

ASCOR



Grantham
Research Institute
on Climate Change
and the Environment

Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) Explainer Series

Area CP3. Fossil fuels

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ASCOR framework

Emissions Pathways (EP)	Climate Policies (CP)	Climate Finance (CF)
EP1. Emissions trends EP2. 2030 targets EP3. Net zero targets	CP1. Climate legislation CP2. Carbon pricing CP3. Fossil fuels CP4. Sectoral transitions CP5. Adaptation CP6. Just transition	CF1. International climate finance CF2. Climate costing CF3. Climate spending CF4. Renewable opportunities

Note: [ASCOR framework: methodology note - Version 1.1](#) was used to assess 70 countries in 2024.

Content

1. Introduction to fossil fuel phaseouts
2. How does ASCOR assess fossil fuel phaseouts?
3. Results and emerging good practices

1. Introduction to fossil fuel phaseouts

Why does ASCOR assess the phaseout of fossil fuel subsidies and production?



The [Paris Agreement](#) states that financial flows should be consistent with low-carbon development.



According to [Intergovernmental Panel on Climate Change \(IPCC\)](#), removing fossil fuel subsidies would reduce global GHG emissions **by 10% by 2030**.



Fossil fuel subsidies are **environmentally harmful and economically inefficient** as they distort optimal prices.



The [IEA's Net Zero Scenario](#) implies no new coal mines and no new upstream oil and gas projects.



Investing in fossil fuels jeopardises a pathway to 1.5°C. Robust commitments to reduce reliance on fossil fuels send a clear signal encouraging the transition to low-carbon energy sources.

What are fossil fuel subsidies?



No commonly agreed definition or calculation methodology



The World Trade Organisation (WTO)

subsidy: either a financial contribution by a government OR any form of income/price support that confers a benefit



Organisation for Economic Cooperation and Development (OECD)

support: “budgetary transfers and tax expenditures that provide a benefit or preference for fossil fuel production or consumption”



The International Energy Agency (IEA)

energy subsidies: “any government action that [...] lowers the cost of energy production, raises the price received by energy producers or lowers the price paid by energy consumers”



The International Money Foundation (IMF)

fossil fuel subsidies: calculated based on price gaps like the IEA's energy subsidies, but IMF makes a distinction between explicit and implicit subsidies

2. How does ASCOR assess fossil fuel phaseouts?

Indicators and metrics



CP3a. Has the country committed to a deadline by which to phase out fossil fuel subsidies?

CP3ai. By what year has the country committed to phase out fossil fuel subsidies?



CP3b. Does the country publish an inventory of explicit fossil fuel subsidies?

CP3bi. How much is spent annually on explicit fossil fuel subsidies as a percentage of GDP?



CP3c. Has the country committed not to approve new coal mines?

CP3ci. What is the level of coal rents in the country as a percentage of GDP?



CP3d. Has the country committed not to approve new long-lead-time upstream oil and gas projects?

CP3di. What is the level of oil rents in the country as a percentage of GDP?

CP3dii. What is the level of natural gas rents in the country as a percentage of GDP?

How does ASCOR assess fossil fuel phaseouts?



ASCOR assesses commitments to phase out fossil fuel subsidies and the transparency on existing fossil fuel subsidies. Additionally, we assess bans on new coal, oil and gas production.



To align with the principle of common but differentiated responsibilities, low-income countries are exempt on this area and middle-income countries are exempt on certain indicators.



Our analysis goes beyond international phaseout statements (e.g. [G7](#), [G20](#)) and instead assesses national commitments that involve a higher level of accountability.

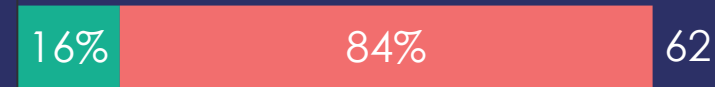


When assessing this area, we rely on legislative and executive documents, UNFCCC submissions (e.g. [Nationally Determined Contributions](#)) and [National Energy and Climate Plans](#). We use [International Monetary Fund \(IMF\)](#) and World Bank (e.g. [coal rents](#)) data for the quantitative metrics.

3. Results and emerging good practices

2024 assessment results

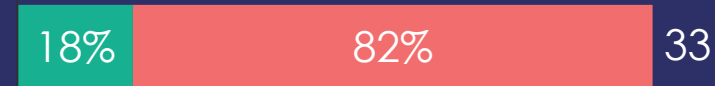
CP 3.a Has the country committed to a deadline by which to phase out fossil fuel subsidies?



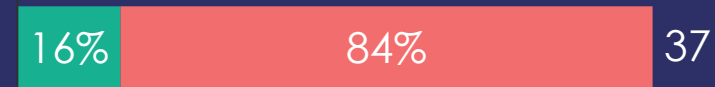
CP 3.b Does the country publish an inventory of explicit fossil fuel subsidies?



CP 3.c Has the country committed not to approve new coal mines?



