

Principles for Global Fossil Fuel Phase-out

Guidance for fossil fuel suppliers, users, investors and national governments to keep 1.5°C within reach



Introduction

We are seeing exponential growth of clean energy solutions and increasing climate ambition from governments and companies: 2022 was a record year for renewable electricity capacity additions¹. New solar and onshore wind power, on average, costs around 40% less than coal or gas power.² The ratio of investment in fossil to clean has now shifted in favor of clean energy (1.7:1) – when just five years ago it was at parity³ – and more than 13,000 companies are taking climate action through We Mean Business Coalition partners' initiatives.

Yet, global emissions continue to rise, reaching a new high in 2022.⁴ It's clear we have not dealt directly with the primary cause of climate change: the combustion of fossil fuels. That is why We Mean Business Coalition is now focusing on this side of the equation, in addition to scaling clean energy.

Despite the progress toward clean energy, fossil fuels still account for around 80% of energy supply – a share that has hardly budged since the first COP (i.e., the United Nations Framework Convention on Climate Change's Conference of the Parties) in Berlin in 1995. In July 2023, global demand for oil reached record highs according to the International Energy Agency (IEA)⁵, and it is set to increase further to the end of 2023. It is clear that despite the acceleration of clean energy, if we are to realize the transition to a just, clean and green economy, we need to focus our attention on rapidly phasing down and out fossil fuels alongside scaling clean energy.

The good news is that fossil fuels **are** under the spotlight in the run-up to COP28 in Dubai. A rare political window has opened to progress toward a global agreement on phasing out fossil fuels. Companies will increasingly be asked when and how they will stop using fossil fuels. While many companies have set a net-zero target, very few explicitly translate this into an end date for fossil fuels. This is a critical missing piece because providing certainty on when fossil fuels will end is essential for sending the right signals to the market to scale clean energy. Without this, there remains hesitation and hedging on the longevity of fossil fuels, which stymies clean energy investment and creates policy uncertainty, leading to a vicious circle and slowing deployment. This, in turn, could make it more challenging to achieve the objective of tripling renewable electricity capacity by 2030⁶, which is emerging as a key goal for COP28. It can also impact a company's ability to

1 <https://www.iea.org/energy-system/renewables#tracking>

2 <https://www.wri.org/insights/countries-scaling-renewable-energy-fastest>

3 <https://www.iea.org/spotlight=global-investment-in-clean-energy-is-on-course-to-reach-usd-1-7-trillion-in-2023>

4 <https://www.iea.org/reports/co2-emissions-in-2022>

5 <https://www.iea.org/reports/oil-market-report-august-2023>

6 <https://www.iea.org/commentaries/tripling-renewable-power-capacity-by-2030-is-vital-to-keep-the-150c-goal-within-reach>

achieve net-zero targets set in the 2030s and 2040s considering that the investments needed in some of the infrastructure and solutions to deliver emissions reductions can require long lead times.

Despite the myriad resources for companies on how to take climate action in line with net zero, ambitious guidance, rooted in science, on when and how to phase out fossil fuels is largely missing, whether for fossil fuel producers, demand-side companies, financial institutions or governments. And we know that to successfully phase out fossil fuels, each of these stakeholders must act in alignment with limiting global heating to 1.5°C.

We Mean Business Coalition is launching a bold, multi-year campaign — Fossil to Clean — to catalyze and guide a movement from fossil fuels to clean solutions. We are calling on companies to phase out fossil fuels by 2040 and advocate for a well-managed and just transition from fossil fuels to clean energy globally. We are calling on governments to support an international agreement on an equitable phase-out from fossil fuels at COP28 and deliver the necessary policies and financial support to decarbonize the global energy system by the 2040s. Along the way, companies and governments hold the responsibility of supporting the many affected stakeholders in this transition.

Central to this campaign is a set of principles developed by We Mean Business Coalition with advice from leading experts, including the Energy Transitions Commission and the Science Based Targets initiative. The principles establish a North Star for fossil fuel phase-out across supply, demand, finance and governments. They build off the recommendations of the UN High-Level Expert Group on Net Zero (HLEG) and were developed using the latest available modelled pathways that limit warming to 1.5°C with no or limited overshoot, reaching net zero by 2050 (e.g., IEA and IPCC, 2022). The principles are designed to inform the transition plans and strategies of producers, consumers and finance — and the policy choices made by governments. They are an essential ambition-setting tool and will allow other stakeholders to assess the strength of their plans and targets.

