

# Briefing:

**G7 countries can shift billions into clean energy if they strengthen their commitment to end international fossil finance**



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On April 15th - 16th, the International Group of Seven (G7) Climate, Energy and Environment Ministers are meeting in Sapporo, Japan and on May 19th-21st, the 49th G7 Summit will take place in Hiroshima. Leaders of the world's largest economies will gather to discuss the response to the current energy crisis while aiming to "solv[e] Climate, Energy and Environment issues at the same time".<sup>1</sup>

This briefing provides preliminary energy finance data for 2022 and shows that not only investments in new fossil fuel infrastructure are incompatible with meeting climate goals, but also that they are not needed for energy security and development goals. What is needed is a rapid scale-up of clean energy solutions.

The G7 has the opportunity to accelerate the energy transition by delivering on their commitment to end international public finance for fossil fuels, and by committing to a managed phase-out of fossil fuel production alongside a rapid scale-up of clean energy solutions on a timeline compatible with limiting warming to 1.5 degrees Celsius (°C).

## KEY MESSAGES:

- Last year the G7 adopted a groundbreaking commitment to "end new direct public support for the international unabated fossil fuel energy sector by the end of 2022".<sup>2</sup> At this year's Summit, G7 governments must reiterate and strengthen their commitment and avoid language calling for investments in upstream gas or liquefied natural gas (LNG) infrastructure.
- Reiterating and strengthening the language is critical as some countries, particularly Japan, Italy and Germany, have not delivered on implementation, and recent G7 public finance flows remain severely misaligned with climate goals. New data below shows G7 public finance for fossil fuels between 2020 and 2022 totalled at least USD 73 billion, almost 2.6 times their clean energy support over the same period (\$28.6 billion).
- Canada and Japan were the top two fossil fuel financiers between 2020 and 2022. The largest share (42%) of fossil fuel finance across the G7 went to support fossil gas projects. With its new Green Transformation (GX) Strategy, approved in February 2023, Japan is also working to expand the use of fossil fuels across Asia under the guise of "decarbonization."<sup>3</sup>
- The G7's clean energy finance is largely going to wealthy countries instead of countries in the Global South. No low-income countries were in the top 15 recipients of clean finance, and only four were lower-middle-income countries.



- Through the upholding and strengthening of last year's language, the G7 has an opportunity to prevent backsliding and shift USD 24.3 billion per year from fossil fuels to clean energy. This would bring the G7's clean energy finance to USD 34 billion annually when added to their existing clean finance. This sum is almost large enough to close the USD 36 billion<sup>4</sup> energy access finance gap. Making this shift would also catalyze an even larger shift in public and private finance.<sup>5</sup>
- Meeting the public finance commitment with integrity will also help to send the right political signals on the phase-out of all fossil fuels. We are already seeing several governments, including the European Union (EU),<sup>6</sup> prioritizing their public finance commitment in their diplomatic efforts in the lead-up to the 2023 United National Climate Change Conference of Parties (COP28).
- Shifting to clean energy and phasing out fossil fuel reliance will permanently bring down soaring energy costs and increase energy security. These technologies are more affordable, can be scaled up more rapidly, and do not introduce further volatility through increased climate damages, fiscal instability, and stranded asset risks as global gas demand drops.<sup>7</sup>
- The G7's public finance institutions are uniquely placed to catalyze a just, transformative, and rapid transition to clean energy. They can give below-market rates, extra technical advice, longer loan periods, government-backed guarantees, grants, and other benefits that are often needed to get large infrastructure projects built. If used well, public finance institutions can play a central role in supporting transformative solutions like decentralized renewable-friendly grids, community-owned solar, building retrofits, and other key infrastructure needed to build a globally just transition in line with the 1.5°C target.



# G7 PUBLIC FINANCE REMAINS SKEWED TOWARDS FOSSIL FUELS

## Glasgow Statement and G7 commitment

At COP26 in November 2021, 39 countries and institutions signed a joint commitment to end new direct international public finance for fossil fuels by the end of 2022 and instead prioritize public finance for clean energy.<sup>8</sup> The signatories of this commitment — called “the Glasgow Statement” here for short — include some of the largest historic providers of international public finance, including all of the G7 apart from Japan.

