

BRIEFING

FINANCING A FAIR AND FAST ENERGY TRANSITION

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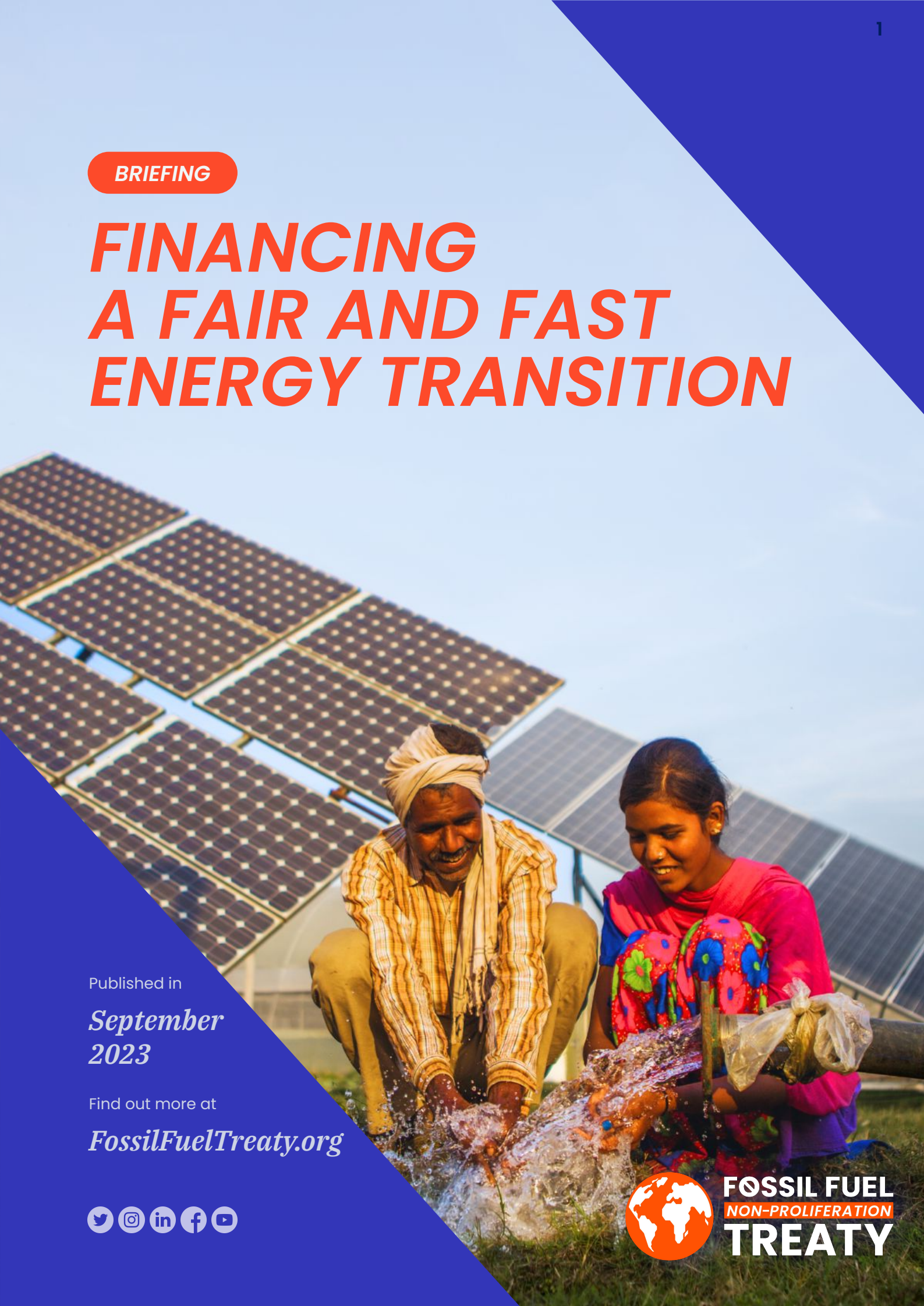
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Find out more at

FossilFuelTreaty.org



**FOSSIL FUEL
NON-PROLIFERATION
TREATY**





FOSSIL FUEL NON-PROLIFERATION TREATY

The Fossil Fuel Non-proliferation Treaty is a bold proposal to accelerate the transition to renewable energy-powered sustainable development, end expansion of oil, gas and coal and phase out existing production to generate well-being and prosperity for all. A Global Just Transition is a key pillar of the Fossil Fuel Treaty. International cooperation is needed to ensure that every country, community and workers is able to manage and benefit from the transformation.



Equity and fair shares – at the core of a Global Just Transition

Equity is a moral obligation and practical way to address the intertwined climate, health and economic crises. Developed countries built their wealth on fossil fuels, yet there is no more room for continued fossil fuel extraction if we are to remain within the Paris Agreement's 1.5C temperature goal. All countries must move to zero-carbon societies, with wealthy countries who have already used more than their fair share of the global carbon budget supporting fossil fuel-dependent developing countries to do the same.