Companies and other stakeholders are encouraged to publicly align with the principles. Companies that take decisive action to phase out fossil fuels will help send a clear market signal that will lead energy suppliers, capital providers and governments to accelerate the provision of affordable, reliable and safe alternatives. Governments that set an end date for fossil fuels and enact bold national policy will create the enabling environment for business to deploy clean solutions at the speed and scale required to keep 1.5°C within reach. **This is the ambition loop in action, and it will embolden thousands more to join the movement from fossil to clean.**

Principles for Global Fossil Fuel Phase-out

These principles shine a light on the clear and credible action that companies and governments can take to accelerate a well-managed and just transition from fossil fuels to clean energy. We call on companies to align their ambition, action and advocacy with these principles – and in turn send a strong market signal to ensure we can rapidly decarbonize the global energy system by the 2040s.

Demand

Companies that purchase and use energy, including power generators, should:

- 1.** Commit to phase out across operations the use of unabated thermal coal and unabated oil and gas by 2040 at the latest
- 2.** Set a credible net-zero commitment and publish a Climate Transition Action Plan (CTAP) showing:
 - a.** Phase-out plan that includes interim reduction targets for fossil fuel use
 - b.** Phase-in plan and targets for scaling clean energy that supports the phase-out of unabated fossil fuels by 2040
- 3.** Commit to getting a majority of Tier 1 suppliers to set credible net-zero commitments well before 2030

Producers

Integrated oil and gas companies, integrated gas companies, companies specialized in exploration and production, and other actors involved in refining, distribution and retail of oil and gas products should:

- 1.** Commit to no new oil and gas exploration or development of new oil and gas fields
- 2.** Reach near-zero methane emissions by 2030 at the latest
- 3.** Publish a Climate Transition Action Plan (CTAP) showing:
 - a.** % decline of existing production volume by 2030 and 2040, reaching zero by 2050 (2021 baseline)
 - b.** % decline of oil and gas products for energy use by 2030 and 2040 (2021 baseline)
 - c.** % decline of unabated operational emissions by 2030 and 2040 (2021 baseline)
 - d.** % of CAPEX dedicated to clean solutions every five years
- 4.** Set a science-based target (once the SBTi standard is available)

Finance

Financial institutions that engage in investment activities as part of their core functions should:

- 1.** Immediately end new financial flows to coal value chain and all new oil and gas exploration or development of new oil and gas fields
- 2.** Publish a Climate Transition Action Plan (CTAP)
- 3.** Adopt time-bound restrictions for the phase-out of all existing financial flows:
 - a.** 2030 at the latest for oil companies not aligned with 1.5°C and unabated oil projects
 - b.** 2040 at the latest for gas companies not aligned with 1.5°C and unabated gas projects
 - c.** 2030 at the latest for coal projects and companies in high- and high-middle income countries, and 2040 at the latest for all other countries
- 4.** Increase the ratio of financial flows in clean energy solutions (vs. fossil) every year at the portfolio level
- 5.** Set a science-based target (once the SBTi FI Net Zero standard is available in 2024)

Governments

To keep within the 1.5°C temperature limit, national governments should commit to decarbonize the global energy system by no later than the 2040s, both collectively through international agreements and individually through national policies. The principles to enable this are:

- 1.** Set targets and timelines for the phase-out of unabated fossil fuels in line with 1.5°C supported by national plans and policies to ensure a just transition for affected workers and communities. Wealthier countries, as historic emitters, have the responsibility to be first movers.
- 2.** Commit to reach 100% decarbonized power systems by 2035 in advanced economies and by 2040 for other countries, at the latest.
- 3.** Support countries in the Global South in diversifying their economies and developing net-zero pathways, including through the provision of finance and capacity-building for just transition planning.
- 4.** Act to reorient public and private financial flows away from fossil fuels, including by setting a meaningful price on carbon and reforming and repurposing fossil fuel subsidies.

Deep Dive on the Principles

Demand

Demand is **the** critical lever to jumpstart action across other stakeholders on fossil fuel phase-out. Although over 13,000 companies are taking climate action, this has not translated into a robust demand signal on fossil fuels. The Fossil to Clean principles for demand are designed to address that.

A robust and aligned demand signal on phasing down and out unabated fossil fuels can undercut one of the strongest arguments provided by producers for the continued production of oil and gas: that the demand is there, and that without new exploration and production, the supply-demand imbalance will cause significant and damaging volatility. It also gives certainty to the market on the need and timescales to scale up clean solutions, and provides governments the confidence to put in place the enabling policies to help companies transition at speed and scale.

We recognize that adhering to these principles will be a significant reach for companies in those sectors where many solutions are not yet commercially available (e.g., aviation, shipping). However, the expectation is that a movement aligned with the principles will help accelerate and scale investment in, and deployment of, clean solutions. This could ultimately aid some of the harder-to-abate sectors by bringing forward the commercial timelines of solutions needed.

