



## Why the world needs an energy transition and why these efforts need Publish What You Pay (PWYP)

*COVID-19 is affecting all of us. Changing how we live. Reshaping policy debates. Shifting markets. Many communities are facing COVID-19 and the climate crisis. So, now more than ever, we must come together to send a strong message to our governments about the world we want for our children and our communities. As PWYP, we need to outline how we can transition together and shape a better future for all. In this new brief, we aim to outline why the world needs an energy transition, including a managed decline of fossil-fuel production, and how PWYP coalitions can play a leading role.*

### Positions statements that PWYP could consider adopting globally

To ensure a fair and just transition,

1. PWYP believes that a managed decline of fossil fuel production is necessary. This includes both the immediate termination of all fossil fuel exploration, development and production in certain countries and phasing-out of existing fossil fuel production around the world over time.
2. We believe that the phase-out of fossil fuel production must be led through immediate action by wealthy countries and especially those countries who have historically contributed the most to global emissions.
3. Workers and communities must be protected during this transition. We encourage all countries to continue planning for the energy transition, since long-term economic reliance on fossil fuel production is increasingly risky and likely to result in economic hardship for fossil fuel reliant communities, regions, and nations.
4. We acknowledge that the energy transition is well underway, and we demand that historically marginalized communities, including those who have experienced the most acute consequences of resource extraction, be prioritized during this transition.
5. PWYP recognises that the extractive industries has not always led to reduced rates of inequality and poverty in resource rich countries, and has often had drastic social and environmental impacts on women and men living in poverty. The extraction of minerals required for the energy transition must not result in another resource curse for these communities.

### The energy transition and the need for a managed decline

In the 2015 Paris Agreement, all nations agreed to limit global warming to 1.5 - 2 degrees Celsius to avoid the most devastating impacts of climate change. Such a reduction requires that global net anthropogenic CO<sub>2</sub> emissions must decline by about 45% from 2010 levels by 2030 reaching net zero around 2050.<sup>1</sup> A rapid transition to clean energy and a managed decline of fossil fuels is essential.

<sup>1</sup> [https://www.ipcc.ch/site/assets/uploads/sites/2/2019/05/SR15\\_SPM\\_version\\_report\\_HR.pdf](https://www.ipcc.ch/site/assets/uploads/sites/2/2019/05/SR15_SPM_version_report_HR.pdf) p.10



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However, current national commitments to emissions reductions are insufficient -- current commitments will lead us to 3 degrees of warming, creating uninhabitable human conditions in less than a hundred years.<sup>2</sup>

We must rapidly phase out the largest sources of emissions, namely fossil fuel-related emissions. The 2019 United Nations Environment Programme (UNEP) report states that global oil and gas production must drop by 40% over the next decade in order to avoid the worst impacts of climate change.<sup>3</sup> As noted in a 2016 report by several civil society organizations, “potential carbon emissions from the oil, gas and coal fields in the world’s *currently operating fields and mines* would take us beyond 2 degrees Celsius of warming.”<sup>4</sup> This means that we must not only phase-out many existing projects, but also prevent industry’s plans for new projects. At the same time, we will need governments to invest strategically in new energy sources and new sectors/industries to maintain revenue flows while protecting people in this transition. Communities in mineral rich countries in the Global South must share in the benefits of extraction that drives the clean energy transition and it must not jeopardize their health and wellbeing if we are to truly depart from the worst ills of the extractive legacy.

So, we must intentionally manage our fossil fuel production decline starting now. The wealthiest historically emitting countries must move first and the rest of the world must get plans in place immediately.

### What is keeping us from achieving this?

Despite the consensus on the need to drastically reduce the extraction of fossil fuels, the industry actually plans to *expand* production over the next 20 years, and the governments of the world’s wealthiest countries are all too eager to help. According to Global Witness, these plans for expansion are fairly concentrated as a staggering 61% of new oil and gas production will come from the United States, 7% coming from Canada, and the remaining portion coming from different parts of the world.

While many governments around the world espouse commitment to tackling climate change, their policies and actions demonstrate their unwillingness to effectively do so. In several countries, this is due to the political power of the fossil fuel industry. In countries like the United States, Australia and Canada, lawmakers and regulators at the national, state, and local levels have been effectively captured by the fossil fuel industry, preventing any aggressive action to curtail industry activity. Therefore, in order to make the progress necessary to achieve the Paris climate goals, we must first tackle political capture and fossil-fuel related corruption in resource-rich countries around the world such as in Brazil, Mexico, United States, Canada, Australia, Indonesia and Nigeria. We must endeavour to address political capture to do the “de-rigging” necessary to regain effective regulation and governance over the extractive industries. Then, we can begin to reform the corporate-backed policies that unjustifiably subsidize extraction at the cost of not only government revenue, but environmental and societal well-being as well.

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<sup>2</sup> Ibid, p.17.

<sup>3</sup> “Production Gap Report 2019”, United Nations Environment Programme et. al.

<sup>4</sup> <http://priceofoil.org/2016/09/22/the-skys-limit-report/>



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## What role can PWYP play?

Since its establishment in 2002, one of Publish What You Pay's (PWYP) greatest achievements has been the campaign for mandatory disclosures legislation – laws requiring oil, gas and mining companies to publish their payments to governments around the world on a project-by-project basis – and via voluntary commitments under the Extractive Industries Transparency Initiative (EITI). As a global movement, we are all united in our vision of a world where everyone benefits from their natural resources – today and tomorrow.

