Julie's Bicycle
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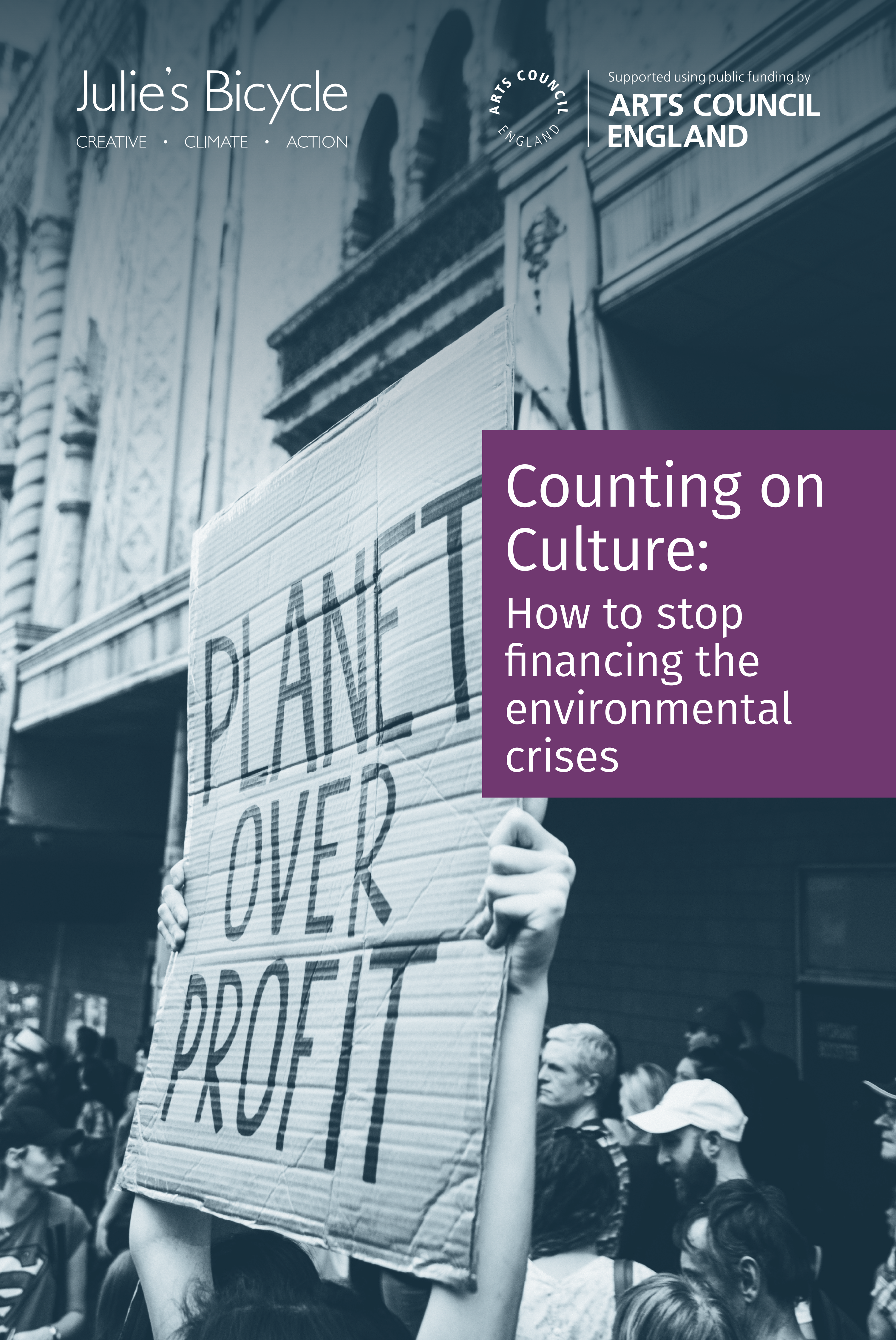
Counting on Culture:

How to stop financing the environmental crises



What You Need to Know:

How is finance linked to the climate and ecological crises?

- Vast amounts of money are being invested in industries which are contributing to the crises.[1]
- We must limit global heating to 1.5 degrees. However, the projected cumulative carbon emissions over the lifetime of existing and currently planned fossil fuel infrastructure will take us beyond 1.5 degrees of warming.[2]
- No new exploitation of fossil fuels can take place – funding for fossil fuels has to stop.[3]
- More finance is directed towards funding fossil fuel extraction and processing, than to addressing climate change.[4]
- Globally, governments are not only failing to address the crises, they are actively supporting environmentally destructive industries with **$1.8 trillion of subsidies per year.**[5]
- Many governments provide substantial incentives, allowances and tax reliefs to fossil fuel companies which encourage further extraction of oil and gas and disincentivise renewable investment.[6,7] This results in major fossil fuel companies receiving mroe support from government than they pay in tax.[8]
- As the world faces an energy crisis, clean energy investment is increasing, and accounted for three quarters of overall energy investment in 2022, with the bulk of investment in renewables, grids and energy storage.[9]
- Finance can be redirected to invest in policies that are part of the solution: reversing biodiversity loss, decarbonising the economy, supporting climate justice and sustainable development.

