Global Parliamentarians' Inquiry into the Progress of Fossil Fuels Phase Out

Preliminary Report:
Initial Findings and Recommendations

December 2023
COP 28 Dubai

PARLIAMENTARIANS FOR A FOSSIL-FREE FUTURE

Global Parliamentarians' Inquiry into the Progress of Fossil Fuels Phase Out

Developing renewable energy and reducing emissions are at the heart of solutions to the climate crisis but, in the just transition to clean energy, it is key to actively and decisively phase out fossil fuels.

The Parliamentarians for a Fossil Fuel-Free Future has conducted a Global Parliamentarians' Inquiry to examine the progress of efforts to transition away from fossil fuels as the primary energy source. Three public hearings were held in September, October 2023, December in New York City, in Washington, DC, and at COP28 in Dubai respectively, with more planned in the near future.

The parliamentarians' call to shift away from fossil fuels and accelerate development of clean and renewable energy in a just and equitable manner has to date been signed by more than 800 members of parliament from 85 countries. The world's parliamentarians are in a unique position in global efforts to address the climate crisis because they have the mandate and responsibility to represent the people.

The Global Inquiry Committee for the public hearings included 17 parliamentarians from 16 countries and they interacted with presentations from a panel of 25 experts from international institutions, think-tanks, and global networks. Among the topics examined in the three public hearings are the following:

- the consistency of Nationally Determined Contributions (NDCs), whether countries are meeting their fair share of climate action to keep global temperature rise to below 1.5 degrees Celsius,
- how much progress has been made in delivering the climate finance needed for the energy transition and phasing out public and private financing for new fossil fuel projects, and
- international cooperation needed for the energy transition.

INITIAL FINDINGS AND RECOMMENDATIONS

1. CONSISTENCY OF NATIONALLY DETERMINED CONTRIBUTIONS (NDCS), WHETHER COUNTRIES ARE MEETING THEIR FAIR SHARE OF CLIMATE ACTION TO KEEP GLOBAL TEMPERATURE RISE TO BELOW 1.5 DEGREES CELSIUS

- Countries collective progress is not nearly enough emissions mitigation; we're on a course towards exceeding 2°C
- Wealthier countries are falling far short of their fair shares or their part in global efforts to address the climate crisis. Lower income countries, on the other hand, are within the range of their fair shares.

RECOMMENDATIONS

- All countries must do more but that means different things for different countries.
  - For wealthier countries, deeper domestic cuts is critical. Also, providing climate finance and international support is a key unfulfilled part of their fair share of the effort.
  - For poorer countries, even those who have met their own fair share, more must be done … with support
  - Climate finance must be anchored on the core principle of equity, as reflected in the "polluter pays principle" and "common but differentiated responsibilities and respective capabilities" of the UN Framework Convention on Climate Change (UNFCCC). This poses climate finance as climate debt owed by the Global North to the Global South.

2. PROGRESS IN CLIMATE FINANCE DELIVERY NEEDED FOR ENERGY TRANSITION PHASE OUT OF PUBLIC AND PRIVATE FINANCING FOR NEW FOSSIL FUEL PROJECTS

Fossil Fuel Finance Phase Out

- There was a slump in finance for fossil fuels during the Covid-19 pandemic but there is now a return to pre-pandemic levels.
- G20 countries and multilateral banks have for the first time reduced their funding for fossil fuel funding, but it is still much larger than their funding for renewable energy projects. Thus, while their funding for fossil fuel projects fell to USD $55 billion in the period 2019-2021, this is still nearly twice the $29 billion they extended to fund renewable energy projects.
- Banks continue to back huge amounts of fossil fuel projects. In the past seven years, 60 banks have financed about USD $5.5 trillion for fossil fuels. Domestic subsidies for fossil fuels remain immense too, with the IMF estimating $7 trillion in overall global fossil fuel subsidies in that period.

