



GLOBAL GAS & OIL NETWORK

Policy Manual: Oil and gas phase out as part of a just economic revitalization

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Climate Action Network (CAN) is the world's largest network of civil society organizations working together to promote government action to address the climate crisis, with more than 1300 members in over 120 countries. www.climatenetwork.org

The Global Gas and Oil Network (GGON) is a community made up of partner organisations who are united by a common desire to bring about a just and equitable phase out of fossil fuel extraction and supply in line with the Paris Agreement goals of limiting temperature rise to 1.5C. www.ggon.org

“The Exxons and Chevrons of the world are holding us back.”

Jan Erik Saugestad, Storebrand Asset Management chief executive officer.¹

The health and socio-economic impacts of the COVID-19 pandemic have revealed vulnerabilities of our societies and the necessity of economic resilience. Policymakers must ensure their responses to COVID do not put people's health at greater risk and worsen other crises, notably climate change.

To revitalize the economy, governments should be prioritising clean renewable energy, energy efficiency and related infrastructure needs like electrification, energy storage, and smart grid infrastructure. This would provide an important boost for employment; – models from the US indicate that for \$1m invested in renewables generates 7.49 full-time jobs, and 7.72 in energy efficiency. In comparison, the same investment only provides 2.65 jobs in fossil fuels².

Despite the widespread recognition from economists that a Green Recovery would make most sense³ data from the [Energy Policy Tracker](#) shows that the world's 20 richest countries in the G20, who together account for 80 percent of global greenhouse gas emissions, have committed \$USD 206 billion of public money to support fossil fuels as part of Covid recovery packaged as of mid August 2020. This amounts to over half of all public energy investments including infrastructure, with the largest amount scheduled to come from the US⁴.

¹<https://www.ipe.com/news/storebrand-dumps-47m-of-fossil-fuel-holdings/10047378.article#.X0OsXOCiZoA.linkedin>

²<https://www.sciencedirect.com/science/article/abs/pii/S026499931630709X?via%3Dihub>

³<https://www.carbonbrief.org/leading-economists-green-coronavirus-recovery-also-better-for-economy>

⁴Energy Policy Tracker 2020 <https://www.energypolicytracker.org/>

The oil and gas industry has been vulnerable to wider energy transition issues for some time and they have suffered substantial losses from Covid. The scale of support for the industry from governments show the outcome of a variety of tactics deployed by the oil and gas industry to exploit the COVID crisis, taking funding and undermining public regulations protecting people's health and the environment.

Rather than use this moment to pivot in any meaningful way, the companies' response has been to double down on their lobbying strategy which, as Influence Map has observed, has shifted *"from the propagation of climate science denial towards a range of more subtle tactics and narratives to distract policymakers and the public away from an urgent and robust policy intervention"*⁵

This policy manual outlines how, under pressure, the oil and gas industry slows down the needed economic revitalization, exploits the COVID crisis financially, and undermines the broader energy transition. It presents key recommendations for how the recovery period can be a launch point for a phase-out of the fossil fuel sector in line with the critical climate limit, and simultaneously support a just and sustainable reboot to a low carbon economy.

Background: How the Oil and Gas Industry Slows Down Economic Revitalization

1. Lobbying for access to capital while overemphasizing fossil fuel demand

The industry wasted no time when the pandemic struck immediately rushing for government bailouts, thereby consuming resources that are better directed to industries that can deliver a zero-carbon economy. The G20 have allocated \$USD 206 bn to fossil fuels compared to \$136bn to clean energy.⁶ The opportunity cost of this is profound.

- Example: COVID and the price crash have presented a significant risk to Norway's oil-dependent economy. In May 2020, prime minister Solberg said *"The crisis we are now in hasn't made the need for transformation smaller - it has increased it."*⁷ And yet the government package pushed by the industry does the reverse, it slows down the transition, providing fiscal support more than double than that for green sectors. Indeed, the deal led to companies immediately announcing plans to proceed with hitherto unaffordable oil projects.⁸
- Example: The Argentina national government is aiming to maintain minimum operational levels to reduce imports and allow a quick comeback. They set a fixed price of \$45 USD/barrel for oil and are expected to do the same for gas at 3.5 USD/MMBTU. Salary reductions and early retirements have also been pushed by companies and finally accepted by unions. These measures also included layoffs, even though these had been banned when the quarantine started in March. In addition, despite the many pressing funding needs (35% of the public was

