Canada

Annex I party

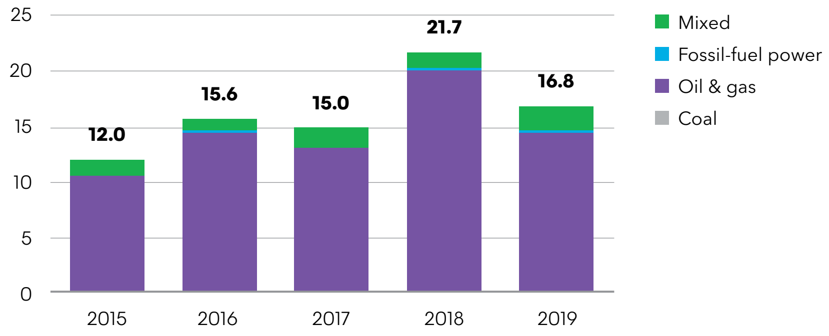
Canada's new emission target for 2030 announced at April's Earth Day summit would require relatively little additional effort to achieve provided the country maintains current trends in energy efficiency and clean fuels. This is not a foregone conclusion, however - and an even steeper reduction will be needed to meet the national 2050 net-zero target, which was approved in June 2021. With a relatively low-carbon power system, federal and provincial policy makers will have to strengthen support to decarbonize buildings and industry and tackle the country's fossil-fuel value chain.

- In 2016, the Trudeau government committed to phase out inefficient fossil-fuel subsidies by 2025 – in line with the G-20 pledge first made in 2009. Yet Canada raised this support by 40% from 2015-19 – the second-largest increase among the G-20.
- Over 80% of the total in 2019 comprised public finance for oil and gas producers and utilities, putting Canada in the top 3 for this type of support. The remainder was in the form of tax breaks. The results of its mutual peer review of supports with Argentina have yet to be released.
- A nationwide carbon price was introduced in 2019. Provinces and territories must have a system that meets the federal standard – set at C$40 ($31) per metric ton in 2021, rising to $C170 ($130) by 2030. If they fail to do so, a 'federal backstop' kicks in, comprising a tax and a baseline-and-credit program (Output Based Pricing System). The Supreme Court ruled in March 2021 that climate change is a national threat and thus the backstop is constitutional, following appeals from some provinces.
- Canada, as a G-7 member, said it backed "moving towards" mandatory climate-risk disclosure and it has 89 TCFD supporters, of which more than half are financials. But the only mandatory policy is for large companies to publish TCFD reporting to access Covid-19 recovery financing.
- Part of the NGFS initiative, Canada's central bank is discussing how to define and some climate-risk stress-tests. Canada is also working on its own green taxonomy, but the project has already been delayed. Its only ESG disclosure policy for investors applies to pension funds in Ontario.

Fossil-fuel support

Total (2015–19)	$81 billion
Share spent on coal (2019)	0.1%
Share targeted at producers & utilities (2019)	93%

Fossil-fuel support ($billion)



Source: OECD, IEA, Oil Change International, ODI, IISD, BloombergNEF.

Carbon pricing

Carbon-pricing policy	√
National emissions covered by carbon price	78%
Average carbon price (2020)	$31/metric ton

Climate risk disclosure

Mandatory TCFD policy	*In certain cases*	√
Corporate, financial and government TCFD supporters		**89**
Investor climate-risk policy		X
Central bank climate-risk stress-testing	*Planned for 2022*	X
Environmental taxonomy	*In development*	X