While G7 ministers adopted a near-identical commitment to the Glasgow Statement during their 2022 Summit – joined by Japan for the first time – G7 leaders added new caveats, allowing investments in LNG as “appropriate as a temporary response” to Russia’s War in Ukraine.<sup>9</sup> In addition, in May 2022, an official with Japan’s Ministry of Economy, Trade and Industry stated that,

despite the G7 commitment, Japan “will remain committed with its public support for oil and gas upstream developments albeit in amore selective manner.”<sup>10</sup>

With the passing of the end-of-2022 deadline, significant progress<sup>11</sup> has been made in shifting international public finance away from fossil fuels. Of the six G7 signatories to the Glasgow Statement, Canada, the United Kingdom, and France have released new or existing policies that largely meet the promise they made in Glasgow and are shifting billions out of fossil fuels and into clean energy. As Table 1 below details, Japan, and Germany have yet to publish policies to meet their Glasgow and G7 commitment. Italy’s recently released policy needs strengthening,<sup>12</sup> and the United States has adopted guidelines, but has not made them public.<sup>13</sup>







## Glasgow Statement and G7 commitment

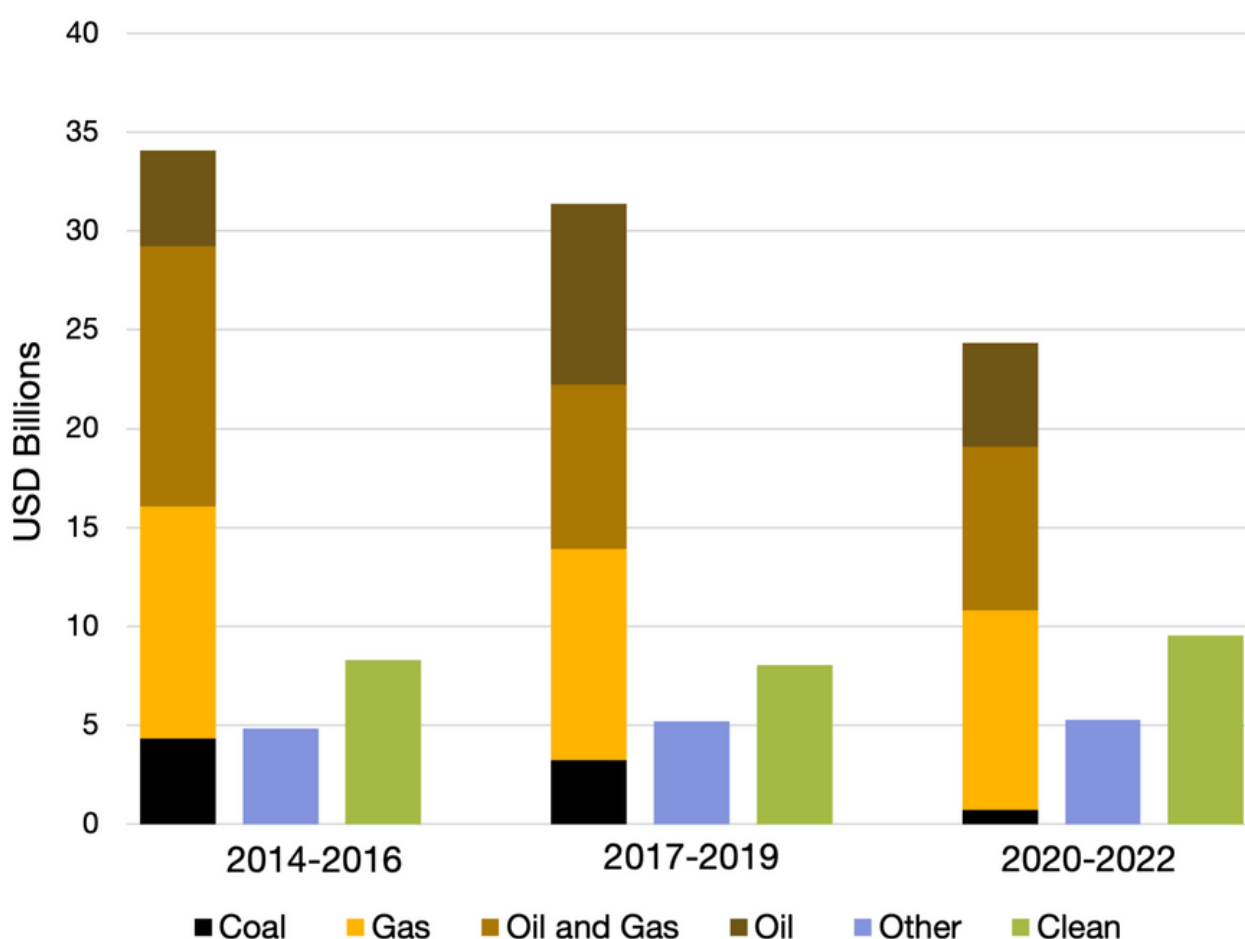
Between 2020 and 2022, G7 public finance for fossil fuels totalled at least USD 73.5 billion, which was two and half times its support for clean energy. This includes financing provided through development finance institutions (DFI) and export credit agencies (ECA). Rather than growing significantly as needed, G7 clean energy finance has stagnated.

