuel exploration compared to countries' pledges to the GCF.¹

Annual Support for Fossil Fuel Exploration vs. Green Climate Fund Pledges in Annex 2 Countries



Pledges to the GCF totaled \$9.95 billion at the beginning of December 2014, bringing it close to the initial goal of \$10 billion in capitalization funds, including pledges from both developed and developing countries.² At the same time, public support for fossil fuel exploration by Annex 2 governments alone totals \$26.6 billion per year, nearly three times the current amount that these countries have pledged in climate finance to the GCF.³

¹ Because GCF capitalization is ongoing and not all Annex 2 countries have yet made their pledges, only Annex 2 countries that have made concrete GCF commitments in the run-up to and first days of the Lima COP are included in this chart.

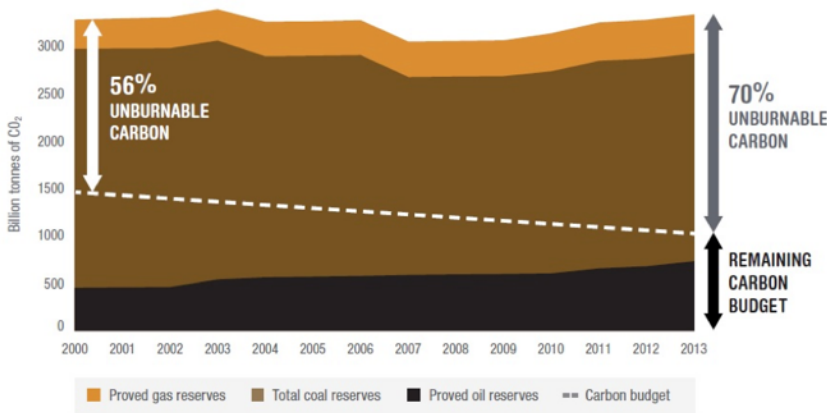
² GCF, <http://news.gcfund.org/>; Oxfam International, "Pledges to Green Climate Fund reach bare minimum but are important step forward," November 20, 2014, <http://www.oxfam.org/en/pressroom/pressreleases/2014-11-20/pledges-green-climate-fund-reach-bare-minimum-are-important-step>

³ Calculated from data compiled by Oil Change International (OCI) at <http://ShiftTheSubsidies.org>; Oil Change International (OCI) and Overseas Development Institute (ODI), *The fossil fuel bailout: G20 subsidies for oil, gas and coal exploration*, November 2014, <http://priceofoil.org/2014/11/11/fossil-fuel-bailout-g20-subsidies-oil-gas-coal-exploration/>; Organisation for Economic Co-operation and Development (OECD), OECD-IEA Fossil Fuel Subsidies and Other Support, <http://www.oecd.org/site/tadffss/>; and IJ Global database, <http://www.ijonline.com/data>

This exploration support continues despite the scientific consensus that the vast majority of known fossil fuel reserves must stay in the ground if we are to avoid dangerous climate change,⁴ as shown in the figure ‘The Carbon Content of Fossil Fuel Reserves in Comparison to the Carbon Budget.’ Putting public money toward exploration for more fossil fuel resources – when we can only afford to burn a fraction of the oil, gas, and coal that has already been identified – is at odds with internationally agreed climate goals.⁵

Globally, government support for fossil fuels is far greater than the figures identified here for exploration alone. When support to fossil fuel consumption, production, and 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.⁶ This massive expenditure of taxpayer money to bolster the oil, gas, and coal industries continues more than five years after G20 member countries pledged to phase out inefficient fossil fuel subsidies. For comparison, in 2012 global renewable energy subsidies totaled just \$101 billion.⁷

The Carbon Content of Fossil Fuel Reserves in Comparison to the Carbon Budget (2000 to 2013)



Country-by-Country Breakdowns

The table ‘Annual Fossil Fuel Exploration Subsidies and Public Finance vs. Climate Finance in Annex 2 Countries’ shows national subsidies and public finance aimed specifically at fossil fuel exploration activities as well as current climate finance pledges.⁸

⁴ International Energy Agency (IEA), *World Energy Outlook 2012*, Executive Summary, <http://www.iea.org/publications/freepublications/publication/English.pdf>; Intergovernmental Panel on Climate Change (IPCC), *Climate Change 2013: The Physical Science Basis*, Summary for Policymakers, p. 25, http://www.ipcc.ch/report/ar5/wg1/docs/WGIAR5_SPM_brochure_en.pdf

⁵ OCI and ODI, *The fossil fuel bailout: G20 subsidies for oil, gas and coal exploration*, November 2014, <http://priceofoil.org/2014/11/11/fossil-fuel-bailout-g20-subsidies-oil-gas-coal-exploration/>

⁶ IMF, *Energy Subsidy Reform: Lessons And Implications*, January 28, 2013, <http://www.imf.org/external/np/pp/eng/2013/012813.pdf>

⁷ OCI and ODI, *The fossil fuel bailout: G20 subsidies for oil, gas and coal exploration*, November 2014, <http://priceofoil.org/2014/11/11/fossil-fuel-bailout-g20-subsidies-oil-gas-coal-exploration/>

⁸ For the purpose of this brief, exploration subsidies include national subsidies and public finance aimed specifically at fossil fuel exploration activities, as well as support for extraction that is likely to include an exploration component. National subsidies include both direct spending (e.g. government research and development activities) and tax expenditures (e.g. tax breaks). Public finance includes favorable terms on loans, equity, and guarantees for domestic and overseas projects from government export credit agencies, bilateral finance agencies, and majority state-owned banks.