⁵<https://influencemap.org/report/An-InfluenceMap-Note-ExxonMobil-Lobbies-the-EU-Commission-add01200dc694b00e9ac4bebf660227b>

⁶ Data correct as of 30 September 2020 <https://www.energypolicytracker.org/region/g20/>

⁷<https://www.reuters.com/article/us-health-coronavirus-norway/norway-plans-369-million-green-industry-investments-idUSKBN2351L3>

⁸<https://www.reuters.com/article/us-aker-bp-oil/aker-bp-revives-hod-oil-project-after-norway-tax-incentive-idUSKBN23G12U>

already below the poverty line before the pandemic) the government was pushed to pay old subsidy debts of \$250m to the oil and gas sector⁹.

One of the most deceptive yet impactful strategies of the industry has been to overemphasize demand for their products. The principal technique is to misapply scenarios to pretend they are forecasts and thereby falsely claim oil and gas will be needed for decades, this includes the International Energy Agency's scenarios.¹⁰

- Example: In Canada, the National Energy Board's (NEB) recommendation for approval of the controversial Kinder Morgan pipeline through British Columbia rested on the public benefit of diversifying markets to Asia, which it judged using the IEA NPS demand forecasts.¹¹

2. Exploiting Covid to undermine environmental regulation

We won't recover from COVID by creating new health crises. And yet this is just what oil and gas companies are at risk of doing by securing reductions to regulation intended to protect health.

- Example: A Canadian Association of Petroleum Producers (CAPP) memo to the federal government asked for a rollback in regulatory oversight, a full stop to the development of any new climate policy, and for the industry to be exempted from the requirement to report on lobbying activity.¹² The Alberta government responded, suspending environmental reporting rules, citing the pandemic¹³
- Example: The US Environmental Protection Agency waved enforcement of a number of laws in March 2020. Former Obama-era EPA chief Gina McCarthy, now president of the Natural Resources Defence Council, called the announcement "an open licence to pollute."¹⁴

3. Exploiting COVID to double down on unnecessary fossil fuel infrastructure

Many of the world's leading economists agree that a green recovery would be most effective from a health and economic perspective.¹⁵ In contradiction to this, around the world, the oil and gas industry is arguing for more fossil fuels as a misguided route to recovery. The crisis has shown that we have far too much fossil infrastructure and that the risk of stranded assets will only increase.¹⁶

- Example: In Australia, the taskforce advising the National Covid-19 Coordination Commission produced advice that focused solely on expanding the gas industry and ignored climate or sustainable energy options such as renewables plus storage.¹⁷

⁹<https://www.infobae.com/economia/2020/06/29/con-techint-como-principal-beneficiario-el-gobierno-comenzo-a-pagar-los-subsidios-atrasados-a-la-produccion-de-gas/>

¹⁰<https://news.trust.org/item/20200709104530-q2540/>

<https://www.climatechangenews.com/2020/07/27/green-talk-iea-still-gives-comfort-oil-gas-producers/>;

<https://ftalphaville.ft.com/2017/05/24/2189189/guest-post-why-iea-scenarios-should-be-treated-with-extreme-caution/>

¹¹ <http://priceofoil.org/2018/04/04/off-track-the-iea-and-climate-change/>

¹² https://environmentaldefence.ca/2020/04/17/capp_covid_memo/

¹³<https://open.alberta.ca/dataset/0cc78dea-655e-4a28-8128-5f0310399b74/resource/d26172b7-7109-418c-bfbe-e9b049076581/download/aep-ministerial-order-17-2020.pdf>

¹⁴ <https://www.cbc.ca/news/technology/epa-enforcement-covid-19-1.5512023>

¹⁵ <https://www.carbonbrief.org/leading-economists-green-coronavirus-recovery-also-better-for-economy>

¹⁶ <https://carbontracker.org/covid-19-and-the-energy-transition/>

¹⁷<https://www.theguardian.com/environment/2020/may/21/leaked-covid-19-commission-report-calls-for-australian-taxpayers-to-underwrite-gas-industry-expansion>

