FOSSIL FUEL TREATY

POLICYMAKERS' TOOLKIT FOR A JUST TRANSITION FROM FOSSIL FUELS

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1. EXECUTIVE SUMMARY

Equitably phasing out fossil fuels globally is now the new litmus test for true climate leaders. The expansion of oil, gas and coal – the energy sources behind nearly ninety percent of carbon dioxide emissions causing climate change[1] – is accelerating our world past the 1.5 degree warming limit. In this context, more national policymakers want advice on how they can drive a swift and just transition away from fossil fuels in their work.

Yet no practical toolkit exists to guide climate leaders' planning and policy decisions for responsibly winding down production and consumption of fossil fuels. This Policymakers' Toolkit for a Fossil Fuel Phase Out strives to serve as such a guide for policymakers who want to lead legislative, regulatory and associated efforts in their own countries. We understand that different regions have different policy challenges with regards the energy transition. This toolkit offers a range of decision options that they can consider, and take, where possible, to lead a just transition from fossil fuels.

As agreed in the 1992 United Nations Framework Convention on Climate Change (UNFCCC) preamble (paragraphs 3, 6, 18 and 21) and in the very first principle (Article 3.1), countries most responsible for creating the climate crisis and with the greatest capacity to pay, must lead efforts to cut emissions and provide finance and technology as well as capacity-building, to countries less responsible.[2]

In short, nations who have the most historical responsibility for climate change must do the most to help other nations transition away from fossil fuels. Climate justice advocates call this doing a country's fair share.[3] This toolkit helps policymakers think through how they can consider and embed equity in their day to day decisions around energy policies.

1_https://www.un.org/en/climatechange/science/causes-effects-climate-change#:~:text=Fossil%20fuels%20%E2%80%93%20coal%2C%20oil%20and,they%20trap%20the%20sun's%20heat.
2_https://unfccc.int/files/essential_background/background_publications_htmlpdf/application/pdf/conveng.pdf
3_https://usfairshare.org/; and https://static1.squarespace.com/static/620ef5326bbf2d7627553dbf/t/622824a543109c49186ef913/1646797999602/CSO.Equity.Review-2021-A.Fair.Shares.Phase.Out.Of.Fossil.Fuels.pdf

WHY A TOOLKIT?

Operationalizing equity, transparency and accountability are essential pre-conditions if all countries are to accept an agreement to act collectively on climate action, otherwise distrust among countries deepens and our world grows warmer and warmer. Analysis of current Nationally Determined Contributions (NDCs, or the pledges countries make to implement the 2015 Paris Agreement) tell us that most wealthy fossil fuel-producing countries have taken only limited measures to plan for declining supply of fossil fuels, preferring instead to focus on reducing emissions from production through largely unproven technologies such as carbon capture and storage.[4] This is a huge risk to addressing climate change and reaching global climate commitments.

It is clear that policymakers need support to plan for fossil fuel production decline in today's global scenario where international cooperation to enable this is currently limited. Each country faces its own unique conditions and forms of dependency on fossil fuels, therefore this toolkit aims to address many of these differences according to a countries' responsibilities for contributing to the climate crisis, as well as its capabilities to transition away from fossil fuels.

Our world needs national leaders who will advance policy proposals across all aspects of our economies to meet agreed climate targets and expand cooperation internationally. The overarching policy objectives and economic organising principles of almost all nations today have been tragically disinformed by the outdated ideology of endless "growth" on a finite planet, based on models of "development" that are not actually fit for purpose. Breaking patterns of fossil fuel extraction, production and consumption means making systemic changes, including the partial list below of only a few major policy areas.

Key national policy tools:

Resource Management Policies	Leasing and licensing for fossil energy exploration and production must: align with climate-analysis by applying a strong climate "test"; address impacts of existing activities; raise royalties and fees; as well as end expansion of new oil and gas permits.[5] Permitting policies for fossil fuel facilities must ensure feedback from frontline and fenceline communities with strict enforcement of their Free Prior Informed Consent (FPIC), and also apply rigorous assessment for climate impacts. Enhancing and enforcing environmental regulations that target all greenhouse gas emissions. Curbing exports and imports of fossil fuels via bans, quotas, tariffs, and other trade restrictions.

4_Janzwood, A. & Harrison, K. (2023) The political economy of fossil fuel production in the Post-Paris Era: Critically evaluating Nationally Determined Contributions, Energy Research & Social Science, 102.
5_https://foe.org/wp-content/uploads/2023/01/Post-IRA-Leasing-Letter-5.pdf

Financial markets policies	Discouraging investment by banning fossil fuels financing or by taxing capital gains from carbon, etc. Requiring banks and financial institutions to develop and implement total emission reduction plans that eventually eliminate financed greenhouse gas emissions and discontinue all financing. Redefining systemic risk by updating guidance on how authorities determine risk in non-bank financial institutions and subjecting those companies to additional supervision and standards.[6] Establishing analytical frameworks to assist financial authorities identify, assess and respond to potential risks from climate change to financial stability.[7] Demanding full disclosure of carbon risks[8] by new rules for information about risks and opportunities to ensure they are routinely considered in business and investment decisions. Divesting state funds from fossil fuel companies.
Fiscal policies	Taxing consumption by the richest polluters: targeting taxes at activities associated with high-carbon, high-wealth consumers, then transferring revenues to transform energy systems while supporting lower-income workers domestically and developing countries. Taxing fossil fuels production by targeting profits, dividends and capital gains from carbon to discourage investment. Spending: shifting subsidies from fossil fuels to establish investment incentives and infrastructure for installing new equipment for energy sufficiency, efficiency and renewables.
Monetary Policies	Increasing interest rates that create credit conditions to reduce drilling for fossil fuels, and/or increase investment in energy sufficiency, efficiency, and renewables. Elevating inflation targets that guide central banks' decisions when setting interest rates and elevating consumer expectations for rising prices, since higher inflation targets can discourage demand. Raising reserve requirements and require banks and other lenders to not use fossil fuels as collateral when considering capital or reserve requirements necessary to ensure lenders' financial stability.[9]

6_https://www.sierraclub.org/sites/default/files/2023-07/FSOC%20Guidance%20%26%20Framework_Docket%20IDs%20FSOC-2023-0002%2C%20FSOC-2023-0001.pdf
7_https://ourfinancialsecurity.org/2023/07/news-release-as-financial-risks-from-climate-grow-advocacy-groups-push-fsoc-to-enact-safeguards/
8_https://www.fsb.org/wp-content/uploads/P290617-5.pdf
9_https://greencentralbanking.com/2021/09/14/study-fossil-fuel-capital-requirements/

Economic diversification policies	Encouraging new industries, employment and livelihoods that are targeted at reducing or reversing greenhouse gas emissions, while enhancing climate adaptation and resilience, particularly in developing countries, and shifting away from climate-vulnerable economic sectors.
Employment and Community development policies	Initiating community dialogues and planning transitions with workers and authorities. Providing assistance to workers and to vulnerable or marginalised social sectors for ensuring just transitions (including skills retraining, financial support, technical assistance, etc.). Prioritizing energy conservation, sufficiency, efficiency and installing renewables. Requiring greater conservation, ensure sufficiency and incentivise efficiency from remaining fossil fuels use while expanding access to scaled-up renewables for underserved communities. Coordinating expansion of renewables with corresponding reductions in fossil fuels use.
Providing international support for other countries	Contributing to UNFCCC's Green Climate Fund, Adaptation Fund, loss & damage fund. Cooperating on climate-safe technologies, including waiving WTO rules on intellectual property to promote technology transfer and support for the development of climate-safe technologies in developing countries. Capacity-building and training in workforce, technological and policy development. Financial mechanisms.
Global economic governance	Dealing with the "debt-fossil trap" by providing debt cancellation. Changing trade and investment rules and policies, also facilitating technology transfer. Forging new international mechanisms to manage markets for fossil fuels' equitable decline. Initiating diplomatic engagement to manage decline of fossil fuel production equitably.

2. INTRODUCTION

The true test of climate champions, today, is their political commitment and policy leadership for a fast and fair phase out of fossil fuels, advancing a just transition for all by addressing economic inequality.

Consider today's stark situation revealed by recent data:

- The Global Carbon Project reports our world hitting a record high for the percentage of global CO2 emissions coming from fossil fuels: 92%;[10]
- The Climate Inequality Report shows the global top 1% of emitters are responsible for more emissions than the entire poorest half of the world's population;[11]
- The International Energy Agency urges,"no new long-lead-time upstream oil and gas projects are needed. Neither are new coal mines, mine extensions or new unabated coal plants," to keep to the 1.5C temperature goal;[12]
- An update of Environmental Research Letters' research found that a 50% probability of staying within 1.5C° implies leaving almost 60% of 'developed reserves' of fossil fuels unextracted.[13]

In short: fossil fuels are causing the climate crisis; the ultra wealthy cause most of the crisis; to meet the 1.5 C limit - there should be no new supplies and most of today's existing reserves can't even be used.

10_https://www.sierraclub.org/sites/default/files/2023-07/FSOC%20Guidance%20%26%20Framework_Docket%20IDs%20FSOC-2023-0002%2C%20FSOC-2023-0001.pdf
11_https://wid.world/wp-content/uploads/2023/01/CBV2023-ClimateInequalityReport-2.pdf
12_https://www.iea.org/reports/net-zero-roadmap-a-global-pathway-to-keep-the-15-0c-goal-in-reach/executive-summary
13_https://priceofoil.org/2023/08/16/skys-limit-data-update-shut-down-60-of-existing-fossil-fuel-extraction-to-keep-1-5c-in-reach/

WHAT IS A JUST TRANSITION?