Climate Finance Needed for the Energy Transition

USD 4.5 trillion per year is needed for global clean energy technologies by 2030 to reach net zero emissions by 2050 (IEA, World Energy Outlook 2022)

Global transformation to low-carbon economy requires an investment of USD 4– 6 trillion per year (UNEP, Emissions Gap Report 2022)

- Global climate finance almost doubled in the last decade, with a cumulative USD 4.8 trillion in climate finance committed between 2011-2020 or USD 480 billion annual average.
- While climate finance increased at a cumulative average annual growth rate (CAGR) of 7%, the current levels of increase are not on track to meet a 1.5C global warming scenario. At least USD 4.3 trillion in annual finance flows by 2030 (CAGR 21%) are needed.
- The status of committed climate finance has, unfortunately, been described as a string of broken promises. The USD $100 billion per year back in COP15 pledged by wealthier countries to developing countries for the green transition is deemed far below what is necessary. Even so, the pledge remains unfulfilledA big challenge for developing countries in the energy transition is their unsustainable debt levels, which is aggravated by the fact that most climate finance provided is in the form of loans.

The Inquiry recommends the following regarding phasing out subsidies and incentives for fossil fuel projects:

While it is important to scale up finance to phase out fossil fuels and transition to renewable energy, equity and human rights must not be compromised in the rush to mobilize international and public finance.

- Governments must address some countries' high levels of debt and how this affects efforts for the transition to renewable energy
- When it comes to private finance, banks should immediately stop funding fossil fuel expansion.
- It is important to consider climate finance flows within the context of broader finance flows, and the need to align them with low-emission, climate-resilient development pathways
- end harmful subsidies (fossil fuel and other environmentally harmful ones)
- stop fossil fuel investments
- stop developing country' financial outflows (taxation avoidance and evasion)
- regulatory environment

3. INTERNATIONAL COOPERATION NEEDED FOR THE ENERGY TRANSITION

- There has been some momentum to move away from fossil fuels with agreements such as the Clean Energy Transition Partnership (CETP), or the Glasgow Statement, that have been signed by many countries, including those with the OECD. However, there has also been backsliding by key countries with their commitments, and the war in Ukraine has been cited as justification for the continued investment in fossil fuels.
- There is growing support for a binding Fossil Fuel Non-Proliferation Treaty, which would complement the Paris Agreement as there is a clear need for a concrete, binding plan to end the expansion of new coal, oil, and gas projects and to manage a global transition away from fossil fuels.
- As efforts to curb the expansion of the fossil fuel industry have run into legal, structural or political barriers, there is growing clamor for the establishment of the World Commission on Fossil Fuels, Climate, and Development to fill the governance gap.

RECOMMENDATIONS

International cooperation with equitable effort-sharing is more likely to be agreed and successfully implemented. Because

- No single country can protect "its own" climate by reducing its own emissions
- No country can solve its own climate problem for itself.
- Countries must persuade other countries to help it solve its climate problem
- A country thus reduces its own emissions – and cooperates in other ways – for the sake of inducing reciprocal effort (that is, getting other countries to do likewise).
- A country is more likely to be successful *if it is* seen to be doing its fair share of the effort.

The Global Parliamentarians' Inquiry into the Progress of Fossil Fuels Phase Out found that careful planning and international coordination are essential to meet the twin challenges of phasing out fossil fuels rapidly enough to avoid catastrophic climate change, while ensuring the transition is equitable and just.

- In this context, momentum is building behind the proposal to complement the Paris Agreement with a new international mechanism explicitly focussed on managing a just transition away from coal, oil and gas – a Fossil Fuel Non-Proliferation Treaty. Which would complement the Paris Agreement as there is a clear need for a concrete, binding plan to end the expansion of new coal, oil, and gas projects and to manage a global transition away from fossil fuels.
- As efforts to curb the expansion of the fossil fuel industry have run into legal, structural or political barriers, there is growing clamor for the establishment of the World Commission on Fossil Fuels, Climate, and Development to fill the governance gap.
- Countries to join the Beyond Oil and Gas Alliance (BOGA) and commit to end new concessions, licensing or leasing rounds for oil and gas production and exploration and to set a Paris-aligned date for ending oil and gas production and exploration on the territory over which they have jurisdiction.
- Signatories to the Clean Energy Transition Partnership must quickly implement policies containing no loopholes. Countries in the Global South, for their part, must put themselves forward as potential recipients of CETP government clean financing.

The need to meet the aims of keeping global temperature rise below 1.5C is as important and urgent as ever. There must be no exceptions —all countries must phase out fossil fuel extraction as soon as possible, with the pace determined by their capacity to enable a just transition and their dependence on fossil fuels.