

## **SUBMISSION BY CARBON TRACKER INITIATIVE TO BRAZILIAN COP PRESIDENCY ABOUT THE FOSSIL FUEL ROADMAP**

This submission is in response to the call by the Brazilian Government, in its capacity as the COP30 Presidency, for evidence on a roadmap for transitioning away from fossil fuels in a just, orderly and equitable manner, following up its announcement at COP30 in Belem

### **Introduction to Carbon Tracker**

Carbon Tracker is an independent financial think tank and research organisation established in 2011, with its headquarters in the UK. **Our vision is a decarbonised global economy and our mission is to accelerate the energy transition through mobilising financial markets.** Our primary audience is therefore actors in the finance and investment ecosystem. Much of our work also carries additional implications for policymakers and regulators, as well as civil society and investors

Against this background, Carbon Tracker attaches major importance to work which can accelerate the transition as well as generate greater international co-operation on the key issue of phasing out fossil fuels to enable us to stay within safe warming limits. We therefore welcome the Brazilian Government's initiative in respect of a roadmap – as we do the conference co-hosted by the Colombian Government and Dutch Government in Santa Marta in late April to work on a roadmap. Carbon Tracker will be present in Santa Marta to lead academic work on economics and data, and we will be underlining the need for the Santa Marta process to interact with the UNFCCC process and the work of the Brazilian Presidency.

**This submission to the Presidency reflects Carbon Tracker's particular preoccupation with the central enabling conditions of economics and finance.** It is similar to the submission that we made to the Colombian Government in the preparatory work for Santa Marta. It is divided into two parts: Barriers and Solutions.

### **Barriers**

We see the following as barriers to the transition, and therefore major issues that the Presidency Roadmap should address:

- **Capital mobilisation** at the scale needed: the world is currently on track to invest \$3trn annually in the energy transition by 2030, falling well short of the required \$5-7trn.

- **Lengthy planning process for renewable energy projects:** while faster than for some other energy sources such as nuclear, permitting for renewables projects can take significant amounts of time.
- **Insufficient grid/storage investment:** deployment of clean energy is outpacing related infrastructure, leading to bottlenecks and underutilisation.
- **Persistent fossil fuel subsidies:** countries continue to support fossil fuel producers/consumers with trillions of dollars annually, making clean alternatives artificially uncompetitive.
- **High electricity prices:** in some countries, electrification is being hampered by high prices. This partly reflects policy and legacy system costs being disproportionately placed on electricity bills rather than gas, discouraging consumers from switching to electrified technologies such as EVs and heat pumps.
- **Lack of confidence that the transition is underway:** the chilling geopolitical environment and selective media narratives are obscuring real progress and creating a negative perception about the transition, influencing investors and public opinion.
- **Oil and gas producers all believe they will be “last-man-standing”:** despite the wide variation in production costs across companies and geographies.
- **Poor understanding of the cost of rising temperatures:** investors and governments are systematically underestimating the likely impacts of climate change on the global economy, ignoring science and the potential damage of systemic risk and tipping points.
- **Perception that the transition will largely benefit the wealthy:** media/political narratives misleadingly argue that clean technologies do not benefit lower-income households, despite continually falling costs and co-benefits such as improved air quality.

## Solutions

If those are the barriers – especially in terms of economics and finance – Carbon Tracker offers three solutions we believe that policymakers should adopt to meet them.

Solution 1: Build a more diversified, resilient tax base to reduce fiscal exposure to the energy transition

Fossil fuel producers face fiscal vulnerability as the energy transition progresses. Countries will increasingly face budgetary pressures from reduced demand for their exports, threatening an important contribution to public finances.

Countries should anticipate and prepare for these budgetary pressures to minimise their impact. Strengthening economic activity by scaling up clean energy related infrastructure can cushion the effect of reduced fiscal income from fossil fuels

Fossil fuel subsidy reform can also help strengthen fiscal sustainability. As revenues declines, maintaining subsidies for fossil fuel consumption becomes increasingly difficult to justify. Phasing them out reduces fiscal pressure, removes market distortions, and improves the competitiveness of clean alternatives.