1. Commit to phase out across operations⁷ the use of unabated thermal coal and unabated oil and gas by 2040 at the latest.

If we are going to get fossil fuels out of the system and reduce emissions, we need to tackle coal use. The principles' focus is on thermal coal for heat and power because it accounts for 70% of global CO₂ emissions from coal, and almost 30% of total CO₂ emissions from the energy sector.⁸ The IEA's Net Zero Emissions by 2050 Scenario (NZE)⁹ sets out clear timelines for when coal-fired power generation must end (2030 for advanced economies and 2040 for all others), and consensus has built around this timeline.

While the principles indicate one date for simplicity, the expectation is that companies should align their phase-out date with the IEA as much as possible. For example, those with low loads, higher availability of clean alternatives, or operations that are located primarily in advanced economies should set a phase-out date for unabated thermal coal by 2030 at the latest.

⁷ Scope 1&2

⁸ IEA WEO 2022

⁹ IEA WEO 2022

For oil¹⁰ and gas, the IEA NZE¹¹ sees demand fall by 70% and almost 80% respectively between 2021 and 2040. We need to kickstart this decline. While the IEA's NZE does not see oil or gas demand drop to zero in 2050, by that date, they only constitute 10% of total primary energy demand. Most of the remaining oil demand is in petrochemicals, followed by aviation and shipping¹², while some unabated natural gas demand remains in industry and power. However, for many companies, oil and gas use in operations can be phased out by 2040 (power, road transport- especially LDVs, buildings, light industry and even in some heavier industry) because the technologies exist for this to happen (renewables for power, ZEVs for ICE, heat pumps for fossil fuel boilers, energy efficiency, electrification of some industrial thermal energy use). Other solutions, such as low-emissions hydrogen, are maturing fast, but more work is needed for them to play the role that many forecast.

As with coal, the expectation is that companies, particularly those in sectors where it is easier to phase out oil and gas due to lower energy loads, higher share of electricity in operational energy use or higher availability of clean alternatives, should set a target for well before 2040.

2. Set a credible net-zero commitment and publish a Climate Transition Action Plan (CTAP)¹³ showing:

a. Phase-out plan that includes interim reduction targets for fossil fuel use

b. Phase-in plan and targets for scaling clean energy that supports the phase-out of unabated fossil fuels by 2040

A credible net-zero commitment should be science-based and aligned with 1.5°C.¹⁴ It provides a solid foundation for a robust CTAP, which is an essential step for companies that want to cut their emissions. Outlining near-term actions and targets is critical for phasing down and out fossil fuels and sending a clear signal to producers on future fossil fuel demand. Setting a credible net-zero commitment is a public goal, and the CTAP is the plan for how to get there.

A credible plan should provide intermediary 1.5°C-aligned targets for a managed phase-down of unabated fossil fuel consumption, as well as targets for the clean solutions that will replace them. Having a clear view on demand also allows supply and investment to calibrate to ensure the clean solutions that will displace fossil fuels are deployed at speed and scale.

¹⁰ For energy use

¹¹ IEA WEO 2022

¹² Over 70% of remaining oil demand in 2050 in the IEA's NZE is for non-energy use.

¹³ See We Mean Business Coalition's guidance on CTAPs:

<https://www.wemeanbusinesscoalition.org/blog/climate-transition-action-plans-activate-your-journey-to-climate-leadership/>

¹⁴ Best practice is a commitment or validated target with the Science Based Targets Initiative's net zero target or, for small businesses, registered by the SME Climate Hub commitment. These are considered the most ambitious net-zero commitments.

3. Commit to getting a majority of Tier 1 suppliers to set credible net-zero commitments well before 2030.

For many companies, much of their fossil fuel use falls outside of their own operations. As such, to move the dial on fossil fuel demand, we also need to tackle the fossil fuel used in supply chains. Given the complexity of calculating scope 3 emissions and energy use, the principles seek to leverage a cascade approach¹⁵. For example, if suppliers set a credible net-zero commitment of their own, this should translate into a reduction of fossil fuel use outside of other companies' operations (e.g., in their scope 3).

Producers

There is no credible science-based standard to assess the viability and credibility of the climate commitments made by oil and gas companies – something a range of stakeholders are asking for, including investors. In lieu of guidance from the Science Based Targets initiative (currently under development), and in anticipation of COP28 and the call for oil and gas companies to play their part in the energy transition, there was a need to benchmark what good looks like for an oil and gas company. The principles clearly lay out the ambition that any oil and gas producer should commit to if they are serious about the energy transition.¹⁶

1. Commit to no new oil and gas exploration or development of new oil and gas fields

This is the red line that has been drawn by many sets of analysis and leaders (e.g., IEA, Intergovernmental Panel on Climate Change, International Institute for Sustainable Development, the United Nations Secretary-General). No new oil and gas exploration and production and no development of new fields. Under a 1.5°C-aligned trajectory, oil and gas demand can be met through continued investment in existing assets and already-approved projects. At the same time, demand needs to fall from present levels. This is also why we are pulling hard on the demand lever, as it is the critical first mover.

