

FOR MEDIA

NO ROOM IN THE CARBON BUDGET FOR NEW OIL AND GAS

Global Gas and Oil Network

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An Overview of Fossil Fuel Expansion Issues and the Need for True Climate Leadership

Fossil Fuel Production is Incompatible with Climate Goals

To avoid locking in dangerous climate change, the Intergovernmental Panel on Climate Change makes clear that global warming must be limited to [1.5 degrees Celsius](#), requiring zero emissions before 2050. This implies an ambitious but just phase-out of fossil fuel production and consumption over the coming few decades, starting now.

According to the United Nations Environment Programme, existing national commitments track towards a catastrophic 3.2°C of warming by 2100 based on findings from its [Emissions Gap Report 2019](#) which assesses the gap between country commitments and levels that emissions must be kept to to stay within the Paris Agreement limits.

The *Production Gap* report published by UN Environment Program (UNEP), Stockholm Environment Institute (SEI) and other leading research organizations makes clear where the main challenge lies. Fossil fuels are responsible for more than [75 percent of greenhouse gas emissions and nearly 90 percent of carbon dioxide emissions](#). The report finds that national governments plan to extract 120% more oil, gas and coal by 2030 than is aligned with 1.5°C.

As countries submit new and updated nationally determined contributions and emission reduction strategies under the Paris Agreement, it is critical that policies to limit the supply of fossil fuels be incorporated. Public and private financing also has a critical role to play in aligning financial flows with the Paris 1.5°C goal. Countries that limit the production of oil, gas, and coal can avoid locking in climate change, mitigate financial risks and achieve economic, health and environmental benefits.

A Short List of Fossil Fuel Companies Are Responsible for Almost All the Carbon Pollution

100 companies, most of them fossil fuel producers, are responsible for more than [70% of emissions since 1988](#). 20 fossil fuel [companies](#) have created one-third of global emissions since 1965. All the oil majors have recently sanctioned projects that fall outside the remaining carbon budget. Looking ahead, 25 companies are responsible for nearly 50 percent of the production to 2050 from investment sanctioned in the next five years. Only four of these companies are fully state-owned, with the rest a mix of fully and partially public companies. Importantly they include supposedly progressive European oil majors such as Shell.

Some Existing Production will Require Early Phase-Out

The carbon pollution embedded in [existing](#) and under-construction extraction will result in more than a 1.5°C increase and will exhaust a 2°C carbon budget. As a result, in addition to stopping new expansion, some existing fields will need to be retired before the end of their economic lives.

Oil and Gas Expansion in the United States and Canada Could Lock-In Irreversible Climate Change

Between 2020-2024, the oil and gas industry plans to invest in production at levels that will result in more than 2°C of warming, let alone 1.5°C. This is the case even if the use of coal ends overnight and emissions from cement are dramatically cut. 85 percent of this expanded production would come from the United States and Canada. In the U.S., 90 percent of the expansion would be enabled by fracking resulting in emissions, massive demands on water supplies and water contamination. Oil and gas expansion incompatible with the Paris Agreement is underway on every continent. In addition to the United States and Canada, the scale of planned new production in Argentina, Brazil, Ecuador, Guyana, Denmark, Norway, United Kingdom, and Australia are of particular concern.

Public and private investors are driving fossil fuel expansion

Private fossil fuel [financing](#) is dominated by U.S. banks. JPMorgan Chase is the bank putting the most money into fueling climate change by a wide margin, followed by Wells Fargo, CITI, and Bank of America. In other regions, the biggest funders are Royal Bank of Canada in Canada, Barclays in Europe, MUFG in Japan, and Bank of China in China.

National governments play a huge role. G20 governments spend USD [444 billion](#) per year propping up oil, gas, and coal production, while the G20's taxpayer-backed public finance institutions provide nearly 4 times more public finance to fossil fuels than to clean, renewable energy. The same is true for banks. Between 2016 when the Paris Agreement was adopted and 2018, Canadian, Chinese, European, Japanese and U.S. banks [financed fossil fuels](#) to the tune of USD1.9 trillion. In 2018, all of the major oil companies sanctioned projects that fall well outside the remaining carbon budget.