Most notably, we find that:

- The G7's international public finance for fossil fuels totalled at least USD 73 billion between 2020 and 2022, almost 2.6 times their clean energy support over the same period (28.6 billion). 82% of all fossil fuel finance came from ECAs.
- Support for fossil fuels decreased from an average of \$33.4 billion in 2013-2019 to \$24.3 billion in 2020-2022. However, this does not include any 2022 transactions from Italy's export credit agency, SACE, which have not yet been published. In previous years SACE has been the largest fossil fuel funder in Europe, and in 2022 considered providing support for at least three large oil and gas projects.<sup>14</sup> The 2022 data for Japan is also preliminary and likely has gaps as two of their public finance institutions have not yet released their annual reports for 2022. This means that in reality there may not be a decrease in fossil support.
- In 2020-2022, 28% of all G7 energy finance went to fossil gas (\$10 billion per year), more than any other energy sub-sector. A further \$8.6 billion per year went to projects involving oil and gas. The majority (75%) of gas finance went to support LNG projects. Japan and the United States were the top supporters of LNG, providing 47% and 20% respectively of all of the G7's LNG finance. About 40% of all gas finance supported midstream activities, 20% supported downstream, 16% was for upstream projects, and 24% was mixed or unclear.

- Clean energy finance has been largely stagnant, increasing only slightly from an annual average of \$7.3 billion from 2017-2019 to \$9.5 billion from 2020-2022 (Figure 1). More investment will be needed to limit warming to 1.5°C. The International Energy Agency's (IEA) 1.5°C scenario shows that public investment in clean energy needs to triple by 2026 to \$250 billion annually.<sup>15</sup>
- Despite fossil fuel industry assertions that international finance for fossil fuels is needed to support development,<sup>16</sup> the largest recipients of G7 energy finance are not low-income countries but rather high and upper-middle-income countries for both fossil fuels and clean energy. Where G7 public finance for fossil fuels does flow to low-income countries, this often supports exports rather than domestic energy access.<sup>17</sup>
- Overall, G7 countries received 33% of their combined clean energy finance instead of countries in the Global South. No low-income countries were in the top 15 recipients of clean finance, and only four were lower-middle-income countries.

