



## JOINT STATEMENT ON ENERGY TRANSITIONS

*Riyadh, Kingdom of Saudi Arabia, 18 September 2020*

Over the past five years, the Group of Twenty (G20) has prioritized progress towards clean, secure and affordable energy transitions.

In 2020, the Covid-19 pandemic has led to a historic, yet temporary, decline in energy demand and energy-related greenhouse gas emissions. Global CO<sub>2</sub> emissions are expected to be about 8% lower in 2020 than they were in 2019<sup>1</sup>. As the world economy and energy systems recover from the crisis, the G20 Members have a unique opportunity to enact policies that prevent a rebound of CO<sub>2</sub> emissions and support a sustainable recovery while boosting growth and creating new green jobs.

We, the B20 and the International Energy Agency (IEA), welcome the commitment of the G20 energy ministers at the Extraordinary Energy Ministers Meeting on 10 April 2020 to “take all necessary and immediate measures to ensure energy market stability”, and to “continue to work closely with actors across the sector to make our energy systems more adaptive and resilient in responding to future emergencies.”

Previous G20 Energy Ministerials have highlighted the importance of technology and innovation in achieving diverse energy systems that contribute to climate mitigation goals, global energy development and global prosperity.

The G20 Karuizawa Innovation Action Plan on Energy Transitions and Global Environment for Sustainable Growth was launched in 2019 to enhance efforts and cooperation at the national, regional and international levels, involving multiple stakeholders.

In the G20 Hamburg Climate and Energy Action Plan for Growth, members agreed to “regard energy security as a guiding principle for the transformation of our energy systems, and [...] continue to work on open, flexible and transparent markets for energy commodities and technologies as critical prerequisites for increased energy investments.”

Energy transitions enabled by low-emissions and emissions-neutral technologies, and circular approaches to production processes and energy usage, taking into account different maturity and sector-relevance, should be a part of global efforts to design a more resilient and inclusive post-Covid-19 recovery. The pace and scope of such transitions are put at risk by a 20% decline of global energy investments in 2020. Between now and 2050, about 3.5 trillion US dollars (USD) of annual energy

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<sup>1</sup> IEA, Global Energy Review 2020, April 2020

investments are required globally across all energy sectors to meet the targets for a sustainable path, in line with the UN Sustainable Development Goals and the Paris Agreement<sup>2</sup>.

To trigger such a large amount of investments, the G20 should put in place predictable and effective enabling frameworks.

In this context, we call on the G20 Leaders to act on the following:

1. **Accelerate clean energy transitions consistent with international climate goals.** The aggregate Nationally Determined Contributions submitted by the G20 Members are not in line with the Paris Agreement and other international climate goals. A sustainable recovery plan with energy and climate actions would boost global economic growth by 1.1% per year, save or create 9 million jobs per year, and avoid a rebound in emissions, putting them into structural decline<sup>3</sup>. The G20 Members should:
  - Accelerate the deployment of existing low-emissions and emissions-neutral technologies. This will mean significantly increasing the rate of energy efficiency improvements, the share of renewables in the energy mix and promoting greater use of electrification and low-emissions fuels in key sectors, such as transport, buildings and industry.
  - Boost innovation in crucial technology areas including hydrogen, batteries, and carbon capture utilization and storage. Around 35% of the cumulative CO<sub>2</sub> emissions reductions needed to shift to a sustainable path will come from technologies currently at the prototype or demonstration phase. A further 40% of the needed reductions rely on technologies not yet commercially deployed on a mass-market scale.<sup>4</sup>
2. **Enhance energy market stability by improving global energy data transparency and evaluating energy market risks.** Excessive oil market volatility has negative consequences for both producer and consumer economies, slowing down the much-needed economic diversification and reform process. The G20 should support continued producer and consumer energy dialogue among governments, the private sector (including financial institutions), international organizations, such as the IEA, OPEC, IEF and IRENA, and other scientific and research organizations. More specifically, the G20 should:
  - Improve global energy data transparency through the Joint Organizations Data Initiative. Timely, consistent and accurate energy data on all energy sources will facilitate market stability through comparability and deeper market insights across countries and organizations.
  - Facilitate evaluation of energy market risks, notably those related to climate resilience and clean energy transitions, in order to facilitate better risk management and efficient allocation of capital. This will help make energy infrastructure more resilient and improve long-term planning in line with economic and climate goals. The Financial Stability Board, in coalition with international accounting standard boards, relevant standard-setting bodies and initiatives involved in the Corporate Reporting Dialogue, should enhance reporting of such risks by publicly traded corporations. In doing so, the