Particular challenges for fossil fuel producing countries

Diversification away from fossil fuels presents vastly different and more serious economic and development challenges for fossil fuel dependent developing countries such as Nigeria, Angola, Indonesia and Papua New Guinea than for major wealthy producers including Australia, the US, Canada and Norway. The former have high dependency on oil, gas or coal for government revenue and employment. They require support to diversify their economies, transition workers out of the fossil fuel sector and avoid becoming the first to suffer from stranded assets when demand falls, the inability to deliver public services, higher debt and rising employment.

Addressing root problems and structural deficiencies that maintain global inequality, perpetuate indebtedness and promote continued, unsustainable extraction and exploitation of fossil fuels is essential for a Global Just Transition. The transition must challenge power structures, many based in colonization, that still hamper meaningful development.

Avoid creating new problems and dangerous distractions

A Global Just Transition also needs to ensure that interventions do not open doors for false solutions and dangerous distractions such as offsets, hollow net-zero targets and geoengineering that pull attention away from the focus on fossil fuel phase out. Likewise, provisions and safeguards must be put in place that hinder large-scale renewable energy deployment and associated mineral extraction from harming people or destroying biodiversity and ecosystems. Ultimately, the climate and other intertwined, existential crises call for deep rethinking of what development, progress and well-being mean.

Financing options for the Global Just Transition

Ensuring international finance and support for a Global Just Transition from fossil fuels for countries around the world is central to the Fossil Fuel Treaty. A Fossil Fuel Treaty can play a powerful role directly linking fossil fuel phase-out to an array of financing mechanisms including international debt cancellation and tax justice, reparations, regulation of transnational corporations and trade and investment rules.

Countries can meet development goals, break fossil fuel dependence and indebtedness and undo extractive postcolonial models through bold domestic measures and scaled-up multilateral financing and cooperation that promotes domestic renewable energy provision, agroecology and environmentally and socially appropriate industrial policies.

Examples of financing measures essential for a Global Just Transition in alignment with a Fossil Fuel Treaty include:

1. NEW MULTILATERAL FINANCING

- **Social Protection:** A proposed global social protection fund could provide safety nets such as employment and basic income guarantees, health care and sick pay with a focus on the least wealthy countries.
- **Renewable energy financing:** Scaled up finance is needed alongside de-risking measures like government guarantees to backstop renewable energy projects in the Global South. A [Global Renewable Energy and Energy Access Transformation programme](#) has been proposed as a vehicle for making investments in renewable energy accessible for a range of actors.
- **Economic Diversification:** Funding provisions for developing countries to diversify their economies away from fossil fuel dependence through clean industrial policy, investing in sustainable economic development opportunities that can replace fossil fuel income, should be a core part of scaled up climate and development finance.



2. EXPANDING EXISTING CLIMATE AND ENERGY FINANCING

- **Scaled up climate finance:** The Green Climate Fund was established through the UNFCCC to support developing countries to cut emissions and climate risks and must be fully funded with Global North countries taking responsibility for their fair share of the funding needs.
- **Redirecting Harmful Subsidies:** This can be done domestically and nationally, redirecting more than USD 5.9 trillion annually that is currently allocated to fossil fuel projects to renewable energy, economic diversification and a just transition for workers and communities.

3. REFORMING FINANCIAL SYSTEMS

- **Financial Transaction Taxes:** Public funds can be generated by taxing the money that moves through the financial system. Some financial transaction taxes already exist so this is a proven model and could now be taken to a global level as a means to secure additional funding for the just transition.
- **IMF Special Drawing Rights:** Transfers from wealthy countries to developing countries could also be done by using International Monetary Fund “Special Drawing Rights” which were used during the Covid pandemic.
- **Central Bank Reforms:** Multilaterals banks, such as the World Bank, could be reformed to scale up funding for development and climate. This should be done in a way that doesn't make debt burdens worse and upholds the right of developing countries to advance their climate and development plans.
- **Debt Cancellation:** Debts stand in the way of countries' ability to be part of the energy transition and should be audited and canceled when loans are not consented to, violate laws, fund harmful projects, do not benefit people or the terms are unfair.
- **Transforming Tax Laws:** Transforming the rules and agreements on trade and investments is critical given they exacerbate economic inequities. This could be done by negotiating a new UN Tax Convention and/or UN Intergovernmental Global Tax Body.
- **Regulating Transnational Corporations:** Transnational corporations can be regulated through legally binding global and regional agreements to respect human rights and meet other conditions. There also must be an overhaul of Investor State Dispute Mechanisms that allow companies to sue countries if climate or other policies impact profits.
- **Reforming Trade Rights:** Trade-related intellectual property rights under the World Trade Organization must be reformed to allow for technology transfers to more readily take place.