For many communities and countries, fossil fuels have been positioned as a key driver of both energy security and development. Unfortunately, we have now entered an era where - according to the science and consensus of almost 200 countries at COP28 in the UAE in December 2023 - it is time to transition away from them so that we protect our societies and communities and build sustainable, resilient life for future generations. **This is a big, but very possible task that requires leadership and cooperation in policy spaces across the world.** A "Just Transition" means equitably transitioning away from fossil fuels and meeting climate goals by ensuring the whole of the world and its societies – countries, communities, workers, social groups – are a part of the journey and experience its benefits as well as its trade offs. The International Labour Organization (ILO) defines it as: *"Greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind."* The UNFCCC Just Transition Work Programme, launched in 2023, outlined *"the need to ensure just transitions that promote sustainable development and eradication of poverty, and the creation of decent work and quality jobs, including through making financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development, including through deployment and transfer of technology, and provision of support to developing country Parties".*

Just Transition is a 'principle', a 'process' and a 'practise' according to the Just Transition Alliance, founded in 1997 as a coalition of frontline workers and fenceline communities most impacted by environmental pollution, ecological damage and economic restructuring.[14] The principle is that a healthy economy and a clean environment can and should co-exist. The process for achieving this vision should be a fair one that should not cost workers or community residents their health, environment, jobs, or economic assets. The practices are the activities that will drive the transition away from fossil fuels while safeguarding the rights and resilience of countries, communities, workers and other individuals. A Just Transition must include wealthy, fossil fuel producing countries transitioning first and fastest, in line with the science, and supporting countries with less capacity to phase out.

14_Just Transition Alliance Just Transition Principles

Photo by Pedro Henrique Santos on Unsplash

THE CHALLENGE FOR POLICYMAKERS

Policymakers are faced with an enormous amount of information and expectations with regards to an energy transition. Fossil fuel interests have significantly slowed down progress by inundating decisionmakers with false solutions, such as carbon "abatement", "geo-engineering" and "offsets". These have been extensively documented as prolonging – and even encouraging – further expansion of fossil fuels.[15] These so-called new technologies are very expensive and largely unproven and are being used as loopholes for the fossil fuel industry to keep operating in the status quo. As a result, governments are diverting climate funds to fossil fuel companies for these false solutions. For example, governments have spent over $20 billion – and approved up to $200 billion more – of public money on carbon capture and storage (CCS) for the fossil fuel industry. Yet 79% of operating carbon capture capacity globally sends captured CO2 to produce more oil (via Enhanced Oil Recovery).[16] According to researchers at the University of Oxford, *"Heavy dependence on Carbon Capture and Storage (CCS) to reach net zero targets around 2050 would be "hugely economically damaging", costing at least $30 trillion more than a route based on renewable energy".* [17]

Promoting energy efficiency and expanding renewables alone can no longer be considered scientifically sufficient measures commensurate with the scale and pace needed to tackle today's accelerating climate catastrophe. Although necessary, merely adding more energy capacity overall from renewable energy sources, in the continued absence of broader policy changes needed to directly and rapidly reduce the very source of emissions coming from fossil fuels, could simply result in negating the emission mitigation and avoidance benefits that accrue from scaling up renewables.[18]

2023 smashed all records for rising global average surface air and ocean temperatures - with the global average near-surface temperature at 1.45° Celsius.[19] Now it is a question of how much damage we are willing to leave for future generations to endure. We must now, urgently, implement policies to stop the extraction and production of fossil fuels.

THE CHALLENGE FOR POLICYMAKERS

Climate change, increasing inequality and political polarisation are interconnected consequences of the same global economic system. We must and we can, redress inequalities while we exit fossil fuels. The needs of people who have suffered most from the current system, including workers and communities in the oil, gas and coal sectors – particularly Black, Indigenous and People of Color – must inform the idea of a "just transition" as well as those who have been historically excluded from the energy sector such as women and disabled people.

15_CIEL & Oil Change International (2023) Beyond Abatement: Securing a Full Phase Out of Fossil Fuels at COP28"
16_Oil Change International (2023) Carbon Capture's Publicly Funded Failure
17_https://www.smithschool.ox.ac.uk/news/heavy-dependence-carbon-capture-and-storage-highly-economically-damaging-says-oxford-report
18_IEA (2023) International Energy Agency's World Energy Outlook (WEO)
19_ https://wmo.int/news/media-centre/climate-change-indicators-reached-record-levels-2023-wmo

We need bold leadership from every country and community, not only calling for – but actively driving forward – a fast and fair phase out. In practise, this means:

Fast

- **a rapid reduction of emissions that is at least in line with projections of the Intergovernmental Panel on Climate Change (IPCC) to cut global emissions by almost 50% by 2030 to give us a 50:50 chance of limiting global warming to 1.5C above pre-industrial levels.** This is the primary goal of the United Nations Framework Convention on Climate Change's (UNFCCC) Paris Agreement.

Fair

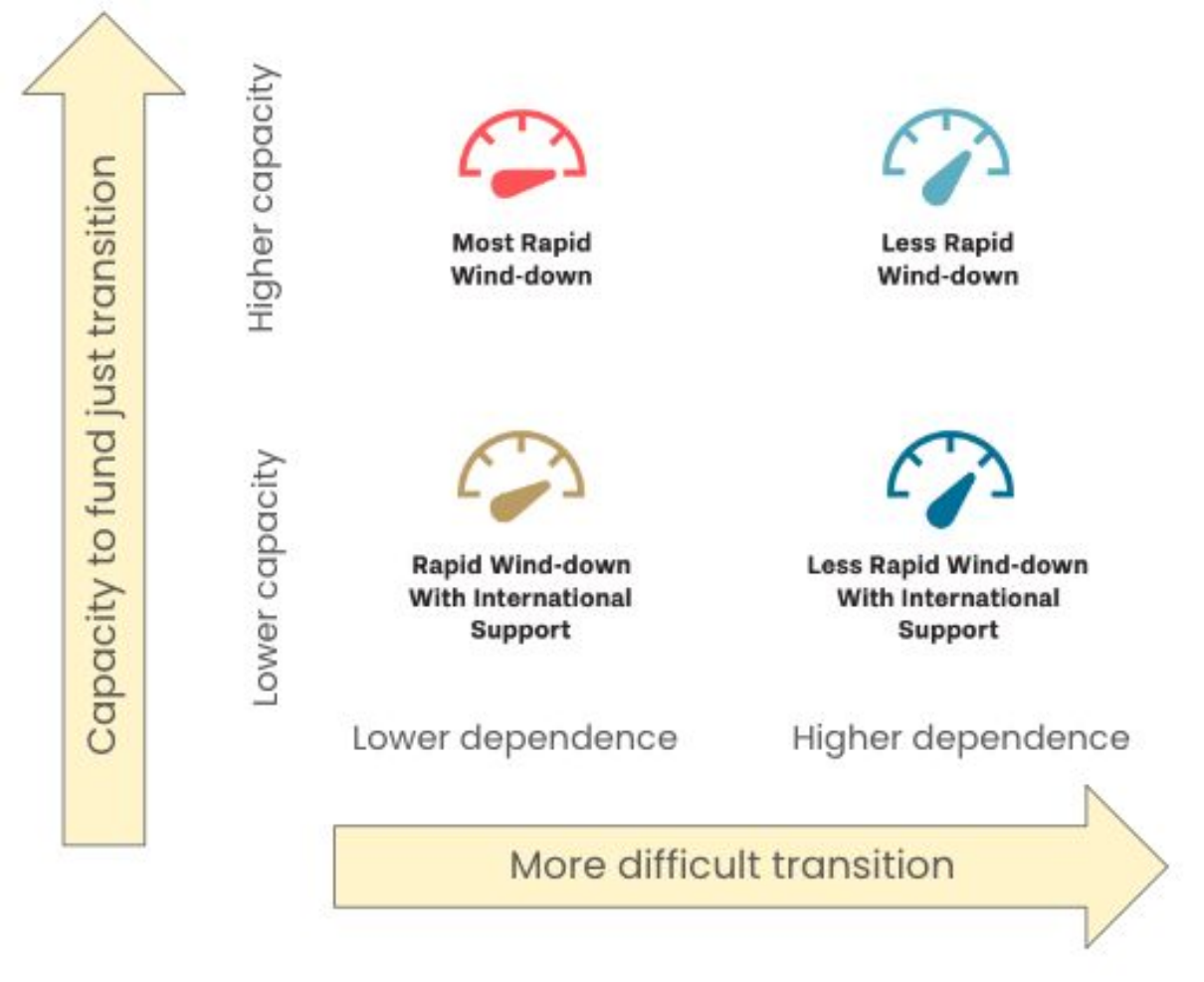
- **wealthier nations cut their emissions first and fastest, since most of the world's emissions are today, and were historically, from their activities.** Countries who contributed the least to the crisis tend to be less wealthy, and significantly more exposed to the negative impacts of climate change, pushing them into dangerous debt cycles which stop them pursuing sustainable development. International principles of fairness and equity are already agreed under the UNFCCC (1992), and were reaffirmed in the Paris Agreement (2015), known as 'Common but Differentiated Responsibilities and Respective Capabilities' (CBDR-RC). Nevertheless, the wealthiest countries remain far from keeping to their commitments on climate change, including support to developing countries to transition.

  For example, the IPCC has shown that North America's 4% of the global population is responsible for 23% of historical emissions since 1850.[20] The US recently surpassed all others to become the world's top producer of oil and exporter of gas, with a planned expansion of Liquified Natural Gas (LNG) production by 300%, more than all other countries combined.[21] [22] [23] Other wealthy countries are also backtracking.[24]

  The Civil Society Equity Review (CSER) has calculated countries' performances according to their responsibilities for creating the crisis and their capacity to support less wealthy countries to transition (by the provision of finance, technology and capacity-building).[25]

20_https://www.ipcc.ch/report/ar6/wg3/downloads/report/IPCC_AR6_WGIII_FullReport.pdf
21_https://www.sei.org/publications/trends-in-fossil-fuel-extraction/#:~:text=Between%202019%20and%202030%2C%20the,by%20Canada%20and%20Saudi%20Arabia.
22_https://bnn.network/breaking-news/germanys-wind-farm-demolition-raises-eyebrows-amid-coal-mine-expansion/
23_https://phys.org/news/2023-09-uk-backtrack-net-policies.html
24_ https://www.power-technology.com/news/france-to-extend-life-of-coal-plants-2024/
25_https://www.equityreview.org/

How capacity and dependence can influence the pace of winding down fossil fuel production and need for international support. Adapted from Muttitt and Kartha (2020)



The results have consistently shown that the wealthiest countries are far from doing their 'fair shares' while smaller, less wealthy countries are contributing their fair shares.[26]

The differing levels of development and varying socio-economic contexts of each country is why each nation will have its own pathway, on its own timetable, to transition fairly. However, together, they must collectively align with scientific and equity principles to guide just transitions for all.

