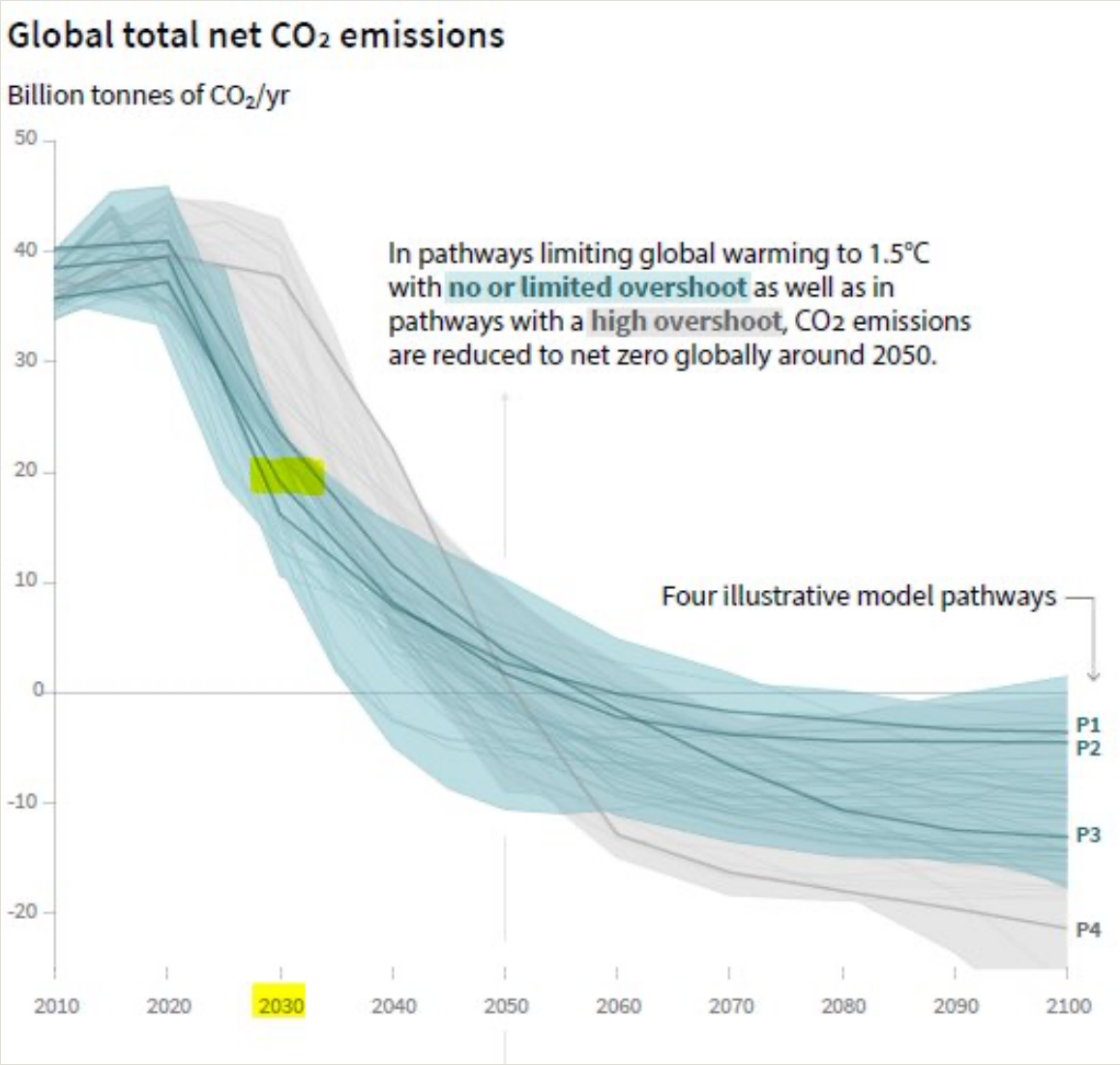
THE FOSSIL FUEL NON-PROLIFERATION TREATY

An initiative to phase-out fossil fuels and fast-track solutions

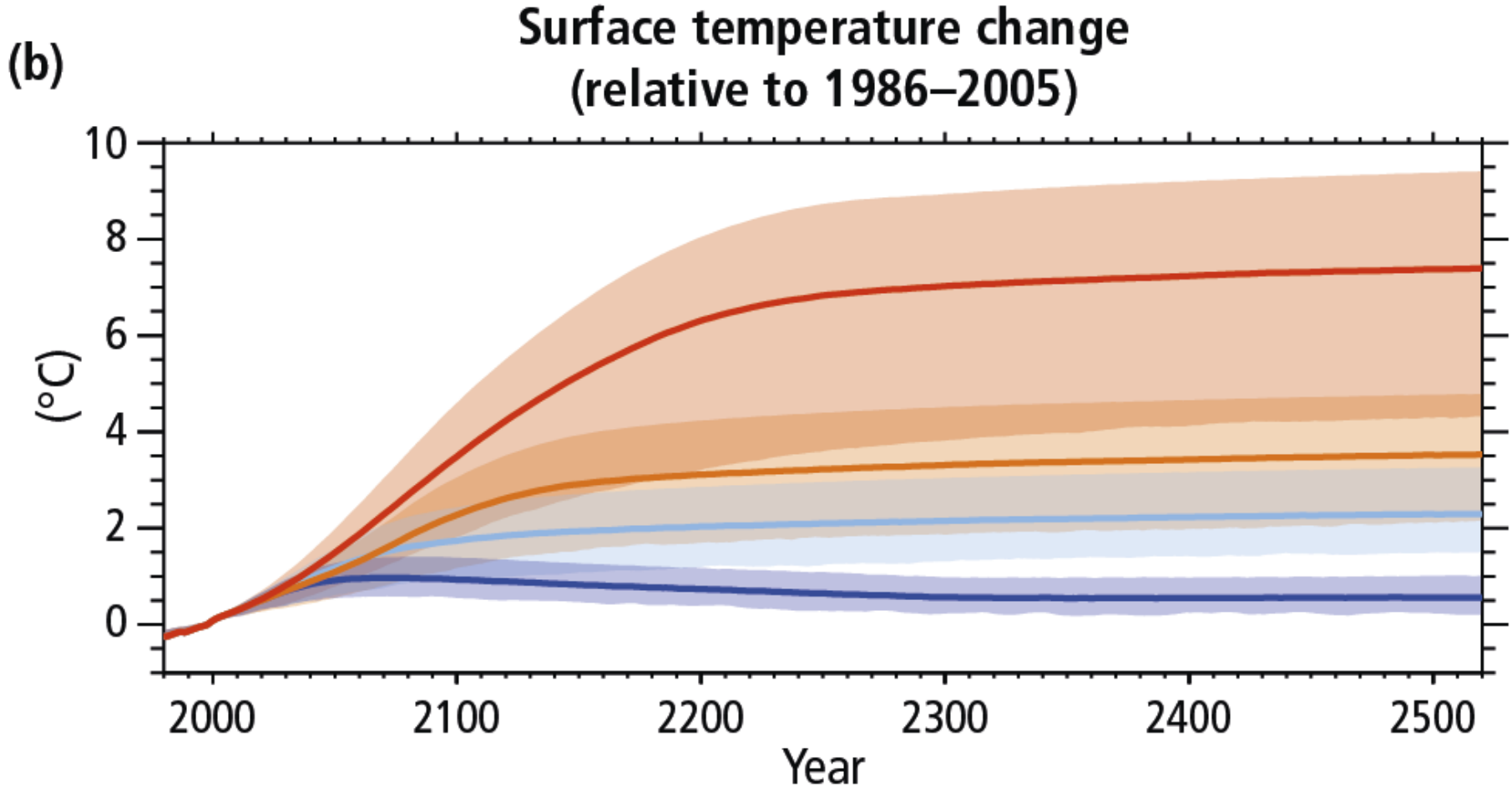
Overview

- **Introduction** - basic overview
- **The problem** - the fossil fuel industry plans by 2030 to produce more fossil fuels than 1.5C and 2C world
- **The solutions** - phasing out fossil fuels, and fast-tracking solutions
- **The treaty initiative** - building blocks, form and function, sequencing