**Annual Fossil Fuel Exploration Subsidies and Public Finance vs.
Climate Finance in Annex 2 Countries (in million USD)**

Country	Annual national fossil fuel exploration subsidies (most recent year available)	Annual public finance for fossil fuel exploration (average 2010-13)	Total support for fossil fuel exploration	Climate finance (GCF pledges)	Ratio of exploration support to climate finance
Australia	2,897	94	2,991	-	-
Austria	-	-	-	-	-
Belgium	-	-	-	-	-
Canada	928	1,317	2,245	266	8.4
Czech Republic	-	-	-	6	-
Denmark	-	-	-	70	-
Estonia	-	-	-	-	-
Finland	-	-	-	100	-
France	42	15	57	1,000	0.1
Germany	344	131	475	1,000	0.5
Greece	-	-	-	-	-
Hungary	-	-	-	-	-
Iceland	-	-	-	-	-
Ireland	-	-	-	-	-
Italy	407	246	653	312	2.1
Japan	724	5,285	6,009	1,500	4.0
Luxembourg	-	-	-	7	-
Netherlands	-	4,924	4,924	124	39.7
New Zealand	1	-	1	3	0.4
Norway	42	1,167	1,210	230	5.3
Poland	-	-	-	-	-
Portugal	-	-	-	-	-
Slovakia	7	-	7	-	-
Slovenia	-	-	-	-	-
Spain	-	-	-	150	-
Sweden	-	-	-	550	-
Switzerland	-	125	125	100	1.3
United Kingdom	543	825	1,368	1,100	1.2
United States	5,123	1,396	6,519	3,000	2.2
Total	11,059	15,526	26,585	9,517	2.8

The **United States**, whose \$3 billion pledge is the largest commitment to the GCF thus far, provides more than twice that amount – \$6.5 billion – in annual government support for fossil fuel exploration. Although President Obama has called for the repeal of taxpayer support to the fossil fuel industry, his

Administration’s “All of the Above” energy strategy, which promotes U.S. oil and gas production, has led to a 45 percent increase in US fossil fuel subsidies since 2009.⁹

Japan, which had seemingly aimed to position itself as a global climate finance

⁹ Shakuntala Makhijani, “Cashing in on All of the Above: U.S. Fossil Fuel Production Subsidies under Obama,” OCL, July 2014, <http://priceofoil.org/2014/07/09/cashing-in-on-all-of-the-above-u-s-fossil-fuel-production-subsidies-under-obama/>

leader with the largest contributions over the 2010 to 2012 “fast-start finance” period, was the second highest contributor to the GCF with a \$1.5 billion pledge.¹⁰ However, Japan is also one of the largest providers of government finance for fossil fuel exploration and production around the world.

Furthermore, because government self-reporting to the UNFCCC lacks strong guidelines or enforcement, Japan was able to register \$1 billion in public finance for three coal power plants in Indonesia as part of its climate finance contributions. There are concerns that GCF finance could similarly be used to support fossil fuels, as to date the fund does not have an explicit ban.¹¹

Australian Prime Minister Tony Abbott, whose government has significantly increased public support to the fossil fuel industry, has thus far refused to pledge funds to the GCF.¹² And while the **Netherlands** and **Norway** have made relatively modest GCF pledges, their governments provide far more public money annually for fossil fuel exploration (\$4.9 billion and \$1.2 billion, respectively) than for climate finance.

In addition, major development banks, including the World Bank Group, Asian Development Bank, European Bank for Reconstruction and Development, and the European Investment Bank, which are supported largely by Annex 2 countries,

provided another \$1.6 billion in finance for fossil fuel exploration in 2013.

Recommendations

In order to ensure meaningful progress in Lima, Annex 2 countries should commit to predictable and steadily increasing levels of public climate finance through 2020. To enable a transformative shift in finance from dirty to clean sources of energy, COP20 decisions need to strongly encourage Parties to immediately adopt and implement concrete, time-bound plans to effectively phase out fossil fuel subsidies. These plans should include:

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

¹⁰ Smita Nakhoda, et al., “Mobilising International Climate Finance: Lessons from the Fast-Start Finance Period,” Open Climate Network, November 2013; GCF, <http://news.gcfund.org/>

¹¹ “Climate funds for coal highlight lack of UN rules,” *Associated Press* via *The Washington Post*, December 1, 2014, http://www.washingtonpost.com/world/asia_pacific/climate-funds-for-coal-highlight-lack-of-un-rules/2014/12/01/58099e96-791e-11e4-9721-80b3d95a28a9_story.html

¹² Lenore Taylor, “Tony Abbott rules out more contributions from Australia to Green Climate Fund,” *The Guardian*, November 16, 2014, <http://www.theguardian.com/australia-news/2014/nov/17/tony-abbott-rules-out-contributions-australia-green-climate-fund>

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