**Figure 1: Annual G7 international public finance for fossil fuel, clean and other energy by three year average, 2014-2022, in USD billions**



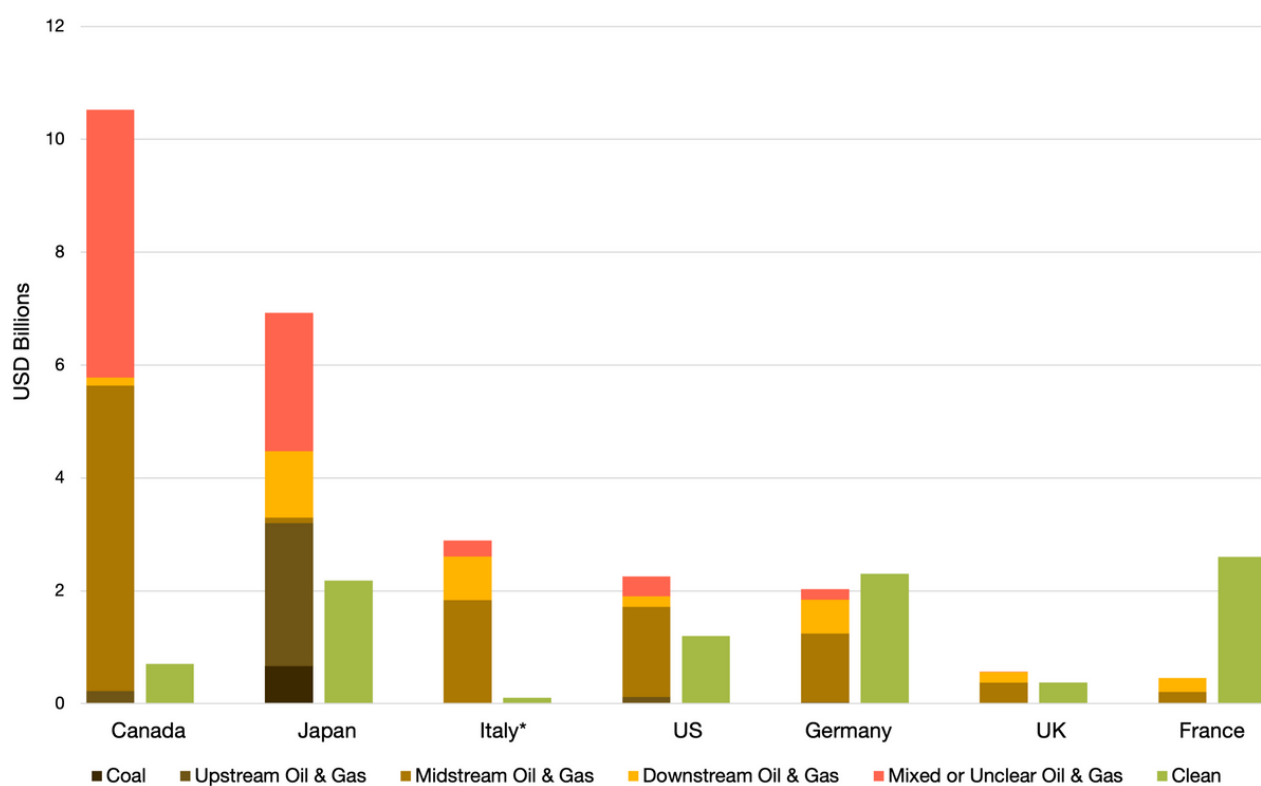
Source: Public Finance for Energy Database, [energyfinance.org](http://energyfinance.org).



As Figure 2 illustrates, Canada, Japan,<sup>18</sup> and Italy<sup>19</sup> provided the most international public finance for fossil fuels between 2020 and 2022, giving an annual average of at least \$10.5 billion, \$6.9 billion, and \$2.9 billion, respectively. Together they account for 80% of all fossil fuel finance among G7 countries between 2020 and 2022.

As noted, Canada delivered on their commitment to end their international public finance for fossil fuels by the end of 2022 and promised to end domestic subsidies by the end of 2023 as well.<sup>20</sup> These commitments signal that Canada will greatly reduce its fossil fuel finance going forward.<sup>21</sup> This leaves Japan followed by Italy as the likely largest fossil fuel financiers given they have yet to deliver on their commitment to shift their finance out of fossil fuels and towards a globally just transition to clean energy.

