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EU position on ending public support for fossil fuels fails to do exactly that

Brussels - Today the Council of the European Union will approve a statement that commits all Member States to end international public finance in the form of export credits for projects in the fossil fuel energy sector. The Council also calls on the European Commission to launch negotiations at the Organization for Economic Cooperation and Development (OECD) to end such finance for fossil fuels beyond coal, including oil and fossil gas. The goal is to accelerate the energy transition needed to limit global warming to 1.5°C. However, as a concrete deadline for ending fossil fuel support is lacking, the EU's plan falls short on delivering on its very objective.

No deadline

At the global climate conference in Glasgow last year, 39 countries and institutions, including 12 EU countries and 19 OECD members, signed a joint commitment to end international public finance for unabated fossil fuels projects by *the end of 2022*. This near-term deadline was adopted to reflect the urgency of shifting away from fossil fuels, recognizing IPCC and IEA research showing that both the production and use of all fossil fuels needs to decrease significantly by 2030. However, rather than transposing this timeframe at the EU level and towards the OECD, the Council conclusions propose a different approach whereby, pending discussions at the OECD, EU Member States determine their own "science-based" deadlines for ending export credits to fossil fuel projects *after 2023*. The statement also suggests that the EU taxonomy can be used to guide green export finance, while the taxonomy has been widely criticized, including by its own technical expert group, for labeling gas and nuclear projects as green investments.

"Science-based"

Differentiated timeframes for ending oil and gas export finance do not respond to the urgency of the climate crisis, nor do they ensure a level playing field, which is typically of primary concern to Export Credit Agencies (ECAs). The science is clear that there can be no further expansion of fossil fuel infrastructure in a 1.5C scenario and thus efforts to immediately end export finance for fossil fuels at the OECD are critical. Between 2018 and 2020 the G20 ECAs provided 11 times as much support for fossil fuels than renewable energy with $40 billion per year flowing to fossil fuel projects compared to just $3.5 billion for renewable energy. Putin's war against Ukraine adds another imperative for reducing dependency on fossil fuels anywhere by doubling down on energy efficiency and renewable energy solutions. Counter-intuitively, Russia was the second largest recipient of G20 international public finance for fossil fuels between 2018 and 2020.

ECA-watch, a network of civil society organizations from around the world, is calling on the Council and the OECD to ensure their efforts to align export finance with climate goals match the urgency of the climate crisis. This means adopting a 2022 deadline for ending oil and gas export finance, a deadline that 50% of OECD members have already signed onto.

Quotes from individual organizations:

Laurie van der Burg, Co-manager Global Public Finance at Oil Change International, says:
"*While the window for securing a liveable planet is rapidly closing and Putin is waging a dirty, fossil fuelled war against the Ukraine, EU countries continue to prop up fossil fuel production with public money. The EU is right to bring the issue of restricting oil and gas export finance to the OECD after the progress that has been made with restricting coal finance, but time is of the essence. At COP26, one in two OECD members signed onto a 2022 deadline for ending public finance for fossil fuels. The EU's proposed differentiated timeframes for phasing out oil and gas export finance are inherently inconsistent with either climate or energy security objectives."*

Niels Hazekamp, Senior Policy Advisor at Both ENDS, says:
"At COP26, 12 EU member states agreed to end their public support for fossil fuels by the end of 2022. It is disappointing that the EU as a whole does not follow suit. A concrete path and a deadline for phasing out fossil fuels, in line with the COP26 commitment, is nothing short of necessary. Leaving member states the leeway to procrastinate will seriously undermine the chances of limiting climate change to 1.5°C. "

Anna-Lena Rebaud, Climate and Just Transition campaigner at Friends of the Earth France said:
"It is positive to see efforts by the European Union to push for an agreement on oil and gas at the OECD level, however we regret that Member States only agreed to adopt phase out policies by 2024 when it is clear we should have stopped fossil fuel expansion yesterday. We don't have the luxury of time and half measures. The fossil fuelled war against Ukraine reveals once more the vulnerability of our societies caused by our dependence on fossil fuels. It also reminds us that we build this dependence ourselves by investing billions each year in fossil fuel projects. It is past time governments stop all public support for fossil fuels."

Regine Richter, energy and finance campaigner at urgewald, says:
"*In the accelerating climate crisis time is running out for baby steps to stop it. While a good initiative from the EU, the planned action needs to be quicker, bolder and with a clearly defined timeline."*

Antonio Tricarico, Programs Director at ReCommon, states:
"*The same European ECAs which have backed new and large scale fossil fuel infrastructures in Russia are now shying away from taking a clear commitment to put an end to the financing of the expansion of fossil fuels. The weak decision of ECOFIN Council is a blank cheque for European fossil fuel companies to make us more dependent, not less, from fossil fuels in the near future. The time has come to put an end to such institutional schizofrenia".*