- Example: Lobby group Eurogas has been pushing for additional fossil gas on the premise of security of supply¹⁸ despite Covid accentuating a long term structural decline in demand meaning the world actually has too much supply. A European Court of Auditors report has highlighted this overestimation was made consistently over more than a decade.¹⁹

4. Over-emphasizing the green credentials of the oil and gas companies

Governments around the world have at times been reluctant to take firm action to restrict support for oil and gas on the basis that the companies involved are transitioning in line with Paris Goals. Companies often lobby on the premise that support will help them to “go green”. In fact, as a recent study by Carbon Tracker shows this rhetoric to align their goals with the Paris Agreement is extremely far from reality²⁰. Oil and gas companies are spending less than 1% of their capital on renewables.²¹ Analysis from an industry law firm found even under a high ambition scenario, the sector, if unregulated, would still be investing 90% of their capital expenditure in oil and gas by 2030.²²

- Example: Statoil became Equinor to remove the focus on oil yet they are planning for growth of oil and gas by 3% to 2026²³.
- Example: Shell drives an aggressive media agenda to obfuscate about it’s role as an oil and gas company.²⁴
- Example: Despite BP's major PR push, under its revamped business plan it aims to be investing more than two thirds of it’s CAPEX in oil and gas by 2030.²⁵

5. Falsely claiming their fossil fuels are low carbon and presenting a misleading role for fossil fuels in future zero-carbon energy systems

The oil and gas industry repeatedly has sought to confuse the role of fossil fuels in future energy scenarios which are resilient and carbon-neutral, in particular regarding gas.

- Example: For years, the industry has claimed fossil gas is “low carbon”. The UK Advertising Standards Authority has rejected this, and banned adverts by Equinor that were making this claim²⁶. Despite this, the myth continues to persist.
- Example: Whatever the future demand for hydrogen, experts widely agree it can and should be produced using renewable energy. The gas industry is derailing the discussion by pushing for fossil hydrogen or using a blend of hydrogen and fossil gas. In fact, the gas lobby is pushing for their form of hydrogen because they believe it will extend the life of gas infrastructure and make fossil gas extraction cheaper.²⁷

¹⁸https://eurogas.org/media_centre/press-release-eurogas-urges-the-post-covid-19-revitalization-plan-to-focus-on-the-eus-gas-technologies/

¹⁹<https://www.woodmac.com/news/opinion/coronavirus-tracking-the-impact-on-european-gas-power-and-chemicals/>
https://www.eca.europa.eu/Lists/ECADocuments/SR15_16/SR_ENERGY_SECURITY-EN.pdf

²⁰<https://carbontracker.org/reports/absolute-impact/>

²¹<https://www.reuters.com/article/us-oil-renewables/big-oil-spent-1-percent-on-green-energy-in-2018-idUSKCN1NH004>

²²<https://cms.law/en/int/publication/energy-transition-evolution-or-revolution>

²³<https://uk.reuters.com/article/uk-health-coronavirus-equinor/norways-equinor-to-cut-3-billion-in-coronavirus-cost-plan-idUKKBN21CQNW>

²⁴<https://www.bloomberg.com/news/features/2020-06-09/shell-s-ceo-doesn-t-want-to-you-to-call-it-an-oil-company>

²⁵<https://cultureunstained.org/2020/08/05/5-reasons-bps-net-zero-announcement-shouldnt-win-you-over-just-yet/>

²⁶<https://www.ft.com/content/788005cc-d3e9-11e9-8367-807ebd53ab77>

²⁷<https://www.foeeurope.org/EU-hydrogen-strategy-fails-shut-doorfossil-fuels-080720>

Policy Recommendations for a Just Reboot

In designing recovery packages, policymakers need to acknowledge that companies focused on fossil fuels have no future in our societies: Renewable energy companies make better long term returns for public pensions, offer more jobs than fossil fuels, and are more resilient to geopolitics and security of supply concerns. In fact, the trillions of dollars spent in response to the COVID crisis offer the basis to provide a blueprint for a managed and urgent decline of fossil fuels which is socially just.