China

Non-Annex I party

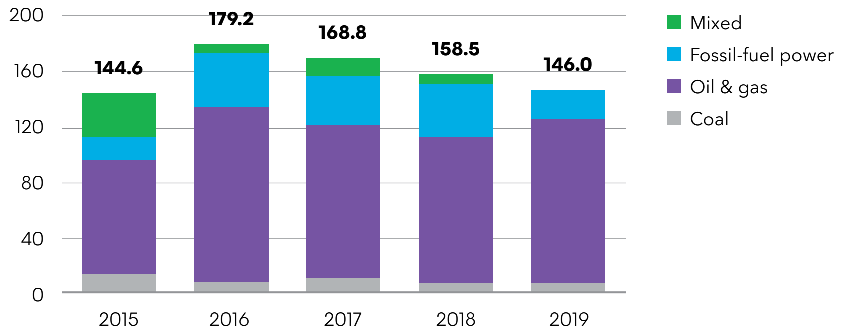
China intends to limit additional coal consumption during 2021-25 and reduce total consumption 2026-30, President Xi Jinping said during April's Earth Day summit. A more ambitious 2030 target would be needed to put China on a path to carbon neutrality by 2060 – the pledge announced by Xi in September 2020. The country is the largest wind and solar market and leads the world in electric-vehicle deployment. Its industrial sector will likely be the most challenging to decarbonize, even with the government's intention to shift away from a resource-driven energy-intensive economy.

- In 2019, China provided $146 billion in fossil-fuel support, by far the most among the G-20 and nearly double what runner-up Russia provided. Some 57% of China's total was in the form of investment by state-owned oil and gas producers. A further fifth of the support was targeted at consumers of fossil fuels and fossil-fuel-fired power.
- The results of its peer review of fossil-fuel subsidies with the U.S. were announced in 2016, including a reform plan for China. Since then consumer price support and public finance have declined but these trends have been outweighed by the increases in other types of support.
- China's national carbon market covering the power sector began in 1Q 2021. In the long term, this policy could help cut emissions. In the shorter term, its design (e.g., no absolute emission cap) will mean it is less of a driver of decarbonization than other policies such as the energy intensity limits and RPS targets. In the meantime, the eight provincial-level cap-and-trade schemes continue.
- China has no policy support encouraging or enforcing TCFD reporting and very low support among companies. Investors are also not required to report climate risk.
- However, the country intends to collaborate with the EU on creating green investment standards by merging their environmental taxonomies. It is also working to establish the instruments, standards, rules and institutions comprising a 'green financial system'.

Fossil-fuel support

Total (2015–19)	$793 billion
Share spent on coal (2019)	4.9%
Share targeted at producers & utilities (2019)	69%

Fossil-fuel support ($billion)



Source: OECD, IEA, Oil Change International, ODI, IISD, BloombergNEF.

Carbon pricing

Carbon-pricing policy	√
National emissions covered by carbon price	43%
Average carbon price (2020)	$6/metric ton

Climate risk disclosure

Mandatory TCFD policy	X
Corporate, financial and government TCFD supporters	18
Investor climate-risk policy	X
Central bank climate-risk stress-testing	X
Environmental taxonomy	√

France

Annex I party

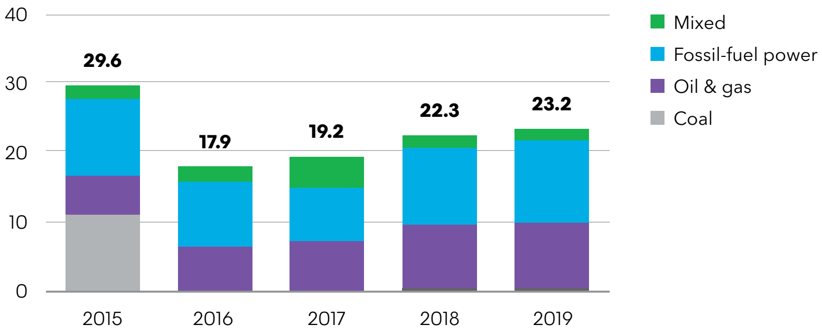
France was one of the first countries in the world to legislate a net-zero target and the EU's 2030 emission target is also bold. France has implemented a relatively strong set of policies to achieve these pledges.

