

## **Fossil Fuel Subsidies, Climate Finance and the G20 - A Heated Debate to nowhere**

Megan Wilson

*Department of Geography, University of Sheffield*

*G20 Summit - Media Center.* This year, with the world soon convening in Paris for COP21 in order to foster a new landmark universal climate agreement, the G20 Summit in Antalya has for the first time given the topic greater prominence on the agenda. Although not strictly part of the primary G20 mandate, responsibility has fallen to the leaders of the biggest global economies to provide certainty that climate mitigation promises will be met and that adequate support will be provided for developing nations. As the world's most influential actors, the G20 members have the power and opportunity to make or break collective agreement and lead COP21 to be the turning point towards a very different situation for future generations. Yet conflicts of interest and unwillingness to act mean that urgently needed leadership from the G20 may fail to reach Paris in time.

Reports by the International Panel for climate Change (IPCC) anticipate that COP21 is the final chance for the United Nations Framework Convention on Climate Change (UNFCCC) to limit global warming to two degrees - the safe target stated in the Lima Call for Action. At present 160 members of the UNFCCC have publicly declared actions to cut their emissions in advance of Paris, but cumulatively these Intended Nationally Determined Contributions (INDCs) still do not come near to meeting the target.

Crucial to the success of the new agreement will be climate finance - more specifically financial support from developed nations to allow weaker economies already feeling the impacts of climate change to build resilience and fulfil mitigation goals. In 2009, the G20 pledged to provide \$100 billion through the Green

Climate Fund (GCF). Unfortunately, debates still surround where the funds will come from, whether this be from primarily public or private sources. There is also the serious problem of 'additionally' to consider (legitimacy of offsetting carbon pledges), which has already led to problems in accurately evaluating emissions reductions. In the build up to Paris, the G20 need to provide a strong steer that this sum is building and that it will be effectively distributed to meet the needs of the poorest.

Another hurdle to jump on the pathway to Paris is the matter of fossil fuel subsidies. The Copenhagen summit in 2009 witnessed the G20 nations pledging to phase out all inefficient fossil fuel subsidies whilst protecting those most vulnerable to the risks of climate change. Their enthusiasm was stirring, but the reality of the situation was (and remains) far from the proposal. Since this momentous promise the world's wealthiest countries have five times reaffirmed their commitment to action, but notoriously have failed to act. Data from the Organisation for Economic Co-ordination

and Development (OECD) reveals fossil fuel production subsidies of US\$452 billion per year across G20 states. If you add subsidies concerning exploration, consumption and the associated externalities (health implications, climate change damages) this totals a staggering US\$5 trillion per year. What is required more than ever now is robust, collective action and exemplary leadership to steadily dismantle fossil fuel subsidies to both producers and consumers and reinvest in low carbon and viable renewable alternatives.

With such a build up by the G20 host country and with the COP21 approaching, expectations on climate change were high. Yet despite leaders deliberating long into the early hours of Monday morning, the final communique only contains one main article on the matter (no.24) and is still extremely weak in its language relating to how the G20 plans to phase out fossil fuel subsidies by 2030. After expecting deliverance in a time where urgent action is needed, it was a disappointing outcome. So what are the barriers still preventing meaningful application of these promises?

This researcher gained access to several press briefings during the Summit, which drew focus to the urgent challenge of climate change; the EU commission, the C20 and the UN. Information from a senior EU official revealed that the long heated debates following the G20 working dinner on Sunday evening surrounded opposition to the inclusion of a 'review mechanism' in the communique that would require assessment of national commitments every five years. India and Saudi Arabia were also averse to the obligation of shared responsibility, arguing for differentiated targets and more flexibility for emerging economies. Although the two degree target was eventually included, the disputes that stretched to 3am on the second day make it clear that further talks will be needed if progress in Paris is to be made.

Interesting revelations were delivered on Monday by the C20 panel in relation to global fossil fuel subsidies. Samantha Smith, leader of the Global Climate and Energy Initiative at WWF International and Srinivas Krishnaswamy of Vasudha Foundation in India and co-chair of the C-

20 Sustainability Working Group, said that these subsidies are a perverse incentive that are continuing to drain the global economy, acting to benefit mostly middle and high income groups. As such they are incompatible with enhancing energy access across Sub-Saharan Africa and achieving inclusive global growth. They also direct investments away from technological innovations (CCS) and perfectly viable renewable energy alternatives. When asked by this researcher about the legitimacy of the subsidy phase out claims from 2009, the panel replied that leader discussions on the issue had so far been 'just talk' and they could not possibly maintain international credibility ahead of Paris unless a clear plan for eliminating inefficient subsidies was made, and this conclusion was unfortunately not reached in Antalya.

If inefficient subsidies for only the production of fossil fuels were successfully to be phased out, carbon emissions would quickly drop by 11%. Not only would this make the targets of the UNPCCC achievable, the newly available capital

could be redirected to further investments in clean energy, desperately needed climate finance and spent on the welfare of the states.

The problem here is that the policies already in place to discourage fossil fuel consumption and reduce carbon emissions are too weak and with too much wiggle room, and therefore are always to some degree 'negotiable' - the recent Volkswagen scandal can exemplify this. If you compare this to any other treaty making process, such as the Montreal Protocol, it is abysmal. In addition, there remains substantial bankrolling of politics by the extractive industries, particularly in the UK and Turkey, meaning we also need to consider a reform of government funding to stop corporations paying politicians to deny climate change. Ultimately, unless we crack down on production subsidies through legal means fossil fuels will continue be consumed - reduction in demand for an unconstrained resource will inevitably lower prices favouring carbon hungry industries. With time disappearing we have to act quickly as it will be political decisions made in the

next five years that will have the greatest impact on our ability to curb emissions.

With the climate conversation between leaders finally heating up at this Summit and the French pushing for tougher language in the communique prior to Paris, the G20 has been left sounding like a broken record yet again. What should have been the outcome for climate change at the Summit in Antalya? Firstly, discussion of a moratorium on the development of new reserves, particularly coal mines. Secondly, agreement on a clear and concise timeframe for annual subsidy reductions in the proposed phasing out process along with a collective consensus of a review process to be put forward at COP21 to ensure that targets are taken seriously and met. Finally a serious focus on mobilising climate finance - at present \$10.2 billion has been pledged but only 60% of these contributions have been signed. The G20 members should aim to push beyond this weak Summit for the remaining contributions to be met before Paris, if they are to surface from this year's negotiations with any credibility.



G20 Summit, November 2015

global  
POLICY

*Megan Wilson is a Researcher in the  
Department of Geography at the University  
of Sheffield.*