

## Submission to the Standing Committee on Finance's Call for Evidence: Information and data for the preparation of the 2020 Biennial Assessment and Overview of Climate Finance Flows

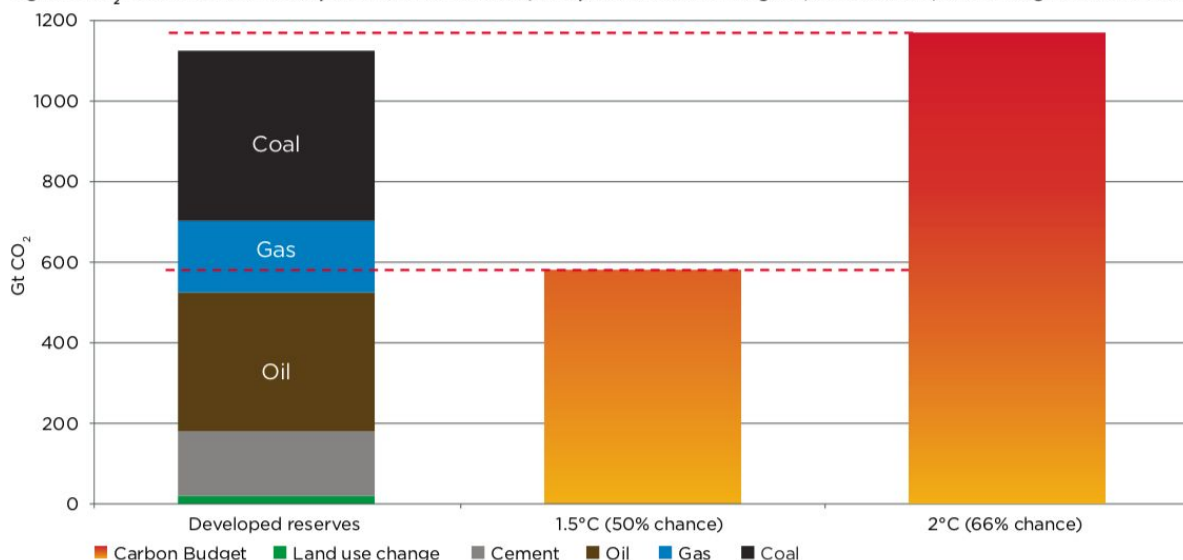
### Oil Change International

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The IPCC Special Report on Global Warming of 1.5°C is clear: to have the best chance of limiting warming to 1.5°C, greenhouse gas emissions must decline rapidly, falling 45% from 2010 levels by 2030, and reaching net zero by 2050.

Analysis by Oil Change International, from our 2016 report, "The Sky's Limit: Why the Paris Climate Goals Require a Managed Decline of Fossil Fuel Production,"<sup>1</sup> and updated in a more recent report,<sup>2</sup> demonstrates that expanded fossil fuel development is incompatible with the aims of the Paris Agreement. The analysis shows that reserves in **already operating** oil and gas fields alone, even if coal mining is completely phased out, would take the world beyond 1.5°C of warming. The potential carbon emissions from all fossil fuels in the world's already operating fields and mines would take us well beyond 2°C (see Figure 1 below).

Figure 1: CO<sub>2</sub> Emissions from Developed Fossil Fuel Reserves, Compared to Carbon Budgets (as of Jan. 2018) within Range of the Paris Goals



Sources: Oil Change International analysis<sup>3</sup> based on data from Rystad Energy, International Energy Agency (IEA), World Energy Council, and IPCC

*This indicates that further public financing of fossil fuels is incompatible with ambitious climate action.* Some public finance institutions, which are also providers of climate finance, have already taken steps that acknowledge this reality: in late 2017, the World Bank Group committed to end its finance for upstream oil and gas-related activities after 2019. In late 2019, the European Investment Bank went significantly further, committing to end nearly all fossil fuel financing beyond 2021. Swedfund,

<sup>1</sup> Greg Muttitt, "The Sky's Limit: Why the Paris Climate Goals Require a Managed Decline of Fossil Fuel Production," Oil Change International, September 2016. <http://priceofoil.org/2016/09/22/the-skys-limit-report/>

<sup>2</sup> Trout, Kelly, "Drilling Towards Disaster: Why US Oil and Gas Expansion is Incompatible with Climate Limits," Oil Change International, January 2019. <http://priceofoil.org/2019/01/16/report-drilling-towards-disaster/>

Sweden's development finance institution, has halted all financing of fossil fuels in order to move closer to alignment with the Paris Agreement, while Agence Française de Développement committed in mid-2019 to ending most financing for oil, gas, and coal-related activities. Many public finance institutions are already explicitly excluding fossil fuels as a means to move in the direction of Paris-alignment.

### **Implications for the definition of climate-related finance flows:**

To assess whether the Paris Agreement objective of “making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development” is being met, the 2020 Biennial Assessment and Overview of Climate Finance Flows should consider not only flows to mitigation and adaptation measures, but also flows to activities that exacerbate climate change - such as fossil fuel production - and to understand how these flows compare to one another.

Flows to activities related to fossil fuel production should be considered climate-related in the sense that they undermine and counteract the financial flows aiming to support mitigation and adaptation. This is not a novel concept: for example, the Rocky Mountain Institute has referred to this concept of looking at both sides of the ledger on climate finance as “net climate finance.”<sup>3</sup>

### **Data sources on fossil fuel financing:**

Some data on the magnitude of international public financial flows to fossil fuels is already available, although due to a lack of transparency it is not comprehensive. A 2017 analysis utilizing Oil Change International's “Shift the Subsidies” database, published by Oil Change International, Friends of the Earth, WWF, and the Sierra Club catalogues nearly \$72 billion in bilateral and multilateral public finance flowing to oil, gas, and coal, with the vast majority of this going to oil and gas, and a substantial majority coming from bilateral rather than multilateral institutions.<sup>4</sup> This analysis looks at data from 2013 through 2015.

Additional data, from 2016 through 2018, will be published in a forthcoming report which we intend to release in the second quarter of 2020. Oil Change International's Shift the Subsidies database contains over 12,000 public finance transactions from multilateral development banks, bilateral development finance institutions, national development banks, and export credit agencies, and transaction-level data can be made available on request.

Some data for private sector bank activity in fossil fuels is also available. One important source for this data is the Banking on Climate Change Fossil Fuel Finance Report Card, which contains data on fossil fuel financing from key banks from 2016 through 2018.<sup>5</sup>

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<sup>3</sup> <https://rmi.org/net-climate-finance/>

<sup>4</sup> “Talk is Cheap: How G20 Governments are Financing Climate Disaster,” [priceofoil.org/content/uploads/2017/07/talk\\_is\\_cheap\\_G20\\_report\\_July2017.pdf](https://priceofoil.org/content/uploads/2017/07/talk_is_cheap_G20_report_July2017.pdf)

<sup>5</sup> <https://www.ran.org/bankingonclimatechange2019/>