- Having increased fossil-fuel support by 24% over 2015–19, France had the highest per-capita total in 2019 ($347) of the OECD countries. It is therefore the only EU member state that is not deemed to be making progress on eliminating fossil-fuel support. France and India pledged in 2019 to undertake a peer review of their fossil-fuel subsidies.
- Half of France's 2019 total comprised investment by state-owned enterprises involved in oil and gas and fossil-fuelled power. A further 43% came in the form of tax breaks for energy consumers. The government is set to close the remaining coal-fired power capacity by end-2022 and has pledged not to add any new gas capacity. Its public finance institutions are banned from investing in coal, with partial restrictions on oil and gas.
- France is a participant of the EU ETS – the bloc's flagship climate policy. In addition, it has a carbon tax covering 35% of national emissions. This tax was originally scheduled to increase to 86 euros ($101) per metric ton in 2022, but it has been frozen at 44.60 euros ($52.4) since 2019.
- As France is an EU member state, climate-risk assessment is mandatory under the Taxonomy and the Sustainable Finance Disclosure Regulation (SFDR), which came into force in March 2021, and TCFD is the recommended reporting framework. The concept of dual materiality is also embedded in the EU's sustainable finance disclosure regime.
- At national level, France has a large pool of TCFD supporters, mostly represented by financials and some large industrial companies. The government was one of the first to impose environmental reporting from asset managers and recently the central bank ran its first climate-risk stress-testing.

Fossil-fuel support

Total (2015–19)	$101 billion
Share spent on coal (2019)	1.3%
Share targeted at producers & utilities (2019)	59%

Fossil-fuel support ($billion)



Source: OECD, IEA, Oil Change International, ODI, IISD, BloombergNEF.

Carbon pricing

Carbon-pricing policy	√
National emissions covered by carbon price	80%
Average carbon price (2020)	$60/metric ton

Climate risk disclosure

Mandatory TCFD policy	*In certain cases*	√
Corporate, financial and government TCFD supporters		**105**
Investor climate-risk policy		√
Central bank climate-risk stress-testing	*National. In development at EU level*	√
Environmental taxonomy		√

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Germany

Annex I party

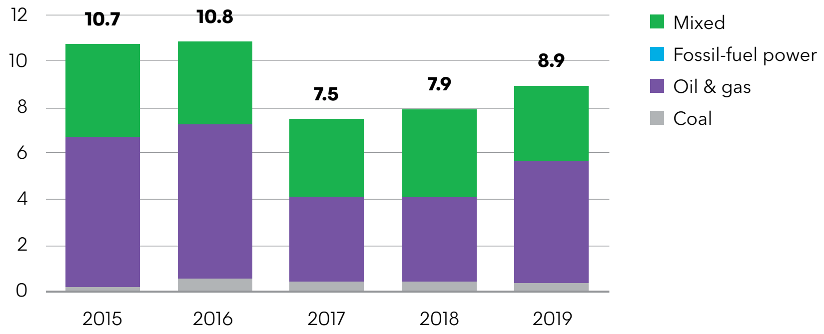
Germany aims to reach net-zero emissions by 2045, having agreed in June 2021 to bring forward the deadline by five years. This announcement came after the country's highest court ruled that the government's 2019 climate law put future generations at risk by delaying the bulk of emission reductions to after 2030. The government will need to introduce more concrete policy measures to achieve these new ambitions, although Germany already has the strongest set of decarbonization policies among the G-20, according to separate BNEF analysis.

- Germany provides less direct fossil-fuel support compared with the other EU member states in the G-20, having achieved a 17% cut on 2015 levels. Public finance accounts for nearly two-thirds of Germany's total, focused on oil and gas producers.
- Its mutual peer review with Mexico identified 22 measures that favored fossil fuels but Germany only identified two as "inefficient". These two ended as part of an EU commitment to end supports for hard coal.
- Launched in 2021, Germany's national emission-trading scheme covers heat and transport. The program could provide a blueprint for the EU, which is considering adding heat and transport emissions into the scope of the EU ETS, of which Germany is also a member.
- Climate-risk assessment is mandatory in Germany through the EU Taxonomy and the Sustainable Finance Disclosure Regulation (SFDR), and TCFD is the recommended reporting framework. The concept of dual materiality is also embedded in the EU's sustainable finance disclosure regime.
- But Germany is far behind France when it comes to TCFD supporters, which are mostly financial institutions. Germany has some ESG risk rules covering insurers, and EU climate-risk policies apply to asset managers as does stress-testing by the European Central Bank. The Deutsche Bundesbank is also part of the NGFS initiative.