Given countries' differences in capabilities for fast and fair transitions, the section below provides a broad range of policy tools decision makers can use to initiate and accelerate their own national processes. In the case of wealthy countries, policies are included to initiate their own just transition domestically as well as to provide the international support necessary for less wealthy countries. In the case of less wealthy nations, policies are included to initiate their own domestic transition as well as to cooperate with wealthier nations who can provide support.

26_https://www.equityreview.org/2021


Photo by Elimende Inagella on Unsplash

3. KEY AREAS OF NATIONAL POLICYMAKING

National policymakers have numerous executive, legislative, judicial and political tools to start phasing out fossil fuels, including providing the international cooperation less wealthy countries need to support their just transitions that are necessary for us all to secure a stable climate. Among the many key policy areas most relevant for a fast and fair phase out are some of the following menu listed below but given countries' varying circumstances, not all options are included here.

Each section below starts with a list of types of policies, followed by brief analyses and assessments, then finishing with options and examples of how countries could implement them so that this publication serves as a fossil fuel phase out instruction manual or toolkit for policymakers.

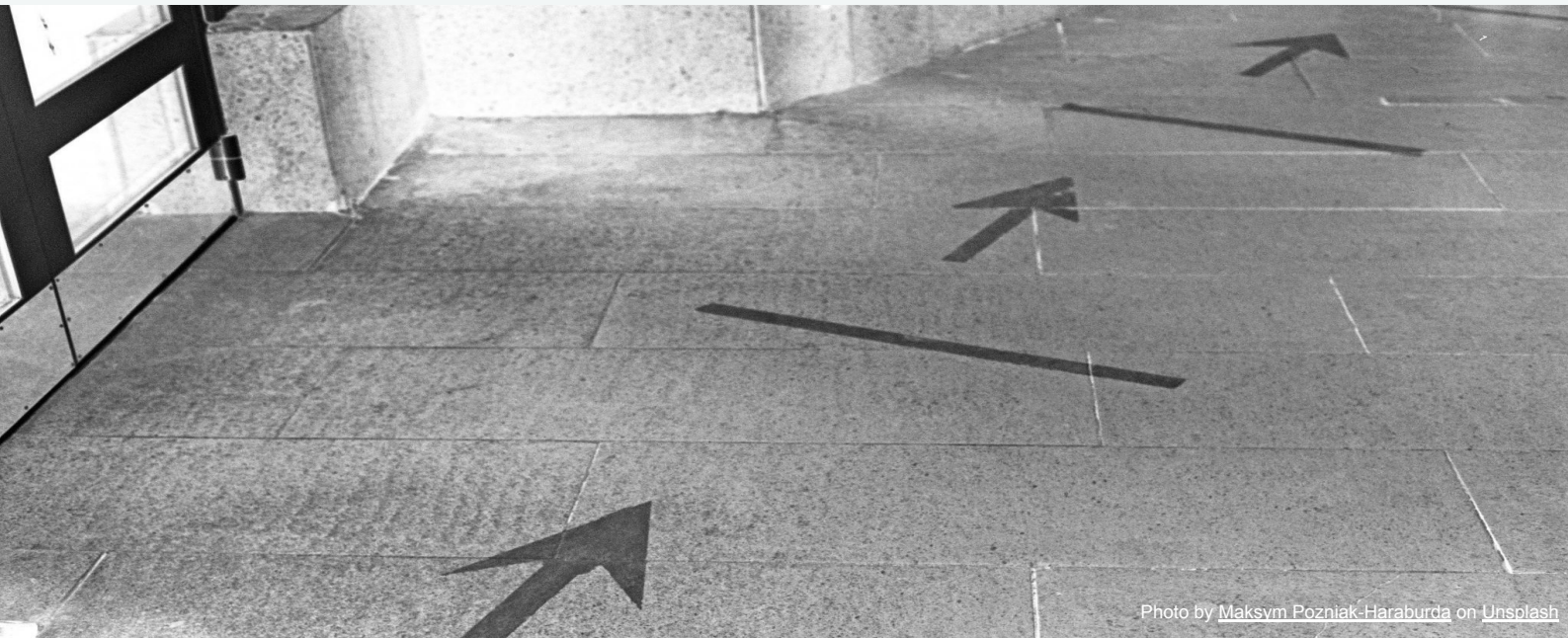


Photo by Maksym Pozniak-Haraburda on Unsplash

A. Resource Management Policies

Economic diversification policies	Leasing and licensing for fossil energy exploration and production must: align with climate-analysis by applying a strong climate screen; address impacts of existing activities; raise royalties and fees; as well as end expansion of new oil and gas permits.[27]	Page 13-14
	Permitting policies for fossil fuel facilities must ensure feedback from frontline and fenceline communities with strict enforcement of their Free Prior Informed Consent (FPIC).	14
	Enhancing and enforcing environmental regulations that target all greenhouse gas emissions.	15
	Curbing exports and imports of fossil fuels via bans, quotas, tariffs, and other trade restrictions.	15-16

Leasing and Licences for Fossil Fuel Exploration and Production in line with Climate Goals

- **Countries can cease issuing new leases and licences for fossil fuel exploration and production.** This could start immediately, or leaders may announce a future date when they will stop issuing new leases and licences. **Examples of policymaker action include:**

  ✔ In January 2023, the President of Colombia, Gustavo Petro announced a halt on all new fossil fuel licenses. In December 2023 the country endorsed the Fossil Fuel Non Proliferation Treaty idea. As the 5th largest coal exporter in the world, this demonstrated bold leadership which will facilitate national policymakers to follow.

  ✔ In December 2020, the Danish parliament terminated all oil and gas extraction by the end of 2050, which it saw as 'an important step' to becoming climate neutral by then.[28]

  ✔ Together with Costa Rica (and now 24 national and subnational governments), Denmark formed the Beyond Oil and Gas Alliance (BOGA), *"to facilitate the managed phase-out of oil and gas production."*[29] There are three levels of membership, with its core members committing to end new concessions, licensing or leasing rounds for oil and gas production and exploration and to set a Paris-aligned date for ending oil and gas production and exploration on the territory over which they have jurisdiction.

27_https://foe.org/wp-content/uploads/2023/01/Post-IRA-Leasing-Letter-5.pdf
28_https://www.sciencedirect.com/science/article/abs/pii/S2214629623002712#:~:text=In%20December%202020%2C%20the%20Danish,producing%20countries%20to%20follow%20suit._
29_https://beyondoilandgasalliance.org/_

- **Rejecting permits for any projects proposing new fossil fuel facilities/infrastructure, and revoking illegally granted permits** especially: export/import terminals, pipeline projects, storage and shipping infrastructure and other facilities requiring government permission.

- **Cancelling licences and leases that have already been issued,** focusing first on phasing out licences in areas which are easier to regulate or have additional significant co-benefits, leading to a 1.5C aligned phase out. They may, for example, begin by doing this on public lands and waters, followed by a more general cancellation of licences.

- **Withdrawing leases from sensitive areas available for drilling activities** is another small but crucial step towards broader licence cancellation while also protecting biodiversity. In the US, "25% of the nation's total climate emissions come from extracting, transporting, and burning fossil fuels on public land. Reforming the federal leasing program is crucial to meaningfully address climate change."[30]

  At the same time, countries and communities nearby fossil fuel production often receive revenues generated by such leases, which can be crucial for supporting local schools, hospitals, roads and other public services. **Significant support is therefore needed to diversify income streams** from sources for dependent communities to survive and thrive. See the section below for examples of economic diversification measures by governments.

- **Pushing for comprehensive analyses of ecological and economic impacts of leasing programs:** to better balance the public costs and benefits.

- **Raising royalties and fees on existing leases to cover carbon's social and economic costs**: this can discourage new applications and investments in leases since higher costs for producers might make it more profitable to put capital elsewhere. Amounts currently charged to drillers rarely if ever account for costs resulting from climate change, any associated pollution and the clean-up necessary after drilling. Too often, companies are allowed to walk away from the damage due to their drilling, leaving taxpayers to pay for pollution clean-up.

Ensuring Free, Prior and Informed Consent (FPIC)

- **Permitting policies for fossil fuel facilities like pipelines, storage tanks and export terminals have become a crucial point of contention** for movements trying to contain expanded production. "Permitting reform" has sadly become a code word for weakening standards of environmental and community protection that prevent fossil fuel production.[31]

- **Community feedback and consent is often a factor in governments' consideration of granting construction permits.** Thus, ensuring frontline and fenceline community feedback and obtaining their FPIC is the minimum standard when seeking approval for facilities. Policymakers championing climate policies can also become champions of democratic processes by safeguarding communities from harmful projects.

- **In working with communities is critical to apply an intersectional gender and power analysis to ensure that the voices of women, girls and minoritized groups are represented**. Working with local and indigenous rights experts - in gender justice, racial justice, disability justice and intersectionality - is the best way to ensure this.

30_https://earthjustice.org/article/why-oil-drilling-public-land-climate-change-harmful#:~:text=These%20leases%20lock%20us%20into,fossil%20fuels%20on%20public%20land.