2. Reach near-zero methane emissions by 2030 at the latest

15% of global energy-related emissions today come from oil and gas operations.^{17,18} Addressing methane emissions, which is a potent greenhouse gas and remains stubbornly high despite myriad initiatives and pacts to bring it down, is particularly important. Reaching near-zero methane emissions by 2030 means eliminating all technically avoidable methane emissions, which would result in a 75% reduction without adding significant cost.¹⁹ This is the reason for the ambitious target. It has impact, and it is possible.

¹⁵ See Supplier Cascade: <https://www.wemeanbusinesscoalition.org/business/the-supplier-cascade/>

¹⁶ The principles apply to integrated oil and gas companies, integrated gas companies, exploration and production pure players and other actors involved in refining, distribution and retail of oil and gas products. It covers fields/assets directly owned/operated or anywhere the companies have a stake. More expansive and detailed guidance for the entire oil and gas value chain is being developed by the Science Based Targets initiative.

¹⁷ Operations is scope 1 & 2 emissions

¹⁸ <https://www.iea.org/reports/emissions-from-oil-and-gas-operations-in-net-zero-transitions>

¹⁹ The IEA estimates that on average the cost of producing oil and gas would rise just \$0.05/boe.

3. Publish a Climate Transition Action Plan (CTAP)²⁰ showing:

- a. % decline of existing production volume by 2030 and 2040, reaching zero by 2050 (2021 baseline)**
- b. % decline of oil and gas products for energy use by 2030 and 2040 (2021 baseline)**
- c. % decline of unabated operational emissions by 2030 and 2040 (2021 baseline)**
- d. % of CAPEX dedicated to clean solutions every five years**

Most climate plans released by the oil and gas sector have focused on 2050, with varying levels of detail on the years in between. A Climate Transition Action Plan (CTAP) provides that detail and clearly states the key actions and steps a company is taking to align with a 1.5°C trajectory. It is forward-looking and focuses on specific near-term actions.

Although we know some barrels and boms²¹ of oil and gas will remain in the future (even in net-zero scenarios), the data is clear that not all producers will be capable of being the last ones standing.²² This is why the principles note the production of oil and gas reaching zero by 2050. We need some producers to be first ones out instead of the last ones standing.

It is not enough to stop production by 2050. That, by itself, is too far away and leaves significant room for interpretation on the trajectory to reach that target. A credible plan should provide intermediary 1.5°C-aligned targets for a managed phase-down of existing production and, importantly, of oil and gas products for energy use. Having a clear view on supply allows demand and investment to calibrate — ensuring the clean solutions that will displace fossil fuels are deployed at speed and scale.

The principles focus on oil and gas products for energy use. In a net-zero economy, demand for traditional oil and gas products drops precipitously. The IEA's NZE makes clear that the composition of product demand will change dramatically, with refiners needing to adapt the refinery configurations and business models to lean more heavily toward emission reductions, hydrogen and biofuels.²³ In some instances, carbon capture, utilization and storage (CCUS) could facilitate a refiner's ability to adapt and reduce emissions.

²⁰ <https://www.wemeanbusinesscoalition.org/blog/climate-transition-action-plans-activate-your-journey-to-climate-leadership/>

²¹ Billion cubic meters

²² In the IEA's NZE, as of 2022, production would need to drop by a minimum 20% by 2030 for oil and gas (from a 2021 baseline) and 70% and 65% respectively for oil and gas from 2030-2050. This scenario assumes a limited amount of oil and gas production will remain in 2050 for non-energy use, with CCUS and in some hard to abate sectors.

²³ IEA WEO 2022

As noted above, emissions from oil and gas operations represent a significant share of energy-related-emissions. The IEA notes that this is an area where the industry already has the technology, money and expertise to take action. While some companies have announced plans to reduce emissions from operations, the IEA notes that more ambitious targets are needed. As part of their transition plans, oil and gas companies should set ambitious 1.5°C aligned targets for reducing the greenhouse gas (GHG) emissions from their operations. Under the IEA's NZE, the global average emission intensity of operations decreases by at least 50% by 2030.²⁴ Given this is a global average it represents a minimum level of ambition acceptable for 2030. When setting interim targets, some individual companies should set a higher target to ensure the global average is met.