Who is this Briefing for?

This briefing is for anyone working in culture. It explains how finances, including those of many cultural organisations, support the ongoing expansion of environmentally destructive industries.

This has to stop. The sector must take bold action to divest from fossil fuels, and advocate for a transition to a new financial system which puts environmental and social justice at its heart.

[1,5] Earth Track, 2022, Protecting Nature by Reforming Environmentally Harmful Subsidies: The Role of Business

[2] IPCC, 2022, Mitigation of Climate Change Working Group III Contribution to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change Summary for Policymakers, p19

[3] IPCC, 2022, Mitigation of Climate Change Working Group III Contribution to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change Summary for Policymakers, p20

[4] IPCC, 2022, Mitigation of Climate Change Working Group III Contribution to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change Summary for Policymakers, p17

[6] BBC, 2022, What is the windfall tax on oil and gas companies?

[7] SSEE, 2022, Implications of the Energy Profits Levy for the long-term UK Energy Strategy

[8] The Guardian, 2022, Fossil fuels received £20bn more UK support than renewables since 2015

[9] IEA, 2022, World Energy Investment Report

Introduction: What Can Divestment Achieve?

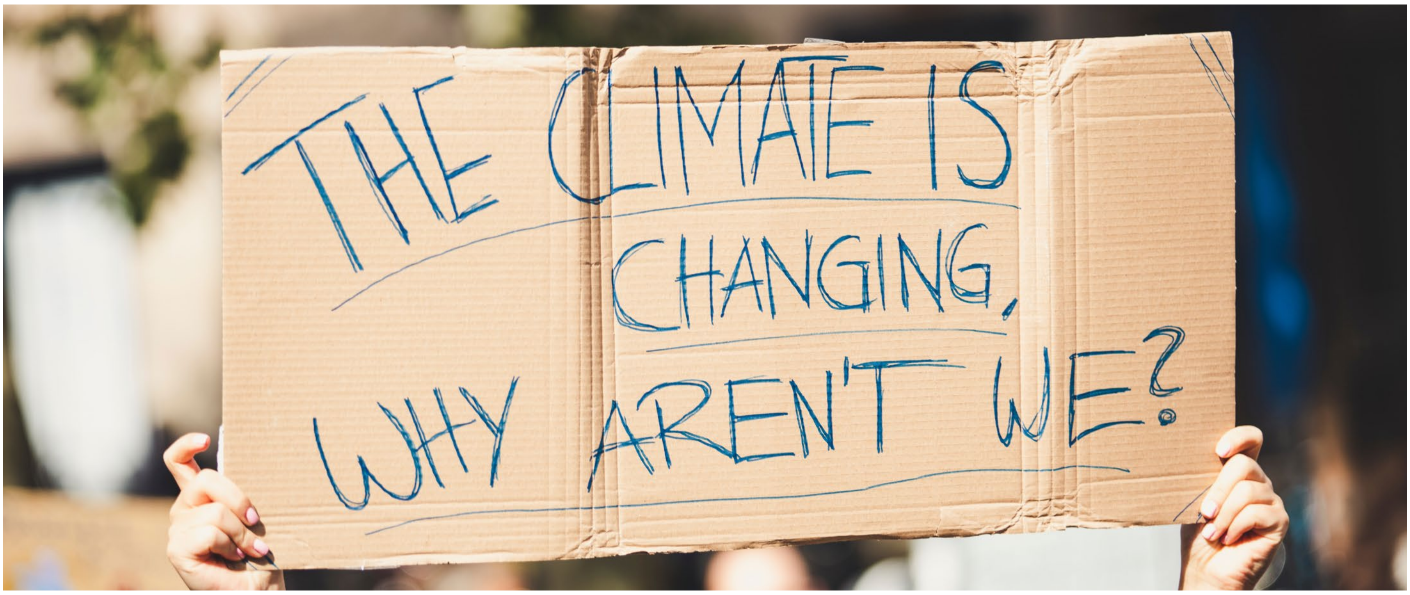
Vast amounts of money are being invested in industries which are contributing to the climate and biodiversity crises. More than half the world's GDP is dependent on nature and its services, and all economic activities are either directly or indirectly dependent on nature.[10] Models need to drastically change to reflect the true value of the natural environment – for a sustainable economy and to avoid global environmental catastrophe. As Christiana Figueres, former Executive Secretary of the UNFCCC* observed, we are 'financing our own extinction'.

Earth Percent are aiming to raise $100 million from the music industry by 2030. Their aims are: investing in efforts towards improving environmental impacts of the music industry, reducing greenhouse gas emissions and supporting clean energy, securing climate justice and fair environmental stewardship, advancing systemic economic, legal and policy change and protecting, conserving and restoring nature.

