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Briefing: The urgent need for action on oil and gas production at COP26

Leading bodies have been clear that we need a just and equitable managed decline of oil and gas production in order to achieve the goals of the Paris Agreement. But it is also clear as COP26 approaches that the plans of governments and the industry are headed in the opposite direction. This briefing outlines the key issues regarding oil and gas production and the policy interventions and international cooperation needed to ensure it is aligned with keeping global temperature rises within 1.5°C.

The problem of oil and gas production

The latest IPCC report (August 2021), flagged as a "code red" for humanity found that the production of coal, oil and gas was the primary cause of the climate crisis – with fossil fuels responsible for 85% of CO_2 emissions in the past decade.

This month, in its World Energy Outlook, the International Energy Agency (IEA) repeated its position that there is no room for new oil and gas. **Yet, alarmingly, UNEP's latest Production Gap Report (20 October) has found the world's governments plan to produce more than twice the amount of fossil fuels in 2030 than would be consistent with limiting warming to 1.5°C**. The importance of addressing oil and gas production in addition to demand-side action is outlined in more detail in a section below.

More positively, momentum is growing to address this problem and world leaders are starting to acknowledge and act on the need to change. In the last 12 months, commitments to phase out oil and gas domestically have come from Denmark, Greenland, Ireland, Spain, California and Quebec. The UK and Asian Development Bank both pledged to phase out overseas finance for oil and gas production, and the US Treasury instructed Multilateral Development Banks to end finance for oil and gas production. This initial momentum needs to be ramped-up urgently and decisively. COP26 in Glasgow could see major progress on addressing oil and gas production. Exactly how much progress is made will be a key test of whether governments are on track to achieve the goals of the Paris Agreement.

What needs to happen at COP26 on oil and gas production

More governments need to join the Beyond Oil and Gas Alliance (BOGA) when it is officially launched by Denmark and Costa Rica at COP26. This crucial *diplomatic initiative* will be an alliance of jurisdictions that have ended licensing for new oil and gas exploration and production and are setting an end date for their production. It will also help governments to implement policies and encourage additional governments to enact similar policies.

Governments need to join the UK-led initiative on ending international public finance for oil and gas. COP26 host, the UK Government, plans to launch an ambitious joint statement signed by governments and public finance institutions on 4 November, committing to end overseas finance for coal, oil and gas. This initiative is also a key step towards ending private investments in fossil fuels as public finance de-risks projects and crowds in significant sums of private finance.

Further endorsements for international agreements, commitments and treaties to complement the Paris Agreement. Governments need to work towards additional international agreements to accelerate and manage the phase-out of oil and gas. Parliamentarians, governments and non-state actors need to endorse this at the COP. Such endorsement would build on recent calls for a Fossil Fuel Non Proliferation treaty including support from 2,500 scientists and academics, over 100 nationally-elected parliamentarians from 25+ countries, 800 civil society organisations and major cities around the world including Sydney, Los Angeles and Barcelona.

Governments should publicly endorse the need for a global registry of fossil fuels. This would be an important step to develop comprehensive, publicly available data on fossil fuels reserves. Such information is currently lacking and holds back government coordination.

Governments should announce unilateral action on oil and gas production. Following the lead of Denmark, Costa Rica, France and others, all governments should integrate plans to wind down oil and gas production in their NDCs and LT-LEDS.

In addition to the above, Governments should set policies to support the global transition away from oil and gas, including:

1. Stop the expansion, licensing and permitting of new oil and gas, and associated infrastructure
2. Cap oil and gas production, and develop equitable phase-out plans aligned with 1.5°C
3. End subsidies and public finance propping up fossil fuel producers domestically and internationally
4. Regulate financial institutions such as banks, asset managers and insurers to align finance of oil and gas production with 1.5°C
5. Ensure a just transition for workers, local communities and countries currently entangled in the oil and gas economy
6. Wealthy countries must provide financial support to developing countries to diversify their economies and/or leapfrog fossil fuels. Climate finance must be aligned with the need to phase out oil and gas.

More financial institutions need to commit to help drive down oil and gas production. In order to send a major signal to companies and governments to accelerate the phase-out of oil and gas production, finance institutions should follow the lead of groups like Banque Postale and end finance for oil and gas. Institutions can do this as part of their commitment to develop net zero aligned targets for their oil and gas portfolios which they made when joining the "**Glasgow Financial Alliance for Net Zero**".

Other important developments at COP

CSO Equity Review Launch (3rd Nov): Building on annual equity reviews of NDCs since 2015, the broad CSO coalition will present a review of equity and justice issues facing countries and communities in the context of phasing-down fossil fuel extraction.

The Global Oil and Gas Exit List (GOGEL) (4th Nov): Emulating the success of the Coal Exit List, GOGEL will for the first time provide a list of companies involved in oil and gas expansion and extraction. This will enable stakeholders such as governments and importantly investors to know which companies to focus their attention on when looking to end extraction.

Why should governments prioritise phasing out oil and gas production?

1. Climate scientists and energy modellers are clear that we need a managed decline of oil and gas production to achieve 1.5°C but we are currently off track

The IEA Net Zero by 2050 report found that in order to achieve net zero emissions and keep the world to 1.5°C, there can be no new investment in new oil and gas. This finding aligned with the UN led Production Gap Report (PGR) which revealed that oil and gas production needs to *decline* each year by at least 4% and 3% respectively. The report also highlighted how production is currently projected to increase 2% per year, which would result in more than double the production consistent with the 1.5°C limit. It is important to note that - contrary to myths from some oil and gas companies - these scientific analyses show that the prospects of Carbon Capture and Storage and Negative Emission Technologies do not change the need to phase out oil and gas production.

