



E3G

Mainstreaming the phase-out of international public fossil finance

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Introduction

In addition to new green investments, green recovery will require the end of financial flows to unsustainable economic activities. In recent years there have been important moves to end international public fossil finance, and in 2021 leading G7/G20 countries and actors can work together to make this trend the new norm.

Background

The late 2010s demonstrated both the imperative of swift emissions reductions (IPCC, 2018) and the new economics of energy, with renewables increasingly replacing fossil fuels as the cheapest form of power generation worldwide. In 2019, the European Investment Bank (EIB), the largest Multilateral Development Bank (MDB), became the first to initiate a fossil fuel finance phase-out. In 2020, the UK became the first major economy to commit to ending its overseas public fossil finance. The EUⁱ and USⁱⁱ have also made similar statements of intent.

2021 must be the year this trend goes mainstream, signalling a beginning of the end of public fossil finance and a pivot to clean energy investment. This will require a decisive wave of new fossil finance phaseout commitments in 2021, both from countries and finance institutions.

There is clear potential for further action at national level. In addition a significant number of the over 400 public development banks (mobilised for climate action at the 2020 'Finance in Common' conference) are likely to be supportive.

It will be imperative to ensure that phasing out public fossil finance is not perceived as a matter solely for developed countries, but instead understood as vital for developing country economic success.

Priority Actions

In 2021 progressive actors (G7 and G20 countries, as well as relevant financial institutions) should:

- **Work at national level and through diplomatic routes to deliver announcements of ending international public finance for fossil fuels by COP26** in the run-up to and at the G7, G20, and other fora. This will enable commentary at COP26 to legitimately conclude the beginning of the end to public fossil finance.
- **Collaborate to establish a coalition of public finance institutions committing to and/or considering a phase out of support for fossil fuels and a pivot to supporting the energy transition.** This coalition can also become a community of practice.

Solutions and Timeline

Progressive countries and institutions should work together to create a sequence of growing commitments to public fossil finance phaseout throughout 2021:

- **At summits prior to the G7 Leaders meeting, e.g. the Climate Leaders' Summit, the UK and other progressive countries should set early examples of public fossil finance phaseout** via individual or joint announcements.
- **The G7 Leaders Communique should commit to a phaseout of G7 international public fossil finance**, agreeing to develop a phaseout roadmap for all public finance institutions, including export credit agencies, including agreeing a complete end to G7 international coal finance. This would send clear a signal to the G20.
- **Progressive actors should create a Coalition of Public Finance Institutions for Fossil Free Energy Investment**, to share best practice and expertise and build new norms. This could be supported by G7 countries offering concessional finance to cover any marginal costs of opting for fossil-free energy alternatives, as well as technical assistance to develop criteria and support to ensure financial stability during fossil exit.

- **The 2021 UN High-Level Dialogue on Energy, around the General Assembly, will be a key moment** for framing fossil-free public energy investment as part of the Sustainable Development Agenda.
- **The G20 Leaders should commit to working individually and together to phase out international fossil finance**, based on the 2009 G20 pledge on fossil subsidy phaseout.
- **Country shareholders in MDBs should work to enable fossil finance phaseout**, for example taking a coordinated approach to the Asian Development Bank's Energy Policy Review and offering new incentives to unblock political opposition to phaseout.
- **The COP26 Presidency should use COP26 to celebrate a turning point on shifting public finance away from fossils**, to be reflected in Glasgow summit media coverage.

Conclusion

Eliminating public fossil finance is essential to and green recovery and sound economic management. Whilst prior breakthroughs have been framed as exceptions, 2021 must reframe the debate so that phasing out public fossil finance becomes an economic norm and can be confidently undertaken by every country.

ⁱ See: [European Foreign Affairs Council](#) (2021).

ⁱⁱ See: [White House Executive Order](#) (2021)