IPCC Special Report on 1.5°C



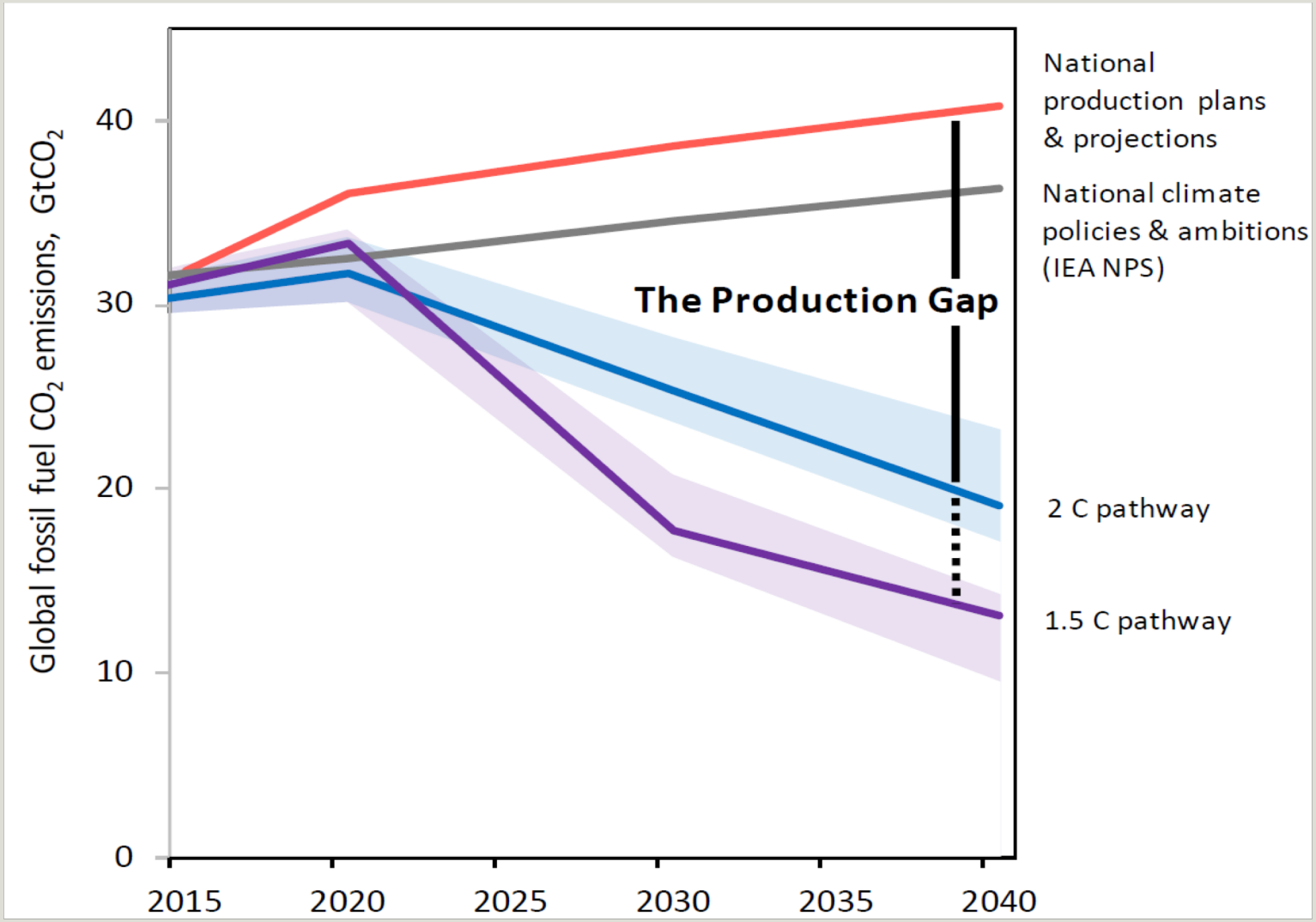
Warming beyond 2100



The world faces a climate emergency

- The world is on track for heating above 4°C by 2100, and higher thereafter
- The Paris pledges are consistent with heating above 3°C by 2100, and higher thereafter
- The world has a decade to take decisive action, according to the IPCC:
  - To limit warming to 1.5°C requires emission reductions of 45% by 2030, and "net zero" emissions by 2050
  - To limit warming to 2°C requires emission reductions of 25% by 2030, and "net zero" by 2070
- In 2018 the remaining carbon budget for 1.5°C is around 580 gigatonnes of CO2
- The world is emitting around 50Gt per year, so the 580Gt limit will be exceeded by 2030 in the absence of major emission reductions
- Climate change, like nuclear weapons, is an existential threat