31_https://www.biologicaldiversity.org/programs/energy-justice/pdfs/Letter-from-290-Frontline-Communities-Organizations-on-Permitting-Reform.pdf

Enhancing and Enforcing Environmental Regulations that Target all Greenhouse Gas Emissions

- **Policymakers can help to adopt and/or strengthen regulatory requirements that protect the environment**, frontline communities, public health and ensure taxpayers fair returns on any extraction from public properties. An example is incorporating climate checks into Environmental Impact Assessments.

- **In many nations, basic environmental laws still need to be established and doing so can slow or even stop fossil fuel production.** The fossil fuel industry is fiercely fighting back to expand their interests in many jurisdictions where production is slowing. The defense and enhancement of environmental protections is urgently needed as a result. **Some actions that policymakers can take include:**

  ✔ **Environmental Regulations:** government regulation of greenhouse gases needs robust monitoring and rapid phase out at source as well as associated redistributive measures to make polluters pay.

  ✔ **Emission Caps:** can limit total amounts of pollutants allowed annually, or set maximum volumes of emissions in support of national climate goals.

  ✔ **Product Bans**: can cut off production and or consumption of specific products such as lower grades of fuels or entire product categories like internal combustion engines.

  ✔ **Process Bans:** can prohibit or restrict particular types of extraction and refining processes and technologies, such as fracking, open-cut mining etc.

- **Declaring a climate emergency** can be taken up by national parliaments, presidents and other leaders, depending on the system of government, through a resolution or declaration. Not only can they raise public awareness but, depending on the jurisdiction, such a declaration may unlock certain powers by the authorities to take extraordinary measures not normally possible. The first declaration was made in 2016 by a local government[32], but since then more than 2,100 localities in 39 countries have declared climate emergencies. Climate campaigners in the US are calling on President Biden to declare a climate emergency[33] since it would allow him to "reinstate the crude oil ban, accelerate the shift off fossil fuels, boost just and resilient renewables, and advance justice."[34]

Curbing Exports and Imports of Fossil Fuels via Bans, Quotas, Tariffs, and other Trade Restrictions

- **Unrestrained trade drives negative ecological impacts and removing trade restrictions lead to significant increases in fossil fuel production and emissions**.[35] Trade measures must be carefully assessed, as curtailing resource flows could impact prices, so actions need to be coupled with targeted measures reducing the consumption of wealthy consumers. **Some actions policymakers can consider include:**

32_https://www.caceonline.org/history.html
33_https://www.cedamia.org/global/
34_https://www.biologicaldiversity.org/programs/energy-justice/pdfs/Climate-Emergency-Powers-Report.pdf
35_https://priceofoil.org/2020/01/28/report-reinstating-the-crude-oil-export-ban-could-cut-global-emissions-as-much-as-181-million-tons/

✔ **Embargoes and bans:** which can cut off fossil fuel product imports or exports by the official actions of appropriate national trade authorities and enforced at the borders if necessary. The US ended its forty-year ban on crude oil exports in 2015, triggering an explosion in overall production volume., Climate advocates are campaigning to reinstate the export ban and hence reduce production.

✔ **Quotas on the volume of trade:** can be applied as an alternative policy approach to not only drive down fossil fuels use but also to balance prices and market stability thereby avoiding surging or spiking costs.

✔ **Tariffs:** can reduce fossil fuel trade activity by imposing a fee or tax on imports or exports, resulting in higher prices that discourage demand and make tariffed goods less competitive with substitutes. World trade rules reduced average tariff levels on almost all products but countries are now actively reinstating them for a variety of reasons.

✔ **Other trade restrictions:** can cover measures ranging from consumer information labelling requirements to government procurement policies requiring local content of goods and services.

World trade rules discipline broad areas of government activities and more detailed descriptions of potential overlap is available in the trade sub-section below.

B. Financial market policies

Financial markets policies	Banning any financing for fossil fuels, taxing capital gains from carbon, etc.	Page 16-17
	Requiring banks and financial institutions to develop and implement total emission reduction plans that eventually eliminate financed greenhouse gas emissions and discontinue all financing for fossil fuels.	17-18
	Redefining systemic risk by updating guidance on how authorities determine risk in non-bank financial institutions and subjecting those companies to additional supervision and standards.[36]	19
	Establishing analytical frameworks to assist financial authorities to identify, assess and respond to potential risks from climate change to financial stability.[37]	19
	Demanding full disclosure of carbon risks [38] by new rules for information about risks and opportunities to ensure they are routinely considered in business and investment decisions.	20
	Divesting state funds from fossil fuel companies.	20

36_https://www.sierraclub.org/sites/default/files/2023-07/FSOC%20Guidance%20%26%20Framework_Docket%20IDs%20FSOC-2023-0002%2C%20FSOC-2023-0001.pdf
37_https://ourfinancialsecurity.org/2023/07/news-release-as-financial-risks-from-climate-grow-advocacy-groups-push-fsoc-to-enact-safeguards/
38_https://www.fsb.org/wp-content/uploads/P290617-5.pdf

Discouraging Investment by Banning Fossil Fuels Financing, Taxing Capital Gains from Carbon, etc.

- **Fossil fuel companies require continuous access to capital to finance their operations,** from exploration to distribution. The deeply reinforcing relationship between finance and fossil fuels must be broken if the world is to meet its climate goals. Today, a shrinking set of investors continue investing in oil, gas and coal, thinking they will shrewdly time the sale of their fossil-related assets, just before any coming collapse. Pressure from campaigners is slowly "moving the money" away from fossil fuels, but not fast enough.

- **Policymakers can send clear signals to financial markets and investors broadly by requiring investors' specific behaviours and practices ensure the phase out of fossil fuels** through a range of measures aimed at moving the money from fossil fuels to reduced demand and renewables.

Government action is imperative because banks' voluntary attempts at self-regulation are failing. A coalition of almost 600 organizations from 70 countries endorsing the 2024 "Banking on Climate Chaos" report are calling for the following actions by banks, which may require formal regulation:[39]

1. Exclude all finance for fossil fuel expansion immediately.
2. Adopt absolute financed emissions reduction targets for oil, gas, and coal aligned with a rigorous 1.5 C scenario.
   Demand robust, 1.5°C-aligned transition plans for all existing fossil fuel clients.
3. Protect human rights and the rights of Indigenous Peoples.
4. Scale up financing for a just and fair transition.

Regulating Banks and Investors to Limit Fossil Fuel Financing

- **The financial sector can be more effectively regulated by policymakers to limit the scope they have to finance fossil fuels.** For example, in the US Congress, a bill has been introduced that if approved, would "require large bank holding companies to develop and implement emission reduction plans".

39_https://www.bankingonclimatechaos.org/?bank=JPMorgan%20Chase#fulldata-panel

Some of the actions policymakers could leverage, if this new bill were to pass, include, to:

- ✔ **Discontinue new or expanded fossil fuel projects,** not later than 2023;
- ✔ **Discontinue thermal coal financing** by the covered bank holding company by 2025;
- ✔ **Discontinue fossil fuel financing** by the covered bank holding company to by 2030;
- ✔ **Reduce the financed GHG emissions of the bank** holding company by 5% by 2030;
- ✔ **Review emissions supply chains** financed by the covered bank holding company;
- ✔ **Eliminate financing of deforestation risk commodities** by the covered bank holding company.

The bill would also prohibit the use of carbon offsets, set forth technological requirements for reductions, and require the prioritisation of specified social impacts.[40] These targets are not yet fully aligned with the full US' "fair share"[41] but they signal a clear direction of travel in the right direction.

- **The European Parliament is also considering measures to mitigate climate risk in the financial markets,** with a host of tools that climate advocates can champion.[42]

Under these measures, some actions policymakers can take include:

✔ **An integrated Climate Policy:** Ensure a stable and integrated policy environment including the adaptation of clear and effective long-term climate and energy policies that set the right incentives for fossil fuel divestment.

For example:
i) Fossil fuel subsidy cuts;
ii) Carbon pricing to account for negative externalities of fossil fuel financing;
iii) A Fossil Fuel Exploration Moratorium.

✔ **Climate Disclosure:** Ensure a robust and transparent reporting of exposures to fossil fuels in a timely manner to strengthen market discipline and provide supervisors with better and more consistent information.

For example:
i) Stranded asset risk and decarbonisation strategies related disclosures to promote market transparency and discipline as well as improve data collection;
ii) A common approach for the calculation of "fossil" exposures and decarbonisation strategies to ensure comparability across institutions.

✔ **Regulation and Supervision:** Ensure a prudential response to fossil fuel related-risks.

For example:
i) Governance and risk management requirements;
ii) Formulate supervisory expectations and requirements with respect to climate and environmental risk management;

40_https://www.congress.gov/bill/117th-congress/house-bill/5253?s=1&r=6
41_https://foe.org/wp-content/uploads/2021/04/USA_Fair_Shares_NDC.pdf
42_https://www.europarl.europa.eu/RegData/etudes/STUD/2022/699532/IPOL_STU(2022)699532_EN.pdf

iii) Supervisory climate stress testing: Incorporating climate-related risks into banks' capital requirements;
iv) Incorporate climate criteria into monetary policy frameworks;
v) Adapt collateral frameworks and loan schemes to adequately reflect climate risk and give preference to green assets;
vi) Macroprudential(-like) instruments: Sectoral (or targeted) systemic risk capital buffer applicable to all fossil fuel exposures; maybe to be increased in level over time as to increasingly put pressure to phase out bank fossil fuel firm lending.

Redefining Systemic Risk by Updating Guidance on Risk Assessment in Non-Bank Financial Institutions as well as Subjecting those Companies to Additional Supervision and Standards.[43]

- **The Sierra Club, Americans for Financial Reform and an alliance of 25 organisations suggest new frameworks** for determining and regulating risk with several features.

  They outline the following actions that policymakers could take, including:

  - ✔ **Explicitly mentioning climate-related financial risk as a potential risk to financial stability**, acknowledging that threats to financial stability could derive from external sources, and long-term vulnerabilities;
  - ✔ **Drawing attention to the fact that activities that are sizable and interconnected with the financial system can destabilise markets** even when these activities are intentional and permitted by law;
  - ✔ **Recognising that they can make recommendations to regulatory agencies and legislators** when financial institutions' activities could create or increase the risk of significant liquidity, credit or other problems among low-income, minority, or underserved communities;
  - ✔ **Describing vulnerabilities and risk transmission channels** that can lead to systemic risks.