Investment in Extraction Locks In Risks

Many countries are relying on [export markets](#) to justify major increases in production, including the United States and Canada, while at the same time, others including India and China, are [seeking to reduce imports](#). The resulting over-investment increases the risk of stranded assets, locks in carbon pollution, limits innovation and expansion of clean technologies, and leaves communities and workers dependent on fossil fuels with few options.

Fossil fuel expansion delays the inevitable transition to low-carbon energy and economies and more chaotic as financial and climate risks increase. Extraction will also continue to threaten indigenous rights, biodiversity, clean air and water if left unchecked.

Investment risks are also increasing as a result of a growing number of public and private investors shift away from fossil fuels to finance renewable energy and other climate solutions. The European Investment Bank, World Bank and others are eliminating financing for upstream projects, and other institutional funders have divested [\\$11 trillion](#) to date. Between 2010-2019, [\\$2.5 trillion globally](#) went into renewable energy.

A Rapid Phase-Out of the Production of Fossil Fuels Is Feasible and Justified

Demand-side policies alone are not sufficient to address emissions from fuel production and use. Staying within 1.5°C of warming requires ending all new exploration and expansion, phasing out existing production in line with this critical limit, and developing transition plans support workers and communities dependent on fossil fuels to move into new opportunities.

There are many tools available to governments to meet supply targets, including implementing bans on licenses, contracts and permits; removing finance and subsidies; and creating and implementing just transition plans with high-income countries leading the way.

Supply-side policies complement and reinforce demand-side measures. They are cost effective and practical as the focus is on a limited number of actors, companies and facilities. Reducing the supply of fossil fuels avoids lock-in of carbon pollution, economic risks, and environmental and health hazards while focusing on the needs of workers and communities.

Some nations are showing leadership – Belize, Costa Rica, Denmark, France, Sweden and New Zealand have adopted or are in the process of adopting partial or total oil and gas development bans. Others are ending financing and subsidies for fossil fuel production. For instance, Swedfund excluded all oil, gas, and coal finance in 2017, Agence Francaise deDevelopment excluded nearly all upstream and midstream oil and gas in 2019, the World Bank will exclude upstream oil and gas after 2019, and the European Investment Bank will exclude oil, gas, and coal projects after 2021. Forty-seven of the least developed countries have called for a [“managed phase-out” of fossil fuels](#).

Civil society supports bold climate action. Millions of people including the world’s children are flooding the streets to demand climate action in keeping with a livable planet and future. More than 700 organizations from 80 countries have signed the [Lofoten Declaration](#), calling for the planned phase-out of fossil fuel production.

Investors Must Align Plans and Portfolios with Safe Climate Thresholds

Investors should require assessments of investment decisions against a 1.5°C scenario with a precautionary approach to negative emissions technologies. This assessment should be made in the context of the company’s whole portfolio and include alignment with 1.5°C as well as full disclosure of the assumptions on the scale of carbon capture or removal used. This effort must start now to ensure climate and financial security for countries, communities, workers, companies and investors.

International Cooperation can accelerate the Phase Out

International cooperation is needed to share the benefits and burdens of a transition, transform energy systems, diversify economic bases, and allow countries to earn government revenues and fund social programs from more sustainable sources. Countries, regions, and corporate actors that are in the best position in terms of wealth and capacity to undergo a transition should lead.

Countries need to take unprecedented ambitious action to address fossil fuel production. There are a variety of opportunities, ranging from national level policies as outlined above to global diplomatic efforts to phase out oil and gas production. This may include an alliance of first movers countries, a non-proliferation treaty, or global moratoriums for example.

A Fossil Fuel Non-Proliferation Treaty would increase transparency and accountability by spurring the creation of an international public registry of country- and corporate-held fossil fuel reserves and a system of fossil fuel-based national emissions accounts in each country.

For more information visit www.ggon.org.