



Coal at Newcastle, Australia, the world's largest coal exporting port. Scientists estimate the air pollution from fossil fuels kills up to 10 million people a year. Photograph: Saeed Khan/AFP/Getty

Fossil fuels

G20 poured more than \$1tn on fossil fuel subsidies despite Cop26 pledges – report

Public money still flowing into industry despite agreement to phase out ‘inefficient’ subsidies, thinktank says

Ajit Niranjana

Wed 23 Aug 2023 00.01 BST

The **G20** poured record levels of public money into fossil fuels last year despite having promised to reduce some of it, a report has found.

The amount of public money flowing into **coal, oil and gas in 20 of the world's biggest economies** reached a record \$1.4tn (£1.1tn) in 2022, according to the International Institute for Sustainable Development (IISD) thinktank, even

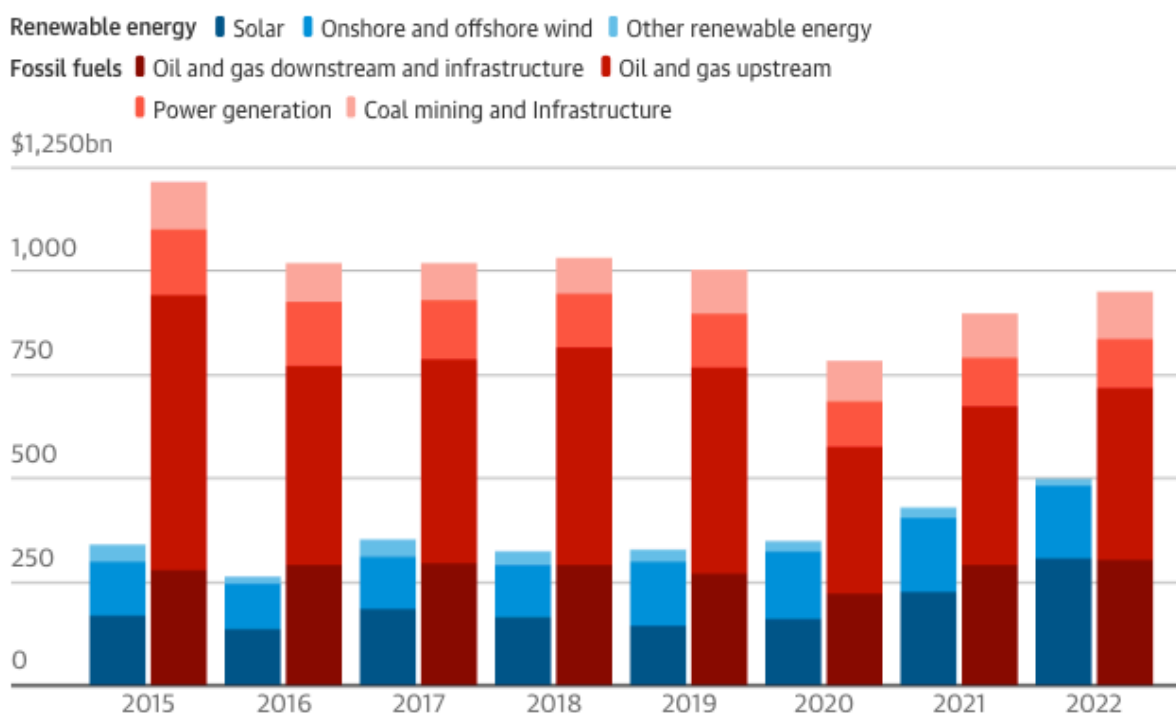
though world leaders agreed to phase out “inefficient” fossil fuel subsidies at the Cop26 climate summit in Glasgow two years ago.

The report comes ahead of a meeting of G20 countries in Delhi next month that could set the tone for the next big climate conference, which takes place in the United Arab Emirates in November.

It is crucial that leaders put fossil fuel subsidies on the agenda, said Tara Laan, a senior associate with the IISD and lead author of the study. “These figures are a stark reminder of the massive amounts of public money G20 governments continue to pour into fossil fuels – despite the increasingly devastating impacts of climate change.”

Investment in fossil fuels has risen again in recent years

Annual investment in fossil fuels and renewable energy, \$bn



Guardian graphic. Source: International Institute for Sustainable Development

Fossil fuels release pollutants when burned that heat the planet and make extreme weather more violent. They also dirty the air with toxins that damage people’s lungs and other organs. Scientists estimate the air pollution from fossil fuels kills between 1 and 10 million people each year.

But beyond the overlooked costs to society, governments have lowered prices further by supporting fossil fuel producers and their customers with public money. The report found G20 governments last year provided fossil fuels \$1tn in subsidies, \$322bn in investments by state-owned enterprises and \$50bn in loans from public finance institutions.

The total amount was more than double what they had provided in 2019, the authors found.