Policymakers can Establish Analytical Frameworks to Assist Financial Authorities to Identify, Assess and Respond to Climate-Related Risks. [44]

- **The need for a precautionary approach to systemic risk**: proactively managing radically uncertain climate risks that could cause unacceptably high losses for the financial system or the economy;
- **Accounting for the fact that some new or evolving risks, including from climate change, are being forced on institutions and communities that have not created them** and that lack the financial capacity to manage them. These entities should not be disproportionately burdened by such risks and related costs;
- **Accounting for the potential for risks to involve new risk transmission channels and require new risk management measures**—including measures that prevent risk from spreading to low-income, minority, or underserved communities.

44_https://ourfinancialsecurity.org/2023/07/news-release-as-financial-risks-from-climate-grow-advocacy-groups-push-fsoc-to-enact-safeguards/

Policymakers can Require Full Disclosure of Carbon Risks by Developing New Rules for Information to Ensure they are Routinely Considered in Business and Investment Decisions

- **Policymakers are urged to support the following activities** recommended by the international financial authorities' coordinating body: the Financial Stability Board's Task Force on Climate-Related Financial Disclosures. This is an industry-wide advisory group formed to forge agreed, accessible frameworks for firms. This calls on organisations to disclose:[45]

  ✔ **Its governance around climate-related risks and opportunities;**
  ✔ **The actual and potential impacts of climate-related risks and opportunities** on the organisation's businesses, strategy, and financial planning;
  ✔ **How it identifies, assesses, and manages climate-related risks**;
  ✔ **The metrics and targets used** to assess and manage relevant climate-related risks and opportunities where such information is material.

Divesting State Funds from Fossil Fuel Companies can Drain Capital Available for Fossil Fuel Production

- **Policymakers overseeing public pensions in California and New York are considering adopting stronger measures pushing companies to set targets to reduce their greenhouse gas emissions and conducting risk analyses of their holdings**.

  ✔ Pension funds can divest by coordinating consistent fiduciary duties with where specific risks are posed by companies' failure to develop serious transition plans.[46]

C. Fiscal Policies

Fiscal policies	Taxing targeted activities of high-carbon, high-wealth consumers, then transferring revenues to lower-income workers domestically and less-wealthy countries worldwide.	Page 20
	Taxing fossil fuels production by targeting corporate profits and investors' capital gains from carbon to discourage investment. Taxing the wealth of billionaires and high-net worth individuals.	21
	Shifting subsidies from fossil fuels to reframe investment incentives toward installing new infrastructure and equipment for energy sufficiency, efficiency and renewables.	21-22

Taxing Targeted Activities of High-Carbon, High-Wealth Consumers

- **Climate leaders can push for taxes targeted at activities associated with high-wealth/high carbon consumption of fossil fuels**, a missing market mechanism necessary for a managed decline of fossil fuels globally. Promotion of progressive environmental taxes serve to reduce inequalities and address the global environmental crises in tandem.

- **"Just transition" also means also addressing the inequalities in lifestyle-related emissions**, where, "the global top 10% are responsible for almost half of global carbon emissions and the global top 1% of emitters are responsible for more emissions than the entire bottom half of the world's population."[47]

- **Such taxes could have multiple co-benefits** if implemented in coordination with other producing and consuming countries. These include: raising revenues to support communities' and countries' just transitions; driving down demand for fossil fuels while easing inflationary pressure on energy prices for everyday people by punishing high-wealth / high-carbon activities.

For example:
✔ Private jets and "executive aviation", frequent flyers, first and business class flyers, space tourism, et. al.
✔ Luxury vehicles with low fuel-efficiency, from high status SUVs to posh yachts.
✔ Cryptocurrency mining and artificial intelligence data centers driving new demand from fossil fuels.

Taxing Production by Targeting Polluters' Profits and Their Investors' Capital Gains from Carbon to Discourage Investment

- **Taxing and spending can be one of the most effective tools for enabling just transitions** since the climate crisis is the direct result of market policy failures to properly reflect the full costs of carbon in our energy systems. However, reducing energy supplies without targeted reductions in demand can drive inflation, hitting less wealthy countries and communities the hardest with higher prices.

  Some steps that policymakers can take include:

  ✔ **Applying taxes to the extraction of fossil fuels**, including investments, such as taxes on oil company production or output, as well as profits, such as the proposed Climate Damages Tax;[48]
  ✔ **Removing investment credits or tax exemptions** for fossil fuel related activities
  ✔ **Beyond outright banning new investments, taxing capital gains from carbon to discourage investment in production could be a sound secondary step**. The Paris Agreement's Article 2.1c aims to align all financial flows with 1.5C so that means addressing the highest emitting and highest wealth activities;[49]
  ✔ **Taxing the wealth of billionaires and high-net worth individuals** is proposed by Brazil to be adopted by G20 countries, which could help raise significant revenues to channel into supporting just transitions from fossil fuels.

Spending on Climate Friendly Alternative Activities by Shifting Subsidies and Incentives from Fossil Fuel Investment, Production and Consumption to Conservation, Sufficiency, Efficiency and Renewables

Fossil fuel subsidies actually surged past 7 trillion USD, in 2022 more than doubling since 2020,[50] including over 1 trillion for consumption for the first time in history.[51] A huge amount of finance could therefore be directed by policymakers to enable the just transition and climate resilience within their regions.

- **Policymakers can advance measures to:**
  ✔ **Reduce and remove subsidies for fossil fuels**
  ✔ **Increase subsidies for new renewables** industries that should be replicated.

47_https://wid.world/wp-content/uploads/2023/01/CBV2023-ClimateInequalityReport-2.pdf
48_https://cdn.greenpeace.fr/site/uploads/2024/04/CDT_guide_2024.pdf
49_https://taxjustice.net/2023/06/22/launching-the-tax-justice-networks-new-climate-initiative/
50_https://www.imf.org/en/Publications/WP/Issues/2023/08/22/IMF-Fossil-Fuel-Subsidies-Data-2023-Update-537281
51_https://www.iea.org/commentaries/the-global-energy-crisis-pushed-fossil-fuel-consumption-subsidies-to-an-all-time-high-in-2022

- While difficult to untangle, policymakers must also consider the coordination of shifting extraction and production subsidies for fossil fuels to subsidies for transitional and alternative activities in line with equity and scientific imperatives.
- This must be redirected through the lens of gender and social justice, learning from approaches spearheaded by feminist and racial justice movements e.g. The Feminist Action Nexus for Economic and Climate Justice; Nawi Afrifem Macroeconomics Collective and more.

As an example of fiscal policies that shift spending to incentives, the US's 2022 Inflation Reduction Act aims to move incentives for capital investment from dirty to clean energy.[52] However, it's almost all carrots and no sticks. The IRA offers significant incentives for investment in renewables but fails to include measures to ensure the phase out of fossil fuels. It's too late to wait for markets to work where consumers will slowly choose what energy source is cheaper when wildfires are raging across rainforests and melting glaciers are all but gone. We also urgently need policies for a fast and fair phase out of fossil fuels, when the IRA's incentives for false solutions (like Carbon Capture and Storage and hydrogen) in fact expand subsidies for polluters and institutionalises new incentives to continue investing in fossil fuel expansion based on a hope that future technologies will successfully sequester carbon emissions, even if such technologies are decades from being commercially deployed on a scale and speed commensurate with when emissions must end.

D. Monetary policies

Monetary Policies	Interest rates that create credit conditions to reduce drilling rates for fossil fuels, and/or increase investment in energy sufficiency, efficiency and renewables given interest rates greatly determine the difficulty to secure financing for fossil fuels production.	Page 23
	Inflation targets that guide central banks' decisions when setting interest rates and elevating consumer expectations for rising prices, since higher inflation targets can discourage demand.	23
	Reserve requirements: requiring banks and other lenders not use fossil fuels as collateral when considering capital or reserve requirements necessary to ensure lenders' financial stability.[53]	23

52_https://www.youtube.com/watch?v=GxS0ff5V4VM
53_https://greencentralbanking.com/2021/09/14/study-fossil-fuel-capital-requirements/

Adjusting Monetary Policies to Discourage Fossil Fuel Use and Defend Against Systemic Risks of Climate Change and Stranded Assets can be Achieved by Adjusting Interest Rates, Inflation Targets and Reserve Requirements to Reduce Risks while Restricting Capital Flows to Fossil Fuels.

- **Monetary policy authorities set interest rates, inflation targets and reserve requirements** and manage money supply of the overall economy, establishing fundamental conditions for any marketplace under the authority of central banks.

  ✔ **Adjust upward inflation targets to anticipate and account for higher costs from just transition measures that incorporate full social and environmental costs of energy.**

- **Central bankers have been meeting regularly and making recommendations, often through the Bank of International Settlements** (known as "the central bank of central banks"),[54] to address climate by monetary authorities' measures.

  There are many recommendations that national governments can implement, including to:

  ✔ **Raise reserve requirements on risky fossil fuels assets and refuse banks and other lenders from accepting fossil fuels as collateral** when considering capital or reserve requirements necessary to ensure lenders' financial stability.[55.56]

- **Similarly, market authorities can require that lenders reject fossil fuels as collateral for financing or when borrowers apply for loans.**
  Finance Watch makes the following **recommendations to European Union monetary policymakers:**[57]

  ✔ **Calibrate the risk weight for bank exposures to existing fossil fuel reserves at 150%** in order to make it coherent with Article 128 of the Capital Requirements Regulation (CRR);

  ✔ **Calibrate the risk weight for bank exposures to new fossil fuel reserves at 1250%** in order to make the financing of new fossil fuel exposures by banks entirely equity-financed to reflect both microprudential and macroprudential risks;

  ✔ **Ensure that the modified risk weights are reflected in banks' internal models f**or the purpose of calculating capital requirements;

  ✔ **Promote the adoption of similar prudential requirements globally** by engaging the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Board (FSB).