CP 3.d Has the country committed not to approve new long-lead-time upstream oil and gas projects?



Yes No

Note: The number of countries assessed against each indicator is specified next to each bar.

Emerging good practices



Stating phaseout commitments in **legislative or executive** documents strengthens accountability.

- **Portugal** set a deadline to phase out fossil fuel subsidies by 2030 in its [Basic Climate Law](#).



Commitments to phase out fossil fuel subsidies need to **close the loophole** of “inefficient fossil fuels subsidies” with transparent definitions.

- **Canada** established [guidelines](#) to identify “inefficient” fossil fuel subsidies.



Published **inventories** of fossil fuel subsidies allow investors to track progress of phaseout commitments.

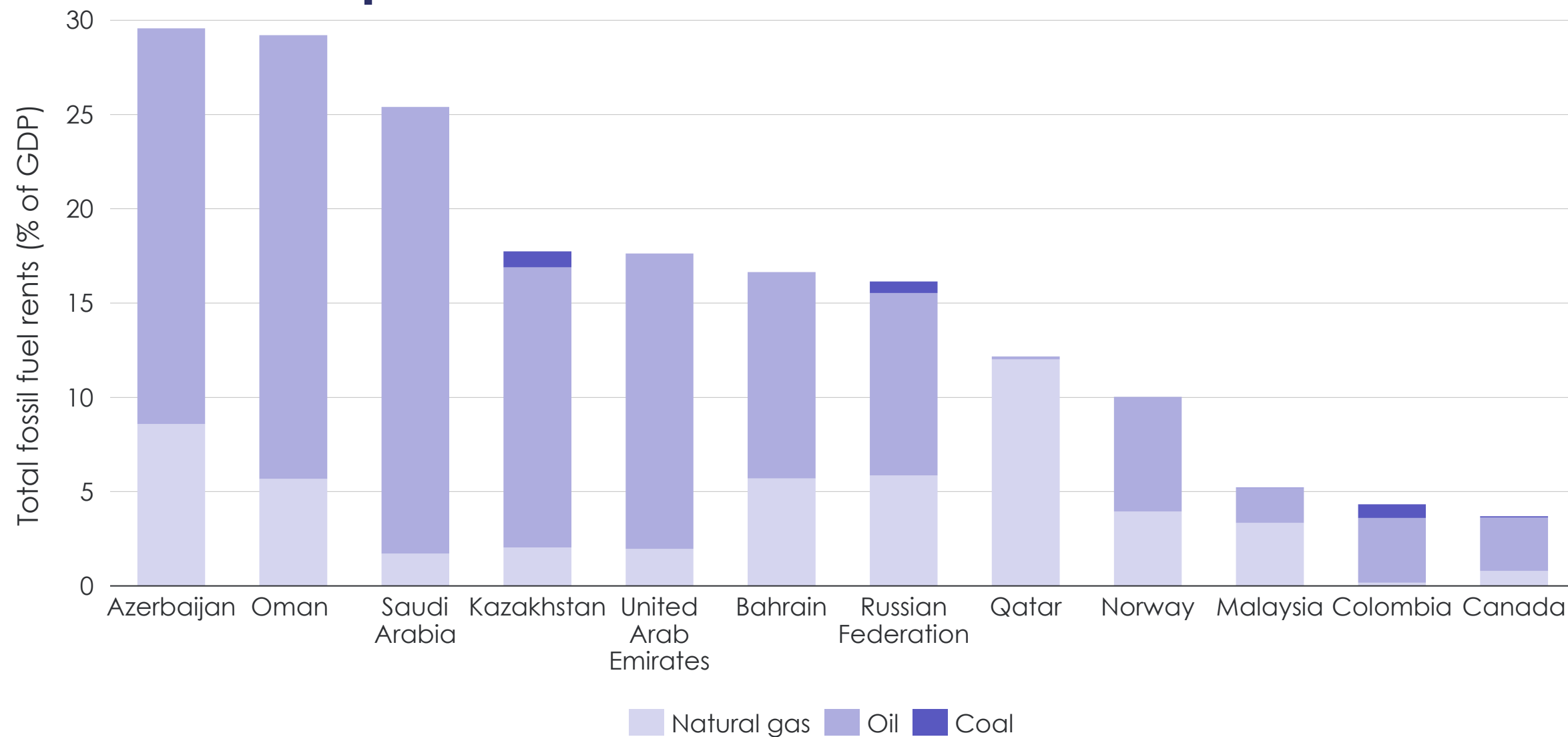
- [Italy](#) and [Germany](#) are among the countries that publish annual subsidy inventories.



Banning fossil fuel exploration and extraction aligns the energy sector with the low-carbon transition.

- [France](#), [Spain](#) and [Sweden](#) introduced such bans for coal, oil and gas.

Fossil fuel-dependent economies



Stay up to date on the ASCOR project:

www.ascorproject.org

Access the ASCOR tool and database:

www.transitionpathwayinitiative.org/ascor

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