Cleaning up their act?

G7 fossil fuel investments in a time of green recovery

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Executive summary

Since the beginning of the Covid-19 pandemic, and despite collective pledges to 'build back better', G7 nations have been pumping more money into fossil fuels than they have into clean energy. The choices G7 countries make this year will have a critical impact on the direction of the global economy for decades; these seven nations rank among the most polluting countries in the world, representing only ten per cent of the global population but more than 24 per cent of CO_2 emissions. At a time when emissions reductions are urgently needed, G7's Covid-19 response will either accelerate the transition towards cleaner, more equitable societies or lock the planet into catastrophic and irreversible climate change.

This report reviews all new support to energy-intensive sectors approved between January 2020 and March 2021 by G7 nations and other participants at the G7 Leaders' Summit (11–13 June 2021).[1] We assess the contribution of these policies towards building back better and, specifically, their impact on climate action. The analysis uses data from the Energy Policy Tracker,[2] complemented by a suite of other recovery tracking tools.

On 22 April 2021, the Leaders' Summit on Climate signalled renewed international momentum for climate cooperation. New commitments from the US, Canada and Japan – alongside recent announcements from the EU, UK and China – are a positive step towards keeping global warming to 1.5°C, but don't go far enough. Achieving this objective will require governments to step up climate action and honour their collective pledges to 'build back better' in the wake of Covid-19. This report reviews how the G7 are doing thus far.

Key findings

This analysis shows that, between January 2020 and March 2021, G7 nations committed more than US$189 billion to support coal, oil and gas, while clean forms of energy received only $147 billion. In other words, fossil fuels received more than half of the total support to energy-intensive sectors. These investments – including the many direct support measures and environmental deregulations adopted in favour of the fossil fuel industry – are inconsistent with the steep decline in emissions needed to limit global warming to 1.5°C and with G7 countries' own net-zero targets.

1 Australia, India, the Republic of Korea and South Africa will also attend the summit.

2 This online dataset tracks real-time data on public finance for energy around the world (www.energy policy tracker.org).

G7 nations also missed major opportunities to make their response to Covid-19 greener. More than eight in every ten dollars committed to fossil fuels came with no 'green strings' attached: they benefited fossil-fuel intensive activities without requirements for any climate targets or reductions in pollution. Meanwhile only one in every ten dollars committed to the Covid-19 response benefited the 'cleanest' energies measures,[3] like renewables or energy efficiency. G7 countries are not yet investing at sufficient scale in technologies that support the fast decarbonisation of their economies and have therefore also forgone the greater job creation that could be brought about by greener Covid-19 response. These countries can do much more to progressively transition away from fossil fuels while also supporting livelihoods in affected sectors.

Support for the transport sector, which received two-thirds of all commitments, illustrates this dynamic. Although some support benefited cleaner transport, such as public transport infrastructure or electric vehicles, the G7 also threw massive lifelines to the airline and car sectors, to the tune of $115 billion – more than 80 per cent of which came with no conditionalities to limit future emissions.

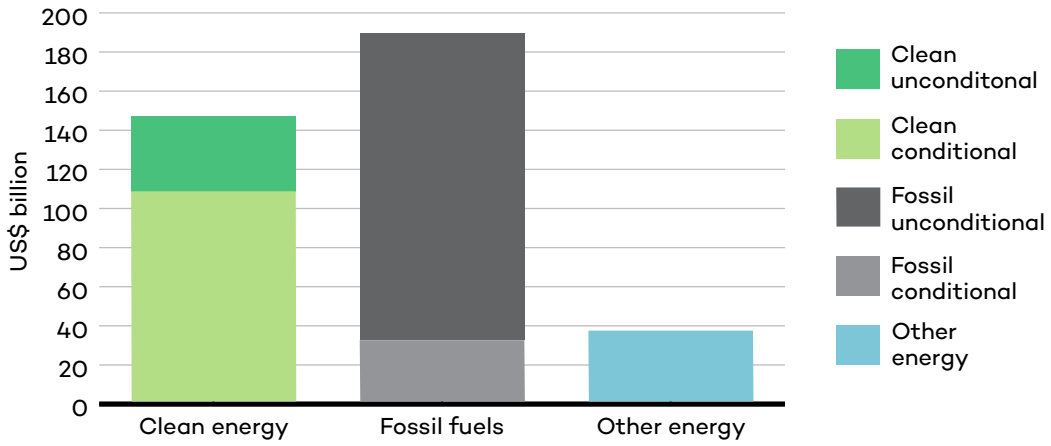

Figure 1: Public money commitments to fossil fuels, clean energy and other energy in G7 nations

Source: Energy Policy Tracker (nd).

[3] See Table 1 for a presentation of classifications used in this report.

The climate crisis will top the agenda at the 2021 G7 Leaders' Summit, yet none of the 11 participating countries – including Australia, India, Republic of Korea and South Africa – has a fully green track-record when it comes to economic recovery responses. While eight out of 11 countries substantially improved the greenness of their plans over the last year,[4] at the time of writing only four (Canada, France, Germany and the UK) have developed plans that will cause more environmental *good* than harm.[5]

Recommendations

The window of opportunity is small, but Summit participants can still get back on track and tip the balance from a dirty recovery to one that is clean and resilient. The G7 Leaders' Summit must send the right signal to the world and take concrete steps towards building back better. To achieve this, the G7 must:

- **Adopt a 'do-no-harm' principle for all spending**. This includes ending all support to the *production* of fossil fuels in recovery responses. It also requires attaching significant 'green strings' to any other support to fossil fuel intensive sectors that is required to assist companies, workers and affected communities in a just transition towards a 1.5°C future.
- **Dedicate a minimum of 40 per cent of total Covid-19 recovery spending to policies and measures supporting clean investments and priorities aligned with the 2015 Paris Climate Agreement**. This will help enable the rapid shift towards clean energy. A steep increase in public finance commitments to clean energy is needed to meet this: estimates indicate that current green spending would represent only 22 per cent of total recovery spending in G7 countries (O'Callaghan et al, 2020).
- **Enable a green recovery for all and stand in solidarity with low- and middle-income countries**, which should include ending overseas finance to fossil fuels, using the G7's influence on multilateral development banks to align their activities with the Paris Agreement, announcing a doubling of climate finance pledges and continuing to ease the debt burden faced by a rising number of low- and middle-income countries.

[4] Australia, Canada, France, Germany, India, Republic of Korea, the US, the UK made considerable progress; only Japan, Italy and South Africa made little progress (Vivid Economics, 2021).

[5] Assessment of greenness of recovery plans according to Vivid Economics' Greenness of Stimulus Index (Vivid Economics, 2021).

Contents

Acronyms and abbreviations

CO_2	carbon dioxide
COP	Conference of the Parties
Covid-19	novel coronavirus disease 2019
EU	European Union
G7	Group of Seven (Canada, France, Germany, Italy, Japan, the UK and the US)
G20	Group of Twenty
GDP	gross domestic product
GW	gigawatt
km	kilometre
MDB	multilateral development bank
MW	megawatt
NDC	nationally determined contribution
ODA	official development assistance
SO_2	sulphur dioxide
tCO_2	tonnes of carbon
tCO_2e	tonnes of carbon dioxide equivalent
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change

1 Introduction

Since the beginning of the Covid-19 pandemic, governments have injected unprecedented amounts of public money into their economies. It is estimated that the 50 largest world economies committed at least US$14.6 trillion in fiscal stimulus measures in 2020 (O'Callaghan and Murdock, 2021). To date, this has largely taken the form of short-term relief packages designed to contain the immediate social and economic impacts of Covid-19 and the lockdowns, border closures and other measures. Now, these packages are giving way to more structural recovery policies and measures that aim to build back economies in the long term.

Early on in the crisis, studies pointed out the critical role that Covid-19 responses will play in the struggle against climate change. If well-designed and carefully targeted, both stimulus measures and economic recovery efforts can help countries achieve long-term decarbonisation goals and align emissions reduction pathways with the 2015 Paris Climate Agreement goal of limiting global warming to 1.5°C (UNEP, 2020; Climate Action Tracker, 2020). Conversely, when Covid-19 responses are directed at fossil fuel-intensive sectors – as happened after the 2008 financial crisis – they can lock countries in to carbon intensive pathways, as infrastructure built today will operate for decades (Hepburn et al, 2020; SEI et al, 2020). Choices made now will either accelerate the transition towards a clean, just, climate-safe and job-rich future for all, or jeopardise efforts to date to tackle the climate crisis and achieve the sustainable development goals.

Using Covid-19 recovery as a springboard towards low-carbon societies makes both environmental and economic sense. The world is not on track to meet the 2015 Paris Climate Agreement and faces a huge challenge in doing so. The temporary decline of 6.4 per cent in CO_2 emissions observed in 2020 (Tollefson, 2021) would have to be sustained, and even increased – to 7.6 per cent – year on year, to close the emissions gap by 2030 (UNEP, 2019; 2020). Yet, CO_2 emissions are already bouncing back to pre-2020 levels (IEA, 2021). Moreover, clean solutions that accelerate the decarbonisation of the economy can create thousands of decent and sustainable jobs – a central focus of Covid-19 response.

The pandemic has also highlighted the vulnerabilities and lack of resilience of our carbon-intensive development model, which we now have the opportunity to reshape. But despite the many international calls to 'build back better',[6] global estimates show that a very small share of the fiscal stimulus provided so far, representing as little as 2.5 per cent of total spending, will contribute to building

[6] See, for example, United Nations Secretary-General remarks in July 2020, UK Prime Minister Boris Johnson's statement in May 2020 (Prime Minister's Office, 2020) or collective statement from 40 ministers in July 2020 (IEA, 2020).

a cleaner economy (O'Callaghan and Murdock, 2021). As of early 2021, most countries' recovery packages still do more environmental harm than good (Vivid Economics, 2021). While countries continue to battle Covid-19, 2021 is a decisive year for climate targets. Governments thus face the difficult – but urgent – challenge of shifting their recovery spending in a way that addresses the health, economic and social consequences of the pandemic while tackling climate change.

G7 nations have a special responsibility to deliver on this challenge. They are among the countries that have mobilised the greatest amounts of public support in response to Covid-19, representing $6.5 trillion of the total fiscal stimulus so far (Vivid Economics, 2021). Critically, the Energy Policy Tracker estimates that a significant proportion – $372 billion – of public money commitments supported energy producing and consuming activities (Energy Policy Tracker, nd),[7] which will have a disproportionate impact on climate change and on the achievement of other Sustainable Development Goals (Hepburn et al, 2020).

Moreover, despite being home to only ten per cent of the global population, G7 nations together account for 24 per cent of global CO_2 emissions.[8] Because of their current – and historic – responsibility in climate change and given the magnitude of their Covid-19 response, the direction of G7 recovery spending will have a considerable influence on the global ambition for climate action in the decades to come. Their actions will also affect low- and middle-income countries' ability to build back better, given the weight of the G7 in the mobilisation of international support. Signals sent by G7 members at the Leaders' Summit in June 2021 are therefore critical and will set the tone for other key international moments in 2021, including the G20 Summit in Rome (30–31 October) and the 26th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26) in Glasgow (1–12 November).

With the recent commitment from the US in January 2021 (White House, 2021a), all G7 nations have now adopted objectives to reach carbon neutrality by 2050, either through official declarations, policy documents or national laws.[9] To align with the 1.5°C temperature goal, these so-called net-zero commitments must be translated into drastic cuts in greenhouse gas emissions within the next decade[10] and support deep decarbonisation in the power generation, transportation and

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7 When adding the four democracies invited to the 2021 G7 Leaders' Summit – Australia, India, Republic of Korea and South Africa – these figures grow to $11.3 trillion and $504 billion, respectively.

8 When adding the four democracies invited to the 2021's Leaders' Summit, these figures grow to 29.6 per cent of the global population and 35.2 per cent of global CO_2 emissions. See also Annex 2 for a synthesis of climate commitments and performance for participating countries to the G7 Summit.

9 See Annex 2 for a summary of climate commitments and performance in G7 nations and invited countries to the G7 Leaders' Summit.

10 The IPCC estimates that CO_2 emissions alone must decrease globally by 45 per cent by 2030 compared to 2010, to be in line with a 1.5°C pathway (IPCC, 2018).

building sectors (Kuramochi et al, 2017). These reforms must in turn be supported by a complete shift in public money commitments away from fossil fuels.

