

Climate SOS : Shift Our Subsidies

Declaration

For further information please see our [fully referenced Shift Our Subsidies Declaration](#) and our [Frequently Asked Questions](#) webpage.

“We need to tax pollution, not people, and to end subsidies for fossil fuels.... What we are doing is using taxpayers’ money - which means our money - to boost hurricanes, to spread droughts, to melt glaciers, to bleach corals. In one word - to destroy the world. As taxpayers, I believe we would like to see our money back rather than to see our money used to destroy the world.”

UN Secretary-General Antonio Guterres, May 2019

“The issue is whether [countries] are providing support to fossil fuels when they have pledged to end the use of fossil fuels under the Paris Agreement... We’re often told by governments we don’t have resources, we don’t have the funds to support green energy, we don’t have the money to give to climate finance. But actually, if you look at the tools that are used for our current energy system a lot of that is to support fossil fuels and those tools are there.”

Shelagh Whitley, Head of the Climate and Energy Programme at the Overseas Development Institute (ODI)

In a climate emergency, the UK Government is spending billions of pounds each year propping up the fossil fuel industry at home and overseas. This is driving up carbon emissions. We demand that the UK Government tells the truth about its fossil fuel subsidies and shifts taxpayers’ money from fossil fuels and industrial-scale bioenergy (from land-use change) into energy efficiency, non-emissive renewable energy, public transport and nature restoration. The UK Government also needs to show leadership in COP 26 and other international meetings to advocate and support urgent international action to be taken to end fossil fuel subsidies.

- 1) We are in a climate emergency. Carbon dioxide levels are higher than they have been in 3-5 million years. With increasing frequency and intensity, we are experiencing record-breaking temperatures, devastating extreme weather events and other climate impacts across the world. At 1°C of heating, climate change is already costing the world hundreds of billions of pounds in damage each year. Both in commitments and policy, governments are far short of setting the world on track to keep global heating to 1.5°C above pre-industrial levels, thereby averting runaway climate change. Carbon emissions need to be halved by 2030. Failure to avert runaway climate change will lead, in the words of Sir David Attenborough, to, “the collapse of our civilisations and the extinction of much of the natural world.”
- 2) The UK Government is failing to address the climate emergency. The Government’s independent advisors, the Committee on Climate Change, has stated that the Government is likely to miss its carbon reduction targets in 2025 and 2030. Since 2015 the Government has removed subsidies for renewable energy and energy efficiency. This has led to significant falls both in new green generating capacity and in jobs in renewable energy and has hampered efforts to end fuel poverty and energy waste. The Committee on Climate Change has stated that the Scottish Government is also on course to fail to meet its climate targets and needs to implement more rigorous policies on transport, home heating and farming.
- 3) Fossil fuels are being subsidised by governments across the world. Based on the accepted WTO definition of subsidies, fossil fuel subsidies include fiscal support (direct spending and tax

expenditures foregone) and public finance that confer a benefit on fossil fuel production or consumption, compared to alternatives. The 2019 IMF Working Paper distinguishes between two different notions of fossil fuel subsidies: pre-tax (production and consumption) subsidies and post-tax subsidies. Post-tax subsidies take into account the full economic, environmental and social costs of fossil fuels. Globally these post-tax subsidies were projected to be \$5.2 trillion for 2017. These subsidies dwarf subsidies given to renewable energy.

- 4) Recent studies have evaluated annual UK fossil fuel subsidies at between £10.5 billion (excluding environmental and social costs and some economic costs) and \$28 billion. UK fossil fuel subsidies include subsidies for North Sea Oil and Gas, subsidies for power generators through the Capacity Market, tax breaks for fracking companies, subsidies for fossil fuel infrastructure abroad through its export finance operations, investments by majority-owned state banks, the 5% rate of VAT on domestic fuel and power, winter fuel payments and the freeze on fuel duty. In addition to this, the Government's failure to price fossil fuels in a way that reflects their social and environmental costs represents a post-tax fossil fuel subsidy.

The Government is currently subsidising the burning of industrial-scale biomass – notably at Drax power station – and classing it as renewable energy. Per unit of electricity burning, biomass for electricity emits more CO₂ from smokestacks than coal-burning. In 2019, for the first time, domestic 'zero-carbon energy' outstripped fossil fuels burnt in the UK for delivering electricity (43.5% to 40.5%). Notably, data from National Grid separates industrial-scale biomass from zero-carbon sources: domestic biomass and waste provided 8.2% of electricity generation.