The causes and impacts of climate change are unequal: driven largely by the emissions of industrialised nations, with the worst impacts experienced largely by vulnerable people in developing nations. Access to technologies and solutions are also unequal – unavailable and too costly for many to afford. Yet very little is spent globally on solutions for climate justice, biodiversity conservation and clean energy. For example, funding for climate mitigation represents around 2% of global philanthropy, totalling an estimated $6-10 billion in 2020.[11]

The United Nations Environment Programme (UNEP) estimates that there is a $4.1 trillion financing gap in nature-based solutions: the global investment in nature would need to increase four-fold by 2050 to address the interconnected climate, biodiversity and land degradation crises (with a significant increase from private finance sources).[12]

Divesting, re-directing and repurposing flows of finance holds great promise as a solution for meeting global Net



[10] WWF, 2020, The Living Planet Report 2020: Bending the Curve of Biodiversity Loss pp 53

[11] United Nations Research Institute for Social Development and Edge Funders Alliance, 2022, Beyond 2% From Climate Philanthropy to Climate Justice Philanthropy

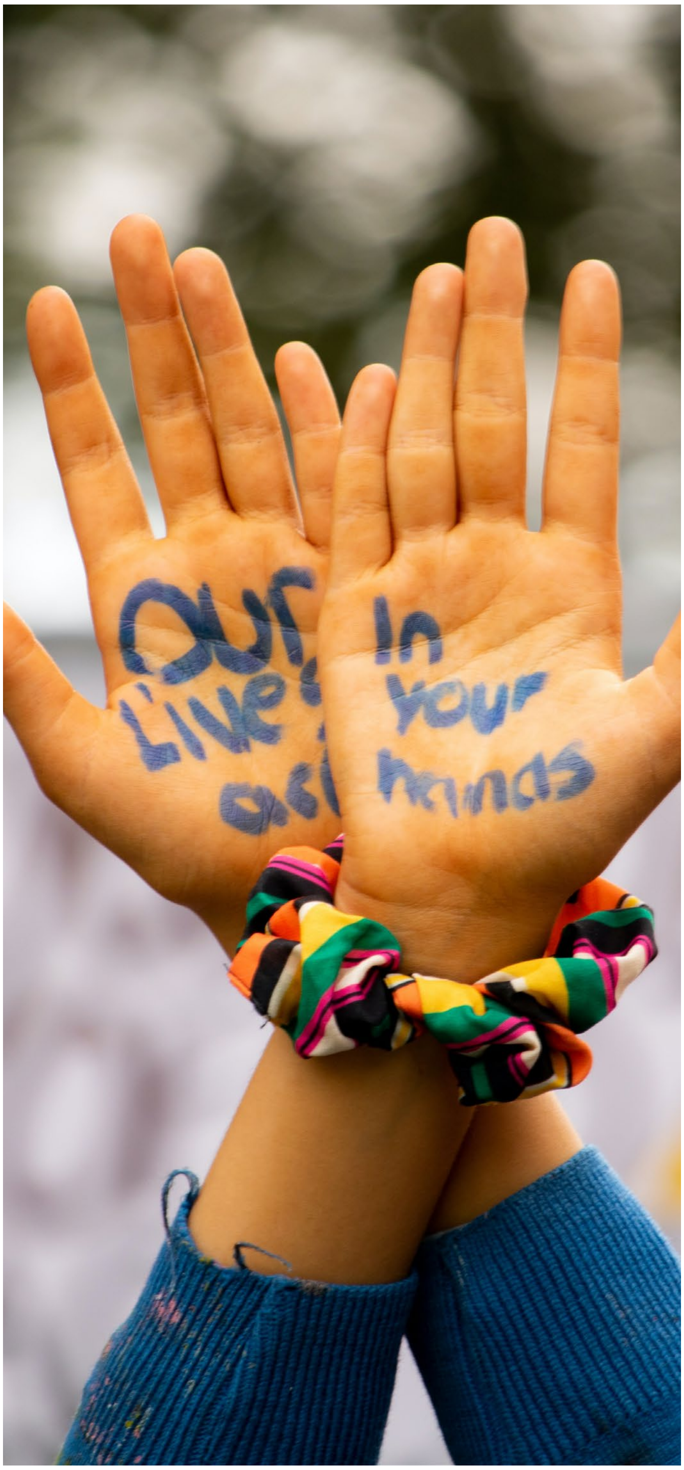
[12] UNEP, WEF, ELD, 2022, The State of Finance for Nature in the G20 Leading by example to close the investment gap

* UNFCC is the United Nations Framework Convention on Climate Change

Zero emissions by 2050, reversing the biodiversity crisis, addressing climate justice and achieving a just transition.

Removing support for harmful subsidies could release public finances to support sustainable policy interventions led by public bodies.[13] The bottom line is that no new exploitation of fossil fuels can take place. We need to transition, which involves using some of the existing reserves that are already in operation. Crucially, governments and financial institutions need to stop giving tax breaks, subsidies and funding to the fossil fuel industry which encourages new extraction to continue. The USA has incentivised the clean energy industry with the introduction of the Inflation Reduction Act (IRA) 2022. The act contains $369 billion in spending and tax breaks designed to boost investment in carbon free energy, manufacturing, transportation and clean technology. The IRA has accelerated the global race to achieve a renewable energy transition, with the Ukrainian invasion increasing the urgency and exposing the risks of international energy dependency.