Of course, such measures could significantly reduce the credit rating of many large corporations and even countries whose financial status is based on fossil assets, so implementation must be carefully constructed and executed in coordination with complementary policies ensuring stability, especially for countries with populations dependent on their governments good credit ratings due to fossil assets.

54_https://www.bis.org/bcbs/publ/d532.htm
55_https://greencentralbanking.com/2021/09/14/study-fossil-fuel-capital-requirements/
56_https://greencentralbanking.com/research/the-green-swan-central-banking-and-financial-stability-in-the-age-of-climate-change/
57_https://www.finance-watch.org/press-release/eu-has-the-tools-to-break-the-climate-finance-doom-loop/

E. Economic Diversification Policies

Economic diversification policies	Encouraging new industries, employment and livelihoods that are targeted at enhancing climate adaptation and resilience, particularly in developing countries and shifting away from climate-vulnerable economic sectors.	Page 24-26

Policymakers in Fossil Fuel Producing Countries can Prioritise the Diversification of Their National Economic Development Pathways Away from Dependency on Oil, Gas and Coal output by Supporting New Industries to Generate Non-Carbon Jobs, Renewable Energy Supplies, Streams of State Revenue and Foreign Currency Reserves

- **The UNFCCC defines "economic diversification" as:** "the process of shifting an economy away from a single income source towards multiple sources from a growing range of sectors and markets. Traditionally, it has been applied as a strategy to encourage positive economic growth and development. In the context of climate change adaptation, it takes on a new relevance as a strategy to diversify away from vulnerable products, markets, and jobs towards income sources that are low-emission and more climate resilient."

- **Developing countries would need to pursue equity- and ecology- oriented economic policies** for sustainable development and economic diversification. This would include the development of appropriate regulatory regimes and policies that incorporate the three aspects of sustainable development (environmental sustainability, economic development, and social development) into an integrated and multidimensional policy package.[58]

- **Gulf governments are advancing various strategies for national economic diversification away from fossil fuels**.[59] Since these economies depend heavily on fossil fuel exports, there are useful learnings on how diversification can support a fast and fair phase out. **The following are insights and recommendations from their experience:**

  - ✔ **Recognizing the economic and social value** of environmental resources and enabling prices to better reflect environmental value, while ensuring access by the poor to basic goods and services;
  - ✔ **Conserving resources and restoring** damaged environments and ecosystems;
  - ✔ **Prioritising public sector funding to promote environmental and economic diversification objectives** through subsidies, incentives, investment, budget, regulatory limits on pollution and overuse of resources and other policies;
  - ✔ **Regulating the market**
  - ✔ **Recognizing and addressing the link between livelihoods and living conditions**;
  - ✔ **Promoting sustainable consumption patterns** and addressing their links to the environment, poverty, and equity;
  - ✔ **Ensuring food security, rural livelihoods, sustainable agriculture, and sustainable industrialization**;
  - ✔ **Avoiding unsustainable environmental and natural resource management policy** in which ecosystems and natural resource sectors (such as forests, coastal areas, land) become the basis for investment in or the development and sale of speculative financial instruments secured by ownership, usufructuary, or exploitation rights by private sector agents over such ecosystems or natural resource sectors.

58_From TWN paper on gulf

59_ "Practice and Lessons from Persian Gulf Oil-Dependent Developing Countries"

Based on these insights, policymakers in competitive contexts could take the following actions towards economic diversification:

✔ **Diversification into and within existing non-fossil-fuel sector activities or sectors within their respective economies**. For example, banking in Bahrain; logistics, the seaports and trade sector in Dubai; the trade sector in Kuwait; and fisheries in Oman;

✔ **Introduction of new sectors, industries** or activities with high growth potential such as aviation (airports, airlines, and air transport servicing and logistics), education, tourism and hospitality (such as conference and experiential tourism), finance, real estate, logistics and business services or, within manufacturing, high-technology-content products produced using low- or no -emissions production methods. Policymakers can help introduce new sectors by supporting ecological economic development planning across all government agencies, policy areas and industry sectors to identify national strategic strengths and weaknesses for a post-fossil fuels economy. Findings can inform what activities might be feasible enough to develop economically and resilient enough to sustain ecologically over time.

✔ **Policymakers can convene inclusive domestic discussions on economic diversification and the transition to new industries.** Some countries have presented approaches developed with corporate consultants. These raise the risk of poor public engagement and buy in as policies are rolled out. Social dialogue can support a 'whole of society' vision and approach to drive forward successful and sustainable economic diversification. The government of South Africa has created the Presidential Climate Commission, which has conducted consultations with civil society and other stakeholders about its Just Energy Transition Partnership with European countries.,[60] Colombia's President Petro is pursuing his own electoral mandate to transition away from fossil fuels by consulting stakeholders which economic sectors can replace state revenue, jobs generation and energy supply, ranging from obvious options like expanding tourism to expanding the export of cannabis and its associated products as international demand rises with their decriminalisation.

✔ **Scaling up investment in**:
(a) **development of public infrastructure** including education, health care and social protection as essential foundations for non-fossil fuel economy growth, improving labor productivity and lowering production costs; (b) **development of low-no emission products and services** via increased domestic product and market research.

✔ **Implementation of demand-side measures to reduce domestic fossil fuel energy use** and the integration of renewable energy into their domestic energy mix to supply rising domestic energy demand and complement and eventually supplant domestic oil or gas use as well as provide a new energy export revenue stream.

- **Investments from public and private sources can be mobilised by shifting state spending to support initial capital formation for infant industries and important infrastructure, providing incentives to attract private capital into supporting similar activities.** Sovereign wealth funds, foreign currency reserves, state treasuries and public pensions are a few of the official forms of finance that can be brought to bear in initiating new industries, channelling their assets in the form of cash injections, credit instruments or other options that get things going in the right directions. Private capital, not

60_https://www.climatecommission.org.za/just-transition-framework

only from philanthropic foundations, family offices, pension funds, and religious and education endowments but business-oriented institutions such as banks, money managers and private equity among others, are also to be part of the mix of non-state monies to be drawn into new industries if incentives and market signals are set up.[61]

- **At the international level, governments should pursue international cooperation and support** as essential elements to ensure that the national development and economic diversification efforts of developing countries are not undermined or undone.
  There are three key elements for international cooperation and support that policymakers should take action on:

  ✔ **Ensuring that developing countries' policy space is not constrained or limited by multilateral rules,** particularly in the international trade, investment, finance, and taxation arenas;

  ✔ **Ensuring technology transfer to developing countries**, of environmentally sound climate-related technologies;

  ✔ **Ensuring adequate financial support to developing countries** for climate change actions, sustainable development, and economic diversification.

F. Employment and Community Development

Employment and Community development policies	Initiating community dialogues and planning transitions in partnership with workers and authorities.	Page 27
	Support marginalized groups and workers through tailored assistance, accounting for intersectional power dynamics, and provide programmes for social sectors to ensure just transitions (including skills retraining, financial support, technical assistance, etc.).	27-28
	Require greater conservation, ensure sufficiency and incentivise efficiency from remaining fossil fuels use while expanding access to scaled-up renewables for underserved communities. Ensure access and ownership of marginalized communities and individuals.	28

61_"Practice and Lessons from Persian Gulf Oil-Dependent Developing Countries"

Initiating Community Dialogues and Planning Transitions with Workers

- **Policymakers can help to initiate, support and sustain community dialogues on just transitions, including impacted individuals living on the fenceline of fossil fuel facilities and workers in the local fossil fuel sector**. These should ensure co-creation, planning and support programs that enable just transitions for everyone. Examples abound, from Morocco to Mississippi, of people engaging in community dialogues to collectively comprehend their situation and together create pathways out of crisis.[62]

- **Voters themselves can directly, through referendum, take control over oil output decisions by mobilising for immediate measures to keep-it-in-the-ground.** For example, Ecuador's voters stopped expansion of oil output in Yasuni national park, leading to the ending the construction of dozens of new oil drilling platforms and hundreds of planned new wells for more drilling. It puts an end to current production, requiring Petroecuador to remove rigs and close wells, dismantle more than 80 km of pipeline and remediate, reforest and restore the area to its state before any oil activities ever began.[63]

Assistance to Marginalized Groups and Workers and to Social Sectors

- **Just transitions are based on principles put forward by communities who have forged their own path forward and are often available to share their experiences and expertise.** Policymakers can point to the following five principles in their policy proposals put forward by the Just Transition Alliance:[64]

  - ✔ **Workers, communities, and Indigenous Peoples around the world have a fundamental human right to clean air, water, land, and food** in their workplaces, homes and environment;
  - ✔ **There is no contradiction among creating sustainable development, having a healthy economy and maintaining a clean and safe environment**;
  - ✔ **Liberalisation of environmental, health and labour laws and corporate globalisation know no borders.** Solutions call for local, regional, national, and global solidarity;
  - ✔ **The development of fair economic, trade, health and safety and environmental policies must include both the frontline workers and fence-line communities** most affected by pollution, ecological damage and economic restructuring;
  - ✔ **The costs of achieving sustainable development, a healthy economy and clean environment should not be borne by current or future victims** of environmental and economic injustices and unfair free trade policies;
  - ✔ **Workers and community residents have the right to challenge any entity that commits economic and/or environmental injustices.** These entities include governments, the military, corporations, international bodies, and mechanisms for securing corporate accountability.