The IEA, Energy Transitions Commission (ETC) and others have articulated several different 1.5°C-aligned options for oil and gas producers as part of the energy transition, including diversification (clean molecules, clean electrons or both) or winding down. As such, to determine the appropriate levels of CAPEX, producers should clearly articulate what role they envision playing in the energy transition – even if that role is simply to wind down the company without transitioning to a different type of business model. An often-cited benchmark from BloombergNEF (BNEF) indicates that by 2030, each dollar supporting abated fossil fuel supply in 2030 should be matched with at least four times the dollar amount supporting the supply of clean energy. The IEA and ETC are likely to release updated ratios and further guidance on investment as part of their upcoming reports on the role of oil and gas producers in energy transitions²⁵. There is no one right answer, but action is needed nevertheless.

4. Set a science-based target (once the SBTi standard is available)

Once the Science Based Targets initiative (SBTi) releases its standard for oil and gas (currently under development), oil and gas companies should set a science-based target. Adhering to the principles can put oil and gas producers on a good path for being able to take the next step with SBTi.

²⁴ <https://www.iea.org/reports/emissions-from-oil-and-gas-operations-in-net-zero-transitions>

²⁵ Expected in Fall of 2023.

Finance

A financial institution's most emissions-intensive investment and lending activities are usually in fossil fuels. In this way, financial institutions, similar to demand-side companies, have an opportunity to shape the trajectory of fossil fuel production, put pressure on fossil fuel companies and ensure investment across the economy is realigned with what is needed to keep 1.5°C within reach. The principles focus on requirements that give clear guidance on timelines for phasing down and out investment in unaligned companies and unabated projects. They are not intended to be the only guidance for financial institutions, but they are intended to define high ambition and clearly articulate criteria and timelines for the phase down and out of fossil fuels. In 2024, SBTi will release its financial institution net-zero (FINZ) Standard, which will include new fossil fuel criteria for financial institutions.²⁶

1. Immediately end new financial flows to coal value chain and all new oil and gas exploration or development of new oil and gas fields

In alignment with HLEG and several scenarios for 1.5°C, the principles call for an immediate cessation of financial support for the expansion of new fossil fuel production capacity at a project level. The IEA and HLEG both are unequivocal that no new oil and gas exploration and production is required. This criteria is in alignment with the principles for producers. Some financial institutions have adopted exclusion policies to restrict new oil and gas investments, including La Banque Postale, HSBC and Dai-ichi Life Insurance.

The immediate halt to new coal capacity is aligned to climate scenarios such as the IEA and One Earth Climate Model (OECM). Other initiatives, like the UN-convened Net Zero Asset Owners Alliance and Race to Zero, have indicated a similar approach. The IEA shows there is no need for new coal mines or mine lifetime extensions, and no need to approve new coal-fired power plants under a net zero by 2050 emissions scenario.

2. Publish a Climate Transition Action Plan (CTAP)²⁷

A Climate Transition Action Plan (CTAP) is an essential step for financial institutions undergoing a credible net-zero transition. Outlining near-term actions and targets is critical for phasing down and out fossil fuels and sending a clear signal to producers on the future of finance for fossil fuels. A CTAP should be in conjuncture with a credible net-zero commitment. Setting a credible net-zero commitment is a public goal, and the CTAP is the plan for how to get there.

²⁶ A financial institution is defined as one that engages in investment activities as part of its core functions. These include, but are not limited to, the following: asset management/asset owners; retail and commercial banking activities; insurance companies (when functioning as asset managers); mortgage real estate investment trusts (REITs).

²⁷ <https://www.wemeanbusinesscoalition.org/blog/climate-transition-action-plans-activate-your-journey-to-climate-leadership/>

3. Adopt time-bound restrictions for the phase-out of all existing financial flows:

- a. 2030 at the latest for oil companies not aligned with 1.5°C and unabated oil projects**
- b. 2040 at the latest for gas companies not aligned with 1.5°C and unabated gas projects**
- c. 2030 at the latest for coal projects and companies in high- and high-middle income countries, and 2040 at the latest for all other countries**

Although the pace at which different fossil fuels decline differs between now and 2050 across different 1.5°C scenarios, when assessing trends using scenarios that have consistent characteristics (e.g., limited overshoot and limited removals), the science is clear that there is a fundamental need to significantly reduce fossil fuels by 2050. Finance is key, and in many ways, given the long lives of assets, needs to move early as a sector to avoid financing the lock-in of new fossil fuel assets, and to start processing the phase-down of existing assets. This is especially true for oil considering the long-lived nature of production.

This principle does not require a complete cut of financing from oil and gas, recognizing there is a need to ensure supply and demand move in tandem – and that some oil and gas remains in 1.5°C-aligned scenarios. Rather the principles put the emphasis on phasing out existing financing for unaligned oil and gas companies and unabated projects. This is an important distinction.