Importers can also lessen the burden of these subsidies by accelerating efforts to cut demand. Price spikes caused by geopolitical instability in recent years have further highlighted this urgency.

### **Which actors are responsible for the effective implementation of the proposed solution?**

Policymakers and regulators are responsible for redesigning fiscal and planning systems. International coordinating bodies such as the OECD and IMF can also assist with subsidy reform.

### **What instruments are required to ensure the effective implementation of the solution?**

Policies to restrict new fossil fuel developments will help avoid locking public finances into revenue streams that will decline as the energy transition progresses. Other tools include the expansion of alternative taxes such as VAT, land value taxes, and carbon pricing; the building of sovereign wealth funds; and the streamlining of clean tech planning processes.

### **Key milestones and timeline**

Some measures can be implemented in the short-term, such as restrictions on fossil fuel developments, and some taxation changes. Others will take longer: eg the building of sovereign wealth funds, or the phasing out of fossil fuel subsidies (if political opposition and adverse impacts on vulnerable communities are to be mitigated).

Solution 2: EV adoption/electrification

Accelerating the electrification of road transport, supported by clear EV supply side regulations, offers one of the most effective pathways to phase out fossil fuels from the transport sector. EVs have no tailpipe emissions and can be powered by increasingly low-carbon electricity. Supply-side policies in the form of zero-emission vehicles mandates and phase out dates for new internal combustion engine (ICE) vehicles provide market certainty, ensuring automakers scale EV production and accelerate EV cost reductions to reach price parity with ICE equivalents. Combined with charging infrastructure investment and targeted incentives, these policies can rapidly expand EV adoption across all road transport types. For emerging economies, electrification also reduces exposure to volatile oil imports, lowers long-term transport costs and improves urban air quality – transport electrification can deliver substantial economic benefits while enabling a managed decline in oil demand.

### **Which actors are responsible for the effective implementation of the proposed solution?**

National governments must establish EV supply side regulations, phase out timelines, and enabling policies. Local government and authorities can assist in the deployment of EV charging infrastructure and electrify fleets. Automakers must provide affordable EV model options. Financiers are required to support the investment required.

### **What instruments are required to ensure the effective implementation of the solution?**

SSRs such as zero emissions vehicles mandates, fuel economy standards, and ICE phase-out targets are central. Complementary instruments include EV purchase incentives, public fleet electrification mandates, investment in charging infrastructure, electricity market reform and concessional finance.

### **Key milestones and timeline**

2025-2030: Introduce ZEV mandates and clear phase-out dates for new ICE vehicle sales. Scale charging infrastructure and electrify public fleets.

2030–2035: EVs become the majority of new urban vehicle sales. National charging networks and grid integration established.

2035–2045: Full phase-out of new ICE vehicle sales and large-scale electrification of remaining road transport segments.

Solution 3: Data: Create a publicly operated Global Registry to inform the managed decline of fossil fuels

Governments need accurate, asset-level data on fossil fuel reserves within their jurisdiction to plan a managed phase-down of production. Existing reserves disclosure systems were designed primarily for investors and do not provide policymakers with the information required to manage decline. A Global Registry of Fossil Fuels would address this gap by publishing open, standardised data on reserves, decline profiles, costs, emissions and closure liabilities, providing a shared evidence base for governments, investors and citizens.

### **Which actors are responsible for the effective implementation of the proposed solution?**

A core group of national governments, eg a coalition of the willing, can take the lead to devise and implement an extension to PRMS and their upstream regulators enforce its implementation in their jurisdictions. Once established, financial markets are likely to demand it as it improves insight into the energy transition.

### **What instruments are required to ensure the effective implementation of the solution?**

Regulatory requirements extending reserves classification standards (e.g. PRMS) to include decline curves, emissions and abandonment liabilities. Governments enforce mandatory asset-level disclosure and contribute standardised data to an open global registry built out of a prototype already developed by Carbon Tracker.

### **Key milestones and timeline**

The prototype of an expanded reporting standard is developed within 6 months; pilot implementation in early-adopter producer countries (eg in Latin America) within 12 months; integration of disclosed data into a global registry within 18 months; broader adoption across other partner governments and institutional investors within 24 months.