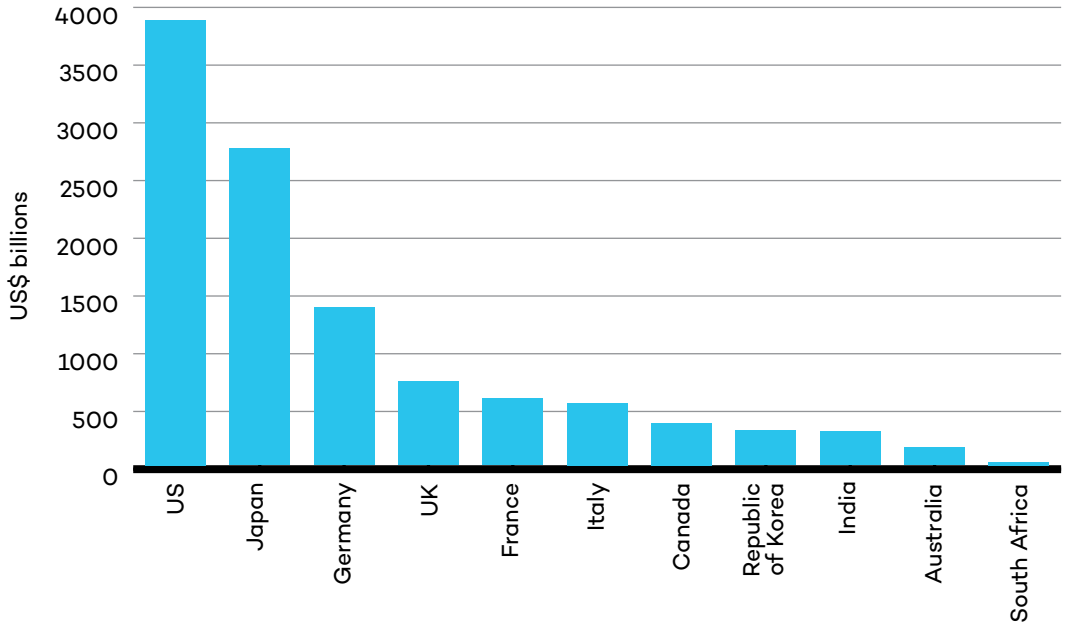


Figure 2: Total fiscal recovery spending between January 2020 and February 2021 in G7 countries, plus Australia, India, Republic of Korea and South Africa, $ billions

Source: Vivid Economics (2021).

1.1 About this report

This report looks at whether G7 nations are delivering against their commitment 'to beat COVID-19 and build back better' and to 'put our global ambitions on climate change [...] at the center of our plans' (G7 Leaders' statement, 2021). We analyse all new policies and measures related to energy production and consumption approved by the G7 and other nations invited to attend the 2021 G7 Leaders' Summit (Australia, India, Republic of Korea and South Africa) between the beginning of the Covid-19 pandemic (taken as 1 January 2020) and 3 March 2021,[11] assessing the type of energy each of them supports according to five categories (Table 1). The report uses data from the Energy Policy Tracker and draws on findings from other recovery trackers such as the Greenness of Stimulus Index, the Green Recovery Tracker and the Global Recovery Observatory (Box 1).

[11] This report analysed 517 policies approved between January 2020 and 3 March 2021 in Australia, Canada, France, India, Italy, Japan, Germany, Republic of Korea, South Africa, the UK, the US.

Section 2 of the report highlights the key characteristics of energy policies and measures adopted in G7 nations and invited nations to the G7 Leaders' Summit, while Section 3 reviews trends related to Covid-19 response in low- and middle-income countries and implications for the G7. Section 4 of the report focuses on country case studies for G7 and invited nations Australia, India, Republic of Korea and South Africa. Finally, Section 5 provides recommendations to G7 nations in light of the G7 Leaders' Summit in June 2021.

Table 1: Definition of the five key policy categories used in this report

Energy Policy Tracker category name	Terminology used in this report	Description
Clean unconditional policies	Cleanest policies/energy	Includes support to energy that is both low-carbon and has negligible impacts on the environment if implemented with appropriate safeguards, such as energy efficiency and renewable energy coming from naturally replenished resources like sunlight, wind, small hydropower, rain, tides and geothermal heat. Also includes 'green' hydrogen and active transport (cycling, walking).
Clean conditional policies	Clean with caution	Includes support to clean energy, but whose environmental and social impacts can be substantial in the absence of safeguards. It includes, eg large hydropower or public transport and electric vehicles, which contribute to accelerating the clean energy transition but may still rely on fossil fuel-powered electricity in the short term.
Fossil conditional policies	Dirty with green strings	Includes support to fossil fuel-intensive projects that is conditional on green requirements, such as setting climate targets or implementing pollution reduction plans. While such conditionality is a step in the right direction, the policies in this category are still providing significant funding to fossil fuels.
Fossil unconditional policies	Dirty energy	Includes policies supporting the production or consumption of fossil fuels (oil, gas, coal) without any climate targets or additional pollution reduction requirements. Such policies can lock economies in to high-polluting carbon-intensive pathways.
Other policies	Other policies	Includes policies that can't be labelled as 'clean' or 'fossil fuels', such as support to nuclear energy; 'first generation' biofuels, biomass and biogas; incineration; and support that benefits multiple energy types, eg intertwined fossil fuels and clean energy.

Box 1: Approaches to tracking Covid-19 responses and policy categories used in this report

Since 2020, several recovery trackers have been launched to bring transparency to Covid-19 response. These trackers vary in scope, coverage and the method they employ to track policies. Although their findings are broadly aligned (recovery plans adopted so far are mostly inconsistent with green recovery commitments) they highlight different realities, which can lead to slight variations in findings:

- The **Energy Policy Tracker** focuses specifically on the scale and direction of public money committed to energy consuming and producing activities in four sectors of the economy: transport, building, power and resource extraction. It determines whether policies approved by governments (including rescue and recovery policies at national and subnational level) support fossil fuels or clean energy, with or without environmental conditionalities attached. It then classifies policies according to five categories (Table 1). The Energy Policy Tracker's full methodology can be found in Annex 1.
- Vivid Economics' **Greenness of Stimulus Index** provides an indicator of the greenness of recovery measures in five key sectors of the economy – agriculture, energy, transport, building and waste – based on the total stimulus funds flowing to these sectors, the existing green orientation of those sectors and the green orientation of new stimulus measures. It analyses both proposed and approved policies (the Energy Policy Tracker only assesses those that are approved).
- The **Global Recovery Observatory**, led by the University of Oxford, tracks fiscal stimulus policies approved by governments in all sectors of the economy. It assesses the theoretical environmental and social impact of recovery policies using policy archetypes. The Observatory doesn't assess the impact of rescue policies (such as company bailouts).
- The **Green Recovery Tracker** from E3G and Wuppertal Institute assesses the contribution of EU member states' national recovery plans to climate change mitigation efforts. The assessment is based on quantitative and qualitative analyses of long-term recovery measures only.

2 Covid response and climate commitments in G7 nations, Australia, India, Republic of Korea and South Africa

2.1 Overview analysis of Covid response in G7 nations

G7 nations have pledged over $189 billion to fossil fuel production and consumption, while clean energy received only $147 billion.

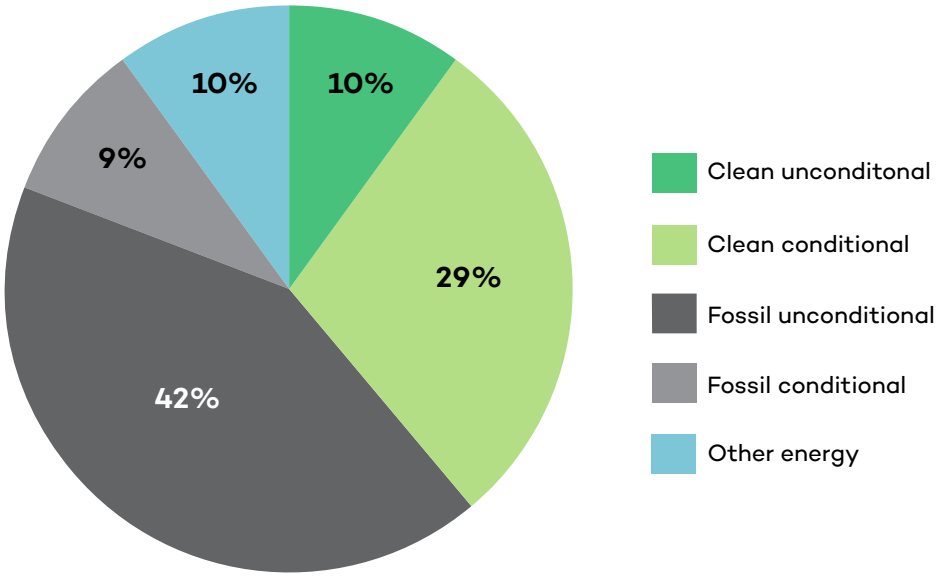


Figure 3: Share of public money committed to clean, dirty and other energy in G7 nations

Source: Energy Policy Tracker (nd).

Between January 2020 and March 2021, G7 governments have pumped more public money into fossil fuels than clean energy. According to conservative estimates from the Energy Policy Tracker, they have pledged more than $189 billion to fossil fuel production and consumption, while clean energy received only $147 billion. In

other words, dirty energy received more than half of the total support to energy-intensive sectors. This trend not only mirrors the heavy subsidies provided to fossil fuels before 2020 (Geddes et al, 2020) but also reflects the poor track-record of G7 countries in terms of short-term climate action: their current 2030 targets and policies would, at best, lead the world to a +3°C warming (Climate Action Tracker, 2020). This sits in stark contrast to their long-term commitment to achieving carbon neutrality by 2050.

2.2 Sectoral commitments in G7 nations

Two-thirds of commitments supported the transport sector, with more than eight out of ten dollars supporting dirty energy with no green strings attached.

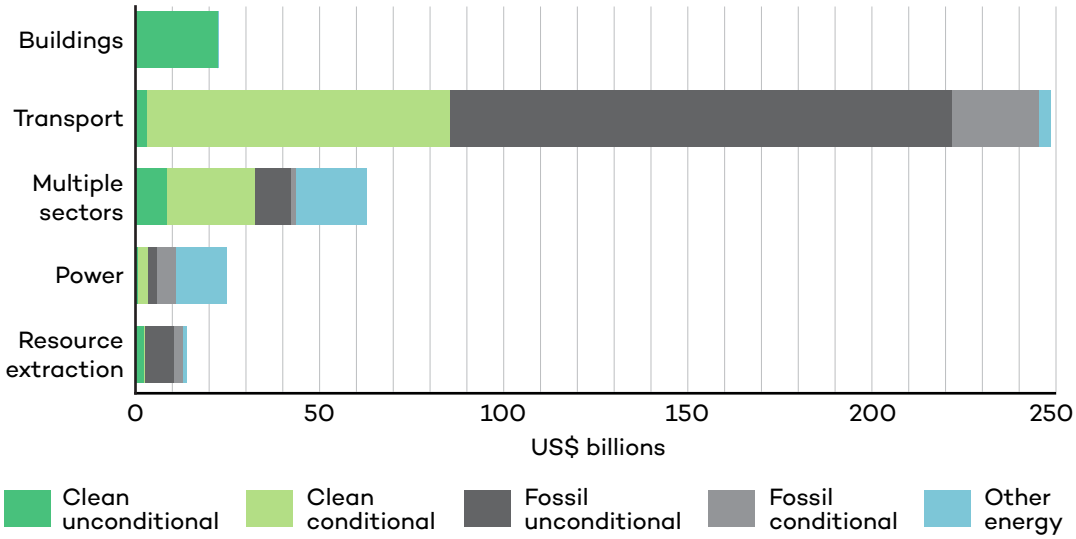


Figure 4: Public money committed in different sectors of the economy in G7 nations, $ billion

Source: Energy Policy Tracker (nd).

The bulk of G7 public money commitments flowed to the transport sector, which received $247 billion between January 2020 and March 2021 (66 per cent of all energy commitments). Almost two-thirds of this supported dirty energy, with

more than eight of every ten dollars having no environmental strings attached. As in many other countries, G7 nations approved large plans to bail out the aviation and car industries in the early stages of the pandemic. Among the most notable companies benefiting from these relief schemes are Air France, British Airways, Ryanair, EasyJet, Lufthansa, Japan Airlines, Alitalia, US airline companies (through the Coronavirus Aid, Relief, and Economic Security Act), Renault and Honda. This support, which was generally adopted on social and economic grounds – notably to protect jobs in badly affected sectors – will also sustain highly polluting industries in the decades to come, with very little or no pressure to 'go green'. Since these initial bailouts, G7 nations have substantially scaled up support to clean policies to develop public transportation (rail) and electric vehicles and to encourage active mobility such as cycling. Despite this, investments in the transport sector remain significantly skewed towards fossil fuels and are at odds with G7 commitments to build back better.

The power generation and resource extraction sectors received much less direct money ($25 billion and $14 billion respectively, or seven per cent and four per cent of all energy commitments), but with particularly unfavourable trends for clean energy. As little as 15 per cent of commitments in these sectors will directly aid the transition towards 100 per cent renewables through various small to medium-sized wind, solar or green hydrogen projects. Conversely, 46 per cent of commitments will fuel the climate crisis by propping up the coal, oil and gas industry (Box 2). The remainder of approved policies in these sectors will at best sustain the status quo by subsidising existing energy systems or investing in non-consensual energy such as nuclear. Moreover, there are many indirect support policies, such as tax incentives, that could not be quantified by the Energy Policy Tracker but which could provide additional billions to dirty energy in the power generation and resource extraction sectors.

On a more positive note, public money pledged to the buildings sector ($23 billion, or six per cent of total commitments), although limited in scale, was all aimed at improving energy efficiency and will therefore support the clean transition. More than half of commitments directed to cross-cutting sectors also included green components, often linked to energy efficiency.