The criteria for coal is aligned with what the IEA NZE indicates for coal-fired power generation. Note there is no distinction on unabated or unaligned companies for coal, but a focus on all coal.

4. Increase the ratio of financial flows in clean energy solutions (vs. fossil) every year at the portfolio level

Several 1.5°C-aligned scenarios indicate the composition of finance and investment needs under a 1.5°C trajectory. Across all scenarios, there is a need to redirect finance toward clean solutions. This criteria reflects this reality. There is also a need to send a clear signal to producers and other stakeholders in the ecosystem about what financial institutions are interested in funding.

There are several target ratios available to the finance sector to align with, including those put forward by BloombergNEF that indicates that by 2030, each dollar supporting abated fossil fuel supply should be matched with at least four times the dollar amount supporting the supply of clean energy – or in the IEA NZE, nine times the dollar amount supporting clean energy solutions for supply and end-use (e.g., EVs, efficiency). The scope for clean includes renewables (wind, solar, geothermal, sustainably sourced bioenergy – including biogas, hydropower), nuclear, electricity storage, 1.5°C-aligned hydrogen, Carbon Dioxide Removal (CDR) (excluding Carbon Capture Utilization and Storage (CCUS) for Enhanced Oil Recovery (EOR)).

5. Set a science-based target (once the SBTi FI Net Zero standard is available in 2024)

SBTi will release, as part of its financial institution net-zero (FINZ) Standard, a more comprehensive set of criteria in 2024. Once this is available, financial institutions should set a net-zero science-based target.

Governments

International agreements, policies and norms – alongside national government policy – create the policy architecture for the functioning of supply, distribution and demand in the global energy system. Therefore governments' role in the transition to a decarbonized global energy system is crucial in setting the right frameworks and supporting companies' transition from fossil fuels to clean solutions. Government policy has and will continue to move the needle on clean energy development and deployment (e.g., solar, wind, heat pumps, batteries) around the world. Now we need to channel those policy signals into phasing out fossil fuels.

To keep within the 1.5°C temperature limit, national governments should commit to decarbonize the global energy system by no later than the 2040s, both collectively through international agreements and individually through national policies.

The decarbonization of the energy system will play a crucial role in keeping the 1.5°C goal of the Paris Agreement within reach. This is supported by a range of analysis from the International Energy Agency,²⁸ Energy Transitions Commission²⁹ and Intergovernmental Panel on Climate Change³⁰ that reaffirms the urgency of tackling the climate crisis. They emphasize that fossil fuel combustion and industrial processes represent the largest share and growth in carbon emissions, and that achieving a net-zero energy system requires a substantial reduction in fossil fuel use,

28 <https://www.iea.org/reports/global-energy-and-climate-model>

29 <https://www.energy-transitions.org/publications/degree-of-urgency/>

30 <https://www.ipcc.ch/report/ar6/wg3/resources/spm-headline-statements/>

including minimal use of unabated fossil fuels. They stress that 1.5°C is still within reach but requires emissions “to be reduced by at least 43% by 2030 compared to 2019 levels, and at least 60% by 2035,” bringing to light, once again, that we are in the decisive decade to ensure a safe and livable planet for present and future generations.

International cooperation is an essential pre-requisite, starting with building support for an international commitment for a 1.5°C-aligned phase-out of fossil fuels at COP28, and recognizing the need to provide support for fossil fuel-dependent countries in the Global South. These goals have already been agreed by the G7. The principles support the outcomes agreed at the G7 Leaders Summit³¹ in 2023: to phase out unabated fossil fuels in line with a 1.5°C trajectory, to decarbonize the global energy system, to set clean power targets and to support the Global South in the transition to net zero.

1. Set targets and timelines for the phase-out of unabated fossil fuels in line with 1.5°C, supported by national plans and policies to ensure a just transition for affected workers and communities. Wealthier countries, as historic emitters, have the responsibility to be first movers.

As global emissions continue to rise to dangerous levels, it has become clear that governments need to focus on both stimulating clean energy and steering toward fossil fuel phase-out. Policy is needed on both sides of the equation. The rapid growth of clean energy in recent years has been an example of the ambition loop in action: Governments set well-designed policy incentives, businesses respond with major investments, and governments take confidence to go even further with policy and investment, with the overall effect being rapid declines in technology costs. However, even with this rapid growth in renewable energy, the proportion of fossil fuels in primary energy has remained stubbornly stable. We are calling on governments to not only maintain their support for clean energy, but also to set the clear direction for fossil fuel phase-out. Doing so is essential to ensure that affordable and reliable clean alternatives are available for the businesses that are committing to phase out fossil fuels from their operations and supply chains.