The production gap between fossil fuel plans and global climate goals

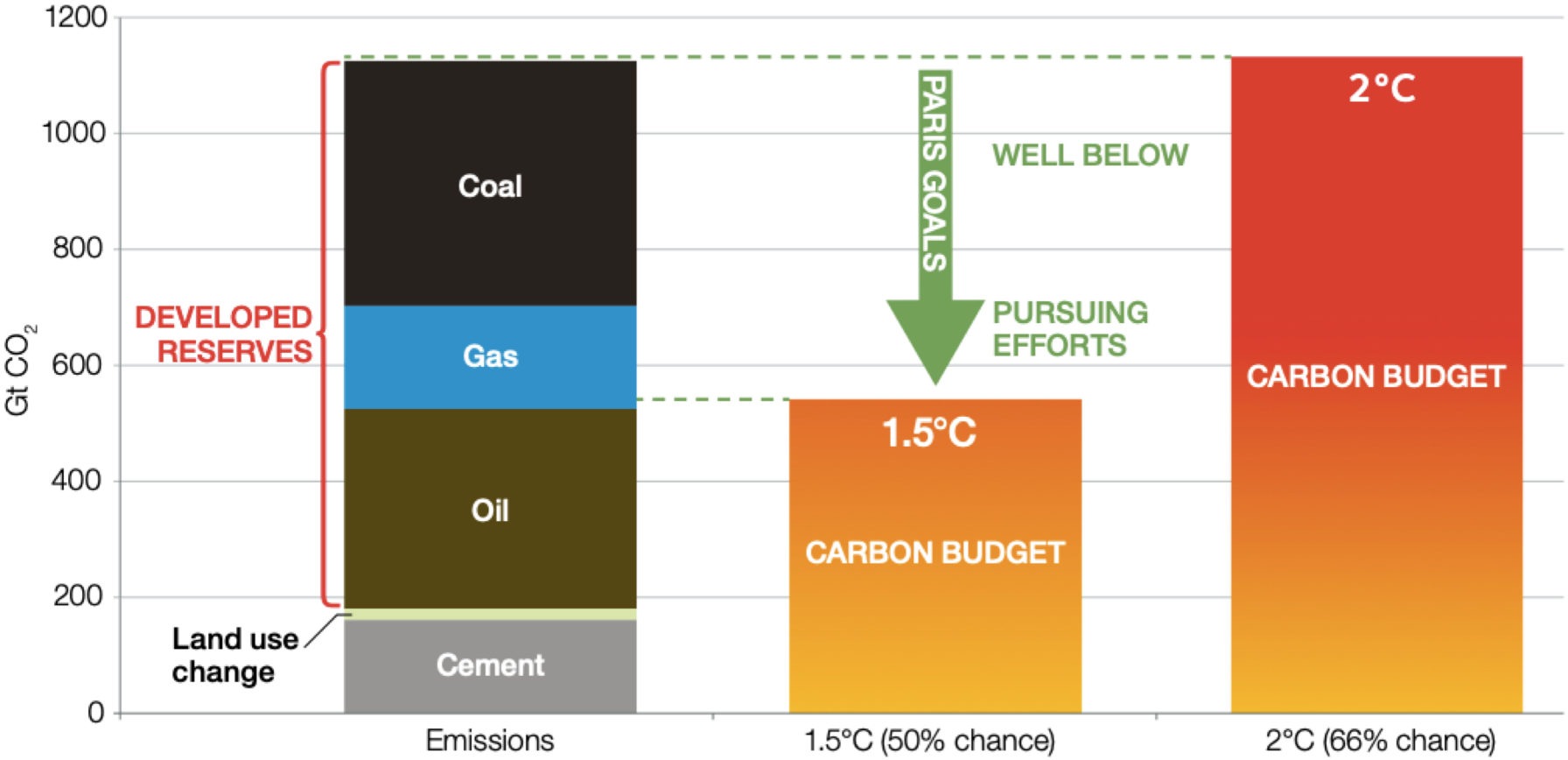


The need to phase-out fossil fuels

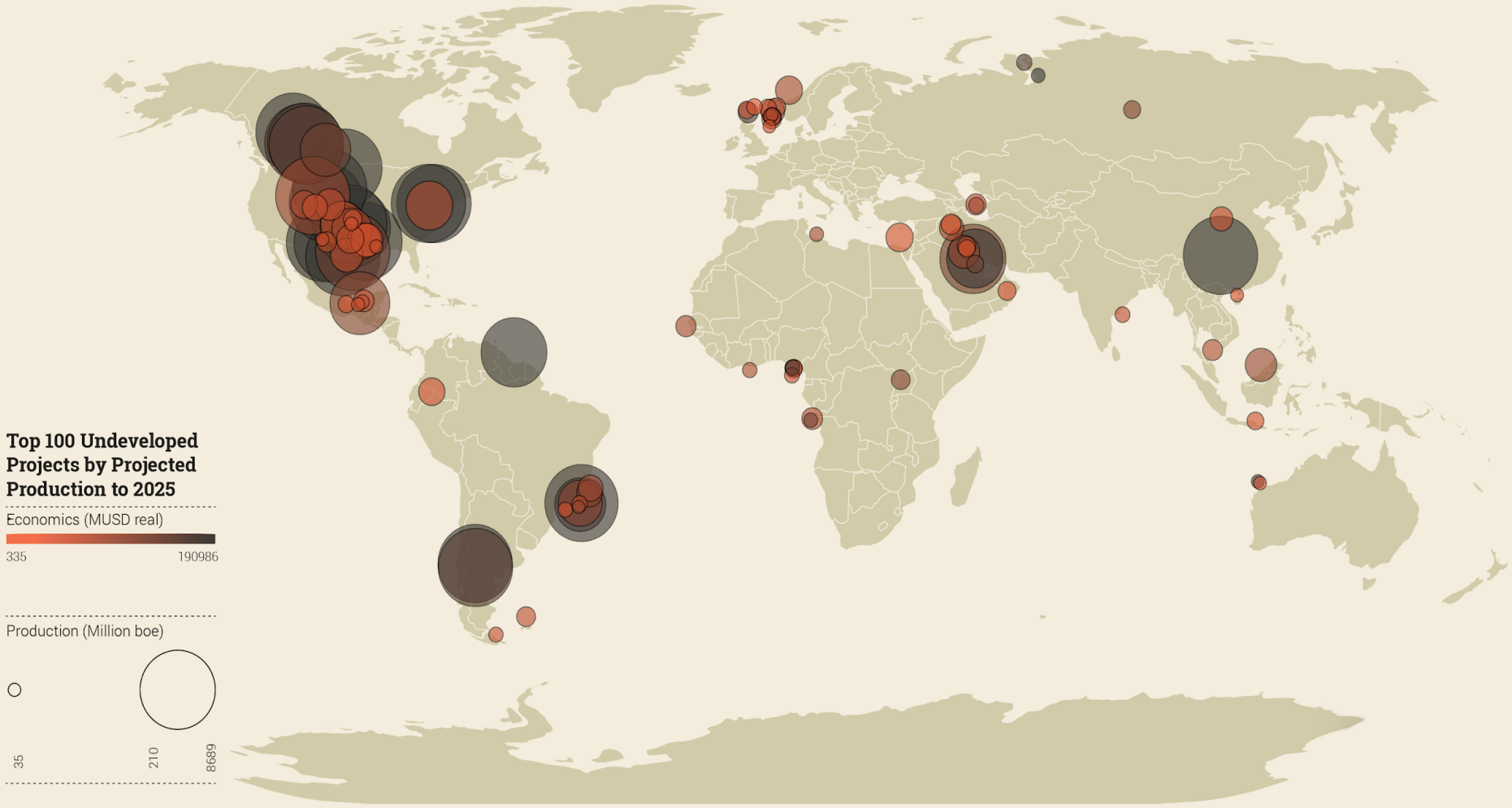
- Production Gap Report (2019)
  - Fossil fuels account for over 75% of global greenhouse gas emissions and nearly 90% of all carbon dioxide emissions
  - The fossil fuel industry is planning to produce about 50% more fossil fuels by 2030 than consistent with a 2°C pathway and 120% more than consistent with a 1.5°C pathway
  - International cooperation plays a central role in winding down fossil fuel production
- For the world to remain within the Paris climate limits, the production of coal, oil and gas must be phased out

Developed reserves and Paris climate goals

Figure 1: CO_2 Emissions from Developed Global Fossil Fuel Reserves, Compared to Paris Goals Carbon Budgets