Box 2: Direct support to the fossil fuel industry: when recovery policies fuel the climate crisis

The emissions of already-developed reserves of oil, gas and coal alone could bring the world beyond the +1.5°C warming limit set by the Paris Agreement (Oil Change International, 2016). Yet the recovery policies of some G7 nations threw major lifelines to the oil and gas industry, risking an increase in the production and lock-in of these energy systems for decades.

This was particularly the case in oil and gas producing countries, such as the US and Canada. In Canada, the Alberta government pledged $5.5 billion in guarantee and equity loans to the now cancelled Keystone XL pipeline, despite the project's well-documented detrimental climate, environmental and human impacts (Banktrack, nd). The US and Canadian governments also rolled back regulations affecting the fossil fuel industry, which included putting in place waivers on the impact assessment process, suspending penalties for companies in breach of environmental obligations, introducing fuel tax exemptions and extending deadlines for greenhouse gas emissions reporting. In the US and Canada, government responses to Covid-19 made it easier – and cheaper – for the oil and gas industry to pollute.

In Australia, India, Republic of Korea and South Africa, public support was even directed at the expansion of coal production, despite the urgent need and widespread international calls to phase out coal (SEI et al, 2020). In Australia, 7,000km² of additional land was released for coal and gas exploration, while Republic of Korea and India supported thermal power plants through bailouts and the dropping of environmental regulations, respectively.

As a positive sign, a few G7 nations took bold steps towards halting support to large incumbent industries. In February 2021, Italy extended a moratorium on fossil fuel drilling, affecting new drilling concessions until September 2021. France and the UK also introduced policies aiming at ending international finance to fossil fuels. The UK's new policy stops all direct support to the fossil fuel energy sector overseas from 31 March 2021; France's commitment is less ambitious and will exclude guarantees to projects involving dirty forms of oil such as shale from 2021, followed by all types of oil from 2025 and gas from 2035. These actions are still the exception but should serve as precedent for other G7 countries.

2.3 ‘Clean policies with caution’ and dirty policies with green strings attached

Less than one in ten dollars committed to Covid response supported ‘cleanest’ energy measures, like renewable energy or energy efficiency.

In G7 countries, a first step towards delivering their net-zero commitments should, at the very least, be to ensure that no public money commitment supports fossil fuel activities without environmental conditionality. However, so far only 17 per cent of energy commitments to fossil fuel intensive sectors had green strings attached (Box 3); the overwhelming majority (83 per cent, or $157 billion) failed to include any climate targets or additional pollution reduction requirements. This is a lost opportunity for G7 countries to support a just transition and the managed decline of fossil fuels in their economies.

Of the Covid-19 response and recovery commitments that didn’t go to fossil fuel intensive sectors and was therefore categorised as either ‘cleanest’ or ‘clean policies with caution’ (see Table 1), the Energy Policy Tracker found that $39 billion (27 per cent) supported the ‘cleanest’ policies while $108 billion (73 per cent) were considered as ‘clean policies with caution’ – measures that could lead to detrimental impacts if not deployed with the right social or environmental safeguards in place.[12]

‘Cleanest’ policies only include no-regret policies such as the deployment of renewable energies (solar, wind, small hydropower), energy efficiency and active mobility measures, which are central to the decarbonisation of economies. Many of these policies are also increasingly cost effective, with sharp cost reductions in renewable energies and significant savings generated by energy efficiency measures. But with only ten per cent of their total pledges falling into this ‘cleanest’ category, G7 countries are instead betting on clean policies whose environmental and climate benefits may take longer to realise in the absence of more broader shifts in energy systems. G7 nations have also forgone the greater job creation that could be brought about by cleaner Covid-19 responses (OECD, 2020).

[12] See Table 1 for the five main classifications of the policies and public money commitments.

Box 3: Support to fossil fuels with green strings: a tool to accelerate the transition of highly emitting industries

Support with 'green strings' is conditional upon other measures aimed at reducing emissions, protecting the environment, and granting a just transition for workers and affected communities. Although policies with environmental strings attached still pump money into traditional polluting industries, there are examples in G7 nations of how such policies can support the transformation of our economy while leaving no-one behind.

- In Canada, the federal government offered public assistance to the oil and gas sector to finance the cleaning up of abandoned oil and gas wells. If well implemented, the policy – which is worth $1.3 billion – should limit the negative environmental impact of the industry while supporting local job creation. However, stronger conditionality could have been implemented to ensure enforcement of the polluter-pays principle by Canadian provinces.
- In France, the loan to bail out the airline company Air France came with conditions to reduce emissions through energy efficiency measures and ending some short-haul flights where there is an alternative journey by rail that takes less than two-and-a-half hours. Campaigners, however, noted that only six per cent of aviation emissions globally come from flights under 500km (Graver et al, 2020).
- Although not directly linked to Covid-19 economic recovery, Germany's landmark Coal Phase-out Act adopted in July 2020 is also an example of policy with green strings attached. It plans to compensate utilities operating lignite power stations, such as RWE and Leag, for the accelerated shutdown of coal power plants by 2030. Additional support is also provisioned to support workers who are affected by power plant and coal mine decommissioning.

Perfecting and systematically applying green strings should be the absolute minimum approach for G7 nations. Including conditions for a net-zero transition, enabling a just transition and building the future of infrastructure and industry should be key principles that drive the development of ambitious green strings (Corkal et al, 2020).

2.4 Uneven performance across G7 countries, Australia, India, Republic of Korea and South Africa

Only four of 11 countries – India, Canada, Japan and Australia – committed more money to clean energy than to fossil fuels.

No single country has a fully green track record when it comes to Covid-19 response. However, some countries have been performing better (or worse) than others at 'walking the talk' of their climate and green recovery commitments. In this subsection, we compare all G7 countries and the four other nations invited to this year's G7 Summit in light of their energy policies approved between January 2020 and 3 March 2021.

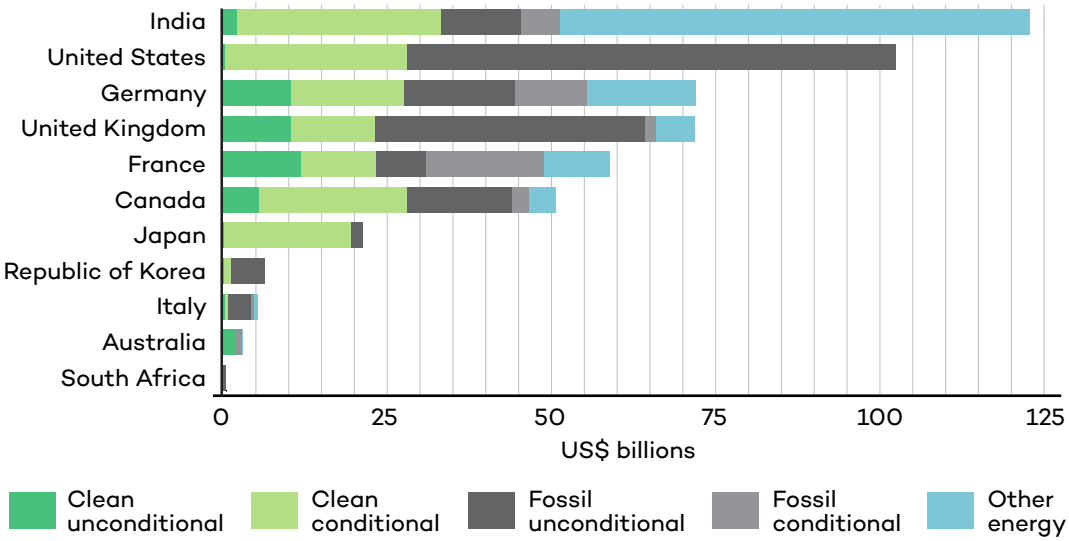


Figure 5: Public money committed to clean, fossil fuel and other energy in G7 nations, Australia, India, Republic of Korea and South Africa, $ billion

Source: Energy Policy Tracker (nd).

The magnitude of energy commitments varies widely across countries. The total amounts approved in India and the US outweigh by far their counterparts, while Australia, Italy, Republic of Korea and South Africa have so far pledged relatively small amounts of money to energy-intensive sectors (Figure 5). France, Canada, Germany and the UK pledged large amounts of money proportionate to the size of their populations (Figure 6). Per capita figures also highlight clear inconsistencies between build back better commitments and recovery decisions: those countries

that champion the mobilisation of public money for clean energy also invested heavily in dirty energy, with the risk of wiping out their clean recovery efforts.

With $72 billion committed to dirty energy, the US pledged the greatest amount of public money to fossil fuel-intensive activities at the time of writing. None of these policies had environmental strings attached. Similarly, Australia, Japan, Republic of Korea and South Africa didn't include environmental conditionalities when supporting the fossil fuel industry and other fossil fuel consuming activities. France, Germany, India, Italy, Canada and the UK all introduced various levels of conditionalities – but the UK also stands out as the country with the highest per capita commitments to fossil fuels (Figure 6).

Overall, only four countries of the 11 (India, Canada, Japan and Australia) committed more money to clean energy than to fossil fuels. Canada provided the highest per capita commitments to clean energy. Meanwhile Australia, France and Italy were the only three countries to pledge more money to 'cleanest' policies, such as renewable energies or energy efficiency, than to 'clean policies with caution'. This fact does point to the fact that the other eight countries didn't seize the opportunity to invest at scale in renewable energy and energy efficiency through their recovery plans. South Africa is the only country with no public money commitment registered towards clean energy (although non-monetary support was granted to clean energy).

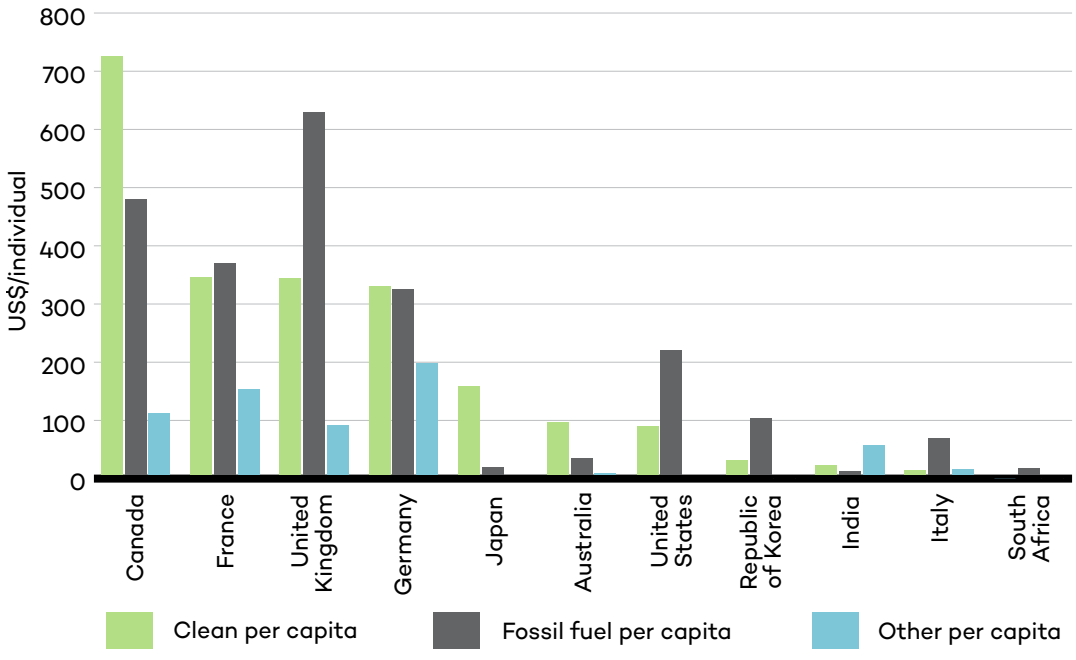


Figure 6: Per capita fossil fuel and clean energy commitments in G7, Australia, India, Republic of Korea and South Africa

Source: Energy Policy Tracker (nd).

2.5 Trends over time: towards cleaner recovery plans?

Eight of the 11 countries substantially improved the greenness of their plans throughout 2020.

In G7 countries and the invited nations, initial rescue measures disproportionately benefited fossil fuel intensive activities, notably in the transport sector, and supported projects often associated with carbon-intensive infrastructure (SEI et al, 2020). However, recent signals show that newly approved and upcoming recovery packages could progressively tip the balance from dirty to clean. For instance, Canada's Healthy Environment and Healthy Economy Plan, announced in December 2020, contributed to injecting massive amounts of spending into clean energy (Corkal and Beedell, 2021). Similarly, the yet-to-be-implemented EU recovery plan is set to earmark 37 per cent of its $830 billion to green initiatives. US President Biden's proposed American Jobs Plan, worth $2 trillion, should also green the US recovery package[13] (Vivid Economics, 2021). In fact, eight of the 11 countries substantially improved the greenness of their plans throughout 2020; Japan, Italy and South Africa made little progress.

Despite these improvements, as of February 2021, only four of the G7 members (Canada, France, UK and Germany) have developed recovery plans with an overall positive impact on climate and the environment. An urgent shift is therefore needed to ensure that G7 nations make good on their build back better commitments and net-zero pledges.