- *Stimulus money should offer immediate relief directly to workers not corporations in the fossil fuel industry. Policymakers may provide opportunities for training, education and employment in existing and emerging carbon-neutral sectors like energy efficiency, technology, healthcare and renewable energy. They may further provide unemployment insurance, pension bridging, and retraining. The managed transition away from fossil fuels must be just and center workers and their families.*
- *Support to fossil fuel companies in the context of minimising negative impacts on vulnerable workers and communities should be delivered only in the context of supporting workers in the short-term and must not support environmentally harmful activities, specifically, activities which would prolong the use of fossil fuels.*
- *Fossil fuel companies in the last years invested about USD 1 trillion annually in their overall supply chain, approximately half of all energy investments globally, and almost twice as much as the world invested in renewables and energy efficiency combined²⁸. They should not receive support unless the companies commit to phase out exploration and extraction. The commitments should be elaborated upon by the development and adoption of measurable strategic transition plans with concrete actions in line with the IPCC 1.5°C recommendations. These should be accompanied by clear, independent monitoring mechanisms and on strict reporting requirements.*
- *Existing environmental safeguards and regulations that protect public health must be maintained. These provide the necessary basis for recovery investments which pave the way to a more resilient, healthy and clean society. The COVID crisis must not be used as a figleaf to undermine or violate human rights, civil liberties, and the environment.*
- *Phase out all fossil fuel production and consumption subsidies which impose large fiscal costs²⁹ on governments and drain scarce financial resources away from other key interventions such as the responses to COVID and a much more resilient health system. Freeing up these resources can significantly contribute to finance the COVID recovery. Policymakers should start by urgently*

²⁸ IEA, World Energy Outlook 2019, Table 1.7, page 50

²⁹ Fossil fuel subsidies totalled \$4.7 trillion (6.3 percent of global GDP) in 2015 and are projected to reach \$5.2 trillion (6.5 percent of GDP) in 2017. The largest subsidizers in 2015 were China (\$1.4 trillion), United States (\$649 billion), Russia (\$551 billion), European Union (\$289 billion), and India (\$209 billion). These data include “externalities” by fossil fuels, particularly air pollution and assumed climate change damages. IMF, 2019; <https://www.imf.org/en/Publications/WP/Issues/2019/05/02/Global-Fossil-Fuel-Subsidies-Remain-Large-An-Update-Based-on-County-Level-Estimates-46509>

setting a timeline for the complete and equitable phase-out of fossil fuel subsidies, leading with the full phase-out of fossil fuel production subsidies.³⁰

- *Prioritize fiscal and monetary support to clean and resilient sectors, such as renewable energy companies, to enable them to grow and absorb additional jobs meeting environmental and social standards and start the necessary transition to a zero-carbon and resilient economy. In particular: energy efficiency; renewable energy; energy grid development; public transport; efficient housing taking into account reduced ecological footprint as well as using materials and services in line with the circular economy.*
- *Avoid support for projects that extend the life of fossil fuels, such as blue hydrogen produced through gas as well as CCS in the fossil fuel sector. Only renewable gases, notably green hydrogen for hard-to-decarbonise sectors should be eligible for economic stimulus support like in the various programs by several European countries.*
- *Particularly the G20 must foster the move to strong electrification in various sectors like public and private rail, road transport and heating. This electrification must be based on additional new renewables, particularly solar, wind and geothermal to a) not “steal” renewables from the traditional power sector and b) avoid a lock-in in new fossil fuel and nuclear electricity capacity. Economic revitalization programs investments should provide decent and secure jobs, involve workers in the design of a just transition and reduce dependency on fossil fuels.*

³⁰ Fossil fuel subsidies distort markets, give the wrong price signals - especially now with historically low oil prices such subsidies are obsolete - and disincentive investments in renewable energy and energy efficiency, thus hampering the low carbon transition. It is estimated that fossil fuel subsidies contributed up to 36% of global emissions between 1980 and 2010 (see: <https://www.economics.ox.ac.uk/oxcarre-papers/dirty-little-secrets-inferring-fossil-fuel-subsidies-from-patterns-in-emission-intensities>), while also exacerbating health problems, local air and water pollution. Limiting their use is a key step towards reducing inequality and achieving inclusive growth, since fossil fuel subsidies disproportionately benefit the middle and upper classes.