2. Avoid an unmanaged, inequitable chaotic decline.

The longer governments leave the transition away from oil and gas production the harder it will be to limit shocks to the workforce, disrupt capital markets, avoid wasting capital on stranded assets and ensure equitable outcomes globally. The pandemic gave an insight into what an unmanaged and sudden decline in the oil and gas industry will look like, with huge job losses and insecurity, and low-income producing countries facing massive budget crunches. A well-planned phase-out of oil and gas production that also addresses the needs of workers and local communities impacted by fossil fuel developments must start now to avoid both climate breakdown and deferred economic collapse. This was a core ask of financial institutions in The Glasgow Financial Alliance for Net Zero (GFANZ)

3. Provide investors with the necessary certainty to support them to achieve climate goals.

According to the IEA, clean energy investment must triple to $4 trillion per year. By delaying an oil and gas phase-out, governments are sucking investment from clean energy and at the same time creating stranded assets and wasting critical capital. In the five years since the Paris Agreement, the world's 60 biggest banks have financed fossil fuels to the tune of $3.8 trillion. Committing to a managed decline with end dates for production will give investors much needed clarity and confidence and help shift global financial flows from fossil fuels to clean energy.

4. Ensure supply and demand measures go hand in hand.

Governments have been seeking to tackle climate change with policies that focus on reducing the demand for oil and gas, e.g. phasing out Internal Combustion Engine vehicles. Yet measures to reduce demand, on their own, lower prices and therefore make highly polluting activities cheaper in other countries. Supply side measures on the other hand, increase prices and thereby make polluting activities more expensive in absolute and relative terms, thus discouraging consumption and further incentivising the transition, e.g. energy efficiency becomes more financially viable.

5. It's easier to stop new oil and gas projects than close existing ones

Once oil and gas infrastructure is built, it becomes harder to reduce carbon dioxide emissions. The existing project will have economic incentives to keep operating; sunk costs will give it competitive advantages over alternatives; and defenders will seek to build political and legal barriers against policies that threaten their project. This is why it is imperative to stop permitting new oil and gas projects and infrastructure.

Government leadership so far

- Full licensing bans or moratoria: Costa Rica (2011), Denmark (2020), France (2017), Greenland (2021), Ireland (2021), Portugal (2020), Spain (2021)
- Partial licensing bans: New Zealand – offshore (2018), Belize – offshore (2018), California (fracking ban, commencing Jan 2024, applicable to all new permits, commitment to end oil production in 2045), Italy (18-month moratorium ended in September 2021)
- Licensing bans proposed but not formally ratified: Quebec (2021)
- Full exclusions for upstream oil and gas finance: World Bank (2017; begins in 2020), Swedfund (2017), Agence Française de Développement (2019), US MDBs (2021), Asian Development Bank (2021)
- Full exclusions for all fossil fuel finance: Ireland's national investment fund (2018), European Investment Bank - near full exclusion for fossil fuel finance (2019), Spain (2020 - pending parliamentary approval), United Kingdom - near full exclusion for overseas fossil fuel finance (2020).

Other momentum: the Icelandic parliament is considering bans on new oil and gas licenses. Sweden is also assessing steps to end fossil fuels extraction. A growing number of jurisdictions have banned specific types of fossil fuel development and/or infrastructure. Major insurers, banks, and pension funds, have also committed to not fund oil and gas.

Further reading

- IEA, Net Zero by 2050, A Roadmap for the Global Energy Sector, Flagship report — May 2021 https://www.iea.org/reports/net-zero-by-2050
- IEA, World Energy Outlook October 2021 — https://www.iea.org/reports/world-energy-outlook-2021
- IPCC, Sixth Assessment Report, Climate Change 2021: The Physical Science Basis — August 2021 https://www.ipcc.ch/assessment-report/ar6/
- UNEP, Production Gap Report, 2019, 2020, 2021https://productiongap.org/
- SEI, Tapping the potential of NDCs and LT-LEDS to address fossil fuel production — June 2021 https://cdn.sei.org/wp-content/uploads/2021/06/tapping-the-potential-of-ndcs-and-ltleds-to-address-fossil-fuel-production.pdf
- Nobel Laureates' Statement to Climate Summit World Leaders: Keep Fossil Fuels in the Ground, https://fossilfueltreaty.org/nobel-letter
- Glasgow Finance Alliance on Net Zero, Call to Action - October 2021 https://assets.bbhub.io/company/sites/63/2021/10/GFANZ-call-to-action.pdf
- Media Backgrounder: Latin America oil and gas scenario and COP expectations - https://docs.google.com/document/d/1VegT61MB6zfS7ZoJPZXVS5xidXOxUIpi4x9RHcyzWA4/edit#
- Rainforest Action Network, BankTrack, Indigenous Environmental Network, et al: Banking On Climate Chaos - March 2021 https://www.bankingonclimatechaos.org/

This guide is produced by the Global Gas and Oil Network (GGON). With over 180 organisations across more than 50 countries, GGON is a network helping to achieve a managed phase out of oil and gas production in order to keep global temperature rises within 1.5°C, through a just transition and at an equitable pace for all countries.

In addition to this briefing, you may want to visit our webpage ggon.org/cop26. This includes an up-to-date list of events on oil and gas during COP26, press releases and media advisories, as well as spokespeople on a range of oil and gas supply issues.

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