> ***"...Redirecting, repurposing or eliminating subsidies could make an important contribution to unlocking the $711bn required each year to halt and reverse the loss of nature by 2030, as well as the cost of reaching net zero emissions."***
>
> Elizabeth Mrema, Executive Secretary, Convention on Biological Diversity



As ever, the way in which we move forward is important: justice needs to be at the centre of changes in policy, to address inequities and rebalance both the costs and benefits of our economic system. Fossil fuel subsidies need to be freed up in a way which addresses business risks, for example, by moving investments to more sustainable products, and also in ways which support justice-led approaches, such as investment in community owned renewable energy projects. This way investments contribute to the shift to a regenerative economy, rather than continuing to pass costs onto consumers, especially the most vulnerable.

Every divestment decision made by a cultural organisation or artist supports wider systems changes.

[13] Earth Track, 2022, Protecting Nature by Reforming Environmentally Harmful Subsidies: The Role of Business

Where Does the Money Come From?

Banking

In the six years since the Paris Agreement was signed, the world's **60 largest private banks financed fossil fuels with USD $6.4 trillion, with $742 billion in 2021 alone**.[14]

Pensions

Local government pensions in the UK hold £10 billion investments in coal, oil and gas, despite 75% of local authorities declaring a climate emergency.[15]

Insurance Companies

Insurance companies **contribute to supporting the fossil fuel sector** by investing funds from insurance premiums e.g. life, car and home insurance, and also by insuring fossil fuel infrastructure.

Stock Market

Fossil fuels are a high risk investment; coal infrastructure is projected to be stranded before 2030, while oil and gas assets are projected to be at risk of being stranded towards mid-century. Despite this, **significant funds are invested in fossil fuel companies**, though the investment trend is downward. Investments in clean energy are on the rise, but aren't increasing fast enough to meet the climate goals of the Paris Agreement.[16]

[14] Reclaim Finance, 2022, Banking on Climate Chaos Report

[15] UK Divest, 2021, Divesting to Protect our Pensions and the Planet: An analysis of local government investments in coal, oil and gas

[16] IEA, 2022, World Energy Investment Report

Sponsorship – 'Art-washing'

Extractive industries **donate** to cultural institutions. This practice is known as 'artwashing'.

Accepting sponsorship from a polluting industry impacts organisational reputation and undermines efforts to address the climate and ecological crises. High profile global campaigns such as 'Just Stop Oil' have elevated the profile of fossil fuel relationships with cultural organisations, as the public increasingly mobilise around environmental action.

Oil Sponsorship Free are a growing number of arts and culture professionals and organisations who refuse to promote fossil fuel companies' environmentally and socially destructive business through their work. The 'Oil Sponsorship Free' logo is used by cultural organisations, artists and culture workers who have signed up to join the Oil Sponsorship Free commitment.

Subsidies vs 'eco-investments'

The most heavily subsidised sectors, such as fossil fuels and agriculture (see fig. 1 page 10) are those that also contribute the most to global emissions, and other types of environmental degradation, such as air and water pollution, loss of habitat and biodiversity, and degradation of essential ecosystems.

- Globally governments spend \$1.8 trillion (£1.3 trillion) every year subsidising industries that contribute to decimating wildlife and fuelling climate change **– This is equivalent to 2% of global GDP**.[17]
- This far exceeds the amount spent on conservation, which was equivalent to just 0.1% of GDP in 2019*.[18] This figure is very small considering that more than half the world's GDP is dependent on nature and its services, and all economic activities are either directly or indirectly dependent on nature.[19]
- An estimated \$16bn or just 5% of fossil fuel industry total investment is in clean energy**.[20]
- The type of fossil fuel investment varies per company. Data shared by Unearthed is available from BP; where BP is the sole investor, it spent \$95m on shares in companies which help find, extract or use fossil fuels. In comparison, BP invested \$31.3m into companies which seek to reduce the use of fossil fuels, and \$13.9m into firms with no impact on the climate either way.[21]
- There is an overall lack of transparency from companies about their investments in fossil fuels in comparison to their clean energy investment, and the extent to which public money is subsidising destructive industries.

[17] Earth Track, 2022, Protecting Nature by Reforming Environmentally Harmful Subsidies: The Role of Business

[18] OECD, 2020, A Comprehensive Overview of Global Biodiversity Finance

[19] Dasgupta, P., 2021, The Economics of Biodiversity: The Dasgupta Review. Abridged Version. (London: HM Treasury)

[20] IEA, 2022, World Energy Investment Report

[21] Unearthed, 2020, BP spends 'low carbon' money on finding and using fossil fuels

* Private and public expenditure on biodiversity conservation is estimated to be between \$78–\$143 billion per year.