National commitments for 2030 and 2050, with detailed plans for their implementation, are crucial for a credible pathway aligned with fossil fuel phase-out targets. Currently only a handful of countries’ nationally determined contributions (NDCs) under the Paris Agreement, or national climate plans, have an explicit target for phasing out fossil fuels. Although an agreed global end date for fossil fuels is essential, this can only be achieved if all countries include in their national plans when and how they will phase out unabated fossil fuels. Policy plays an instrumental role in signaling to markets that investment needs to be redirected to the clean energy deployment required to keep 1.5°C within reach.

31 <https://www.g7hiroshima.go.jp/en/documents/>

2. Commit to reach 100% decarbonized power systems by 2035 in advanced economies and by 2040 for other countries, at the latest.

The IEA highlights³² the urgent political decisions needed to decarbonize the energy sector. This includes reaching net-zero emissions electricity in advanced economies by 2035, and globally by 2040. The IEA states that “all unabated coal-fired power plants are phased out in advanced economies by 2030 and in emerging market and developing economies by 2040.” The G7 Leaders have committed to predominantly or fully decarbonize electricity by 2035, and they reaffirmed their commitment in 2023.

An agreement at COP28 for a global target of tripling renewable electricity capacity to at least 11,000 GW and doubling the rate of deployment of energy efficiency by 2030, combined with an agreement on phasing out fossil fuels, would help enable the conditions for these power sector targets.

3. Support countries in the Global South in diversifying their economies and developing net-zero pathways, including through the provision of finance and capacity-building for just transition planning.

Each country needs to develop a credible roadmap and policies for scaling renewable energy, electrification and energy efficiency and phasing out all fossil fuels. These plans should be devised in a manner that reduces emissions and enables a fast and well-managed phase-out of fossil fuels. Developed countries should be the first movers and set the framework needed to phase out fossil fuels faster while providing support to developing countries to ensure their fair and fast transition to 1.5°C-aligned policies and investment.

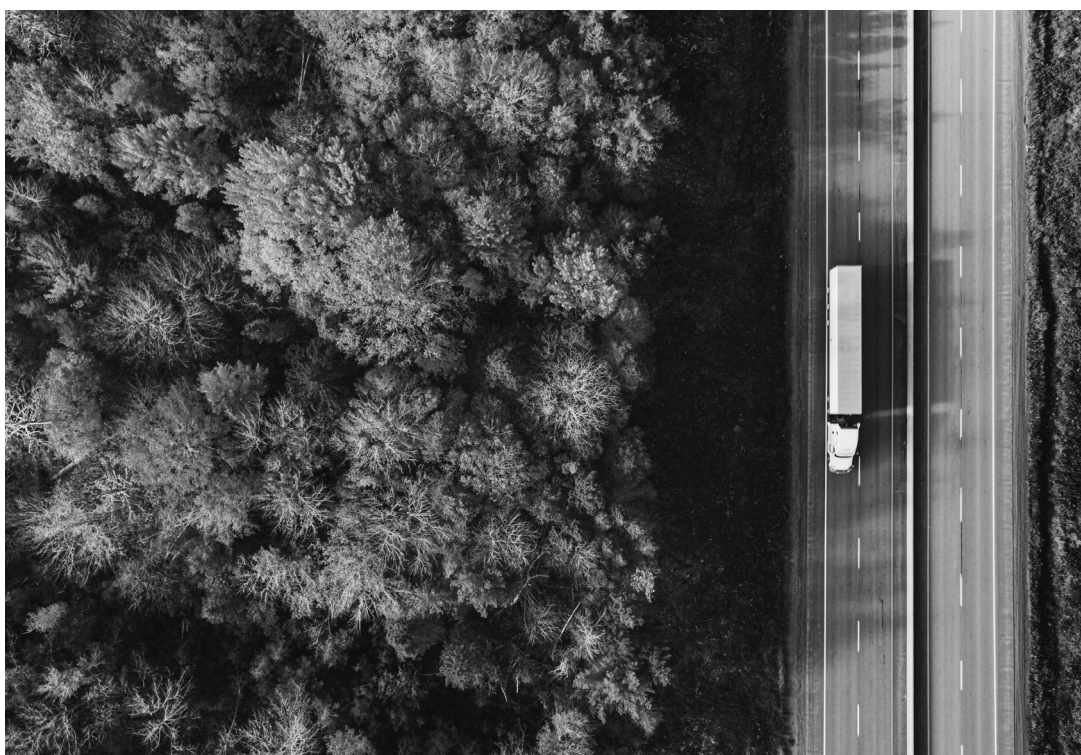
In many developing countries, the energy story is less about transition and more about growth. Some countries in the Global South are heavily dependent on the fossil fuel industry for tax revenues and employment, and these governments need to put in place plans and policies to diversify their economies, alongside economic and employment policies for a just transition. Financing can be challenging, as these countries often lack the fiscal space to take on new debt to scale clean energy. In contrast, half of international public finance for renewable energy originates from multilateral development banks with financing that is provided primarily through debt financing at market rates. It is essential to accelerate international financial architecture reform to ensure more equitable clean energy finance for developing countries via financial instruments and in terms that do not create or exacerbate unsustainable sovereign indebtedness.