Fossil-fuel support

Total (2015–19)	$46 billion
Share spent on coal (2019)	4.5%
Share targeted at producers & utilities (2019)	71%

Fossil-fuel support ($billion)



Source: OECD, IEA, Oil Change International, ODI, IISD, BloombergNEF.

Carbon pricing

Carbon-pricing policy	√
National emissions covered by carbon price	85%
Average carbon price (2020)	$49/metric ton

Climate risk disclosure

Mandatory TCFD policy	*In certain cases*	√
Corporate, financial and government TCFD supporters		**45**
Investor climate-risk policy		√
Central bank climate-risk stress-testing	*In development at EU level*	**X**
Environmental taxonomy		√

India

Non-Annex I party

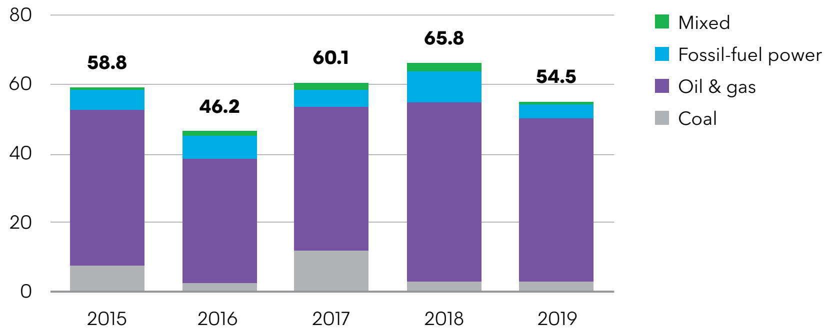
The Indian government finds itself under pressure to clarify its short- and long-term climate ambitions after other major economies announced carbon-neutrality goals or more ambitious Nationally Determined Contributions. It has set up a task force to consider potential timelines and pathways for reach net-zero emissions. The country may request financial support from other countries in return for a net-zero pledge. Or it could opt for a near-zero emission target, as it seeks to balance the need to tackle climate change and to enable economic development.

- India reduced spending on consumer energy subsidies by 4% over 2015–19, but the government still provides significant support for oil consumption. In addition, investment by state-owned oil and gas producers grew by a third over the period.
- State-owned enterprises play a key role in India's energy sector: over half of electricity generation capacity is owned by national or subnational government, especially fossil-fuel-fired assets. However, the central administration aims to divest state-owned companies and raise some 1.75 trillion rupees ($13.7 billion), Finance Minister Nirmala Sitharaman said in her budget speech in February.
- India lacks a national carbon pricing scheme. The state of Gujarat has a pilot cap-and-trade program for particulate matter (PM2.5). The success of this could see further roll-out of such schemes, for air pollution or carbon emissions. However, a national market is likely a long way off.
- Despite having no mandatory requirement or incentive to publish TCFD reporting, India counts 42 supporters. Nonetheless, it has no government policy on climate-risk reporting, nor ESG disclosure rules for investors. The Securities and Exchanges Board of India introduced new ESG reporting requirements for listed entities in May 2021 and the central bank joined the NGFS initiative in April.

Fossil-fuel support

Total (2015–19)	$284 billion
Share spent on coal (2019)	5.1%
Share targeted at producers & utilities (2019)	37%

Fossil-fuel support ($billion)



Source: OECD, IEA, Oil Change International, ODI, IISD, BloombergNEF.

Carbon pricing

Carbon-pricing policy	X
National emissions covered by carbon price	0%
Average carbon price (2020)	n/a

Climate risk disclosure

Mandatory TCFD policy	X
Corporate, financial and government TCFD supporters	**42**
Investor climate-risk policy	X
Central bank climate-risk stress-testing	X
Environmental taxonomy	X

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