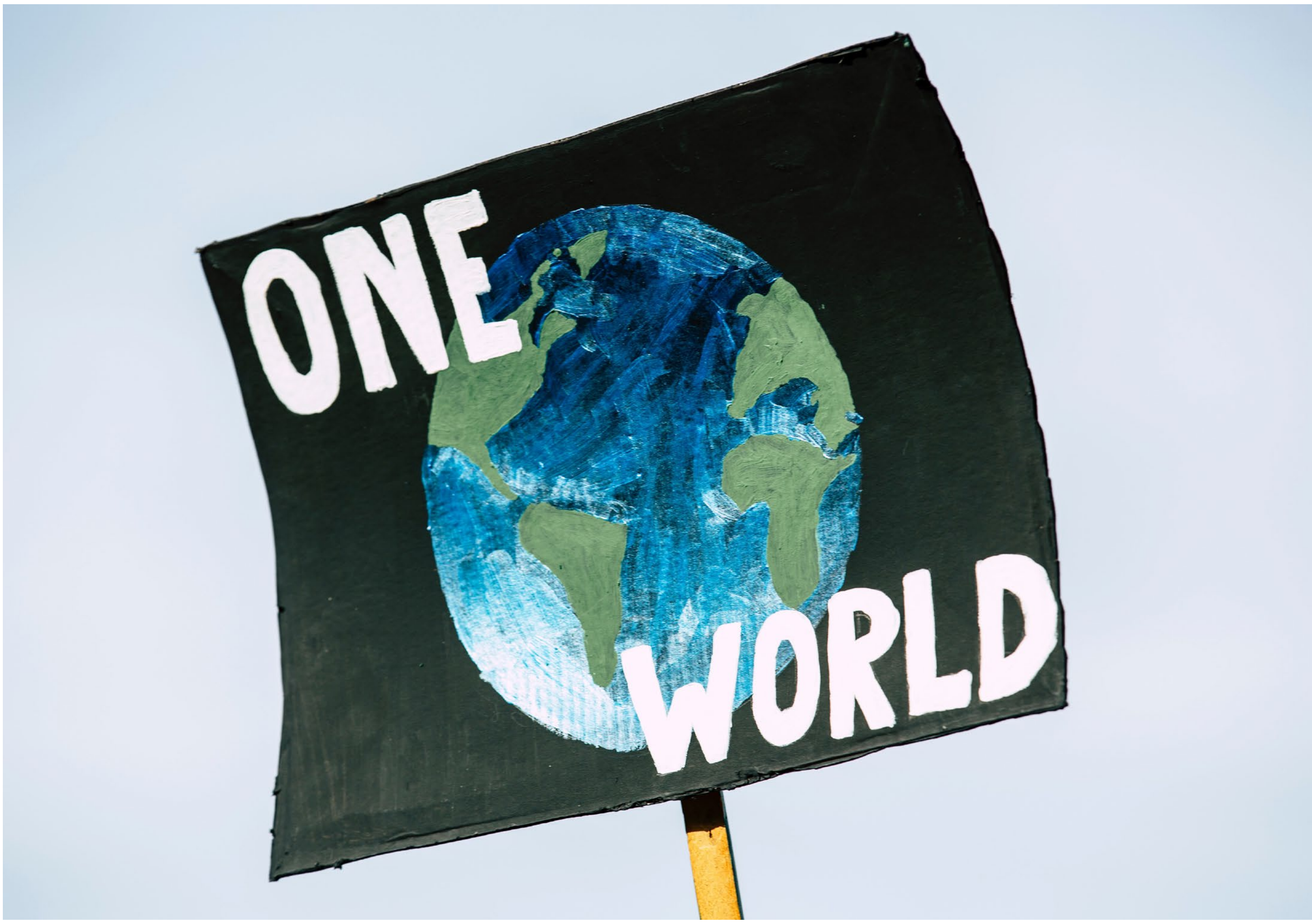
** The definition of 'clean energy' varies and sometimes includes nuclear as well as renewable energy.

Climate Justice and Finance

Globally, the richest 1% hold nearly as much wealth as the bottom 90%. A recent report by Oxfam reveals that extreme wealth and extreme poverty are increasing simultaneously for the first time in twenty five years. Progress in reducing extreme poverty has stalled globally, signalling the largest increase in global inequality since World War II.[22]

"We must see the so-called 'dash for gas' for what it really is: a dash down a bridge to nowhere, leaving the countries of the world facing climate chaos and billions in stranded assets, especially here in Africa. We have to move beyond the era of fossil fuel colonialism." — Al Gore, former US Vice-President

Today, the Global South is facing a debt catastrophe; countries are sending vast amounts of public money to banks in the Global North to repay loans (approx. $16.3 trillion between 1980 and 2017[23]) which significantly hinders countries abilities to invest in other sustainable development needs. These amounts far exceed the amount that country receive in aid. Furthermore, in lower income countries, spend on debt is five times greater than spend on climate adaptation.[24]



[22] Oxfam, 2023, Survival of the Richest, available: https://www.oxfam.org/en/research/survival-richest

[23] The Guardian, 2017, Aid In Reverse: How Poor Countries Develop Rich Countries

[24] Jubilee Debt Campaign, 2021, Lower Income Countries Spend Five Times More on Debt Payments than Dealing with Climate Change

Loss and Damage

Loss and damage is a legal term, which refers to the historical and ongoing irreparable loss of lives, land, livelihood and culture as a result of climate change. Cultural heritage is now understood as being a critical consideration in loss and damage. The inclusion of cultural heritage in the policy outcomes of COP27, recognises that culture is a vital part of society at all scales; from individuals through to communities and the places we inhabit.

