

Statement: G20 must take concrete steps by no later than 2020 to meet their pledge to end fossil fuel subsidies – to accelerate green investment and reduce climate risk

We – representing investors and insurers with USD \$742 billionⁱ in assets under management – urge G20 leaders to establish a deadline for the phase-out of subsidies to fossil fuels at the 2018 G20 Leaders' Summit in Buenos Aires, Argentina.

As concerned investors, we were heartened by the G20 governments' repeated commitments to phase out fossil fuel subsidies. We are also heartened that each of these governments have made parallel commitments under the Paris Agreement, to 'making finance flows consistent with a pathway towards low greenhouse gas emission and climate-resilient development'.

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.ⁱⁱ They are also notoriously inefficient from an economics standpoint. 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.

As already recognised by the G20, acting to end subsidies to fossil fuel production and consumption will be key for achieving several of the objectives set out in the communique from the G20 Energy Ministers meeting in Bariloche, Argentina in June 2018ⁱⁱⁱ including:

- 'addressing global challenges including climate change and energy security;
- transform[ing] energy systems;
- provid[ing] affordable and reliable energy;
- increasing innovation on sustainable and cleaner energy systems; and
- for those countries determined to implement the Paris Agreement.'

To catalyse real progress in phasing out subsidies for fossil fuels, the G20 governments must:

- adopt concrete and ambitious timelines for reforming all forms of government support to fossil fuels (subsidies, public finance etc.) by no later than 2020;
- complete voluntary peer reviews of fossil fuel subsidies by 2020;^{iv}
- ensure subsidies to energy transition do not support fossil fuels, and do support a just transition and vulnerable households;
- use fiscal space created through subsidy reform for wider social and sustainable development needs; and
- make clear linkages with other fossil fuel subsidy phase-out processes through the G7, APEC, UN SDGs and UNFCCC, with support on tracking and knowledge sharing from the OECD, IEA, and IMF.

These efforts can be further supported by G20 governments calling on the International Energy Agency (IEA) to develop a scenario that is aligned with the Paris climate goals.^v As investors, we are seeking to implement the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) to test the robustness of investments in a climate scenario. However, the IEA's current scenarios fall short of the Paris goals.

These actions 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.

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ⁱ As of 26th November 2018. Sign on to the statement has now closed.

ⁱⁱ <https://theinvestoragenda.org/wp-content/uploads/2018/05/GISGCC-briefing-paper-FINAL.pdf>

ⁱⁱⁱ https://g20.org/sites/default/files/media/energy_communique.pdf

^{iv} Argentina, Canada, China, Germany, Indonesia, Italy, Mexico and the US have already either completed, or are in the process of completing, their peer reviews of fossil fuel subsidies.

^v <http://priceofoil.org/content/uploads/2018/04/Off-Track-IEA-Investor-Briefing.pdf>