- **These could be considered alongside with Gender Justice Principles.** The Women's Environment and Development Organization (WEDO) have outlined 5 key principles of a Gender Just Transition, including:
  1. **Shifting power** - a fundamental shift in economic, political, and decision-making power.
  2. **Redistributive Justice** - equitable redistribution of resources to enhance individual and collective resilience.
  3. **Dignified jobs** - diversification of the workforce, workplace safety, fair compensation, closing the gender pay gap and ensuring workers' rights to organize
  4. **Freedom from gender-biased limitations to work** - implement robust, gender-transformative education, skill-building and reskilling programs.
  5. **Valued, paid care work** - addressing the lack of recognition of women's unpaid work. A Gender Just Transition necessitates its recognition, redistribution, and remuneration.

62_ https://www.tni.org/en/publication/from-crisis-to-transformation

63_ https://amazonwatch.org/news/2023/0830-yasuni-victory-shows-us-the-way-to-end-amazon-crude

64_https://jtalliance.org/what-is-just-transition/#:~:text=The%20principle%20of%20just%20transition,losses%20should%20be%20fairly%20compensated.

- **There are growing examples of government led action to develop Just Transition plans and approaches.** For example, California's "Refinery Row" in the San Francisco Bay Area is the site of several oil refineries that produce gasoline for one of the world's largest automobile markets of daily commuters, yet community leaders are initiating their own planning process to push forward the phase out of fossil fuels as the State of California has committed itself to do. The state has mandated its agencies to come up with a plan for this transition by the beginning of 2025.

- **Financial, technological, capacity-building and specialized training and/or retraining can be essential elements for communities and entire countries to successfully transition.** Funds for compensation, reparations and covering same-level salaries and benefits for fossil fuel workers is a standard degree of support, particularly for workers fortunate enough to be supported by strong labour unions. For folks in non-unionized employment and/or informal sectors where work is precarious with insecure income, similar levels of support are necessary to enable just transitions for everyone. Funding public services like education, healthcare, transportation are also essential components to enable successful transitions.

Require greater conservation, ensure sufficiency and incentivise efficiency from remaining fossil fuels use while expanding access to and ownership of scaled-up renewables for marginalized communities.

- The importance of conserving energy and ensuring sufficiency, efficiency and scaling up renewables is paramount in phasing out fossil fuels and advancing just transitions. Many publications exist explaining its importance and provide examples of how policymakers can and are advancing proposals in these areas. It is crucial to coordinate the timing of any attempted phase down of fossil fuels with the scale up of conservation policies and renewables. The focus of this report is to provide policymakers with policy options and tools to advance a fast, fair phase out with a number of resources recommended reading.[65.66.67]

- Globally, there needs to be a convergence of energy use levels where poor people need to see a significant increase in their energy access and use, while those in the wealthy, high-consuming part of the population need to decrease their energy use, with a Global Feed-In Tariff potentially establishing a basis for international cooperation.[68]

Just Transition Africa is a report by an independent group of experts outlining different steps that developed and developing countries can take together in partnership, including:[69]

Rich, industrialised countries:
» Immediate transition to 100% Renewable Energy
» New smart, modern, distributed systems
» Sufficiency and curbing of overconsumption
» People-centred energy

Developing countries:
» Access to sufficient energy for all
» New, smart, modern distributed 100% Renewable Energy systems
» Renewable Energy technology manufacturing capacity
» People-centred energy
» Local economic development

65_https://justtransitionafrica.org/wp-content/uploads/2023/05/Just-Transition-Africa-report-ENG_single-pages.pdf
66_https://www.sciencespo.fr/psia/chair-sustainable-development/2023/08/30/a-new-strategy-the-role-of-energy-sufficiency-in-decarbonisation/
67_https://www.jstor.org/stable/43734714
68_ https://whatnext.org/wp-content/uploads/2020/03/GREEAT_Final.pdf
69_https://justtransitionafrica.org/wp-content/uploads/2023/05/Just-Transition-Africa-report-ENG_single-pages.pdf

G. *International Support for Other Countries*

Providing international support for other countries	Delivering on overdue commitments to the UNFCCC's Green Climate Fund, Adaptation Fund and the new Loss & Damage Fund.	Page 29-30
	Cooperating on climate-safe technologies, including technology transfer and the development of endogenous technologies in developing countries.	30
	Capacity-building and training in workforce, technological, scientific, standard-setting, regulatory and policy development.	30

Climate policy leaders need to advance efforts to deliver on national legal obligations under the UNFCCC to provide support to less wealthy nations, specifically in the form of finance, technology and capacity-building. The Civil Society Equity Review 2022 report, *Imperative of International Cooperation* offers a good overview with links to detailed resources.[70]

Delivering on overdue commitments to the UNFCCC's Green Climate Fund, Adaptation Fund, and New Loss & Damage Fund

- **Wealthy countries have made commitments under UNFCCC to these funds, yet have failed to deliver on those commitments to date. Trust between Global North and Global South is breaking down**. Key to restoring trust is developed countries' recognizing their historical responsibility and contributing their fair share of global efforts of emission cuts and international support.

- E.g. US officials routinely tell other countries' officials they will deliver finance, yet return to Washington with little more than making themselves available to answer questions from Congress. True, the Republican Party is rabidly opposed to funding for anything to do with climate, yet what is needed from climate leaders is the intensity of effort exerted when securing federal funds for foreign militaries, bailing out big banks or forcing through free trade deals.

- COP 29 is mandated to establish a New Collective Quantified Goal (NCQG) by agreeing on a concrete quantum, or financial figure, that developed countries will deliver to developing countries for mitigation, adaptation, loss and damage, and just transitions from fossil fuels. To raise these revenues, developed countries can shift domestic spending for fossil fuel subsidies, military equipment and other areas, as well as to tax activities associated with high-wealth/high-carbon emissions, in order to provide greater amounts of grants to less-wealthy countries and communities. New multilateral measures can also generate greater amounts of money for climate finance both within UNFCCC and beyond by a new UN Tax Convention and other actions to transform global financial flows from North to the South, thereby reducing needs overall.

70_https://static1.squarespace.com/static/620ef5326bbf2d7627553dbf/t/636f8be1d35f0875298db39b/1668254693836/COP27_Civil_Society_Equity_Review_Report_SCREEN.pdf

- The World Bank, International Monetary Fund and Multilateral Development Banks should of course align their lending with climate imperatives, starting with their exiting fossil fuels which they still fund, but in no case can they be trusted as the leading institutions for climate finance flows due to their disastrous record and ideological orientation towards unjust development models. In surveying UNFCCC funds, which operate under the UNFCCC's equity principles (CBDR-RC) and are accountable to the Conference of the Parties (COPs), the following are foremost in the emerging international architecture of climate finance.

Cooperating on the Transfer of Climate-Safe Technologies and the Development of Technologies in Developing Countries

Wealthy countries control most of the patents on new technologies and charge high royalty rates to developing countries to transfer and use them, whereby ignoring UNFCCC commitments for developed countries to help developing countries to transfer technologies. Developing countries consistently demand new flexibilities on global patent rules to make technology more accessible and affordable given today's climate emergency but developed countries refuse to even consider reforming today's rules even though firms are not against doing so.

- **With regards to trade rules that are hindering cooperation,** policymakers can have great impact by:
  - ✔ **Pushing their national trade ministries involved in international negotiations to call for waiving WTO's rules on intellectual property rights on climate-friendly technologies**, which are owned mainly by the Global North patent-holders who see them as mere money-making opportunities as opposed to planet-saving equipment needed for an existential emergency;

  - ✔ **Join the call for waiving current trade rules that protect monopoly patent rights on climate friendly technologies** under the Trade Related Intellectual Property Rights Agreement of the World Trade Organization. Similar to waivers for medicines and treatments against COVID, HIV, et. al., trade ministers can change unjust rules that act as barriers to countries' just transitions away from fossil fuels. See sub-section below on trade for more.

- **All countries need to do more direct cooperation** - among national laboratories, academic institutions and even private businesses - to support the development and adaptation of appropriate technologies in developing countries. Our collective survival depends on sharing - innovative ideas and atmospheric space - to ensure we can all live within our planet's ecological limits.

Capacity-building for developing countries' capabilities to advance climate protection.

Policymakers can support greater international engagement that strengthens developing countries' technical training, regulatory regimes and standards-setting bodies by sharing expertise and experience across borders among governments agencies, nongovernmental actors and businesses with a view to enhancing knowledge skills and resources for less wealthy countries and uplift their own actions. Most developed countries fund several forms of support for developing countries that likely need more robust efforts and resources to support them. Budgeting more state funds for enhanced actions in the areas prioritized by recipient countries can be a big boost to a country's fair share of phasing out fossil fuels.

H. Global economic governance

Dealing with the "Debt-Fossil Fuels Trap"

- **Many developing countries are caught in a deadly cycle where they must drill for more fossil fuels to pay off their mounting debts,** at times affording to pay only the interest they owe on illegitimate loans. Argentina, Ecuador, Chad, Uganda, Suriname and others, require debt cancellation if they are to exit fossil fuels and forge a pathway to just transitions, yet developed countries and the international financial institutions they control refuse to adequately address the debt crises, while their private creditors keep these countries trapped in a disastrous cycle of drilling more to pay off debts.

  A report released by a coalition of debt justice groups, "The debt-fossil fuel trap: Why debt is a barrier to fossil fuel phase out and what we can do about it," **urges governments to take the following steps**:[71]

  - ✔ **Implement ambitious debt cancellation for all countries that need it, across all creditors, free from economic conditions.** In the short run, existing debt relief initiatives must be strengthened and extended to all countries that need it and all creditors (bilateral, multilateral and private) must participate. As nearly all global south country loans from external private creditors are given under English and New York law, the UK and US can play a leading role in strengthening debt relief processes by introducing legislation that would compel private sector participation in debt relief negotiations;

  - ✔ **Debts accrued from fossil fuel projects should be recognised as illegitimate and cancelled** so countries are not forced to make repayments for activities that have caused harm to citizens or locked countries in climate harmful activities;

  - ✔ **Significantly scale up grant-based, new and additional public climate finance**, as a form of reparations in light of the climate and ecological debt owed by the global north to the global south;

  - ✔ **Bilateral and multilateral finance should be aligned with a 1.5 degree warming scenario and fair shares calculations, and not be used to finance fossil fuels.** Multilateral and international financial institutions should set deadlines for shifting finance out of fossil fuels and into sustainable, climate measures for adaptation, mitigation and to address Loss and Damage.