A breakthrough decision was made at COP27 to provide a loss and damage fund for financial assistance to countries who are most vulnerable to climate change impacts. The size, detail of the fund and how it will work are yet to be decided and we remain far from talks that address reparations and responsibility.

In January 2023, Pakistan sought $8 billion from international governments, donors and international financial institutions to address loss and damage from devastating floods attributed to climate change, and driven by emissions from the Global North. The total costs of recovery are estimated to be $16.3 billion.

The International Monetary Fund (IMF) estimate global subsidies amounted to $5.9 trillion in 2020. These subsidies include undercharging for supply costs, undercharging for environmental impacts and from foregone consumption taxes.

Tax payer income is spent on subsidies to enable fossil fuels to profit, and then spent once again to pay for the loss and damages created through climate impacts.

The IMF predict that with efficient fuel prices in 2025, global CO_2 emissions could be reduced by 36%, 900,000 lives could be saved per year through reduced air pollution, and net economic benefits* would be 2.1% of global GDP.[25]

"...small island nations in the Caribbean every year worry about ... losing a third or more of their GDP ... you have created an economically impossible scenario."
— Achim Steiner, Administrator of the UN Development Programme

A global transformation to a low carbon economy is expected to require investments of $4-6 trillion USD per year. The UNFCCC note that *"Delivering such funding will require swift and comprehensive transformation of the financial system and its structures and processes, engaging governments, central banks, commercial banks, institutional investors and other financial actors."*[26]

Locally and globally, we need to break away from the failings of our current economic system, towards a new regenerative economy, for example, increasing community owned energy systems and solutions which empower people and remove reliance on global corporations.

* Defined as environmental benefits less economic costs

[25] International Monetary Fund, 2021, Still Not Getting Energy Prices Right: A Global and Country Update on Fossil Fuel Subsidies

[26] United Nations Climate Change, 2022, COP27 Reaches Breakthrough Agreement on New "Loss and Damage" Fund for Vulnerable Countries

How Tax Reliefs Favour Fossil Fuels

When governments provide substantial tax relief to fossil fuel companies for investment in oil and gas production, this has two main environmental consequences;

- firstly it means new oil and gas fields can be constructed quickly and easily with low upfront costs,
- secondly, it incentivises companies to invest in oil and gas over renewables (no similar tax relief or subsidy exists for renewables) and slows our transition to a cleaner energy system.[27]

Shell and BP both have paid no tax in the UK in recent years, receiving more money back from the UK government than they paid each year between 2015 and 2020 (with the exception of 2017 when Shell paid more than it received).

Between 2015 and 2021, Shell paid negative amounts of tax, totalling -£685m of tax in the UK.[28]

The big five oil and gas companies announced $200 billion of combined profits in 2022[29] whilst globally people face a cost of living crisis with many pushed into fuel poverty.

What makes up a subsidy?

Support from retail costs for fossil fuel products (often made attractive due to affordability).

External costs: paying for emissions, pollution and health.

e.g. taxes and aid to finance disaster relief from extreme weather events.

Subsidies:

A subsidy is 'a direct or indirect payment to individuals or firms, usually in the form of a cash payment from the government or a targeted tax cut.'[30]

Globally, fossil fuels subsidies were

$5.9 trillion

or **6.8% of GDP** in 2020

[27] E3G, 2022, Tax relief for oil and gas is trouble for UK bills and energy transition
[28] BBC, 2023, What is the Windfall Tax on Oil and Gas Companies?
[29] Offshore Technology, 2023, Big Oil profits soared to nearly $200bn in 2022
[30] Investopedia, 2022, Subsidies: Definition, How They Work, Pros and Cons

