AN OIL AND GAS PHASEDOWN CLUB: A BARGAIN FOR MUTUAL SECURITY

Submission to the COP 30 Presidency Roadmap on the Transition Away from Fossil Fuels in a Just, Orderly and Equitable Manner

April 2026

Professor Thomas Hale, Blavatnik School of Government, University of Oxford

Summary: This brief submission outlines a high-level bargain that could help both importer and exporter countries transition away from fossil fuels: A plurilateral Oil and Gas Phasedown Club (OGPC). To join the club, countries commit to a Paris-aligned phasedown trajectory for both the consumption and production of oil and gas. Members then prioritize fellow members in buying/selling oil and gas, with appropriate safeguards for shocks, creating a premium market for oil and gas products from countries on a phasedown pathway. Developing country members would also be given the option to invest proceeds from oil and gas sales in special financial vehicles administered by leading sovereign wealth funds, ensuring long-term economic benefits for resource-rich countries at the end of the transition. The club would give members long-term security and predictability as they transition in a world of increasing uncertainty.

Importers and Exporters of oil and gas face rising uncertainty and risk

Halting climate change and the growing threats it creates requires transitioning the world away from fossil fuels. While an increasing number of countries have the ambition to make this transition in a just, orderly manner, importers and exporters oil and gas, which are global commodities, face linked challenges.

Importer countries need to ensure steady supply at reasonable prices now and into the future. Recent geopolitical shocks have focused countries' minds on the need to both secure oil and gas supplies in the short term while also accelerating the transition to reduce exposure to oil and gas shocks in the future.

Exporter countries, in turn, face an increasingly uncertain market. While supply shocks have led to windfall profits for some, questions about long-term demand are rising. The rising electrification of the global energy system, along with the abundance of cheap renewable energy, challenge future oil and gas markets. At the same time, increasing geopolitical risk accelerates these structural trends, creating a hefty premium for secure energy supplies. The result is a rising risk of stranded assets in the oil and gas sector. This growing uncertainty benefits the major, established, low-cost producers who have the most credible claim to be the "last driller standing." For others, particularly for smaller developing countries with more uncertain investment environments, a riskier outlook undercuts the potential economic benefits of exploiting oil and gas resources.

A bargain for mutual long-term security: the Oil and Gas Phasedown Club

Importer and exporter countries committed to transition away from fossil fuels can cooperate for mutual benefit through an Oil and Gas Phasedown Club (OGPC). The terms of the club could be as follows.

First, to join the club countries sign a binding commitment to phasedown oil and gas production and consumption along a Paris-aligned trajectory. These trajectories would need to meet mutually agreed criteria reflecting both science and the key normative principles embedded in the UNFCCC process. Club members would need to negotiate how to apply these criteria to themselves.

Second, oil and gas importers would commit to prioritize buying the remaining oil and gas they need over the next decades from exporters that are also members of the club. Safeguards would allow importers to buy oil and gas from exporters outside the club to the extent 1) too few producers joined the club to provide adequate supply; 2) shocks reduce the supply from club members. This new, 'members-only' market for Paris-aligned oil and gas would create a premium for producers who agreed to transition.

Third, developing country oil and gas producers in the club would be given the option to invest proceeds from oil and gas sales into a special fund administered by leading sovereign wealth funds of participating states. These funds would remain wholly under the ownership of the producing country, but benefit from the financial management, institutional credibility, and economies of scale established sovereign wealth funds can provide. This arrangement would allow developing country producers access to Norway- or Singapore-style financial benefits from their remaining oil and gas sales, creating meaningful economic resources for the country that can last long after the transition has occurred.

With these provisions, the OGPC creates a mutually beneficial exchange. Importer countries pay a premium for phasedown-aligned oil and gas, but gain the benefits of secure long-term supply. Exporter countries forgo the opportunity to exploit additional oil and gas reserves, but secure a market for their products for the next decades and, at the end, a robust sovereign wealth fund. While membership in such a club may not be attractive to countries that see no need to transition, or who have high confidence they will be the last producer standing at the end of the transition, for dozens of countries the long-term security a OGPC could provide would prove beneficial.

Operationalization and enforcement

A small secretariat would be needed to support negotiations between OGPC members and to provide independent verification that countries' production and consumption did not exceed the agreed pathway. Such a body could be created de novo or housed in the IEA or similar existing body. Countries that breached their commitments would forfeit access to the club, cutting them off from prioritization in future sales/purchases to/from the rest of the group. For example, an importing country that failed to curb consumption would give up its right to preferential access to members oil and gas supplies. Likewise, an exporting country that expanded supply would lose the guarantee of long-term buyers.