

## **Statement: G20 governments must lead in phasing out subsidies and public finance for fossil fuels - to accelerate green investment and reduce climate risk**

(Published February 15<sup>th</sup>, 2017 and updated March 7<sup>th</sup>, 2017 – see endnote)

We – representing investors and insurers with more than USD \$2.8 trillion<sup>i</sup> in assets under management – urge G20 governments to establish a deadline for the phase out of fossil fuel subsidies and public finance for fossil fuels at the 2017 G20 Summit in Hamburg, Germany.

As concerned investors, we were heartened by the G7 called for all governments to phase out fossil fuel subsidies by 2025. Last year also saw major milestones in the fight against climate change, notably the entry into force of the Paris Agreement, the focus on green finance by the G20, and the commitment by 48 of the most vulnerable countries to achieve 100% renewable energy by 2050.<sup>ii</sup> We believe this momentum provides the G20 with a unique opportunity – and responsibility - to finally deliver on their repeated pledge to end fossil fuel subsidies.<sup>iii</sup>

Subsidies and public finance supporting the production and consumption of fossil fuels are a key concern to the finance sector. They increase the risk of stranded fossil fuel assets, decrease the competitiveness of key industries, including low-carbon businesses, and negate the carbon price signals many of us have been calling for. They are also notoriously inefficient from an economics standpoint.<sup>iv</sup> They create a significant burden on government budgets, perpetuate income inequality by benefiting the richest consumers while failing to meet the energy needs of those lacking energy access, and damage public health by increasing air pollution.

Taking action to end subsidies and public finance for fossil fuels will be key for the G20 in meeting a number of the objectives set out in the communique from their meeting in Hangzhou, China in 2016<sup>v</sup> including:

- enhancing the ability of the financial system to mobilize private capital for green investment,
- building well-functioning, open, competitive, efficient, stable and transparent energy markets, and shaping an affordable, reliable, sustainable and low greenhouse gas (GHG) emissions energy future, and
- achieving sustainable development and strong and effective support and actions to address climate change, and the timely implementation of the Paris agreement.

These efforts can be further supported by the recommendations of G20 commissioned Task Force on Climate-related Financial Disclosures (TCFD). In their recommendations on factors to consider when evaluating the exposure to transition risk, the TCFD guidelines could suggest the consideration of the impact of fossil fuel subsidies, and what their likely removal would mean for the reporting organization's business and operations. In fact, the TCFD has already recommended that organizations most significantly affected by transition risk (e.g., fossil fuel-based industries) should consider in-depth scenario analysis, where subsidies or taxes may have a particularly direct effect.<sup>vi</sup>

To catalyse real progress on phasing out fossil fuel subsidies, the German G20 communique should include clear language that:

- Sets a clear timeline for the full and equitable phase-out by all G20 members of all fossil fuel subsidies by 2020, starting with the elimination of all subsidies for fossil fuel exploration and coal production.
- Sets a clear timeline for the phase out of domestic and international public finance for oil, gas and coal production by 2020.
- Commits all G20 members to complete fossil fuel subsidy peer reviews by the end of 2018, building on the leadership of China and the United States in 2016.

Such clear timelines and guidance would set the foundation for G20 governments to disclose fossil fuel subsidies on an annual basis in a consistent publicly available format. Increased transparency can be further supported through the expansion of the OECD's inventory of fossil fuel subsidies, based on their model for detailed tracking of agricultural subsidies. The G20 could also work through the OECD to increase transparency of reporting on investment in and finance for fossil fuel production by G20 majority publicly-owned financial institutions and state-owned enterprises.

These firm commitments on the part of G20 governments are critical for investors as we seek to manage the transitions risks in moving to a low carbon economy, and will help unleash private investment towards the clean energy future we all want.

[signatories]

Actiam  
Aegon Asset Management  
Australian Ethical Investment

Aviva Investors  
Bayerische Versorgungskammer  
BNP Paribas Investment Partners\*  
Candriam\*  
Dana Investment Advisors  
Domini Impact Investments\*  
EdenTree Investment Management Ltd  
Environment Agency Pension Fund  
First Affirmative Financial Network  
Friends Fiduciary Corporation  
Inflection Point Capital Management  
KBI Global Investors  
La Francaise  
Legal and General  
MS Amlin\*  
Trillium Asset Management LLC  
Trilogy Global Advisors LP

---

<sup>i</sup> As of March 7<sup>th</sup> 2017, this statement represents signatories with \$3.5 trillion in assets under management. See notes above (\*) indicating additional four investors and insurers who signed up on or immediately after the original publication date of February 15<sup>th</sup>, 2017. Sign on to the statement has now closed.

<sup>ii</sup> [http://unfccc.int/files/meetings/marrakech\\_nov\\_2016/application/pdf/cvf\\_declaration\\_release\\_en.pdf](http://unfccc.int/files/meetings/marrakech_nov_2016/application/pdf/cvf_declaration_release_en.pdf)

<sup>iii</sup> <http://www.g20.utoronto.ca/2016/160905-communique.html>

<sup>iv</sup> [http://newclimateeconomy.report/2015/wp-content/uploads/sites/3/2015/11/Fossil-fuel-subsidy-reform\\_from-rhetoric-to-reality.pdf](http://newclimateeconomy.report/2015/wp-content/uploads/sites/3/2015/11/Fossil-fuel-subsidy-reform_from-rhetoric-to-reality.pdf)

<sup>v</sup> <http://www.g20.utoronto.ca/2016/160905-communique.html>

<sup>vi</sup> <https://www.fsb-tcf.org/wp-content/uploads/2016/12/TCFD-Recommendations-Report-A4-14-Dec-2016.pdf>