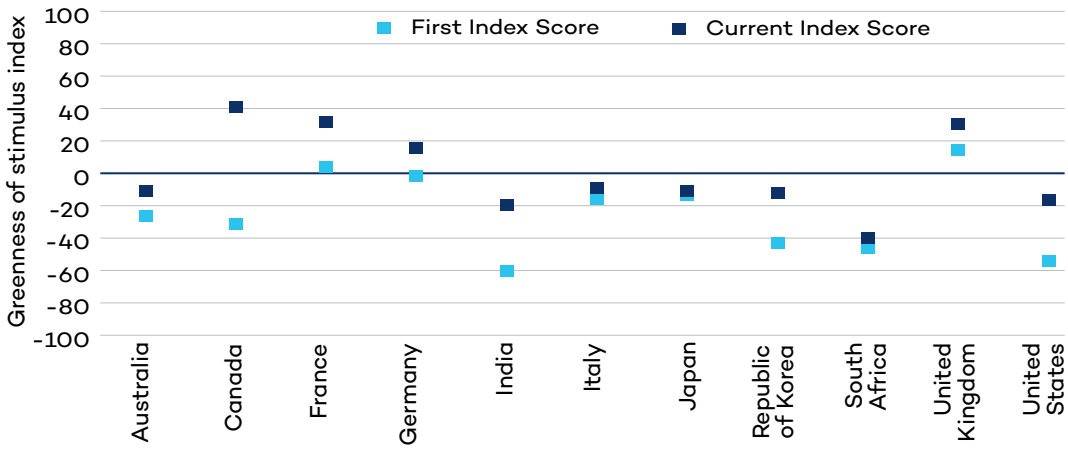


Figure 7: Current and first Greenness of Stimulus Index scores

Source: Vivid Economics and Finance for Biodiversity (2021).

[13] See the country case study on the US for more details on the potential impact of the American Jobs Plan on US response to Covid-19.

3 Covid response in low- and middle-income countries

Covid-19 could force an additional 150 million people into extreme poverty by the end of 2021, especially in low- and middle-income economies (World Bank, 2020). The capacity of these countries to build back better is therefore essential to mitigate the worst impacts of the health and economic crises and to secure a sustainable future for all. However, while G7 countries have been able to mobilise substantial amounts of public money, initial recovery spending estimates in low- and middle-income countries are far smaller. The G7 plays a critical role in influencing the mandate of international finance institutions and in providing a significant proportion of all official development assistance (ODA).[14] This section looks at the money mobilised and multilateral support received for recovery in 12 low- or middle-income countries – Argentina, Bangladesh, Brazil, China, Colombia, India, Indonesia, Mexico, Saudi Arabia, Vietnam, South Africa, Turkey – and suggests ways in which the G7 can support a cleaner and more resilient recovery for all.

3.1 Public money committed in low- and middle-income countries

The Global Recovery Observatory, which covers 50 countries, shows that in 2020, advanced economies pledged measures accounting for 22.5 per cent of their combined gross domestic product (GDP), while low- and middle-income countries committed to measures worth 10.6 per cent of their GDP (O'Callaghan and Murdock, 2021). We see similar trends when it comes to energy commitments: on average, G7 countries pledged an average of $664 per capita to energy consuming and producing activities, while the 12 low- or middle-income economies tracked by the Energy Policy Tracker allocated an average of $23 per capita (and none more than $169), a figure which stands in sharp contrast with the large energy financing requirements for improving energy access in these countries.[15]

[14] G7 members together reported $115 billion in ODA in 2019 (grant equivalent) – almost three-quarters of all support reported by donor countries (OECD, 2021).

[15] he UNDP estimates renewable energy financing requirements to meet SDG7 on energy access are between $442 billion and $650 billion per year until 2030 (UNDP, nd).

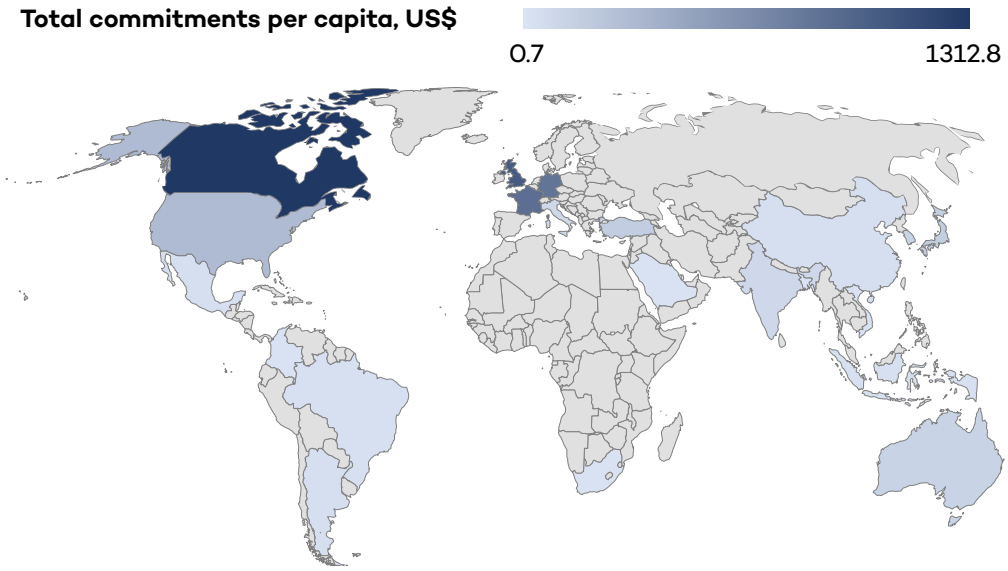


Figure 8: Total per capita commitments to energy consuming and producing activities in G7 nations and 12 selected low- and middle-income countries, US$

Source: Energy Policy Tracker (nd).

This substantial gap can be explained by the uneven capacity of countries to expand their fiscal space in the short term. While developed countries benefited from favourable monetary policies and small interest rates on international markets, low- and middle-income countries had much less room for manoeuvre, facing unfavourable borrowing terms reinforced by rising levels of debt and debt costs over the past decade (Kose et al, 2020).

Even before the pandemic, emerging markets and developing economies faced a 'fourth wave' of debt (World Bank, 2021). The additional impact of Covid-19 and the cost of pandemic response will have long-lasting effects on the ability of these countries to build back better and could create a downward spiral of dangerously high levels of debt that hinder development prospects, decrease adaptive capacity to climate impacts and delay energy transition (Fresnillo, 2020). In this context, the debt payment suspension adopted by G20 countries in 2020 (G20, 2020) was a crucial but insufficient step towards mobilising public money for recovery in low- and middle-income countries.

3.2 Multilateral support received by low- and middle-income countries

G7 nations play a prominent role on the boards of many multilateral development banks (MDBs) and therefore have a responsibility to ensure that multilateral support is directed towards building back better objectives – especially as responses seem particularly skewed towards fossil fuels. Throughout 2020, international finance institutions developed plans to support the deployment and implementation of Covid-19 response policies in low- and middle-income countries. The Energy Policy Tracker reviewed the projects directly approved by MDBs over the course of 2020 and, encouragingly, initial findings showed that MDBs provided $12.5 billion to clean energy projects – more than four times the $3 billion that went to fossil fuel financing.

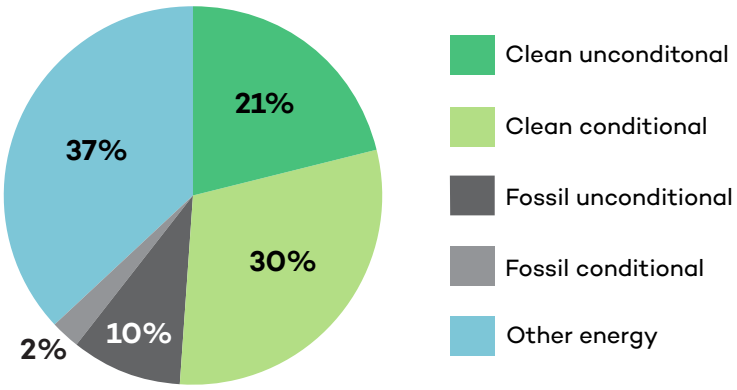


Figure 9: Share of public money committed to clean, fossil fuel and other energy by multilateral development banks

Source: Energy Policy Tracker (nd).

However, the combined support of $3 billion to fossil fuels – including 75 per cent for gas projects – is still fundamentally inconsistent with MDB commitments to build back better and to align with the Paris Agreement. Moreover, the disaggregated data shows uneven performance across MDBs, with the European Investment Bank standing out as the largest supporter of clean energy while other banks, such as the World Bank and the Asian Development Bank, still lag behind.

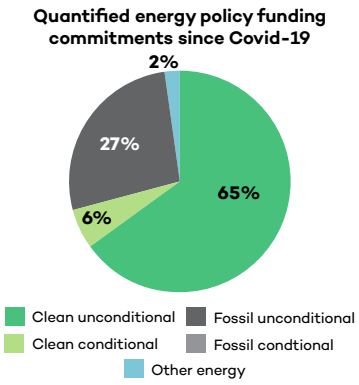
But the overall shift in MDB's spending towards supporting clean energy could help move the needle towards cleaner recovery measures in low- and middle-income countries, while also supporting the achievement of Sustainable Development Goals. G7 nations have the opportunity to build on and strengthen this MDB energy spending trend, to support a fossil-free recovery and energy access in low-income countries. MDBs must urgently commit to end support to any kind of oil, gas and coal project and sharply increase support for clean energy, energy efficiency, just transition plans and energy access – notably through off-grid and mini-grid renewable energy (The Big Shift Global, 2021).

4 Country case studies

4.1 Australia

4.1.1 OVERVIEW

Net-zero target status	None
Climate Action Tracker Rating	Insufficient
Share of global population	0.33%
Share of global emissions	1.13%
Tonnes of CO_2 emissions per capita	16 (world average = 5)



Since the start of the Covid-19 crisis (between 1 January 2020 and 3 March 2021), quantified energy-related funding commitments in Australia have totalled US$3.2 billion,[16] of which 27 per cent ($867 million) was pledged to fossil energy and 71 per cent ($2.3 billion) to clean energy. Australia has also enacted a number of energy policies that have not yet been quantified but are intended to strongly support fossil fuel production (particularly gas, but also coal) and have a delaying impact on the energy transition.

Top-three energy funding commitments in Australia (by amount committed)	
1	$549 million for residential energy efficiency support, one-off power bill relief payments for eligible recipients and an expansion of residential solar energy.
2	$492 million for support to airlines, including refunding and waiving aviation fuel excise tax, air service changes and regional aviation security charges.
3	$372 million to support the development of six renewable energy zones across Victoria.

[16] Unless otherwise specified, all public money commitments mentioned in case studies are in US dollars. Where equivalent dollar amounts are provided, we used 2020 annual average exchange rates using OECD data

Energy policies with no specific funding attached or no disclosed monetary value	
	The government introduced a gas-fired recovery policy, which included opening up major gas basins (eg Beetaloo Basin, North Bowen and Galilee Basin) for production.
	In South Australia and Western Australia, governments committed to several short- and medium-term tax deferrals and tax cuts for petroleum producers and mining companies.
	In Queensland, 7,000km^2 of land was released for coal and gas exploration, with the government also suspending fees and charges for exploration until July 2021. Five parcels of land were released for tender for coal and gas in the region. In New South Wales, the independent planning commission approved the Whitehaven Coal's Vickery mine to increase coal extraction by 25 per cent and expand the disturbance area by 776 hectares.

4.1.2 ANALYSIS

Australia's per capita greenhouse gas emissions are among the highest in the world. Yet, Australia has insufficient short-term climate targets and no commitment to go carbon neutral by 2050. It is encouraging that Australia's spending to support fossil fuel energy ($0.9 billion) over 2020 is lower than its support for cleaner forms of energy ($2.3 billion). The power sector has received the highest quantified contributions of Australian stimulus funding, at about $1.5 billion out of a total of $3.2 billion.

But **the country's continuing commitment to fossil energy remains steadfast**. While these recent clean energy investments could cause a shift in the power sector, Australia's commitment to the exploration, extraction and production of hydrocarbon resources will have a long-lasting impact by locking in fossil fuels in the Covid recovery. All the country's support to fossil fuels appears to be without any environmental or carbon reduction conditionalities attached.

On the one hand, the **government continues to support coal** – the most problematic fuel given its high warming and air pollution externalities. National and regional governments in Australia have introduced tax breaks, opened tenders for parcels of land for exploration and production and deferred the collection of rent and fees to help the cash flow of mining companies, which will only incentivise more coal mining. They have also committed to funding an upgrade of a coal fired power plant, which will be used to provide new turbines and high-pressure heaters by 2022/23, effectively extending the life of the plant, rather than supporting its closure.

Australia's national and regional governments have also supported a natural gas-based recovery. The national government allocated $217 million explicitly for road upgrades to facilitate gas exploration and, as mentioned, opened several blocks for production. Similarly, several other supportive measures are taken to help the development of the natural gas industry. This includes a feasibility study for a new gas pipeline and the freezing of fees for natural gas exploration.