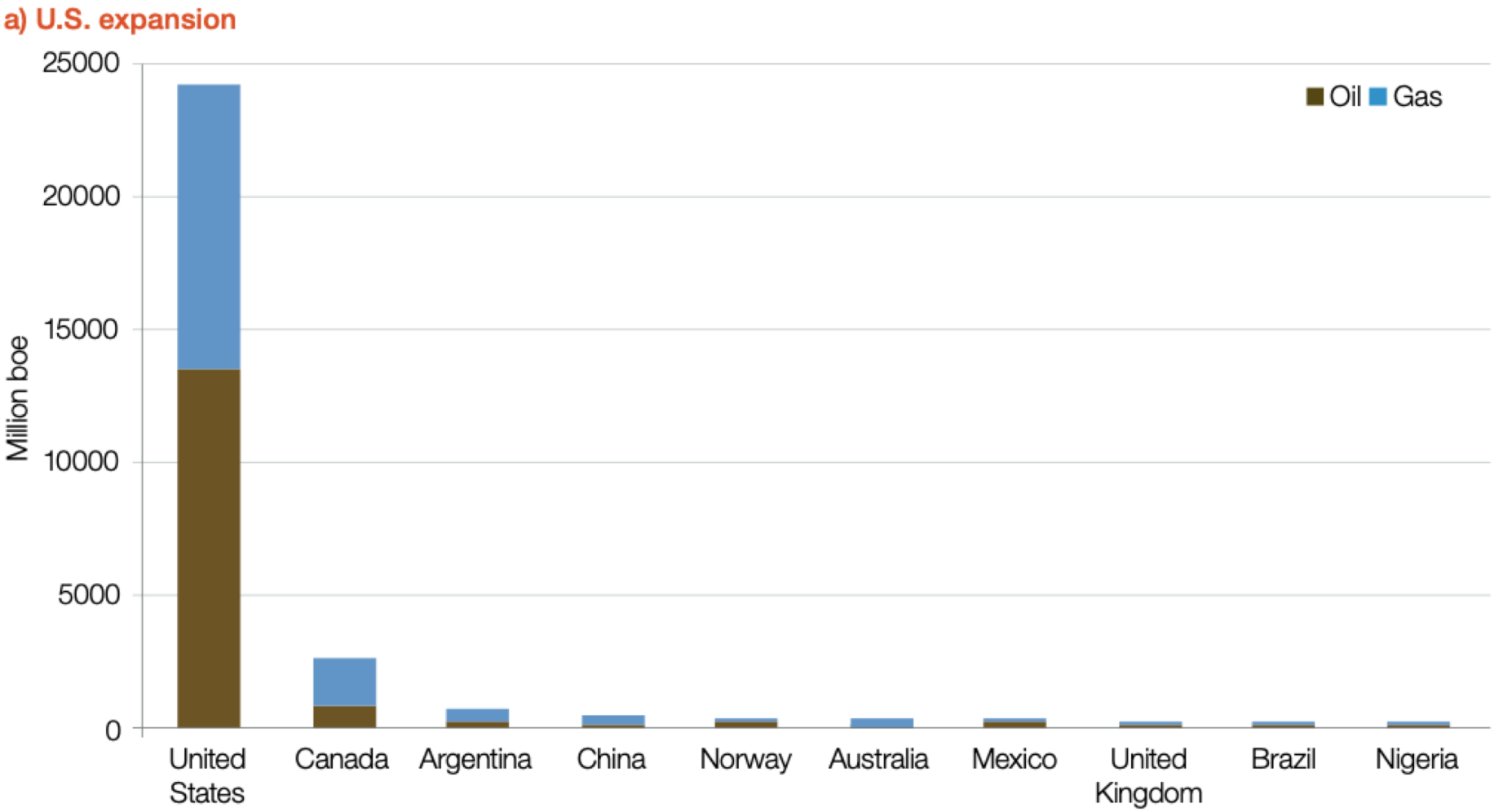


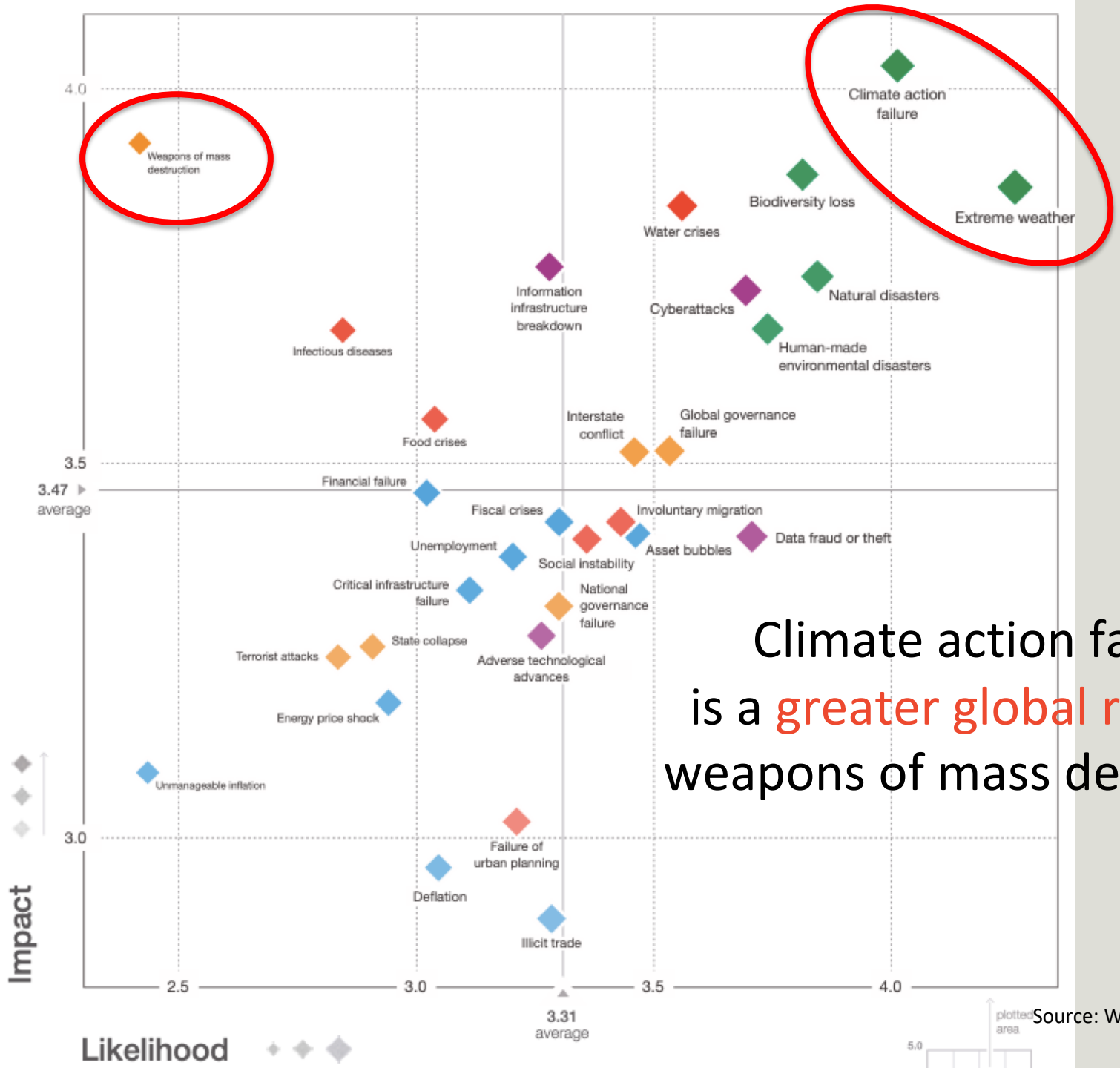
Sources: Rystad UCube, International Energy Agency (IEA), World Energy Council, IPCC, OCI analysis[8]



The fossil fuel industry plans to expand

Fossil fuel expansion in the United States





Climate action failure is a greater global risk than weapons of mass destruction

Source: WEF Global Risks Report (2019)

Questions

- What existing narratives do we use to frame the fossil fuel industry?
- Can “non-proliferation” complement and support these?
- If so, how could we amplify the non-proliferation frame?

II
Strengthening supply-side action

Support is growing for phasing-out fossil fuels and fast-tracking solutions

The fossil fuel system

The strategy takes the "*fossil fuel system*" as the main unit of analysis including:

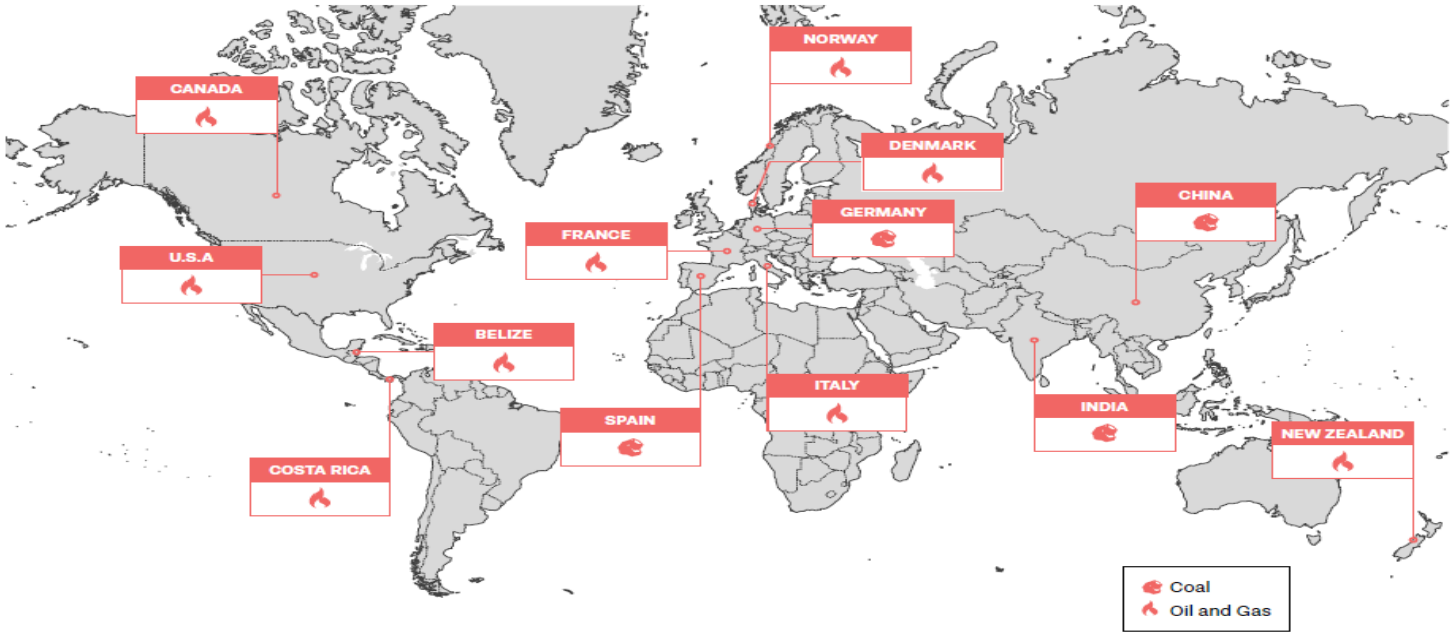
- Its main actors (for, neutral, against)
- Their relationships and interactions
- Material components (e.g. reserves)
- Technological components (e.g. infrastructure)
- Social and cultural dimensions
- Economic and financial dimensions
- Legal and institutional dimensions
- Political and geopolitical dimensions
- Ideational and ethical dimensions

This includes the "fossil fuel industry" but also encompasses a range of other elements required for a systemic understanding of the problem and potential solutions.

A range of supply-side measures are available

Category	Supply-side policy
Regulatory approaches	Limit exploration, production, or export (e.g., via moratoria, bans, or quotas)
	Prohibit development or limit permits for specific resources, infrastructure (oil pipelines and terminals, coal ports, etc.), or use of certain technologies
	Ensure comprehensive (upstream and downstream) emissions assessment in environmental impact reviews of new fossil fuel supply projects
Economic instruments	Remove fossil fuel producer subsidies
	Introduce fees or taxes for fossil fuel production or export, and increase royalties
Government provision of goods and services	Assist workers and communities transitioning out of fossil fuel production
	Divest state-controlled investment funds from companies involved in fossil fuel production
	Restrict export credit agency or development finance for fossil fuel supply infrastructure
Information and transparency	Require corporate disclosure of long-term climate-related risks associated with capital-intensive upstream production and exploration (Carbon Tracker Initiative 2019a)
	Set targets for reducing fossil fuel production, and report on progress alongside existing climate mitigation accounts (e.g. by using an extraction based emissions accounting framework) (Steininger et al. 2016)

Governments are beginning to implement supply-side measures



BELIZE
- Moratorium on offshore oil exploration and drilling

CANADA
- Phase-out of the accelerated capital cost allowance for oil sands projects and the Atlantic Investment Tax Credits for use in oil and gas activities (subsidy reform)
- Moratorium on offshore oil and gas activities in Canada's Arctic waters and in designated marine protected areas

CHINA
- Supply-side structural reform (closure of coal mines) and just transition support measures

COSTA RICA
- National moratorium on oil exploration and exploitation

DENMARK
- Ban on exploration and drilling for oil, gas, and shale gas on land and in inland waters

FRANCE
- No new or renewal of exploration permits for conventional and unconventional fossil fuels; Phase-out of all oil and gas production within the country and its overseas territories by 2040

GERMANY
- Phase out of subsidies for domestic hard coal industry by 2018
- Just transition plan for the coal industry: compensation for coal mining provinces; compensation and training for coal miners

INDIA
- Cess (tax) on coal production

ITALY
- 18-month moratorium on offshore oil and gas exploration permits

NEW ZEALAND
- Ban on new offshore oil and gas exploration permits
- Establishment of a "Just Transitions Unit" with a focus on supporting the region most dependent on the oil and gas industry

NORWAY
- Certain offshore areas closed for drilling (including Lofoten archipelago and other coastal and sensitive areas and in the Arctic)

SPAIN
- Closure of domestic coal mines with Just Transition plan (compensation and re-training)

USA
- Moratorium on oil and gas exploration in some areas of the Arctic and Atlantic

The risks of delay

- Further delay tackling fossil fuel supply presents major risks:
  - It makes the inevitable transition harder
  - It creates stranded assets and risks financial turmoil
  - It increases risks to workers and communities
  - It delays the expansion of renewable energy
  - It delays economic diversification into more sustainable sectors
  - It consolidates powerful pro-fossil fuel political constituencies
  - It increases risk of technical, economic, legal and political lock-in
  - It increases the risk of dangerous geo-engineering
  - It risks warming well above 1.5 and 2°C

A role for the UNFCCC?

- The UNFCCC and Paris Agreement can play a role; but must be complemented with specific measures to address fossil fuels.
- There are some elements in the UNFCCC that could be utilised:
  - NDCs can identify national supply-side targets to complement emission targets
  - NDCs can identify measures to achieve supply-side targets
  - NDCs can identify finance, technology and capacity needs, and availabilities
  - UNFCCC related entities like GCF can focus on supporting supply-side and integrated supply-demand energy transition measures
- These are important contributions, but do not provide a framework fit for purpose to address the specific problems arising from the fossil fuel system, at the scale and speed required to prevent overshoot of 1.5C and 2C goals, and enable an orderly and just transition for all countries.

The UNFCCC leaves scope for fossil fuel expansion

- The UNFCCC and Paris Agreement leave scope for fossil fuel expansion:
  - The global goals are framed as “net” balancing emissions and removals, enabling industry to focus on negative emissions technologies and geo-engineering
  - Countries contributions are “nationally determined”, enabling the industry to escape the rigour of binding targets
  - Carbon markets provide a justification for continued exploitation, enabling countries and companies to assume they can simply “offset” emissions
  - Liability and compensation was apparently waived under Article 8 (loss and damage), making it more difficult to hold fossil fuel companies to account
  - Carbon capture and storage has been actively considered (e.g. in pre-2020 negotiations)
- Powerful fossil-fuel producers have effectively ensured that the UNFCCC does not mention, let alone constrain fossil fuel supply.

Questions

- What are the main strategies we currently use to tackle the fossil fuel industry?