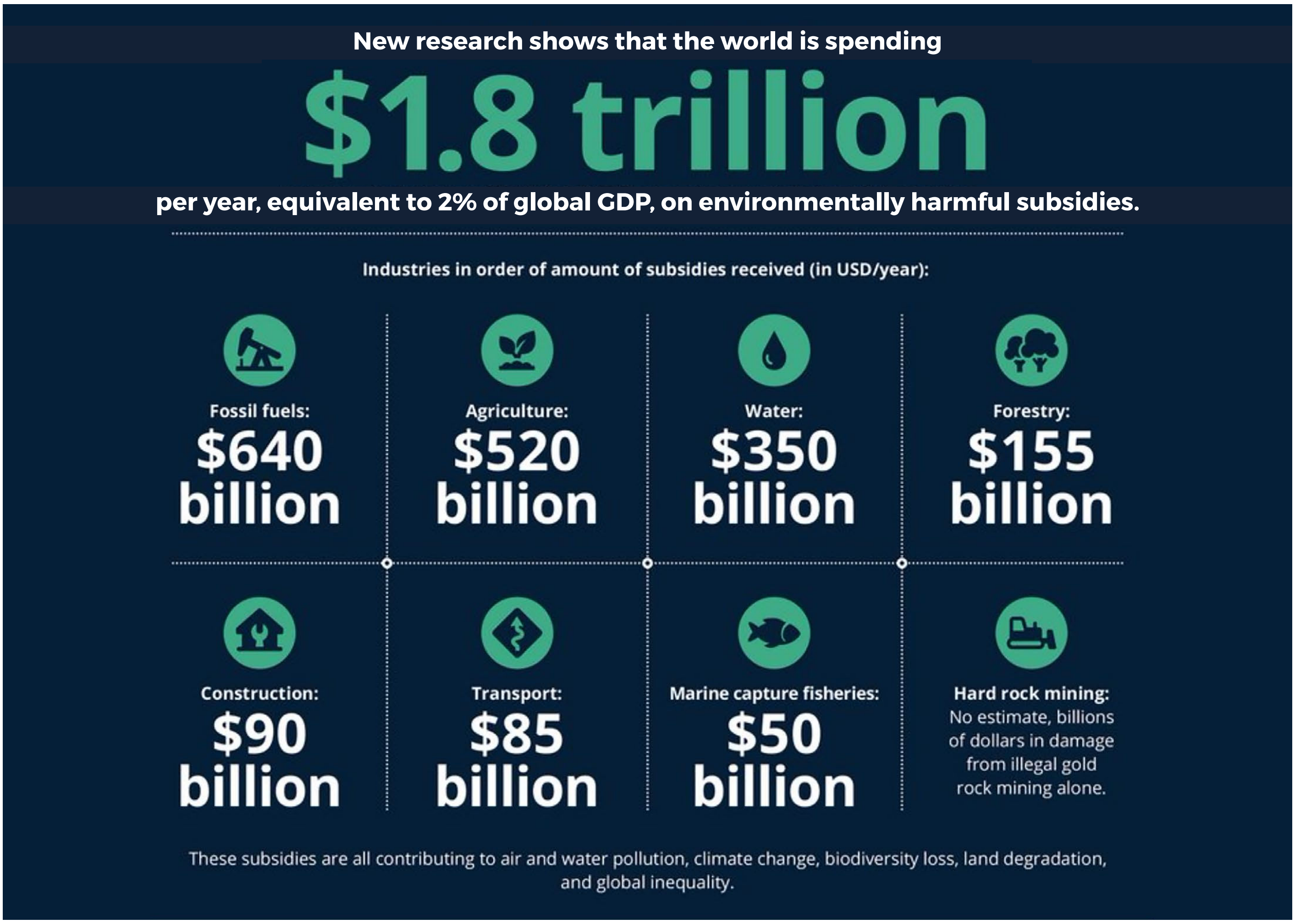
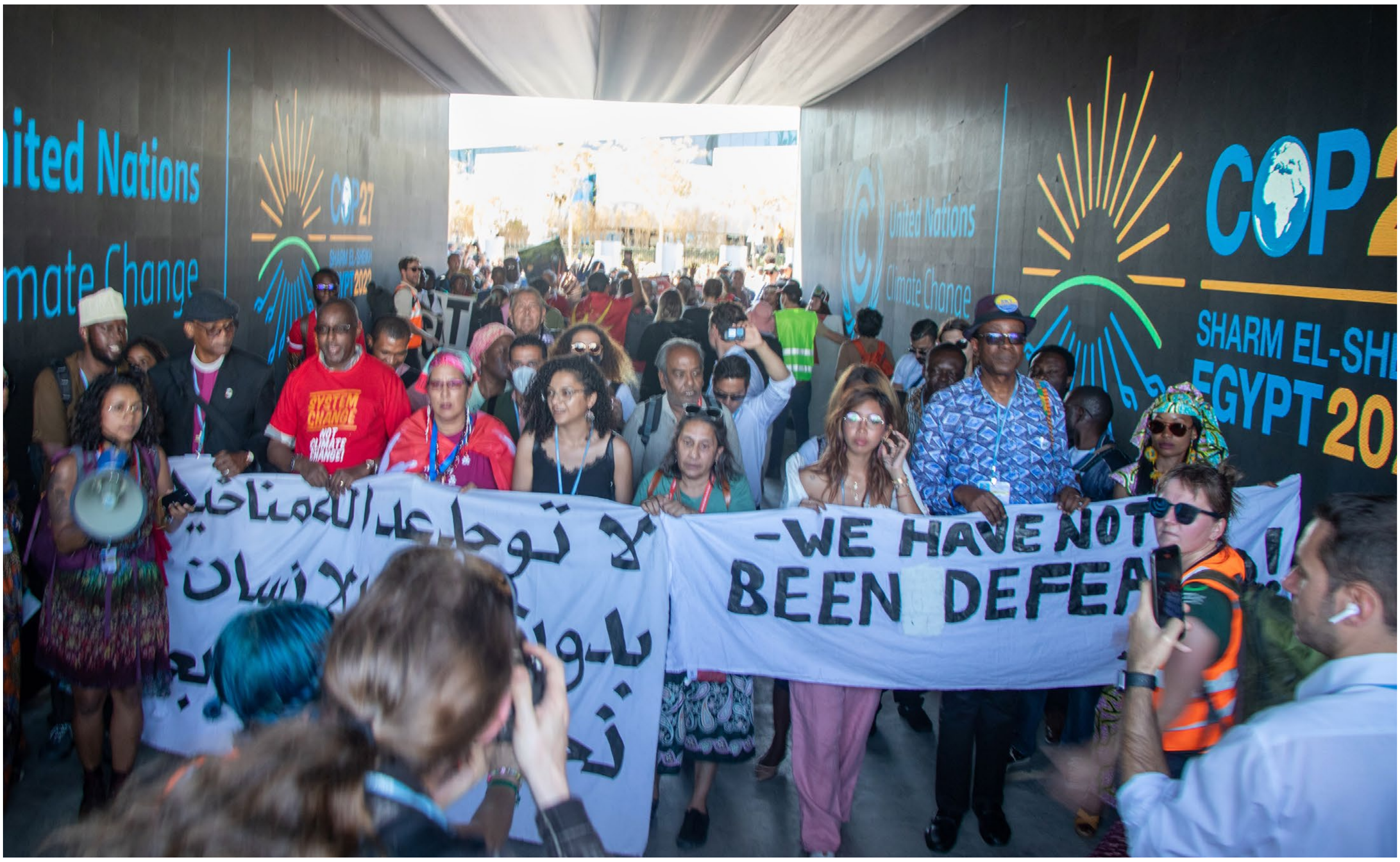