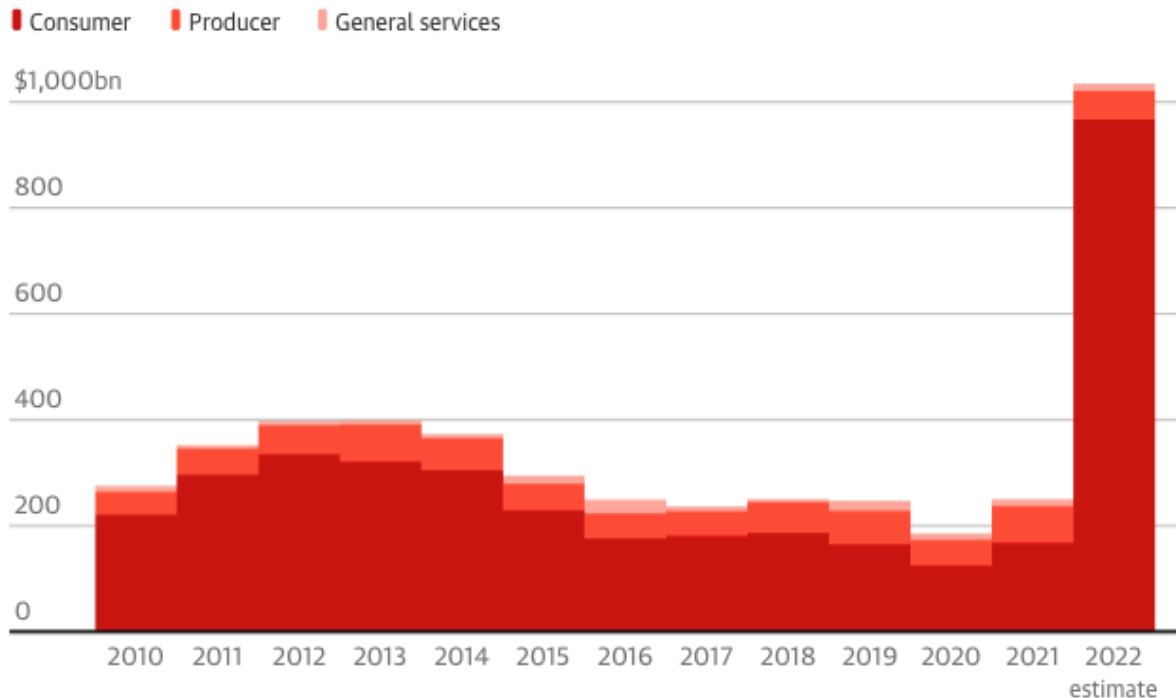
G20 leaders agreed to phase out inefficient fossil fuel subsidies “over the medium term” as far back as 2009. At the Cop26 climate summit a decade later, world leaders agreed to accelerate these efforts.

But since then, living costs have risen sharply as a result of the Covid-19 pandemic and the Russian invasion of Ukraine. The latter sparked an energy crisis that prompted many governments to intervene in the costs of fuel and cap energy bills.

Scientists and doctors have long warned of the dangers of subsidising fuels that kill people while also blocking efforts to clean up economies. More recently, energy experts and economists have joined the chorus of voices calling fossil fuel subsidies into question.

Consumer fossil fuel subsidies are estimated to have reached \$967bn in 2022, an increase of 475%

Fossil fuel subsidies by beneficiary type for G20 countries, \$ billion



Guardian graphic. Source: International Institute for Sustainable Development

In February, a **report** from the International Energy Agency found the scale of fossil fuel subsidies in 2022 was a “worrying sign for energy transitions”, though it argued some of the measures could be defended as social or political necessities “given the hardship that full exposure to market-driven prices could have caused”.

In June, a **report** from the World Bank found that “by underpricing fossil fuels, governments not only incentivise overuse, but also perpetuate inefficient polluting technologies and entrench inequality”.

The authors also found that of all subsidies to the energy sector, about three-quarters go to fossil fuels.

“There is huge potential in subsidy reform,” said Richard Damania, chief economist of a sustainability group at the World Bank and lead author of the study. “By repurposing wasteful subsidies, we can free up significant sums that could instead be used to address some of the planet’s most pressing challenges.”

He added: “Governments should prioritise reforms that build public acceptance, protect the most vulnerable, and show how the money is being spent to meaningfully improve people’s lives.”

The IISD found that by setting a higher carbon tax of \$25-50 per ton of greenhouse gases, G20 governments could raise an extra \$1tn a year.

To offset the costs to vulnerable people living in poverty, the authors recommended targeted welfare payments to those who need it most. They also recommended world leaders drop the qualifier “inefficient” from their promise to phase out fossil fuel subsidies, and instead name exceptional cases where they would be justified.

The IISD also called on G20 leaders to end fossil fuel subsidies in rich countries by 2025 and in the rest by 2030.

“With fossil fuel companies gaining record profits amid the energy crisis last year, there is little incentive for them to change their business models in line with what’s needed to limit global warming,” said Laan. “But governments have the power to push them in the right direction.”