

## COP26: COMMITMENT TO STOP FINANCING FOSSIL FUELS ABROAD

### The Pledge

At COP26, 21 countries, including the US and the UK, together with a number of development banks signed a [pledge](#) to stop public financing of fossil fuel projects by the end of 2022 and to divert their spending into clean energy.

In signing, each of the signatories committed to "end new direct public support for the international unabated fossil fuel energy sector by the end of 2022." The Pledge focuses on *unabated* fossil fuels, which are those that are produced without the use of any carbon capture or similar technology.

The signatories also promise to prioritise their support "fully towards the clean energy transition, using our resources to enhance what can be delivered by the private sector."

### The science

The Pledge follows the findings of the Intergovernmental Panel on Climate Change (the IPCC) and the International Energy Agency (IEA) which state that limiting climate warming to 1.5 degrees Celsius requires a rapid and significant decrease in the use of unabated fossil fuels.

The IPCC special report "Global Warming of 1.5 degrees Celsius" sets out an expectation that investment in unabated coal will cease entirely by 2030 and investment will be drastically reduced for alternative unabated fossil fuels in the same period.

Earlier this year, the IEA warned that the exploitation and development of new oil and gas fields must stop this year and that no new coal-fired power plants can be built if the world is to meet the goal of net zero emissions by 2050, which is essential for the 1.5 °C degrees warming limit to be met.

### The impact

The signatories to the Pledge acknowledge the potential social and economic negative impacts that the move away from fossil fuel financing poses, and seek to support affected communities through financing a just transition to green energy projects. The commitment sends an important signal that the move away from fossil fuels is most meaningful when paired with the move towards clean energy.

If successfully implemented, analysis by non-profit Oil Change International suggests that the Pledge could reallocate more than USD 18 billion a year of public-funded support from fossil fuels to clean energy. This would only grow if current signatories can convince other nations and development banks to join, the encouragement of which forms the third limb of the Pledge.

The inclusion of Canada, the UK and the US as signatories to the Pledge is particularly significant as, historically, they have been some of the largest providers of fossil fuel financing. Notably, the Pledge has not been signed by the Asian G20 member countries, China, Japan and South Korea, which are some of the biggest financiers of fossil fuel projects in the G20 and account for 46% of G20 and Multilateral Development Bank finance for fossil fuels. Germany and Spain, which are among the largest financiers of fossil fuels in the EU, are also yet to sign. However, China has committed to stop building new coal-fired power projects out of its flagship Belt and Road Initiative.

There are some limits to the scope of the Pledge, beyond its signatories. For example, the agreement only covers new investments, meaning that existing projects, such as the UK's funding of a gas field in Mozambique, can still go ahead. The Pledge does not cover private sector funding. However, given the role public sector financing can play in de-risking investment, its removal may have an impact on private sector funding in the fossil fuels sector.

Additionally, the Pledge does not preclude the financing of domestic projects and allows for exceptions "in limited and clearly defined circumstances that are consistent with a 1.5 degrees Celsius warming limit and the goals of the Paris Agreement." Consequently, parallel domestic commitments will be required to maximise the impact of the Pledge.

Regardless of its limitations, the Pledge has been welcomed as a crucial step by a diverse group of countries towards realising the conditions necessary to pursuing a 1.5 degrees Celsius pathway.

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