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<sup>2</sup> IEA, World Energy Outlook, 2019; USD 1.4 trillion in power, 0.5 trillion in fuels and 1.6 trillion in end-use

<sup>3</sup> IEA, Sustainable Recovery: World Energy Outlook Special Report, June 2020

<sup>4</sup> IEA Clean Energy Innovation, Part of Energy Technology Perspectives, July 2020

G20 should leverage available collaboration mechanisms such as strengthening of ongoing efforts to scale reporting and disclosure by the Taskforce on Climate-related Financial Disclosures.

3. **Ensure access to reliable, affordable and clean energy.** The G20 must take all necessary steps to secure energy systems and provide access to affordable and uninterrupted flow of clean energy for all. The G20 Members should make investments in enhancing and digitalizing electricity grids, and increase energy efficiency to improve electricity security by lowering the risk of outages, boosting flexibility and helping integrate larger shares of variable renewables such as wind and solar PV. To that end, the G20 Members should also mobilize financial resources from private investors, financial development institutions and multilateral development banks to enhance investments in energy for productive use, transport and clean cooking for energy-poor regions of the world, especially sub-Saharan Africa.
4. **Implement energy pricing and tax reforms, using the revenues to finance a just transition.** The pandemic and historically low energy prices offer a unique opportunity for governments to enact policies that steer their clean energy transitions at a low financial, political and social cost. More specifically, the G20 Members should:
  - Take action to phase out inefficient fossil fuel subsidies, in line with the 2009 commitment by G20 Leaders. The “rationalization and phase out of inefficient fossil fuel subsidies that encourage wasteful consumption over the medium term” has been agreed to by the G20 Leaders since the 2009 Summit in Pittsburgh<sup>5</sup>, and was re-affirmed in St. Petersburg in 2013<sup>6</sup>.
  - Drive carbon pricing in local markets according to national circumstances. Carbon pricing, when done right, can provide effective incentives to governments, businesses, and consumers to direct investments into low-emissions fossil fuels and renewables. Carbon valuation mechanisms provide an opportunity to unlock additional public revenues worth an estimated USD 2.8 trillion annually in 2030 from effective carbon pricing schemes<sup>7</sup>.
  - Utilize revenues from these measures to ensure a just transition. This will help lower government debts, which are already forecast to reach an average of 122% of GDP in advanced economies this year, and will rise further if clean energy transitions are debt-financed. Governments should also design innovative policies to protect workers and vulnerable groups affected by such transitions.

Previous experience suggests that drops in emissions because of economic contraction are very likely to rebound and overshoot previous levels as economies recover. This will make it increasingly difficult to meet Sustainable Development Goals related to climate and health, and to mitigate other energy risks – notably those related to climate resilience - in the coming decade. Clean energy transitions as part of the economic recovery can boost economic growth, create new jobs and put global greenhouse gas emissions into structural decline.

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<sup>5</sup> G20 Information Centre, G20 Leaders Statement: The Pittsburgh Summit, 2009

<sup>6</sup> Brookings, Ghosts of Resolutions Past: The G20 Agreement on Phasing Out Inefficient Fossil Fuel Subsidies, 2014

<sup>7</sup> The New Climate Economy, Global Commission on the Economy and Climate, 2018