- 5) Fossil fuel subsidies are a lose-lose-lose policy:
 - a) National economies and the global economy lose:
 - By keeping prices artificially low, fossil fuel subsidies encourage wasteful consumption, depress investment in energy efficiency and disadvantage non-emissive renewable energy. Non-emissive renewable energy is renewable energy that does not emit greenhouse gas at the point of generation. In the UK, examples of this include wind, wave, solar, tidal and hydro power.
 - Failure to keep fossils fuels in the ground and limit global heating to 1.5°C will result in annual costs of climate impacts, already amounting to hundreds of billions of pounds, rising to trillions of pounds.
 - Even with an international goal to limit global temperature increases to no more than 2°C, most high-carbon assets will need to become "stranded assets".
 - b) The environment loses:
 - These subsidies enable fossil fuel extraction when it would otherwise be kept in the ground. They assist the construction of fossil fuel infrastructure which risks locking us into a high-carbon future.
 - Fossil fuel subsidies undermine action to address the air pollution public health emergency and avert climate catastrophe, hampering the rapid transition to clean affordable energy.
 - c) Society loses:
 - Fossil fuel subsidies poured into high-carbon assets drain scarce public resources which could be better spent on Sustainable Development Goals.
 - The majority of these subsidies are socially regressive, with benefits disproportionately skewed toward middle and upper-middle income households. The wealthiest 20% receive more than 40% of the benefits.
- 6) In 2009, nations at the G20 summit agreed to phase out fossil fuel subsidies but have made little progress. Post-tax subsidies have remained large, varying between 5.4% and 6.5% of global GDP. The G7 set a target date of ending fossil fuel subsidies by 2025 but dropped this in 2017.

- 7) The UK Government denies providing fossil fuel subsidies and is ranked as the least transparent of G7 nations. It has not cooperated with G20 efforts to improve transparency on fossil fuel subsidies.
- 8) Solving the climate emergency requires implementing subsidy shifts in which taxpayers' money is diverted from fossil fuel subsidies (and industrial-scale bioenergy) to subsidies for the zero-carbon economy.
- 9) A subsidy shift must only be implemented as part of a just transition, protecting workers and vulnerable consumers and communities.
- 10) Removing fossil fuel subsidies involves increasing the costs of fossil fuels to reflect their full economic, environmental and social costs. Introducing a carbon tax with dividends will tip the balance in favour of non-emissive renewable energy and unleash investment. A carbon tax could have an unintended consequence of promoting industrial-scale bioenergy with its negative climate and environmental impacts. A carbon tax must therefore be framed to prevent the climate and environmental impacts of bioenergy, too.
- 11) Removal of fossil fuel subsidies, as part of a just transition, is a win-win-win policy.
The economy and society win:
 - Averting climate catastrophe by diverting subsidies from fossil fuels (and industrial-scale bioenergy) to the roll-out of the zero-carbon economy will - complemented by other policies - create huge economic benefits, boost employment and improve health.The environment wins:
 - Ending fossil fuel subsidies could reduce global carbon emissions by one quarter and reduce the number of deaths due to air pollution by half.Fossil fuel subsidy reform and investment in the zero-carbon economy are demands around which individuals and organisations with a wide range of different views about society and the economy should be able to coalesce, just as they were around demands for the end of apartheid or to eliminate CFC pollution.
- 12) The UK Government will host the COP 26 meeting in Glasgow in 2020. The success of this meeting will be defined, in part, by the way it leads by its own example and promotes international transparency on fossil fuel subsidies and urgent international action to eliminate them.

Our five demands to the UK Government

“The solution isn’t complicated, it’s not rocket science. Emissions aren’t going to go down if the cost of fossil fuels isn’t honest. Economists are very clear on this. We need a steadily increasing fee that is then distributed to the public.”

Professor James Hansen of Climate Science, Awareness and Solutions at Columbia University, Former Director of the NASA Goddard Institute for Space Studies

1. Tell the truth about the UK Government's fossil fuel subsidies at home and overseas.
2. Publish specific, measurable and timed plans for an urgent phase-out of fossil fuel subsidies (and subsidies for industrial-scale bioenergy) and transfers of finance to subsidies for the zero-carbon economy.
3. Introduce an independent carbon tax with dividends in the UK. This carbon tax with dividends must be framed to prevent the climate and environmental impacts of bioenergy, too.
4. Protect workers, communities and consumers by ensuring that the UK Government’s reform of fossil fuel finance takes place only as part of a just transition. This fossil fuel finance reform must take place in tandem with the urgent roll-out of the zero-carbon economy. To deliver this zero-carbon economy, energy efficiency, non-emissive renewable energy, public transport and nature restoration must be financed from a range of sources including subsidy shifts.
5. Show leadership in international meetings and negotiations with other countries to promote transparency and advocate and support the urgent introduction of subsidy shifts and a carbon tax with dividends (framed to prevent the climate and environmental impacts of bioenergy) in other countries as part of a just transition.

Climate SOS: Shift Our Subsidies

Email shiftoursubsidies@gmail.com

Website www.shiftoursubsidies.org

Twitter @our_shift