**Figure 2: G7 international public finance of fossil fuels compared to clean energy, annual average 2020-2022, in USD billions**



\*Italy's ECA SACE has yet to publish 2022 data, so finance here covers 2020-21

Source: Public Finance for Energy Database, [energyfinance.org](http://energyfinance.org)

**Table 1: Fossil fuel exclusion policies of G7 countries** <sup>22</sup>

Country	Timeline	Coal	Oil	Gas
Annual average fossil fuel and clean energy support, 2020-2022, USD millions	End-of-2022 deadline for ending new fossil fuel support met	No new coal finance - mining, transportation, power, associated infrastructure	No new upstream, midstream or downstream support for oil	No new upstream, midstream or downstream support compatible with Glasgow policy
<b>United Kingdom</b> 1,487   371				
<b>France</b> 248   2,599				
<b>Canada*</b> 10,524   701				
<b>United States</b> 2,254   1,197				
<b>Italy**</b> 2,892   107				
<b>Germany</b> 2,007   2,301				
<b>Japan***</b> 6,928   2,181				

● In breach of Glasgow/ G7 Commitment

● Partial policy, but not aligned with the Glasgow Statement criteria. This means no fossil fuel exclusions or very limited exclusions that represent less than 25% of activity in this lifecycle stage, or full exclusions at some international public finance institutions but not all.

● Policy is aligned with the Glasgow Statement criteria.

● No policy published.

\*These numbers include all of Canada's ECA fossil fuel finance, including the domestic portions, which does not fall under the Glasgow and G7 commitment. More details on Canada's ECA, Export Development Canada can be found [here](#).

\*\* Because Italy's ECA, SACE has yet to publish its 2022 data, these numbers are 2020-2021 averages.

\*\*\*This is a conservative estimate as two of Japan's public finance institutions have yet to publish their 2022 annual reports



# JAPAN: PROMOTING A DECEPTIVE ENERGY TRANSITION VISION BACKED WITH PUBLIC FINANCE

Along with being one of the top international public financiers of fossil fuels, Japan has failed to uphold last year's G7 commitment to stop international fossil fuel finance. Already in 2023, the ECA, Japan Bank for International Cooperation has provided \$393 million for the Syr Darya II Shirin combined cycle gas turbine (CCGT) Gas Plant in Uzbekistan,<sup>23</sup> and is also considering support for LNG imports.<sup>24</sup>

The Japanese government leads the expansion of upstream gas, LNG, and co-firing of ammonia and hydrogen with fossil fuels across Asia.<sup>25</sup> With its new Green Transformation (GX Strategy, approved in February 2023, the Japanese government is working to expand the use of fossil fuels across Asia under the guise of “decarbonization.”<sup>26</sup>

The GX strategy relies heavily on fossil fuel-based technologies, including LNG; co-firing of ammonia at coal power plants; fossil hydrogen; and carbon capture, utilization

and storage (CCUS), and aims to promote these technologies at home and abroad through public finance support. Japan's DFI, the Japan International Cooperation Agency (JICA) commissioned a decarbonization roadmap for Indonesia, which deems ammonia, hydrogen, and LNG (with carbon capture and storage) “desirable” as main fuels.<sup>27</sup> JICA is also advising Bangladesh on their energy and power sector master plan, promoting both LNG and ammonia co-firing.<sup>28</sup> These technologies are prolonging fossil fuel use when renewable energy solutions are available, cleaner and more affordable.

Further, Japanese officials are pushing for the inclusion of these fossil-based technologies in international fora and are derailing global action to mitigate the climate crisis. Japan has reportedly pushed for increased investment in gas and support for ammonia co-firing and other fossil-based technologies during G7 negotiations this year.<sup>29</sup>