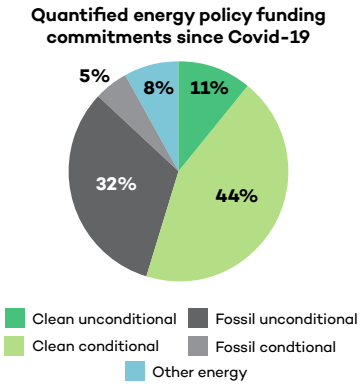
On the other hand, **the majority of Australia's power sector funding has gone to unconditional clean energy** projects such as renewable energy and energy efficiency. In addition to residential energy efficiency support and the development of renewable energy zones, the Queensland government has pledged $344 million to invest in publicly owned renewable energy projects and supporting infrastructure. Several other regions have also pledged funding to dedicated Renewable Energy Zones, which will mostly rely on wind and solar. The government of Victoria has also committed $110 million to the development of a grid-level storage battery with a capacity of 300 MW. Australia has also committed around $300 million of national funding to the development of a green hydrogen industry.

It is noteworthy that in terms of the mobility sector, the Australian government has, like many other countries, used public money to bail out airlines without environmental conditions attached. Its investment in the electrification of road transport, meanwhile, has been relatively limited.

4.2 Canada

4.2.1 OVERVIEW

Net-zero target status	In political pledge
Climate Action Tracker Rating	Insufficient
Share of global population	0.49%
Share of global emissions	1.58%
Tonnes of CO_2 emissions per capita	15 (world average = 5)



Since the start of the Covid-19 crisis (between 1 January 2020 and 3 March 2021), quantified energy-related funding commitments in Canada have totalled US$49.3 billion, of which 37 per cent ($18.1 billion) was pledged to fossil energy and 55 per cent ($27.3 billion) to clean energy.[17]

Top-three energy funding commitments in Canada (by amount committed)	
1	$11.1 billion for investments in public transit infrastructure, over eight years.
2	$5.6 billion loan guarantee and equity investment from the Alberta government for TC Energy's Keystone XL pipeline.
3	$2.9 billion for Alberta's capital plan and recovery plan spending for road infrastructure, over three years.
Energy policies with no specific funding attached or no disclosed monetary value	
	Plan to increase the federal carbon price by CA$15 per year starting in 2023, rising to CA$170/$tCO_2$ in 2030.[18]
	Establishment of oil and gas-specific Covid-19 response measures, such as the expansion of eligibility for the Business Credit Availability Program (BCAP) for oil and gas companies.
	Changes to the Export Development Act, increasing the limits on the liability that Export Development Canada can incur and expanding its domestic mandate.

[17] The federal government and several provinces introduced new annual budgets in April 2021. At time of writing, not all of these budgets have been formally passed. The federal government announced over US$12.7 billion in new energy measures, including an additional $3.7 billion to assist high carbon sectors to decarbonise (Department of Finance Canada, 2021a). They also provided $1.5 billion in support to the aerospace sector, in addition to a previously announced US$4.4 billion bailout to Air Canada that has some climate-related conditions (Department of Finance Canada, 2021b). Despite some new clean energy measures, most provincial budgets have significant new commitments for highway and road infrastructure, contributing to increased 'fossil energy' spending.

[18] This policy is placed in the fossil fuel category in the Energy Policy Tracker because it primarily affects fossil fuel energy. In this report, we have classified it as clean because of its positive environmental impact.

4.2.2 ANALYSIS

Canada's per capita greenhouse gas emissions are among the highest in the world. In Saskatchewan and Alberta provinces – both oil and gas producers and exporters – emissions are more than 60 tCO_2e per capita, more than 12 times the global average (Environment and Climate Change Canada, 2020). Although steps have been taken to lower emissions, notably through the introduction of a federal carbon pricing standard in 2018, Canada's overall emissions are still growing, especially in key sectors like transportation and oil and gas production. Aiming to reverse this trend, Canada made a political commitment in 2020 to achieve net zero by 2050 and to entrench this target in law (Cousins, 2020). At the Leaders' Summit on Climate in April 2021, Canada also committed to strengthen its nationally determined contribution (NDC) to a 40–45 per cent reduction from 2005 levels by 2030 (Government of Canada, 2021). However, Canada has missed all of its previous climate targets (UNEP, 2020).

The federal government introduced a strengthened climate plan in late 2020 and significant funding has been announced for energy efficiency, public transit, electric vehicles and more. Yet amid these positive signals, many of Canada's policy actions during the Covid-19 pandemic run counter to its net-zero goal. Despite Canadian rhetoric on the need for a green and inclusive recovery (Brethour and Radwanski, 2020), **the federal government sees fossil fuel exports as critical to economic growth and has carved out specific response measures for the oil and gas sector** (Jang, 2019). In the resource sector, for example, 88 per cent of commitments supported fossil fuels.

Jurisdictional differences in approaches to climate and energy policy are also at play. The two largest unconditional funding commitments to fossil fuels were from the Alberta government, in part to support fossil fuel infrastructure including the now cancelled Keystone XL pipeline. Almost half of all unconditional funding to fossil fuels in Canada was from provincial governments for highway construction projects, which totalled $6.5 billion.

The federal government has also funded infrastructure that locks in fossil fuel production and use. Along with approvals for three new offshore exploration drilling projects, the Canadian government granted a $240 million federal support package to Newfoundland and Labrador's offshore oil sector. For the oil industry in Alberta, British Columbia and Saskatchewan, the federal government committed $1.3 billion for inactive well clean-up, a policy that shifts costs from oil and gas producers to taxpayers and introduces moral hazard by reducing the end-of-life liabilities for oil and gas projects.

Recovery spending on fossil fuels also continues through Canada's federal agencies and crown corporations. Export Development Canada, Canada's export credit agency, has been criticised for its lack of transparency and support for fossil fuels: in recent years, its reported support for oil and gas outweighed clean energy by more than seven to one (Tucker et al, 2020; Corkal, 2021). Export Development Canada stimulus measures, including changes to the Export Development Act, have likely facilitated increased public finance for fossil fuels since the onset of the pandemic.

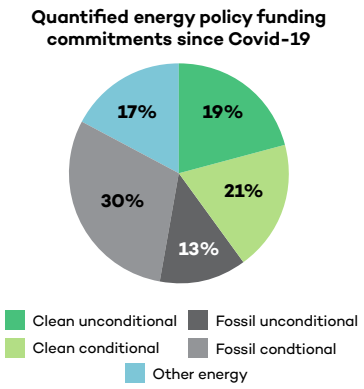
Outside the resource sector, the picture is greener. $5.1 billion for the buildings sector supported clean energy, notably $3.4 billion in unconditional funding from the federal government's two largest building retrofit programmes. Transport, which represented 53 per cent of energy-related funding, also saw a large share of clean energy commitments, despite new highway projects. The federal government announced $11.1 billion in new funding for public transit infrastructure over eight years, including the creation of a permanent public transit fund starting in 2026. Other commitments aimed to expand charging infrastructure for electric vehicles and support municipalities to procure zero-emissions buses.

Arguably Canada's most significant move towards net-zero was the federal government's announcement to increase the carbon tax by $11/t$CO_2$ (CA$15/t$CO_2$) per year, starting in 2023 and rising to $127/t$CO_2$ (CA$170/t$CO_2$) in 2030. Several provincial governments argued that the federal carbon pricing law was unconstitutional, but the Supreme Court of Canada ruled in the federal government's favour in March 2021 (Gilmore, 2021).

4.3 France

4.3.1 OVERVIEW

Net-zero target status	In law
Climate Action Tracker Rating	Insufficient
Share of global population	0.87%
Share of global emissions	0.89%
Tonnes of CO_2 emissions per capita	5 (world average = 5)



Since the start of the Covid-19 crisis (between 1 January 2020 and 3 March 2021), quantified energy-related funding commitments in France have totalled $57 billion, of which 43 per cent ($25 billion) supported fossil fuel energy and 40 per cent ($23 billion) was pledged to clean energy. France has also enacted a number of energy policies that do not necessarily involve funding commitments but may have a significant impact on the energy transition.

Top-three energy funding commitments in France (by amount committed)	
1	$8 billion of government-backed loans and loan guarantees to Air France, dependent on certain emission reduction conditions (although these have yet to be defined).
2	$7.7 billion of funding commitments for energy efficiency investments for the renovation of buildings, including public buildings and residential houses.
3	$7.6 billion for a green infrastructure and transport programme that focuses on railway networks, electric vehicles, bike plans and the green procurement for state-owned vehicles.
Energy policies with no specific funding attached or no disclosed monetary value	
	The cancellation of the fiscal advantage for non-road diesel (estimated at about €700 million per year) was postponed for one year.
	New environmental regulations banning gas heating for new houses from 2021 onwards, which will be extended to all new collective housing in 2024 (although some net-zero scenarios do assume some new gas-heated homes).
	The export credit agency will exclude guarantees to projects involving dirty forms of oil (eg shale) from 2021, followed by all types of oil from 2025 and natural gas from 2035.[19]

[19] This policy is placed in the fossil fuel category in the Energy Policy Tracker because it primarily affects fossil fuel energy. In this report we have classified it as clean because of its positive environmental impact.

4.3.2 ANALYSIS

France's commitment to achieve net zero emissions by 2050 is included in national law and climate change is high on the national agenda. Positively, within Covid-19 response, no money is pledged to the development of fossil fuel extraction and production. France's recovery policies, however, supported both clean and fossil energy policies.

France's fossil fuel energy funding is dedicated primarily to two areas within the transport sector. Firstly, the government developed two distinct plans to support the **French airline industry** and bail out airline company Air France. The government also approved $1.7 billion of investments over three years to support research and development of more environmentally friendly aviation technologies intended to halve the industry's greenhouse gas emissions by 2050 and seeks to launch a clean-fuel aeroplane by 2035.

Secondly, the government launched **automobile sector recovery plans**. On the consumer side, these plans include a scrappage scheme and rebates for trading in old cars for more fuel-efficient ones. On the producer side, the plans foresee support to subcontractors in the automotive industry and car manufacturers such as Renault. In both cases, the government confirmed that support would come with environmental conditionalities but provided little information on the level of ambition.

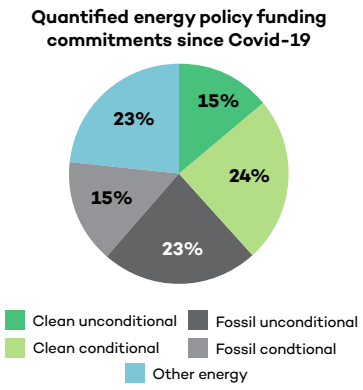
France's support to the mobility sector also targeted **cleaner forms of transport**. In addition to the $7.6 billion allocation that includes support to electric vehicles and railways, the government has committed $1.6 billion in targeted support to replacing buses in Île de France with electric and hydrogen buses by 2025 and $228 million to greening port infrastructure. The French government also announced a number of other specific commitments to support a clean energy transition, such as installing 100,000 electric charging stations by 2021 and producing one million clean vehicles by 2025.

Besides transport, France has committed several billion euro to energy efficiency investments in buildings and $1.4 billion to industrial decarbonisation. In the realm of resources, France has launched a strategy to build a low-carbon hydrogen industry. This effort will be supported by government subsidies of several billion dollars to production-related areas, such as electrolysers, and final uses, such as fuel cells for hydrogen vehicles. In the power sector, the government pledged $228 million in investments to support nuclear energy, targeted in particular towards skills development, industrial investments and modernising subcontracting.

4.4 Germany

4.4.1 OVERVIEW

Net-zero target status	In law
Climate Action Tracker Rating	Insufficient
Share of global population	1.08%
Share of global emissions	1.93%
Tonnes of CO_2 emissions per capita	8 (world average = 5)



Since the start of the Covid-19 crisis (between 1 January 2020 and 3 March 2021), quantified energy-related funding commitments in Germany totalled almost $70 billion. Of these, 38 per cent ($27 billion) was pledged to fossil energy and a similar amount (39 per cent) to clean energy.

Top-three energy funding commitments in Germany (by amount committed)	
1	$12.5 billion to reduce electricity prices for consumers through a cut in the Renewable Energy Act levy/EEG surcharge.
2	$10.3 billion for the bailout of the national airline Lufthansa with no green strings attached.
3	$7.9 billion to support the National Hydrogen Strategy (focused on producing hydrogen predominantly from wind energy).[20]
Energy policies with no specific funding attached or no disclosed monetary value	
	The Coal Phase-out Act (enacted 14 August 2020) underlies Germany's plan to phase out coal by 2038. The Act is a support programme for the economic transformation of coal regions and compensation for coal plant operators.
	Approved tax on greenhouses gas emissions to be levied in stages from 2021, raising retail prices of car fuels such as gasoline and diesel, heating oil and natural gas.[21]
	New regulatory measures in favour of renewable energy sources. These include abolishing the cap on fundable maximum capacity for solar and raising the national target for offshore wind power capacity from 15 GW to 20 GW in 2030.

4.4.2 ANALYSIS

Germany is home to 1.1 per cent of the global population but represents 1.9 per cent of global CO_2 emissions, and is among those countries currently emitting more than the global average. The country's commitment to achieving its net-zero target by 2050 was enshrined in the Federal Climate Change Act in December 2019 (Climate Watch, nd).

In June 2020, Germany became the first EU country to present a large Covid-19 recovery package – amounting to €130 billion ($150 billion) (Green Recovery Tracker, 2020). Since January 2020, Germany has pledged roughly equal amounts of support (around $27 billion) for fossil fuel and for clean energy, out of a total $70 billion quantified energy-related funding commitments.