III
Strengthening multilateralism

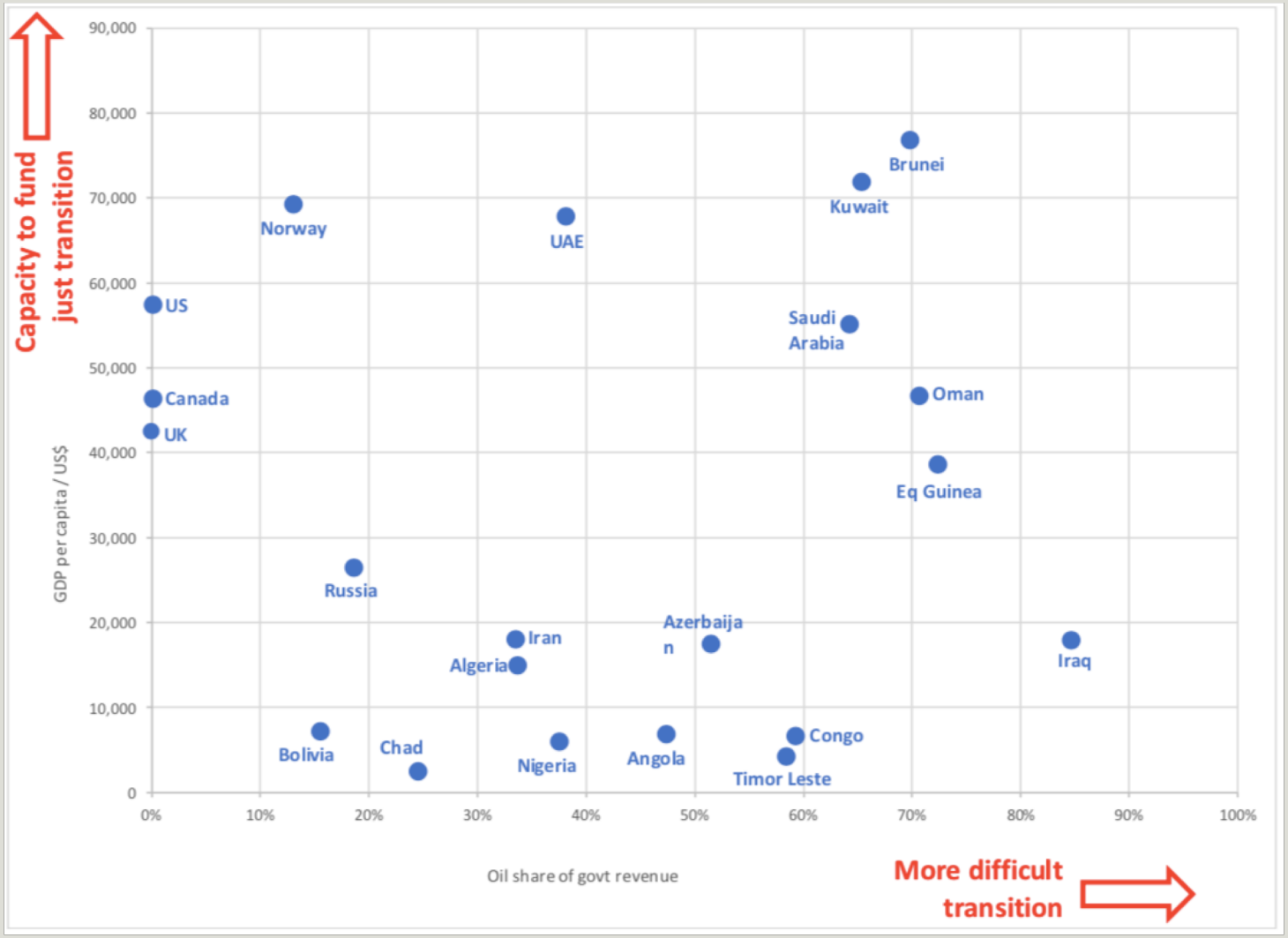
Equity and non-proliferation

Inequality is endemic

- The richest 10% earn around half of global income.
- The richest 10% of the world's population also produce around half of global emissions, whereas the poorest half, just under 4 billion people, generate 10%.
- Around a billion people lack access to electricity.
- The poorest countries received only 14% of global energy investment despite having 42% of the world's population.
- The main contributors to climate disruption – the wealthiest countries, companies and people – have accumulated vast economic benefits, while the adverse impacts fall on a majority that is poor.
- Wealthy people and corporations are actively resisting the major social and economic changes required to stabilize the Earth's climate and natural systems.
- Any fossil fuel treaty is developed in this context.

The importance of equity in the transition

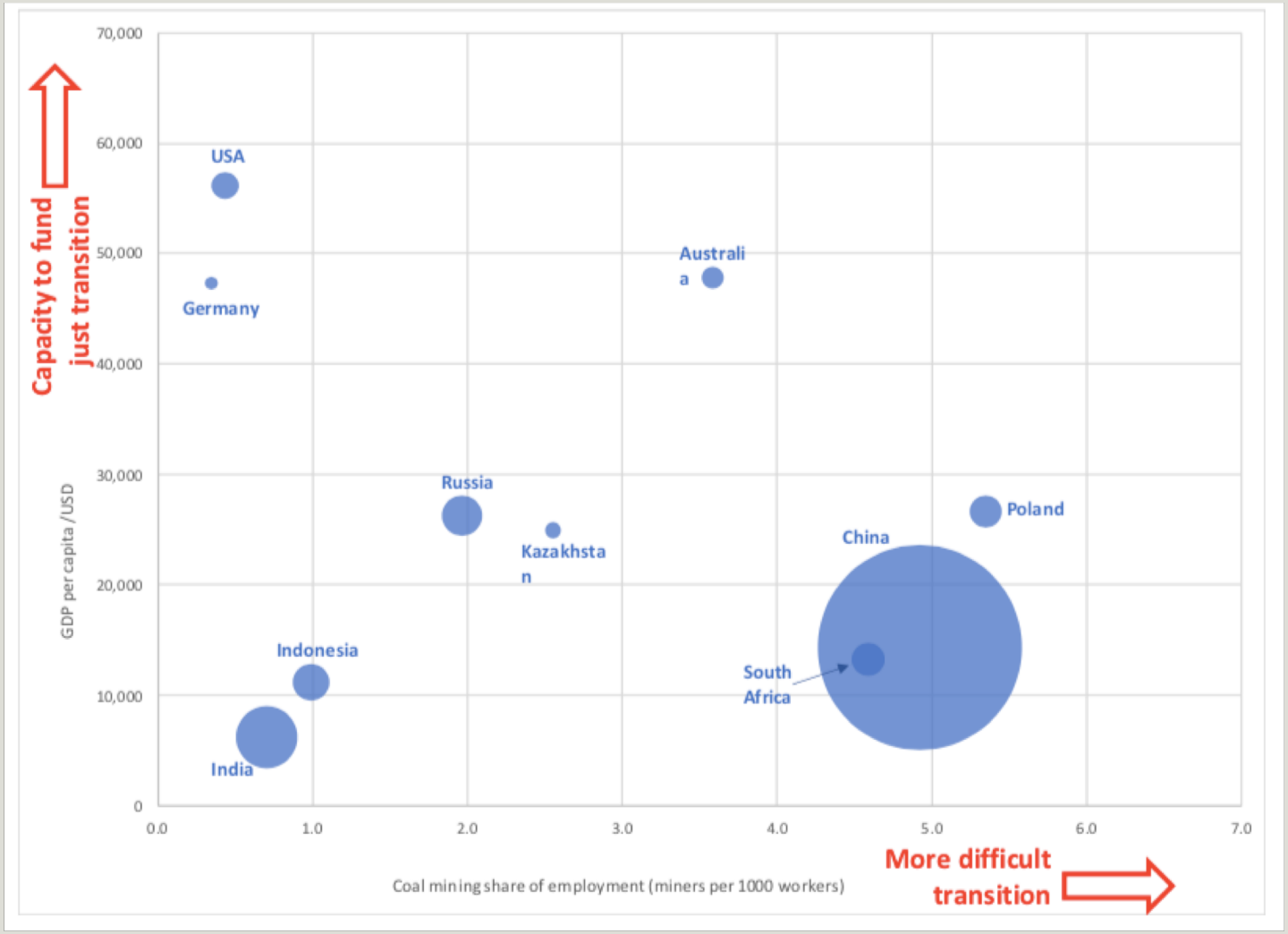
(How to ensure funding government services?)