# CONNECTING ENDING INTERNATIONAL PUBLIC FINANCE FOR FOSSIL FUELS AND PRODUCTION PHASE OUTS AT HOME

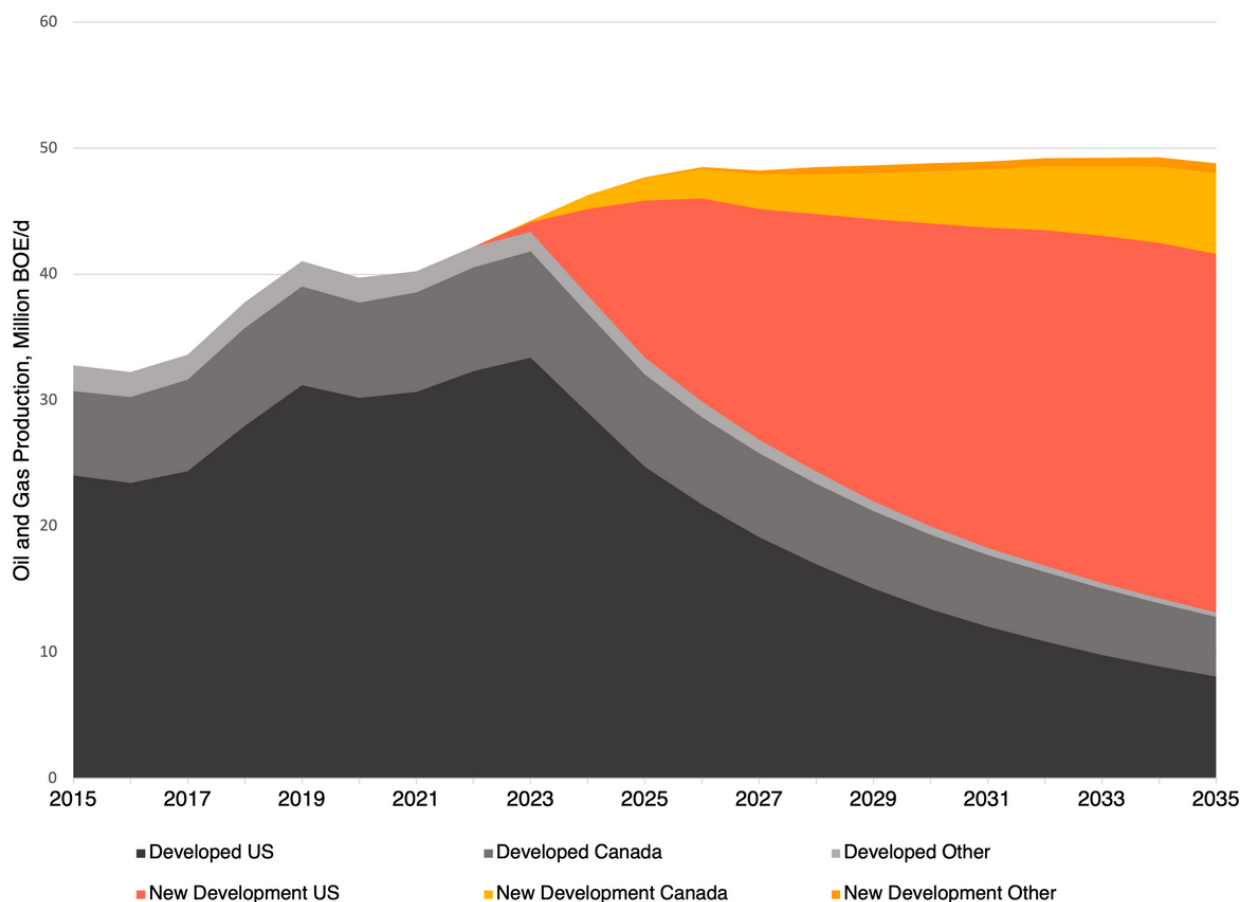
Climate models are clear that an end to the expansion of fossil fuel production and a rapid and deep reduction in the use of fossil fuels is needed to limit average global warming to 1.5 degrees celsius (°C).<sup>30</sup> Ending international public finance for fossil fuels is a critical step towards curbing global coal, oil and gas production to hold global heating below 1.5°C. The latest science shows that the world has already overinvested in fossil fuel infrastructure; 40% of already-developed fossil fuel reserves need to stay in the ground to meet the 1.5°C target.<sup>31</sup>