[20] This figure does not include an additional $2.4 billion in support for the construction of German-made hydrogen production facilities abroad, approved as part of the draft Recovery Plan for the EU Recovery Facility (IISD, 2020).

[21] This policy is placed in the fossil fuel category in the Energy Policy Tracker because it primarily affects fossil fuel energy. In this report, we have classified it as clean because of its positive environmental impact.

A large part of the monetary commitments to fossil fuels (61 per cent of the total) was directed to the mobility sector. This was mostly aimed at supporting the automotive and shipping sectors in their efforts to modernise and reduce their emissions footprint, and at bailing out struggling airlines such as Lufthansa and Condor. While the support measures pledged to the automotive and shipping sectors all present some elements of environmental conditionality, that is not the case for airline bailouts, which have no such conditions attached.

Another substantial chunk of the fossil monetary commitments (18 per cent of the total) went to the power sector to compensate utilities operating lignite power stations for accelerating the shutdown of their assets. Although this shutdown acceleration was planned well in advance of the pandemic (and as such is not a recovery policy per se), this is an example of positive policy to accelerate the transition to cleaner energy production. Overall, only 39 per cent of Germany's total quantified commitments to fossil energy appears to have some green strings attached to it. This is problematic, considering the importance of environmental conditionality of any fossil support measures for achieving a clean energy transition.

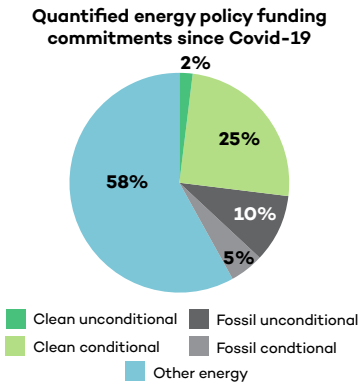
Of the total quantified commitments made by Germany to clean energy sectors since January 2020, only 38 per cent of the total represented support to renewable energy sources or energy efficiency. The remaining 62 per cent consisted of support for either electric vehicles infrastructure or public transport. Of the total recorded monetary commitments to clean energy, eight per cent was directed to energy efficiency initiatives, and 62 per cent to the mobility sector. The remaining 30 per cent went to multiple sectors through the recently approved National Hydrogen Strategy, whose long-term target is the production of hydrogen through electrolysis (predominantly from wind) for a total capacity of up to 5 GW by 2030 and 10 GW by 2040.

Finally, the German government has made a number of policy commitments since the start of the pandemic that could not be quantified and therefore do not appear in the totals presented. Nevertheless, some of these **unquantified policies** may still provide a good indication of the country's direction of travel toward their net-zero climate commitments. **Noteworthy – and positively so – is the newly approved tax on greenhouses gas emissions, to be levied in stages from 2021**. This policy, although underway before the pandemic, is expected to raise retail prices of car fuels such as gasoline and diesel, heating oil and natural gas.

4.5 India

4.5.1 OVERVIEW

Net-zero target status	No document submitted
Climate Action Tracker Rating	2°C compatible
Share of global population	17.81%
Share of global emissions	7.19%
Tonnes of CO_2 emissions per capita	2 (world average = 5)



Since the start of the Covid-19 crisis (between 1 January 2020 and 3 March 2021), quantified energy-related funding commitments in India have totalled $119 billion, of which 15 per cent ($18 billion) was pledged to fossil energy and 27 per cent ($32 billion) to clean energy. India has also enacted a number of energy policies that do not necessarily involve funding commitments but may delay the energy transition.

Top-three energy funding commitments in India (by amount committed)	
1	$41 billion over five years for a reforms-based and result-linked power distribution rescue scheme that supports distribution companies to purchase critical infrastructure.
2	$27 billion to set up 5,000 compressed biogas plants as part of India's Sustainable Alternative Towards Affordable Transportation (SATAT) initiative.
3	$12 billion for a liquidity boost for power distribution companies that are suffering from acute cash-flow problems.
Energy policies with no specific funding attached or no disclosed monetary value	
	Opening up the coal sector to commercial mining and pushing back deadlines to install air pollution control technologies in thermal power plants. A 50 per cent rebate on revenue payable to the government for coal extraction projects that begin early production or exceed a scheduled target.
	For gas, adding 100 more districts to the City Gas Distribution network.
	For renewables, waiving interstate transmission charges for renewable energy.

4.5.2 ANALYSIS

Climate change is gaining prominence on India's public agenda, even as growing energy demand, energy security and affordability concerns continue to drive India's fossil fuel demand. Although India has not yet adopted a net-zero goal, it has committed to generating 175 GW of renewable energy capacity by 2022, and 450 GW by 2030 as part of its Paris Agreement targets. However, the government continues to support fossil fuel extraction and production, with a heavy reliance on coal.

In the context of Covid-19 recovery, India has invested most financial resources in **assisting and bailing out electricity distribution companies** that have been a source of government subsidies and debt for several years.[22] The aforementioned $27 billion in support to compressed biogas plants contributes to the fairly green categorisation of India's recovery, given the lower $17 billion committed to fossil fuel energy support. This overlooks, however, several unquantified policies supporting the development and use of fossil fuels.

The **government still strongly supports coal, predominantly via state-owned enterprises**. From a global climate perspective this is problematic since the increase of coal use in India will offset decreases elsewhere in the world. In addition to the aforementioned unquantified policies, coal policies enacted since January 2020 include $5.8 billion of investment by state-owned enterprise Coal India for setting up coal-to-liquid and coal gasification projects, a $1.1 billion loan for a 1.3 GW coal thermal power project to be commissioned in 2023/24, $0.8 billion to invest in heavy equipment to increase coal production and $400 million to support coal evacuation and procurement of dumpers to increase coal production capacity. These policies all aim to increase coal production and use, displacing imports in favour of domestically produced coal.

India also strongly supports a natural gas-driven recovery and identified liquified natural gas as a priority area. Another government policy plans to support energy-efficient piped natural gas cookstove programmes across India, with $1.8 billion going towards providing free liquefied petroleum gas connections to selected beneficiaries, which would help improve the use of clean cooking fuels over wood or coal stoves.[23] To support uptake, the government has reduced the domestic

[22] The Energy Policy Tracker classifies these types of support as 'other energy'.

[23] This policy is unquantified on the Energy Policy Tracker but could pump billions into fossil fuel energy.

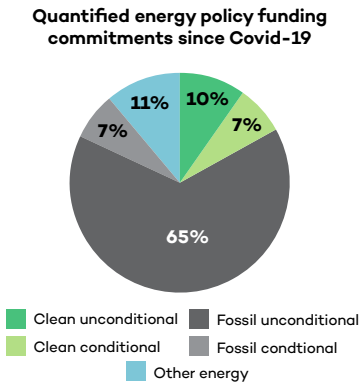
natural gas price and earmarked part of its budget to expand the gas distribution network. The government has also cut prices to regions further away from gas injection points. On the producer side, the government has allowed certain policies to incentivise exploration and production and faster monetisation of oil and gas discoveries.

The **Indian government has enacted some policies to accelerate the clean energy transition**. For instance, the increase in the excise tax on petrol and diesel, even if not specifically related to alternative forms of energy, shows the government's willingness to reduce the use of fossil fuels in transportation. The government has further supported several cleaner energy policies and projects, relating among other things to production-linked incentive schemes for renewable energy and batteries to boost domestic manufacturing, greening Indian railways, equity injections for a hydroelectric project, support and tax exemptions for electric vehicles, investments in renewable energy transmission systems, and support for the installation and manufacturing of solar photovoltaic panels.

4.6 Italy

4.6.1 OVERVIEW

Net-zero target status	In political pledge
Climate Action Tracker Rating	Insufficient
Share of global population	0.79%
Share of global emissions	0.92%
Tonnes of CO_2 emissions per capita	6 (world average = 5)



Since the start of the Covid-19 crisis (between 1 January 2020 and 3 March 2021), quantified energy-related funding commitments in Italy have totalled almost $5.3 billion, of which 72 per cent ($3.8 billion) was pledged to fossil energy. To date, Italy has committed only $911 million to clean energy – 17 per cent of total recorded funding commitments.

Top-three energy funding commitments in Italy (by amount committed)	
1	$3.4 billion to nationalising the national airline carrier Alitalia, with no green conditions attached.
2	$570 million to incentivise the purchase of new, low CO_2 emissions cars and for the installation of electric vehicle charging infrastructure (part of the 'Decreto Agosto' – the emergency decree of August 2020).
3	$410 million in tax credits for the tourism sector to make buildings more efficient through refurbishment and upgrading (part of the Decreto Agosto).
Energy policies with no specific funding attached or no disclosed monetary value	
	Moratorium on fossil fuels drilling. Approved on 26 February 2021, a freeze on new drilling concessions has been reformulated and extended until September 2021.[24]
	Tax deduction of 110 per cent between July 2020 and December 2021 for expenses incurred to improve building energy efficiency and reduce their seismic risk (Decreto Rilancio – the recovery decree of May 2020).
	Introduction of an ambitious cycling/walking scheme in the city of Milan (May 2020).

4.6.2 ANALYSIS

Italy is home to 0.8 per cent of the global population but represents 0.9 per cent of global CO_2 emissions, and is among those countries currently emitting more than the global average. At the time of writing, Italy's commitment to achieving its net-zero target by 2050 is at the political pledge stage (Climate Watch, nd). However, the country's Covid-19 response and recovery commitments since January 2020 are seemingly inconsistent with this pledge, given that 72 per cent of the total $5.3 billion quantified energy-related funding commitments have been targeted to fossil fuel energy. Italy's 2020 presidency of the G20 is likely to place additional emphasis on the country's climate agenda priorities.

24 This policy is placed in the fossil fuel category in the Energy Policy Tracker because it primarily affects fossil fuel energy. In this report we classify it as clean because of its positive environmental impact.

All of Italy's monetary commitments to fossil fuels were directed towards the transport sector. The vast majority share of the fossil commitments went to nationalising airline Alitalia (a public investment of $3.4 billion), alongside comparatively smaller sums pledged to the automotive sector and largely targeted at incentivising the purchase of conventional, lower emission cars. The government's support to the airline bailout did not include any form of environmental conditionality. This is indicative of a concerning picture wherein 90 per cent of Italy's total quantified commitments to fossil energy appears to be unconditional (the remaining ten per cent is made up of support to more efficient cars, which had some form of conditionality attached).

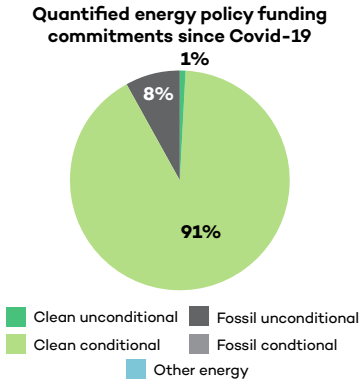
Only 17 per cent of the total quantified commitments made by the Italian government to energy sectors since January 2020 were directed to support *clean* energy. Of these, 57 per cent went to renewable energy sources or energy efficiency and the remaining 33 per cent to either electric vehicles infrastructure or public transport. Indeed, several examples of funding for local public transport were recorded at municipal level, including cities like Bologna, Florence, Milan, Rome and Turin. Almost 90 per cent of the total recorded monetary commitments to clean energy was equally split between the buildings and the mobility sectors.

Finally, the Italian government has made a number of policy commitments since the start of the pandemic that could not be quantified and therefore do not appear in these totals. Nevertheless, some of these **unquantified policies** may still provide a good indication of the country's direction of travel toward their net-zero climate commitments. Two policies are particularly noteworthy. First, as part of the so-called 'Decreto Rilancio' (Recovery Decree), the government announced in May 2020 that a tax deduction of 110 per cent would be applied to expenses incurred in improving the energy efficiency of buildings and reducing their seismic risk. This tax incentive is expected to be in place between July 2020 and December 2021 and although its practical implementation faces some difficulties, it represents an important measure to foster energy efficiency on a large scale. Another positive unquantified measure is Italy's recent moratorium on fossil fuels drilling, which aims to extend the freeze on new drilling concessions until the end of September 2021.

4.7 Japan

4.7.1 OVERVIEW

Net-zero target status	In political pledge
Climate Action Tracker Rating (Pending update. See Annex 2.)	Highly insufficient
Share of global population	1.65%
Share of global emissions	3.05%
Tonnes of CO_2 emissions per capita	9 (world average = 5)



Since the start of the Covid-19 crisis (between 1 January 2020 and 3 March 2021), quantified energy-related funding commitments in Japan have totalled $21 billion, of which eight per cent ($1.6 billion) was pledged to fossil energy and 92 per cent or $19.1 billion to clean energy.

Top-three energy funding commitments in Japan (by amount committed)	
1	$19 billion New Energy and Industrial Technology Development Organization fund for continuous support for the development of innovative technologies for carbon neutrality.
2	$828 million in loan guarantees to the airline Japan Airlines so that it can access private financial institutions to purchase and import new aircraft.
3	$802 million in loan guarantees to the airline All Nippon Airways so that it can access private financial institutions to purchase and import new aircraft.
Energy policies with no specific funding attached or no disclosed monetary value	
	A tax reduction of the differentiated automobile tax/light vehicle environmental performance fee, which will be compensated by transfers from the national government to local budgets.