71_https://debtjustice.org.uk/wp-content/uploads/2023/08/Debt-Fossil-Fuel-Trap-Report_2023.pdf

Changing world trade and investment rules that drive the environmental and equity crises, and prevent governments from enacting measures to mitigate them.

- **Policymakers can urge national trade negotiators to advance policies supporting global trade and climate justice by transforming current rules that benefit wealthier countries and global corporations** while enshrining the environment vs development binary that has come to justify the trampling of environment and human rights to meet "development" needs. New world trade rules are needed to adjust to the crisis they have helped to create yet its leadership and bureaucracy remain captured by ideological bias towards more trade as the solution for all challenges. Trade policies on a warming planet must prepare for less trade and potentially even no ocean trade if shipping can not be sustained at scale due to increasing costs of extreme weather and destruction of infrastructure.

  Policymakers can take the following steps:

  ✔ **Urging trade ministers to support a global "climate peace clause" where countries agree not to challenge other nations' climate measures as violations of world trade rules.** The World Trade Organization (WTO) comprises many global trade agreements that greatly restrain space for enacting policies in the public interest. WTO's basic principles of National Treatment, Most-Favoured Nation and other core principles of free trade rig today's global rules to shape national economies around export-oriented, globalised production and consumption patterns based on fossil fuels. Even WTO's General Exceptions (Article 20 of the General Agreement on Tariffs and Trade) imposes endless conditions on how governments must implement climate laws so as not to interrupt free trade flows. The WTO's Agreement on Agriculture replaces small sustainable farmers with large, industrial-scale producers with petrochemical/fossil fuels-intensive practices. WTO's Agreement on Trade Related Intellectual Property Rights hinders the rapid transfer of technologies that can be crucial to climate changes solutions;

  ✔ **Reducing fossil fuels exports and imports by outright bans, quotas, tariffs, or other non-tariff restrictions** can restrict their traded volumes, hence reducing their production and consumption. Removing the US ban on crude oil exports in 2015 triggered an explosive and ever-expanding volume of output that made the US the single largest producer in the world by 2018. Currently, Saudi Arabia and Russia each produce about 9 million barrels per day whereas the US is approaching 13 million, flooding global markets and driving down prices that oil-dependent countries need to finance their own transitions. US crude oil exports grew more than 750% from 2015-2019 as a direct result of removing the export ban. The US Government Accountability Office found that, "The repeal of the ban expanded the market for U.S. crude oil to overseas buyers and along with other market factors, allowed U.S. crude oil producers to charge higher prices relative to comparable foreign crude oil. Higher prices and an expanded market for U.S. crude oil further incentivized domestic crude oil production. Restoring the crude oil export ban could lead to reductions in global greenhouse gas emissions of as much as 80 to 181 million tons of carbon dioxide equivalent each year, about four times the yearly emissions of New York City. Climate advocates are now calling for the reinstatement of this ban, with proposed laws in Congress opposed by oil exporters;

72_ttps://www.eia.gov/energyexplained/oil-and-petroleum-products/where-our-oil-comes-from.php
73_https://priceofoil.org/2020/01/28/report-reinstating-the-crude-oil-export-ban-could-cut-global-emissions-as-much-as-181-million-tons/
74_https://www.gao.gov/products/gao-21-118#:~:text=However%2C%20U.S.%20crude%20oil%20production,of%20U.S.%20crude%20oil%20worldwide
75_https://priceofoil.org/2020/01/28/report-reinstating-the-crude-oil-export-ban-could-cut-global-emissions-as-much-as-181-million-tons/
76_https://www.congress.gov/bill/117th-congress/senate-bill/1415/all-info?r=6&s=1

✔ **Withdraw from Investor-State Dispute Mechanisms (ISDS) that allow private corporations to sue governments for cash compensation if policies reduce the profits of foreign investors.** In September 2023, German coal companies who filed compensation claims against the Netherlands for capping coal emissions were to be paid more than 330 million euros (although they demanded 1.9 billion euros). Global South countries also face claims, consequently freezing stronger regulation of fossil fuels in many nations. Without dismantling ISDS it is difficult to see how governments can freely take the policy decisions required on equitable fossil fuel phaseout.

Forging New International Mechanisms to Manage Markets for the Equitable Phase Out of Fossil Fuels

- **Policymakers can support fossil fuel dependent countries from financial fallout from being saddled with stranded assets of fossil fuels with special attention and a new process to allow them to unwind from precarious financial positions, secure viable credit ratings and protect other economic vulnerabilities due to their fossil fuel dependency.** The International Panel on Climate Change, countries and the International Energy Agency urged financial flows into new fossil fuel supplies to end immediately yet economies dependent on production require immediate international support to enable their transitions with climate-friendly financial flows and supported by appropriate technologies.

Policymakers can:

✔ **Cooperate on global energy prices to stabilise volatility and ease inflation.** Policymakers can stabilise volatile energy prices and ease inflationary pressure by agreeing on a fair price range within which energy can be bought and sold. At the ADIPEC 2023 conference in Abu Dhabi, India's Energy Minister, overseeing a major rise in oil consumption alongside a big build-out of renewables, called for international agreement on a fair price band for trading oil. At the same time, OPEC's Secretary General called for a fair price to finance the transition costs of producing countriesInternational commodity agreements, or some sort of market-moderating mechanisms, are needed now to manage today's transition equitably and aligned with 1.5C.

Governments actively cooperate to supply more energy when markets tighten but do next to nothing to drive down demand. Our warming world needs international cooperation on both sides of the market equation (supply and demand), specifically country-coordinated reductions in demand along with planned production cuts by producing countries according to agreed equity and ecological metrics. Price stability cooperation can also provide unity of mutual purpose and build trust among countries in planning processes for a fair phase out.

New International Mechanisms for Addressing Key Aspects of Managing a Phase Out Equitably

- **As price stability enhances the ability of governments to plan, at least five discussions can be established to address key aspects of an equitable phase out.** Together, these five areas of discussion must drive toward resolution of an equitable phase out.

Policymakers should actively seek to table these discussions and drive forward new forms of international cooperation to address them:

- ✔ **Debt restructuring:** Highly indebted countries who produce fossil fuels but see little chance of escaping debt through more production are to be offered debt restructuring including debt cancellation. See subsection above for more details;

- ✔ **Diversifying economies:** Highly dependent producing countries are to be offered various forms of international support to diversify their economies away from fossil fuels, such as flexibilities on patents and intellectual property, trade preferences and new market access agreements, concessional financing for initiating industries not dependent on non-fossil fuels. See subsection above for more details;.

- ✔ **Decreasing demand:** Top consuming countries must take the lead on driving down their domestic demand for fossil fuels through multiple measures described above and - in advance - communicate their targeted decline rates to countries producing fossil fuels in order to facilitate their own planning to exit production;

- ✔ **Disclosing risks:** Financial market authorities must press ahead with implementing recommendations for robust disclosure requirements of full climate risks so that re-pricing of fossil fuel assets and investments can be expedited, underpinned by a safety net for producing countries who may suffer downgrades in credit ratings due to repricing. See subsection above for more details;

- ✔ **Declining Production:** Agreeing to be the first and fastest to phase out production, countries like the US, UK, Canada, Norway (and other producing countries deemed to have high levels of historic emissions and greater capabilities to transition from fossil fuels) are the earliest to exit production. Next, highly indebted countries are encouraged to exit early with debt cancellation and diversification. Then, as highly dependent countries diversify, nations must next focus on applying agreed principles and practices for the "equitable extraction" of fossil fuels within remaining ecological limits. The few remaining producers of low-carbon, low-cost fuels are to be allotted specific production targets according to their historical emissions and current capabilities to transition their economies. See Civil Society Equity Review's 2023 report for more about "extraction equity" principles and processes to advance them, as well as proposed categories of countries who would phase out production along specified timelines.

These five discussions could create the foundational pillars of a new international agreement that phases out fossil fuels equitably while fast tracking just transitions for all countries and communities. This work is critical in the years to come in order to confront the climate crisis with the speed and scale required. The proposed Fossil Fuel Treaty would stop the expansion of fossil fuel extraction and wind down existing production to safe levels. It would ensure every country in the world is able to tap into the abundant renewable energy that exists and make the shift to communities and economies free of fossil fuels by having wealthy, fossil fuel extractors commit to making the transition in their own countries and pay for their fair share of the problem by delivering financing and technical support to countries least responsible for climate change. Policymakers at national, regional, and municipal can join the call for a fossil fuel treaty.

3. CONCLUSIONS AND SUMMARY OF KEY RECOMMENDATIONS

The climate emergency we are facing is, overwhelmingly, due to burning fossil fuels. The way forward is to face this reality, and by doing so chart a path where all countries contribute their fair shares to a global effort to equitably phase out fossil fuels with a just transition for all.

This policymakers' toolkit provides numerous ideas on the measures needed – fiscal, monetary, resource management, tax and trade – at both the national and international levels to accelerate everyone's just transition from fossil fuels.

Applying the UNFCCC's established principles of equity would enable a "fair shares phase out" whereby countries who got rich earlier by burning fossil fuels would be the first and fastest to phase them out while also supporting other countries to transition by providing finance, technology and capacity-building.

Countries' pace and scale for phasing out fossil fuels can be categorised by their historical emissions and current capabilities to transition. Nations need diverse approaches to account for their different types of dependency on fossil fuels for energy supplies, employment, export earnings, and other aspects that can complicate, delay and even derail one's exit from oil, gas and coal.

As climate policymakers work through their Nationally Determined Contributions - they have the opportunity to be climate leaders. True climate leaders will champion policies surveyed in the toolkit herein, which only touch upon some of the key changes needed while recognizing the many additional efforts needed to expand access to renewable energy.