Source: Muttitt and Kartha

The importance of equity in the transition

(How to ensure employment and decent work?)



Source: Muttitt and Kartha

Key equity considerations

- The fastest action should be taken where it will have the least social costs: in those economies that are least dependent on extraction and that have the greatest financial and institutional resources to absorb the transitional impacts;
- Governments of extracting countries should enact ambitious industrial policy to diversify their economies, alongside economic, education, employment and innovation policies to enable a just transition;
- The costs of a just transition should be borne by those most able to bear it: poorer countries can reasonably demand financial support for the transition;
- Many of the equity implications of curbing extraction occur at a local level; therefore the relative pace of transition and sharing costs should be addressed within countries as well as between them.

The need for renewed international cooperation

- The Nuclear Non-Proliferation Treaty as a model
  - Non-proliferation = ending exploration
  - Disarmament = phasing-out production
  - Peaceful use = fast-tracking clean energy and just transition
- Supply-side efforts will be essential. The benefits and burdens will need to be shared fairly
- Scale of the challenge requires unprecedented international cooperation
  - Global transition from fossil fuels to low-carbon renewable energy
  - Diversifying industries and economies
  - Enabling a just transition for all workers, communities and countries

A new global treaty initiative to:

- Immediately end new exploration for and development of fossil fuels
- Phase-out fossil fuel production in line with global climate goal of 1.5°C
- Fast-track just transition for every worker, community and country

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Treaty building blocks

- An initial **club of countries**
  - Building block for the fossil fuel treaty/regime
- A **registry** of fossil fuel reserves
  - All future fossil fuel production (coal, oil, gas)
  - Basis for calculating embedded carbon
- An **exit list** of fossil oil and gas companies
  - Linked to expansion plans
  - Linked to equity criteria
  - Guide and scale-up divestment

Phase 1: Consolidate partnerships

- The first phase will confirm objectives, principles and strategies among a key group of allies and partners including major global networks
- It will focus on building common understanding how a treaty can
  - Share the benefits and burdens of a transition fairly
  - Enable energy transition and economic diversification
  - Support a just transition for all workers, communities and countries
- The initial phase will enable a broad base of support, strong buy-in by a range of partners, and a solid initial coalition to deliver the treaty

Phase 2: Build momentum

- A second phase will elevate the profile of the FF-NPT through high-level engagement
- This will include a structure and process drawing on the experience of other successful historical examples such as the World Commission on Dams
- This will
  - Engage a number of eminent persons in supporting a new treaty
  - Draw on the expertise of a much wider circle of experts and institutions
  - Consolidate a knowledge community to underpin the treaty effort
  - Make and communicate the strongest possible case for the treaty
  - Enable widest possible engagement stakeholders in all global regions
- The Commission would conclude with a public report of main findings and recommendations including the case for a new treaty, the possible elements of the treaty, and a process for taking it forward in a multilateral context

Phase 3: Launch formal negotiations

- Launching a set of parallel and reinforcing diplomatic efforts
  - Working group co-chaired by Ministers
  - Initial multi-stakeholder group e.g. Powering Past Fossil Fuels (GGON)
  - Formalized group of states as new “club” of countries
  - Basis for formal treaty negotiations
- Negotiations based on common interests of different country groups
  - First movers
  - Vulnerable countries
  - Diversified countries
  - Mid-income, mid-producers
  - Harder case countries
- Treaty will provide a number of functions

The functions of the FF-NPT (1)

Core *functions* could include:

Enhancing transparency and accountability through, e.g.:

- A new fossil fuel registry
- New global accounting systems
- New national accounting systems
- Other reporting and transparency requirements

Catalyzing and strengthening domestic supply-side measures, e.g.:

- Bans and morratoria
- Regulations
- Subsidy removal
- Liability rules
- Information rules
- Economic instruments
- Government provision

The functions of the FF-NPT (2)

Supporting bilateral and regional cooperation, e.g.:

- Strengthening existing relationships
- Initiating new relationships
- Expanding available funding
- Encouraging south-south cooperation
- Supporting use of existing etities

Supporting collective action internally among club members e.g.:

- Sharing of best practices and advice
- Mutual support on solutions
- Mutual support on economic diversification
- Mutual support on energy transition
- Mutual support on just transition
- Finance and investment
- Technology development and transfer
- Technical assistance and capacity building
- Other

The functions of the FF-NPT (3)

Supporting collective action internally among club members e.g.:

- Sharing of best practices and advice
- Mutual support on solutions
- Mutual support on economic diversification
- Mutual support on energy transition
- Mutual support on just transition
- Finance and investment
- Technology development and transfer
- Technical assistance and capacity building
- Other

Supporting collective action externally vis-à-vis non-club members and/or other actors in the fossil fuel system, including measures to limit the activities of fossil fuel companies, or to limit access to investments, or increase liability, or otherwise prevent "leakage" and "free riding".

Impacts

- A systems-level strategy that will unify and amplify many other efforts
- Coordination among a progressively growing club of countries
- A global registry of fossil fuel production, reserves and resources
- Increased pressure on states, companies and investors (including those outside the club)
- Fundamental shift in the conditions of the fossil fuel industry
- Greater engagement of stakeholders at the local, national and international level in all global regions
- A vehicle to mobilise sub-national communities world-wide in an effort to stop fossil fuels on the ground (SAFE)
- The urgently needed framework for the major global effort required to phase-out fossil fuels, fast-track solutions and keep warming below 1.5°C