4.7.2 ANALYSIS

With its 1.7 per cent share of global population and 3.1 per cent share of CO_2 global emissions, Japan has a long way to go to reduce per capita carbon dioxide emissions. At the Leaders' Summit on Climate in April 2021, Japan committed to strengthen its existing 2030 climate target, by cutting emissions by 46–50 per cent below 2013 levels, with strong efforts toward achieving a 50 per cent reduction (Ministry of Foreign Affairs of Japan, 2021). Japan has also recently committed to achieve carbon neutrality and taken steps towards reducing its dependency to coal by retiring old coal power plants and restricting overseas coal finance (Climate Action Tracker, nd). Covid-19 responses to date partly reflect this move to diversify the Japanese economy, with the vast majority supporting clean energy, alongside some support to fossil fuel-intensive sectors, notably airlines.

Japan's **largest funding commitment in this period has been to the New Energy and Industrial Technology Development Organization**, which will establish a fund to develop technologies in areas that are essential to achieving carbon neutrality by 2050. These areas include electrification and the greening of electricity, realisation of a hydrogen-based society, CO_2 fixation and recycling. The fund will also continue to support research and development in new technologies for the next ten years.

Japan has also committed **funding to the immediate implementation of low-carbon energy**. This includes, in the power sector, $187 million to increasing renewable energy in cities and training local human resources needed to support this transition. It also includes smaller programmes such as promoting the use of sewerage resources for energy, supporting the installation of on-site solar power generation through power purchasing agreements, and supporting the development of facilities and machinery like biogas energy plants. In line with Japan's current policy, the government also continues to support the experimental nuclear fusion DEMO reactor.

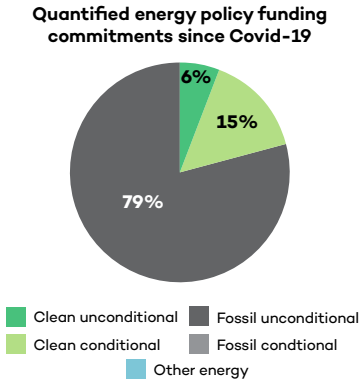
In the area of mobility, Japan has committed most **funding to protecting and improving the international competitiveness of its airlines**. In total, the government spent $1.6 billion on loan guarantees so that the airlines Japan Airlines and All Nippon Airways can import new aircraft. This funding came without environmental conditionalities, nor does it appear to be linked to social goals such as protecting jobs.

Japan's **subsidies to the electrification of road transport appear meagre** in comparison to these sizeable loan guarantees. The government committed $75 million to accelerating the spread of electric vehicles and fuel cell vehicles and $35 million to expand the current subsidy for the purchasing of electric vehicles, which includes an additional subsidy bonus for buyers whose homes or offices are supplied with 100 per cent renewable electricity.

4.8 Republic of Korea

4.8.1 OVERVIEW

Net-zero target status	In policy document
Climate Action Tracker Rating	Highly insufficient
Share of global population	0.67%
Share of global emissions	1.68%
Tonnes of CO_2 emissions per capita	12 (world average = 5)



Since the start of the Covid-19 crisis (between 1 January 2020 and 3 March 2021), quantified energy-related funding commitments in Republic of Korea have totalled $6 billion, of which 79 per cent ($5 billion) was pledged to fossil energy and 21 per cent ($1.3 billion) to clean energy.

Top-three energy funding commitments in Republic of Korea (by amount committed)	
1	$2.5 billion for an emergency loan to bail out the country's largest builder of coal-powered energy plants, Doosan Heavy Industries & Construction Co.
2	$2.5 billion in loans to bailout the two major Korean airlines Korean Air and Asiana in response to Covid-19 related revenue drops.
3	$515 million to support 100 innovative green businesses and to establish five base complexes for promising core areas such as electric vehicles' spent batteries and clean air business clusters.

4.8.2 ANALYSIS

President Moon Jae-in's party ran on a Green New Deal platform and won the first post-Covid-19 legislative elections in April 2020 by a landslide. The Republic of Korea is now poised to become carbon neutral by 2050 on the back of massive investments in renewables, the introduction of a carbon tax and the commitment at the Leaders Climate Summit in April 2021 to phase out overseas coal financing (Reuters, 2021). At the same time, however, the country has well-established energy-intensive industries, such as steel and automobile manufacturing, and a large coal power plant manufacturer that is active both domestically and internationally.

The Republic of Korea's **largest quantified energy policy since Covid-19 was the bailout of its coal power plant manufacturer**, Doosan Heavy Industries & Construction Co. While this bailout was provided as part of a governmental stimulus package for businesses affected by the Covid-19 pandemic, the company's financial problems most definitely pre-dated the crisis. In addition to this bailout, the Republic of Korea's other fossil energy measures consisted of loans for its two major airlines. This is in line with several other countries around the world and did not come with any environmental conditionalities attached.

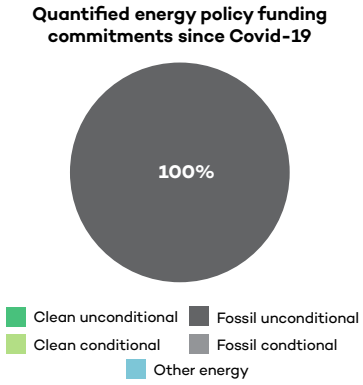
The government provided significantly less support to cleaner energy policies and projects, committing $202 million to improving energy efficiency in buildings and $144 million in support to renewable energy deployment and hydrogen, most of which went to solar photovoltaics (and a few million to wind and green hydrogen). The government introduced specific loans for solar photovoltaic roofs and the creation of smart energy platforms for industrial complexes to better monitor and manage electricity usage, and supported energy digitalisation more widely – establishing, for example, a residential smart grid by providing smart meters.

Importantly, the Government of the Republic of Korea also paid considerable attention to research and development. It pledged $515 million to support 100 innovative green businesses and establish five bases for promising areas of research and development such as a clean air business cluster, a hydrothermal energy convergence cluster and an electric vehicles' spent-battery resource circulation cluster.

4.9 South Africa

4.9.1 OVERVIEW

Net-zero target status	In policy document
Climate Action Tracker Rating	Highly insufficient
Share of global population	0.76%
Share of global emissions	1.31%
Tonnes of CO_2 emissions per capita	8 (world average = 5)



Since the start of the Covid-19 crisis (between 1 January 2020 and 3 March 2021), South Africa has taken several energy measures that will determine the pace of its clean energy transition, but most are unquantified on the Energy Policy Tracker – either because policies do not have specific funding attached or because no monetary value was officially disclosed.

Top-three energy funding commitments in South Africa	
1	$640 million for the bailout of South African Airways as result of reduced flights and revenue due to Covid-19. This is the only quantified measure in South Africa.
Energy policies with no specific funding attached or no disclosed monetary value	
	Policy to lower air pollution standards for SO_2 emitters.
	New amendments to the Mineral Resources Development Act which undermine the right of affected communities to oppose mining projects.
	In February 2021, Sasol upscaled renewables roll-out ambition to 900 MW, raising its initial deployment target by 50 per cent.

4.9.2 ANALYSIS

In 2019, South Africa adopted the Integrated Resource Plan (IRP2019), which aimed to redirect the country's development towards renewables. At the Leaders' Summit on Climate in April 2021, South Africa committed to shift its intended emissions peak year ten years earlier to 2025 (South African Government, 2021). However, South Africa remains a major coal consumer and its current 2030 target is still considered as highly insufficient (Climate Action Tracker, nd). **South Africa has implemented a number of energy policy measures in immediate response to the Covid-19 crisis that do not seem to support building back better objectives**. The government's only quantified measure was the $640 million bailout of South African Airways as result of reduced flights and revenue due to Covid-19. And, in the area of energy, state-owned utility Eskom had to issue a force majeure to curtail wind power producers from supplying power to the grid. This was in response to a reduction in electricity demand due to first Covid-19 lockdown in April 2020 but it also directly affected power purchasing agreements between Eskom and independent power producers. More positively, the government has increased fossil fuel taxation nationwide, and the Johannesburg Council is developing policies and incentives for energy efficiency and renewable energy measures for buildings.

South Africa's main energy policies have pertained to power generation, and the policy direction chosen now could lock the country into carbon for decades to come. This is because a lot of power sector policy choices involve steps towards new electricity generation, since the existing fleet of coal power plants is ageing, and this has led to severe power cuts. Overall, recovery policies since Covid-19, driven by vested interests, seem to **target more fossil fuel power generation and nuclear, rather than renewables**.

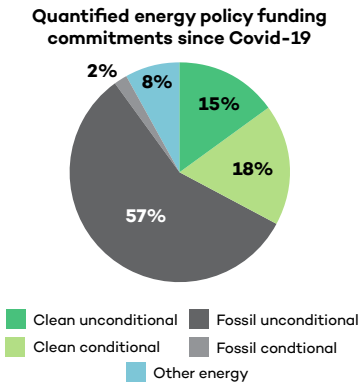
Several policies also suggest that the country is continuing to invest heavily into coal and gas. The government has lowered pollution standards for SO_2 emissions – commonly released through the burning of fossil fuels – and has amended the Mineral Resources Development Act to undermine the rights of affected communities to oppose mining projects. The government has also taken measures to open up old coal-powered stations for repurposing. This can be positive if it means repurposing towards renewable energies; however, the government has announced that it will include a transition to so-called 'clean coal'. Clean coal can either refer to methods to scrub/wash coal so that it produces less particulate matter when it is burned, or to carbon capturing methods. While the former does little to carbon emissions, the latter is still prohibitively expensive.

At the same time, the Ministry of Environment has ordered large polluters, including energy companies and utilities, to disclose information about greenhouse gas emissions. The government has also set out geographical zones for natural gas pipelines and renewable energy, in an attempt to make coal alternatives more economic and efficient, and announced a number of renewable energy projects (although with capacities below what is planned for other power plants). For example, South Africa plans to also extend the life of its nuclear power plants and add 2.5 GW additional nuclear capacity the grid.

4.10 United Kingdom

4.10.1 HIGHLIGHTS

Net-zero target status	In law
Climate Action Tracker Rating	Insufficient
Share of global population	0.87%
Share of global emissions	1.02%
Tonnes of CO_2 emissions per capita	6 (world average = 5)



Since the start of the Covid-19 crisis (between 1 January 2020 and 3 March 2021), quantified energy-related funding commitments in the UK totalled nearly $70 billion, of which 59 per cent ($41 billion) was pledged to fossil energy. To date, the UK has pledged only $22 billion (33 per cent of the total recorded funded commitments) to clean energy.

Top-three energy funding commitments in the UK (by amount committed)	
1	$35 billion for a massive road building and repair programme.
2	$4.1 billion for the West Midlands Plan for Implementing an Environmental Recovery (WM2041).
3	$3.8 billion for a scheme to improve buildings efficiency (part of the Plan for Jobs).

Energy policies with no specific funding attached or no disclosed monetary value
On 12 December 2020, the UK government announced that it would end all public support for overseas fossil fuel projects.[25]
In November 2020, the UK government issued a 2030 ban on petrol and diesel cars, while the sale of new hybrid cars would end from 2035 onwards.[26]
On 28 October 2020, the Scottish Government announced a new ambition to increase offshore wind capacity to 11 GW of energy installed by 2030, up from previous 8 GW target.

4.10.2 ANALYSIS

The UK is home to 0.9 per cent of the global population but contributes 1.0 per cent of global CO_2 emissions, and is among the countries that are currently emitting more than the global average. Since 2008, the UK has included its climate commitment in its legislation, with a 2019 amendment to reflect its net-zero 2050 target – The Climate Change Act (Climate Watch, nd). Ahead of the Leaders' Summit on Climate in April 2021, the UK has enshrined a new target in law to slash emissions by 78 per cent by 2035 (Department for Business, Energy & Industrial Strategy, 2021).

The UK's 2021 presidency of key climate events such as the 26th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP26) and the G7 Leaders' Summit places additional emphasis on the UK's climate agenda priorities. **In the context of its Covid-19 response, the UK's energy funding commitments since January 2020 are not consistent with the country's net-zero target**s. In fact, 59 per cent of the total $70 billion quantified energy-related funding commitments have been targeted to fossil energy.

[25] This policy is placed in the fossil fuel category in the Energy Policy Tracker because it primarily affects fossil fuel energy. In this report we classify it as clean because of its positive environmental impact.

[26] This policy is placed in the fossil fuel category in the Energy Policy Tracker because it primarily affects fossil fuel energy. In this report we classify it as clean because of its positive environmental impact.

Almost all of the UK's monetary fossil fuel commitments (92 per cent of the total) were directed towards the transport sector, the majority of which went to the government's road building and repair programme, first announced in March 2020 and amounting to $35 billion.[27] Some of the more recent commitments were directed to financing research and development projects focused on creating cleaner flying and maritime technologies. Overall, only four per cent of the UK's total quantified commitments to fossil energy appears to have some green strings attached to it. This is highly problematic, considering the importance of environmental conditionality of any fossil support measures for achieving a clean energy transition.