Fig 1, Source: https://www.businessfornature.org/news/subsidy-reform

What is Happening at the Climate (COP)* Negotiations?

Government policies continue to support fossil fuel investment – both nationally and internationally:

- Internationally, governments and major banks made a commitment through the Glasgow Climate Pact at COP26 to "the ***phasedown*** of unabated coal power and ***phase-out*** of inefficient fossil fuel subsidies."
- This was the first time that a COP decision referred to the reduction of fossil fuels, however, "unabated coal power" means in this context coal that isn't balanced out by carbon capture or similar technologies: this is not an agreement to keep fossil fuels in the ground.
- At COP27 India and some developed nations, proposed that all fossil fuels should be phased out entirely but some countries only wanted to commit to phasing down fossil fuels. COP27 failed to build on the progress made at COP26 and commitments remain the same.
- At COP15 UN Convention on Biological Diversity countries committed to a new goal to *'Progressively phase out or reform by 2030 subsidies that harm biodiversity by at least $500 billion per year…'* while also incentivising conservation and mobilising $200 billion per year by 2030 to fund biodiversity.[31]
- At COP27, for the first time ever, national governments included cultural heritage in statements on both loss and damage, and adaptation. This recognises that culture is both an asset to be protected from climate impacts and a resource to strengthen communities' transformative change.



*Conference of Parties

[31] Convention on Biological Diversity, 2022, COP15: Nations Adopt Four Goals, 23 Targets for 2030 in Landmark UN Biodiversity Agreement

What Can the Culture Sector Do?

Importantly, the arts and cultural sector can call on governments for change and help educate the wider public about the importance of changing the current finance model.

Building sustainable finance into your organisation's environmental policy and action plan can be an effective way to communicate your commitments and support staff to make changes. See Julie's Bicycle's guidance on policy and action plans here.

1 Pensions

- Divestment is a powerful and easy step to take. Check where your pension funds are held and whether the company has divested from fossil fuels.
- Examples of UK pension providers who have made a public commitment to divest from fossil fuels include the London Boroughs of Islington and Lambeth, Cardiff, and the Welsh Parliament.
- Check with your local authority whether they have committed to divest, from what, and by when.

Money Movers: are a movement of women, taking climate action with their finances, using the power of peer-support. So far, they have moved £1.2 million for the planet.

2 Banking

Find out how green your bank is. It is easy to switch your bank and when you do, explain why to your old service provider- demand change! For example, public pressure has led to HSBC announcing they will no longer provide new lending or capital markets finance for projects pertaining to new oil and gas fields and related infrastructure. Whilst it is unclear how comprehensive some of these measures are, this example shows the impact of collective action and how companies are slowly starting to respond to pressure from their customers.

Bank.Green – has established Fossil Fuel Certification for financial organisations and institutions to use as a way of informing customers that they do not invest in fossil fuels. They also have a list of 'eco-banks'

3 Sponsorship – Refuse 'artwashing'

- Assess your sponsorship deals and any ties to fossil fuel investments.
- Develop a board approved ethical fundraising policy for inclusion in your organisation's environmental plans.

Culture Unstained are a research, engagement and campaigning organisation which aims to end fossil fuel sponsorship of culture. They call on arts and cultural organisations to cut their ties to fossil fuels, with the aim of undermining the social legitimacy that the industry gains from these relationships.

4 Advocate for Change

- Collaborate with the wider sector to engage audiences and stakeholders in issues relating to sustainable finance and advoate for collective action which will address challenges such as the elimination of harmful subsidies.

Further Reading

- GoFossilfree.org
- www.divest.org.uk
- IEA World Energy Investment Report 2022
- The State of Finance for Nature in the G20 report
- Earth Track, Protecting Nature by Reforming Environmentally Harmful Subsidies: The Role of Business
- Make My Money Matter
- Bank on our Future are a global network of international organisations and social movements, committed to pressuring the biggest banks to align their business practices with a fair and habitable future.

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