32 <https://www.iea.org/reports/net-zero-by-2050>

Some developing countries, including in Sub-Saharan Africa, could benefit from oil and gas exports in the short-term, but there remains significant uncertainty about future demand, and these countries must seek to balance the opportunity in the short- to medium-term against the longer-term risk of stranded assets or low-return assets, especially given the time it can take to bring oil and gas projects online. This should be taken into consideration when reviewing strategies related to development for export versus for domestic market, and the infrastructure needed to service these.

4. Act to reorient public and private financial flows away from fossil fuels including by setting a meaningful price on carbon and reforming and repurposing fossil fuel subsidies.

Aligning public finance and fiscal systems with a 1.5°C trajectory will require policy decisions that send the right signals to markets. In 2023, the G7 Leaders reiterated their commitment to phase out fossil fuel subsidies by 2025 which, together with policy instruments that put a meaningful price on carbon, will help ensure that spending is redirected toward crucial technologies for the economic transition.³³ A 2025 timeline would be consistent with the IEA's pathway to net zero by 2050, under which fossil fuel subsidies are eliminated "in the next few years."³⁴ However, analysis by the International Monetary Fund shows that, in 2022, governments significantly increased fossil fuel subsidies to \$7 trillion, undermining climate policy goals, eroding public finances and highlighting the scale and importance of the challenge.³⁵



³³ https://assets.bbhub.io/professional/sites/24/BNEF-Climate-Policy-Factbook_FINAL.pdf

³⁴ IEA (2021), p.139. Available at: https://iea.blob.core.windows.net/assets/beceb956-0dcf-4d73-89fe-1310e3046d68/NetZeroBy2050-ARoadmapfortheGlobalEnergySector_CORR.pdf

³⁵ "Fossil Fuel Subsidies Surged to Record \$7 Trillion." IMF. 24 August 2023 <https://www.imf.org/en/Blogs/Articles/2023/08/24/fossil-fuel-subsidies-surged-to-record-7-trillion>

Call to Action

The Intergovernmental Panel on Climate shows that just 510 Gt more of CO₂ can be emitted before we hit the 1.5°C limit. Existing and planned fossil fuel infrastructure alone will emit 850 Gt. It is clear business as usual is not an option.

We are in a unique moment where action to phase out fossil fuels is not only critical but feasible. Many of the clean energy solutions we need are already available, reaching tipping points of mass adoption and declining in cost. And with over one-third of all countries calling for a global phase out of fossil fuels, the political conditions are aligning for international commitments and investments that will lay the groundwork to transform the global energy system and halve emissions this decade. But success will not be possible without decisive action from business.

Leading companies have already shifted their strategies to capitalize on the opportunities that come from transforming to 1.5°C-aligned economies, but now is the moment to go a step further and tackle fossil fuels head on.

We are already seeing encouraging signals of change and momentum in the EU power sector, with wind and solar producing more electricity than fossil fuels for the first time, in 2023.³⁶ In the U.S., renewable power generation surpassed coal for the first time, in 2022.³⁷

Business can be the catalyst for change by committing to transition away from fossil fuels by 2040, and calling on fossil fuel suppliers, financiers and governments to rapidly accelerate clean alternatives that are affordable, reliable and safe. This will give governments the confidence to set the policies needed to keep 1.5°C within reach and protect people and economies.

We Mean Business Coalition is launching the Fossil to Clean campaign and calling for bold business and political leadership.

Together we can scale clean energy and end our reliance on fossil fuels.

³⁶ <https://ember-climate.org/press-releases/wind-and-solar-overtake-fossil-generation-in-the-eu/>

³⁷ <https://apnews.com/article/renewable-energy-coal-nuclear-climate-change-dd4a0b168fe057f430e37398615155a0>



About the We Mean Business Coalition:

The We Mean Business Coalition is a group of nonprofit organizations working with the world's most influential businesses to take action on climate change.

The global coalition brings together seven organizations: BSR, CDP, Ceres, The B Team, The Climate Group, CLG Europe and the World Business Council for Sustainable Development. Together we catalyze business action to drive policy ambition and accelerate the transition to a zero-carbon economy.

Find out more at wemeanbusinesscoalition.org