Of the **total quantified commitments made by the UK to clean energy sectors** since January 2020, only 45 per cent of the total comprised support to renewable energy sources or energy efficiency. The remaining 55 per cent consisted of support for either electric vehicles infrastructure or public transport. Of the total recorded monetary commitments to clean energy, 48 per cent were directed to the mobility sector and 32 per cent to energy efficiency initiatives. The remaining 18 per cent supported initiatives across multiple sectors, such as the London's Green New Deal ($12.8 million) and the West Midlands Programme for Implementing an Environmental Recovery ($4.1 billion), which includes house retrofitting measures, support to electric vehicles and a green innovation challenge for small and medium-sized enterprises.

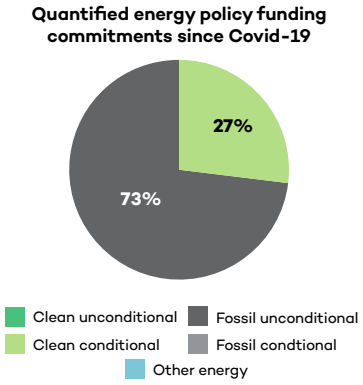
Finally, the UK government made several policy commitments since the start of the pandemic that could not be quantified and therefore do not appear in the totals presented above. Some of these ***unquantified* policies** may provide a good indication of the country's steps in the right direction. Particularly noteworthy – and positive – are the recent government announcements to end all public support for overseas fossil fuel projects and its 2030 ban on petrol and diesel cars (the sale of new hybrid cars would end from 2035 onwards).

[27] The road building and repair programme is classified as a fossil policy in the Energy Policy Tracker, based on the emissions associated with the building works as well as on the current composition of the vehicles fleet in the UK, strongly oriented toward conventional cars as opposed to electric vehicles.

4.11 United States

4.11.1 HIGHLIGHTS

Net-zero target status	In policy document
Climate Action Tracker Rating (Pending Update. See Annex 2.)	Critically insufficient
Share of global population	4.28%
Share of global emissions	14.49%
Tonnes of CO_2 emissions per capita	16 (world average = 5)



Since the start of the Covid-19 crisis (between 1 January 2020 and 3 March 2021), quantified energy-related funding commitments in the US totalled $100 billion, of which 73 per cent ($72 billion) was pledged to fossil energy and 27 per cent ($27.3 billion) to clean energy. The US has also enacted a number of energy policies that do not necessarily involve funding commitments, but which can have a big delaying impact on the energy transition.

Top-three energy funding commitments in the United States	
1	$58 billion for support to the airline and cargo industry including $25 billion in loans and loan guarantees for passenger airlines and $25 billion in grants to pay airline employees.
2	$25 billion for support to public transit in response to Covid-19 related revenue drops.
3	$10 billion for support to airports across the US, which is additional to the airline and cargo support package.
Energy policies with no specific funding attached or no disclosed monetary value	
	Under the Trump administration, the Department of Energy provided support for natural gas pipeline retrofitting projects.
	Under the Trump administration, the government implemented a waiver on air pollution reporting requirements for fossil fuel electricity generators.
	Under the Trump administration, the department of Interior offered waivers or reductions in royalty rates and rental payments for oil and gas extraction on federal lands and waters.

4.11.2 ANALYSIS

Since January 2021, the Biden administration has taken strong steps towards accelerating climate action in the US and reviving international cooperation on climate, starting by re-joining the Paris Climate Agreement and committing to net-zero by 2050 (White House, 2021a). At the Leaders' Climate Summit in April 2021, the US announced a new NDC that aims to cut emissions by 50–52 per cent by 2030 from 2005 levels and to achieve a carbon-free power sector by 2035 (The United States of America, 2021).

This recent move towards accelerating the energy transition is not reflected in this case study, as this report analyses measures adopted between January 2020 and March 2021. However, the proposed American Jobs Plan announced by the Biden administration on 31 March 2021 could tip the balance of the US Covid response from dirty to clean (White House, 2021b).

Early analysis from the Energy Policy Tracker estimates that from the $2 trillion investments included in the plan, at least $798 billion could support clean energy and accelerate the transition of the US economy towards net-zero emissions by 2050, notably through massive investments in the buildings, transport and power sector. If the plan were adopted in its current form, new public money support provided to clean energy in the US since early 2020 would largely outweigh – by more than seven times – support provided to fossil fuels.

Between January 2020 and 3 March 2021, nearly all of quantified US stimulus funding approved by the Trump administration has been allocated to the transport sector, with most invested in the bailout of sectors that were severely impacted by Covid-19 lockdowns. This included **airlines, airports and public transit**. Another $1 billion was allocated to rail services and about $800 million to electric vehicle infrastructure. Besides these bailouts, the first $2 trillion stimulus package included a Paycheck Protection Program, of which about $3.6 billion supported workers in carbon intensive and fossil fuel sectors, while $250 million went to renewable energy and clean industries.

Several government commitments to fossil energy have not yet been quantified and show a **clear commitment to the oil and gas sector**. In addition to those mentioned, the former administration's policies included support from the Department of Energy for natural gas pipeline retrofitting projects, tax credits for natural gas manufacturing (petrochemical) facilities, the imposition of rules that would effectively limit the power of individual states to oppose oil and gas pipelines.

Importantly, the **Federal Reserve also loosened rules on its Main Street Lending Program that gave shale producers access to loans** that were originally intended to support small- and medium-sized enterprises. In addition to oil and gas, the Department of Energy under the Trump administration also launched a competitive process to secure $122 million for coal products innovation centres that will manufacture carbon-based products from coal.

On the cleaner energy side, the US has committed $200 million to **offshore wind energy** projects. The Treasury Department under the Trump administration also extended the deadline of the solar investment tax credit and the wind production tax credit until the end of 2021. Besides state-level renewable portfolio standards and subsidies, these are the two most important federal renewable energy subsidies in the US, and both had been set to expire in 2020.

5 Recommendations

Despite their net-zero commitments and pledges to build back better, data from energy policies and public money commitments show that G7 nations committed more money to fossil fuels than to clean energy between 1 January 2020 and March 2021. These governments also failed to take advantage of the 'low-hanging fruits' – the comparatively easy measures that could have made their responses greener, such as attaching green conditionalities to their continued support to fossil fuel-intensive sectors or investing more in 'cleanest' measures, like renewables or energy efficiency.

But G7 nations can get back on track. Urgent action to re-align recovery responses with an ambitious and just transition for all will not only boost climate action in the short and long term but can also limit the economic and social impacts of the Covid-19 pandemic and create quality jobs.

To effectively walk the talk of their commitments at the G7 Leaders' Summit, G7 Leaders must:

- **Adopt a 'do no harm' principle for all spending**, which excludes recovery policies that are detrimental to people's wellbeing or the planet's future. This includes ending public money for the production of coal, oil and gas[28] or fossil fuel-based electricity, through recovery policies. Any policy supporting other fossil fuel intensive sectors, such as aviation, should only be approved if it includes significant environmental strings, in order to assist companies, workers and affected communities in a just transition aligned with a 1.5°C pathway.
- **Dedicate a minimum of 40 per cent of total Covid-19 recovery spending to policies and measures supporting clean investments and priorities aligned with the 2015 Paris Climate Agreement**. This will help enable the rapid shift towards clean energy. A steep increase in public finance commitments to clean energy is needed to meet this: estimates indicate that current green spending would represent only 22 per cent of total recovery spending in G7 countries (O'Callaghan et al, 2020).
- **Prioritise clean solutions that will accelerate the decarbonisation of the economy and create thousands of quality and sustainable jobs**. These include, in particular, energy efficiency policies that will rapidly reduce energy demand and public support measures to accelerate the deployment of renewable energies at scale.

[28] Fossil fuel production includes coal exploration, production (mining), processing, and transportation and oil and gas exploration, production, refining, and transportation

In addition, G7 nations must stand in solidarity with more vulnerable countries to support a green recovery for all. They must therefore:

- **End overseas finance to fossil fuels**. Following the excellent example set by the United Kingdom, G7 nations should stop supporting oil, coal and gas abroad through their bilateral and trade finance, as early as 2021.
- **Urge MDBs to align their activities with the Paris Agreement** and their build back better commitments. MDBs must end all finance to oil, coal and gas through all types of direct and indirect projects. They should also significantly scale up support to renewable energy, energy efficiency and just transition plans in the countries they support, in particular in countries most vulnerable to climate change. G7 should use their shareholder power to guide MDB in this direction.
- **Enable a green recovery for all in low- and middle- income countries through continued and enhanced support**. This includes announcing new and additional climate finance pledges – to double current commitments – and honour the existing annual $100 billion goal, as well as continuing to ease the debt burden faced by a rising number of low- and middle-income countries.

G7 leaders must seize this moment and use their economic response to Covid-19 as an opportunity to set their countries, and those they support, on the right track for a cleaner and more equitable recovery and increase efforts to limit global temperature rises to 1.5°C.

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Annexes

Annex 1: Energy Policy Tracker's methodology

The Energy Policy Tracker showcases publicly available information on public money commitments for different energy types, and other policies supporting energy production and consumption. The research follows a bottom-up approach, which involves collecting data on individual policies at an individual country level, and then aggregating them. The tracker currently covers 31 major economies and the multilateral development banks.

The Energy Policy Tracker includes only policies that affect energy production and consumption, in particular in the following sectors: resources (eg extraction of oil, gas and coal, pipelines as well as restoration of extractive sites); power generation; buildings; mobility (eg airlines, airports, car manufacturing, rail and public transport, cycling and walking.

It includes all the new or amended policies that were approved after 1 January 2020 by national, subnational or municipal governments, central banks, majority state-owned public finance institutions, majority state-owned enterprises or other government-related bodies. The tracker does not include policy proposals. While Covid-19 response is the primary rationale for approving most policies, it is not the case in a few exceptional cases.

Policies are classified according to different criteria. One of the key criteria is a policy's environmental profile. This depends on (1) which energy types it benefits, and (2) whether it has any environmental conditionality attached. Throughout the Tracker, information is split across five categories: fossil unconditional; fossil conditional; clean unconditional; clean conditional; and other energy (see 'Introduction', Table 1).

In the Energy Policy Tracker, policies related to carbon pricing, the phase-out of fossil-fuel finance or moratoriums on fossil fuel production are classified in the 'fossil fuel' category because they concern primarily fossil fuels. In this report, however, we classify these as 'clean policies' because of their potentially positive environmental contribution.

In cases where policy values are available, the Energy Policy Tracker reports them at their committed face value. When no official value estimate is available, policies are registered as unquantified. Although not quantified, it is important to note that such policies can still imply significant outflows or inflows of public money.

The Tracker focuses on public money commitments to energy-intensive sectors via a variety of mechanisms. They are classified using an adaptation of the SDG

indicator 12.c.1 methodology to accommodate the wide range of government policies that appeared in response to the Covid-19 crisis. The tracker also uses a broader term 'public money commitments', which captures both (1) public money outflows to the energy sector via subsidies and hybrid measures such public finance and SOE investments, and (2) inflows via subsidy reform and increased fossil fuel taxation.

The Energy Policy Tracker uses only publicly available sources of information, with a strong emphasis on the official documents and statements by governments. Official sources are complemented with expert commentary or media articles as appropriate.

This report analysed 517 policies approved between January 2020 and 3 March 2021 in Australia, Canada, France, India, Italy, Japan, Germany, Republic of Korea, South Africa, the United Kingdom, the United States.

Annex 2: Climate commitments and performance of participating countries to the G7 Leaders' Summit

	Carbon neutrality commitment (WRI climate watch)	2030 Climate targets and policies rating (Climate Action Tracker)	Share of Global Population, 2019 (World Development Indicators and authors' own calculations)	Share of Global CO_2 Emission, 2019 (Our World in Data and authors' own calculations)	Tonnes of CO_2 emissions per capita
Australia	None	Insufficient (<3°C world)	0.33%	1.13%	16
Canada	By 2050; in policy document	Insufficient (<3°C world)	0.49%	1.58%	15
France	By 2050; in law	Insufficient (<3°C world)	0.87%	0.89%	5
Germany	By 2050; in policy document	Insufficient (<3°C world)	1.08%	1.93%	8
India	None	2°C compatible	17.81%	7.19%	2
Italy	By 2050; political pledge	Insufficient (<3°C world)	0.79%	0.92%	6
Japan	By 2050; in policy announcement	Highly insufficient[29] (<4°C world)	1.65%	3,05%	9
Republic of Korea	By 2050; in policy document	Highly insufficient (<4°C world)	0.67%	1.68%	12
South Africa	In policy document	Highly insufficient (<4°C world)	0.76%	1.31%	4
UK	By 2050; in law	Insufficient (<3°C world)	0.87%	1.02%	6
US	By 2050; in policy document	Critically insufficient[30] (4°C + world)	4.28%	14.49%	16
TOTAL in G7 nations			10.03%	23.88%	
GRAND TOTAL			**29.6%**	**35.19%**	**World average: 5**

[29] This rating does not reflect announcements made at the Leaders Summit on Climate in April 2021. The Climate Action Tracker estimates that Japan's Paris Agreement target should be more than 60% by 2030 (Climate Action Tracker, nd)

[30] This rating does not reflect announcements made at the Leaders Summit on Climate in April 2021. The Climate Action Tracker estimates that the US Paris Agreement target should be at least 57-63% by 2030 (Climate Action Tracker, nd)

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