Additional slides

For more information:
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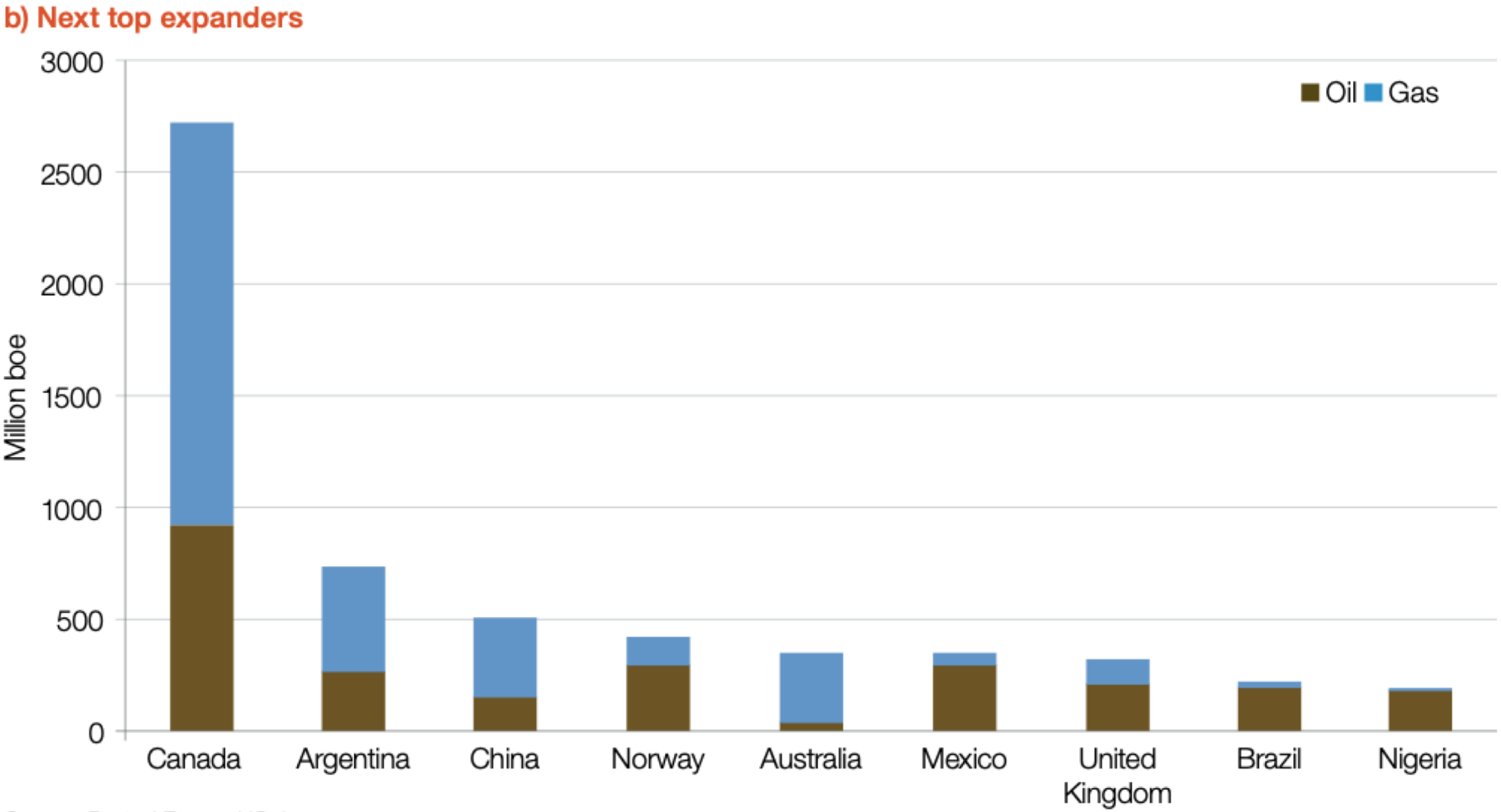
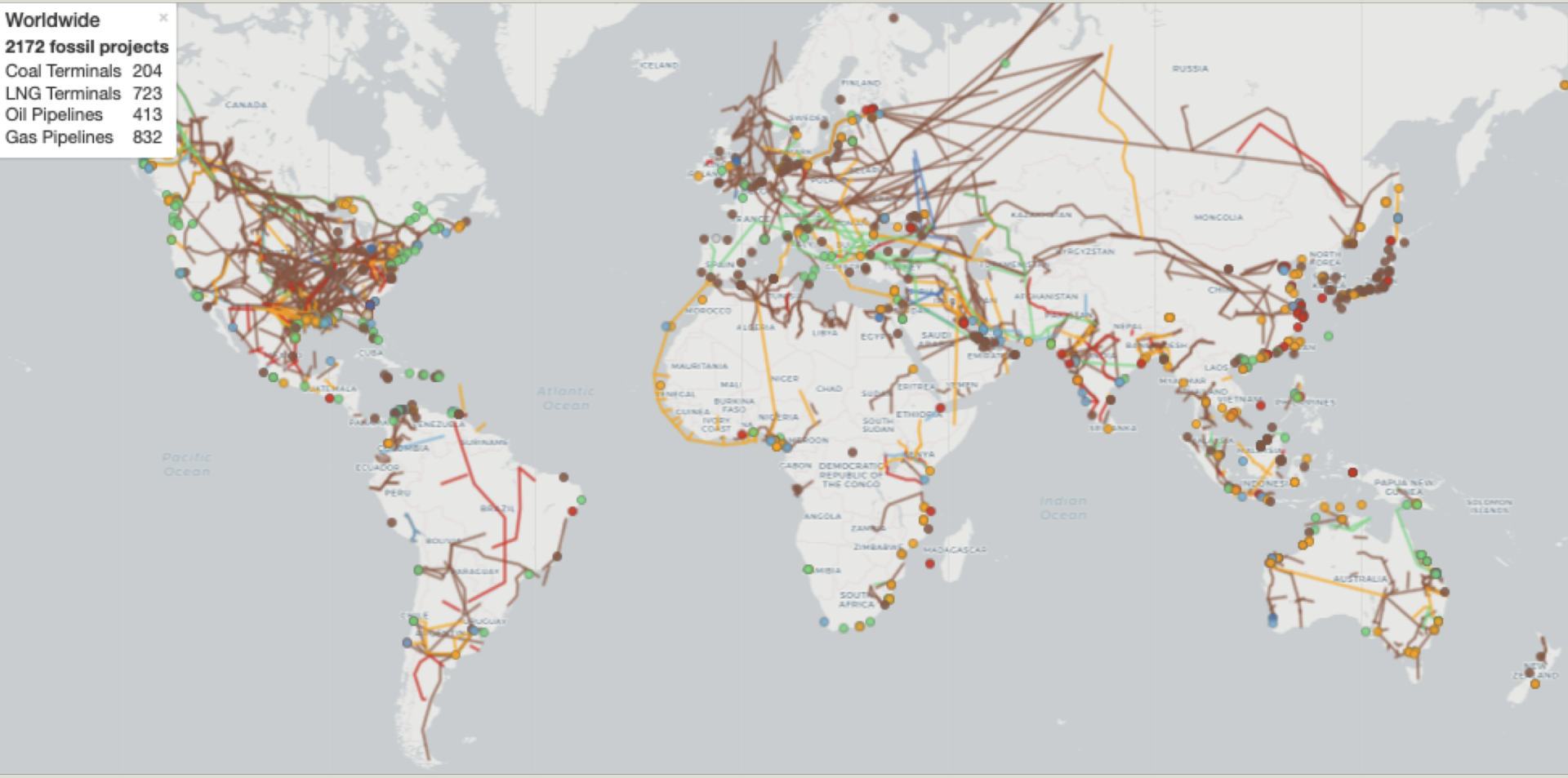
Fossil fuel expansion in the next ten states



Source: Rystad Energy UCube

Current and planned infrastructure



Methodology

Methodology

The methodology correspondingly adopts a *systems approach** involving analysis of:

- Problem structure
- Potential interventions
- Collective action to deliver these
- Political feasibility and strategy

Analysis of *problem structure** draws on qualitative systems analysis of:

- System components and relationships
- System structure and stability
- System feedbacks and dynamics
- Tipping elements and points
- Leverage points and interventions
- Further research (quantitative)

Identification of *potential leverage points and interventions* will build on the hot-spots, choke-points, and financial interventions described in the GGON strategy, which are focused principally on curtailing expansion. These can be complemented with an additional interventions needed to address the phasing out of production and fast tracking of solutions.

Phases and levels

	Short term (1 year)	Medium term (1-3 years)	Longer term (3-5 years)
International	First movers club formed	More formal group emerges	Formal negotiations initiated
Country regions and groups	Support expressed by key countries and goups	Regional and group positions adopted	New bilateral and regional cooperation initiated
National, sub-national and civil society	Common strategy agreed CSO campaign launched	Commission initiated New national measures initiated	New supply-side and transition measures more widely adopted

Country analysis

Country analysis

Formation of a club of countries is underpinned by analysis of their: a) individual characteristics, b) relative influence and likely inclination to join a collective effort, and c) shared group characteristics that may facilitate participation in a new legal arrangement.

*Individual country analysis** will help to determine their interests, capabilities and extent of challenge in transitioning from fossil fuels. This will include analysis of fossil fuels as:

- A proportion of national employment
- A proportion of energy provision
- A proportion of government revenue
- A proportion of export revenue
- A proportion of national income
- Other factors relevant to club and treaty development

Country analysis II

Countries can also be clustered according to *shared characteristics* relevant to club formation:

- Poor/vulnerable countries
- First mover countries
- Diversified countries
- Mid-income/producer countries
- High-income/producer countries