In 2022, G7 countries were responsible for about a quarter of all oil and gas

production, with the United States and Canada being the biggest producers with plans to continue to expand fossil fuel production well into 2030 (see Figure 3). As wealthy countries are most responsible for historic and current emissions, G7 governments must not only take steps to end their international public finance for fossil fuel projects, but also move first and fastest to phase out their domestic fossil fuel production. This is critical to reduce stranded assets risks as in scenarios that maintain a 50% chance of limiting global warming to 1.5°C, gas and oil demand are forecasted to drop in line with existing production.<sup>32</sup>



**Figure 3: G7 developed and planned oil and gas production 2015-2035**



Source: Oil Change International analysis based on data from Rystad Energy's UCube (March 2023)

The momentum to phase out oil and gas production globally is growing. Through a diplomatic initiative, the Beyond Oil and Gas Alliance (BOGA), countries and sub-national governments committed to ending new oil and gas exploration and to adopting policies to phase out their production of fossil fuels.<sup>33</sup> France and Italy are part of the initiative and have an opportunity to promote this urgent agenda to the G7.<sup>34</sup>

## RECOMMENDATIONS

The Intergovernmental Panel on Climate Change's (IPCC) latest summary report warns that "there is a rapidly closing window of opportunity to secure a liveable and sustainable future for all."<sup>35</sup> G7 nations have a responsibility and opportunity to reiterate and strengthen last year's commitment to end international public finance for fossil fuels to accelerate the transition to clean energy, which will bring energy security and affordability. At the G7 summit governments must agree to reiterate and strengthen their 2022 commitment and prevent the adoption of language calling for investments in upstream gas or LNG

infrastructure. Canada, France and the United Kingdom adopted exemplary policies turning their commitment into action that should inspire fellow G7 members, particularly Japan and Italy, to stop lagging behind and release ambitious policies.

Through ending public finance for fossil fuels, the G7 can rapidly scale up support for clean energy, energy efficiency, just transition plans, and energy access, in line with an equitable pathway to 1.5°C and without reliance on unproven negative emission technologies. To avoid deepening inequalities, these projects must be implemented with strong human rights, due diligence, free, prior and informed consent, and planning processes that are inclusive of and take leadership from local governments, workers, communities, civil society organizations , and trade unions.

By taking action to align public finance with the clean energy transition and phase out fossil fuel production, the G7 can positively influence key upcoming political moments in 2023, including the G20, OECD export finance meetings and COP28. This is essential for making meaningful advances toward a sustainable, peaceful, and stable energy future.





## Endnotes:

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- 4 International Energy Agency, "Global Energy and Climate Model", 2022, <https://www.iea.org/reports/global-energy-and-climate-model>
- 5 Claire O'Manique, Bronwen Tucker, and Kate DeAngelis, "At a Crossroads: Assessing G20 and MDB International Energy Finance ahead of Stop Funding Fossils Pledge Deadline," OCI & FOE-US, 2022, <https://priceofoil.org/content/uploads/2022/11/G20-At-A-Crossroads.pdf>
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- 8 Statement on International Public Finance Support for the Clean Energy Transition, <https://ukcop26.org/statement-on-international-public-support-for-the-clean-energy-transition/>
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- 10 Takeo Kumagai, "Japan remains committed with public support for upstream developments after G7 pledge," S&P Global, May 2022, <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/energy-transition/053022-japan-remains-committed-with-public-support-for-upstream-developments-after-g7-pledge>.
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This briefing was written by Claire O'Manique from Oil Change International (OCI) with contributions from Laurie van der Burg (OCI), Makiko Arima (OCI), and Susanne Wong (OCI), and Louise Burrows (E3G) and Lisa Fischer (E3G). It was edited by Chelsea Mackin. The updated data for this report was collected by Aditya Pant, Claire O'Manique, and Mathew Walton. Design by Nicole Rodel (OCI).

It uses data from OCI's Public Finance for Energy Database, for which a full methodology is available [here](#). The database tracks energy finance from public finance institutions from the bottom up, at the project level. In addition to reviewing the information made publicly available by majority government-owned financial institutions and other public sources of information, this database draws information from the Infrastructure Journal (IJ) Global database. The database includes 15,000+ energy transactions – with a combined value of over USD 2 trillion – of G20 ECAs, national development banks, DFIs, and the nine major MDBs.



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