Over the last 10 years, Publish What You Pay's more than 700-member organizations in more than 50 countries have built significant expertise to understand the fiscal impacts of oil, gas and mining projects – from analysing contracts to demanding greater transparency for the revenues from these industries. Given the strong advocacy, expertise on revenue transparency and technical skills, PWYP coalitions have a critical role to play to inform and support urgent climate action. Members need to come together to document all the ways that existing efforts to ensure good governance (including on tax justice and women's rights as well as beneficial ownership and contract transparency) can inform discussions on climate action; and to outline key arguments and data that support the development of draft country commitments and planning related to addressing climate change and its impacts.

PWYP is uniquely poised to support work on these issues due to our long-time work at the nexus of political capture, extraction, and economic justice. In fact, focus on this exact nexus led to the origin of the global network in the first place. PWYP member organizations have deep and extensive knowledge on the corrupting effects of extractive sectors, and the tools the industry uses to gain political power, build public legitimacy based on false narratives, and maximize profit.

The broader movement for climate justice includes groups working on climate change, corporate capture, and economic justice, but few groups work at the intersection of these three issues. PWYP will play an important role in bringing these groups together and to serve as a facilitator between disparate movements, since the network is composed of a unique and diverse set of actors. For instance, climate groups and anti-corruption groups are not conversant, even though they are working on complementary initiatives. PWYP can facilitate connection and collaboration across these movements where relevant, to advance work to combat fossil-fuel political capture. This will help us to build a compelling public narrative connecting corporate capture to harmful fiscal regimes and the economic injustice felt acutely around the world, especially now as we enter a global recession.

We recognize that a robust and diverse global movement has contributed to this progress through a decades-long fight for climate, environmental and economic justice. PWYP hopes to harness our strengths and collective experience to effectively contribute to this global movement in ways that align with our mission. Therefore, we commit to exploring the areas of work outlined below.

## Suggested areas of initial work for PWYP

1. **Political capture and governance:** Despite overwhelming public opinion in support of a fossil fuel phase out, many governments continue to aid and abet expansion of the industry. Thus, to make progress in these contexts, we must tackle corruption and corporate capture by the



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fossil fuel industry head on. This includes work to stop corporate influence over elected officials as well as non-elected officials including regulators and oversight bodies. This can be done in connection with broader political and governmental accountability and anti-corruption movements to hold policymakers accountable while they are in office and to ensure that deterrent penalties are in place and implemented when necessary to limit impunity.

- 2. Financing and economic justice for an equitable energy transition:** Work on political capture is critical so that we can regain effective policy-making, regulation and oversight of the oil, gas and mineral industries. This is important, given the multitude of ways that governments around the world are subsidizing continued extraction including tax breaks, deregulation, pro-corporate policies and lax oversight. This does not only include *subsidies in a narrow sense* but includes all the ways that extraction is *subsidized* to make it cheaper and more profitable for companies. A broad view of subsidies explores all forms of government assistance to fossil fuel companies, since all of these forms of assistance factor into a company's bottom line and contribute to continued extraction and propping up of an unsustainable industry. We must work to reverse these policies that unnecessarily pad industry profits, deprive governments of much needed revenue, and incentivize continued production.

Necessarily, work to reduce public subsidization of fossil fuel production must include a strong economic justice component. Many communities, regions and even entire countries (e.g. Iraq, Nigeria, Timor-Leste) are economically dependent on extraction. We must demand better from our governments at every level to engage in proactive and sustainable economic planning, diversification away from fossil fuels, and support for the energy transition. It is no longer acceptable for historically emitting, high income countries to excuse themselves from meeting climate mitigation goals because of economic dependence. Economic dependence on fossil fuel production is a *policy choice*, not an inevitability. Governments that continue to actively choose to prioritize fossil fuel profits over economic and environmental well-being are putting their citizens at risk. Countries in the Global South must reap the benefits of the energy transition and not be short-changed again.

- 3. Transparency and public participation:** To support work on both political capture and economic justice, transparency and public participation are key. Transparency of information regarding avenues for political capture is critical to develop interventions to limit fossil fuel influence in politics and governance. This includes information about political spending and campaign donations, but also much more. At the same time, more transparency of the incentive and subsidy regimes is needed to understand project economics and analyse the "deal" being made between governments and companies and the costs, whether in the form of forgone revenue or unfunded liabilities, that are being passed onto the public. Information regarding the climate risks of projects is also fundamental so that the full set of "costs" of a project are acknowledged and considered by communities. On the government side, revenue forecasting and economic modelling normally undertaken to evaluate the "benefits" of a project must adopt a climate-smart approach where the economic model for the lifetime of a certain project is modelled against production phase-out goals consistent with internationally recognized warming limits.

This information helps to highlight risky economic planning by a government that is counting on fossil fuel revenue generation far into the future when in reality, a project's economic



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viability might not last as long, given the rate of change in the global energy market. As one of the foremost international initiatives on transparency in the extractive industries, the Extractive Industries Transparency Initiative (EITI) is an important forum for the advancement of these transparency norms. Transparency is an important step in empowering citizens to participate actively in discussions, policy debates and advocacy regarding governance of their natural resources and public revenues throughout the energy transition. Due to such strong opposition building, the industry and their political operatives are attempting to limit avenues for civic engagement and protest. We must continue to defend, fight to expand, and prevent attacks on civic space around the world. This is key for everyone having the right to advocate to limit global heating, and demand information and accountability for an equitable transition.

### Consultation Questions

1. To what extent do you agree with the position statements? How could they be improved?
2. Do you have any feedback on the role that PWYP can play in the energy transition?
3. To what extent do the suggested areas of work align with your context?
4. What are the other opportunities to influence policy in the coming years?
5. What are specific climate and extractives issues and examples for your country context?
6. Do you have any other feedback?

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