Indonesia

Non-Annex I party

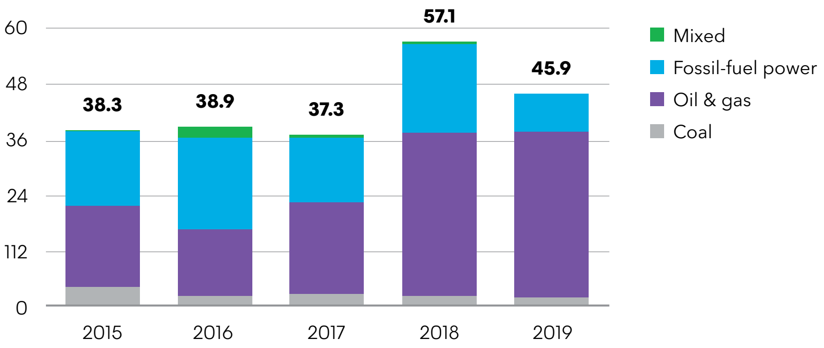
Indonesia's NDC target is relatively modest, as it would allow for an 81% increase in emissions by 2030 (compared to a 2010 baseline). The government has begun exploring a net-zero target. However, as with other developing countries, Indonesia may request financial support from developed nations in return for such a commitment. The government would also need to increase significantly support measures to promote decarbonization and improve overall policy and investor certainty.

- Indonesia undertook significant reforms of its power and petroleum subsidies over 2014–17. But the government still provides considerable fossil-fuel support, which rose 27% between 2017 and 2019. This increase has been largely driven by subsidized retail energy prices.
- Another contributor has been the 51% growth in investment by state-owned enterprises over 2017–19. These companies play an important role in the downstream oil and gas sector, and utility PLN owns over two-thirds of the power generation capacity and has a monopoly on transmission and distribution.
- Indonesia is in the early stages of designing an emission-trading system, having begun voluntary trials by some power plants in March 2021. The plan would be to make the program mandatory. In addition, the government submitted a draft law to Parliament on June 28, to implement a carbon tax of 75,000 rupiah ($5.2) per metric ton. (Because the tax has yet to be approved and the emission-trading program is at a pilot stage only, we have not included them in our calculation of emissions covered by a carbon price.)
- With only six TCFD supporters, Indonesia has no policy or other incentive pushing investors to publish in alignment with this framework.
- The government has yet to implement any climate-risk policy, although the central bank is a member of the NGFS initiative, which could lead to climate-risk stress-testing in the future.

Fossil-fuel support

Total (2015–19)	$216 billion
Share spent on coal (2019)	4.6%
Share targeted at producers & utilities (2019)	40%

Fossil-fuel support ($billion)



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

Carbon pricing

Carbon-pricing policy	*Under discussion* **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	**6**
Investor climate-risk policy	**X**
Central bank climate-risk stress-testing	**X**
Environmental taxonomy	**X**

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Italy

Annex I party

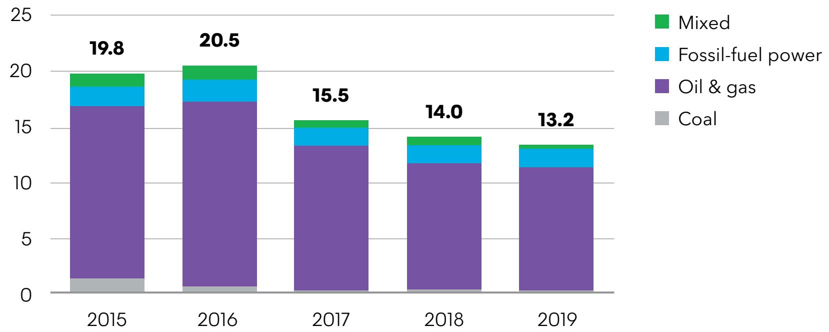
Unlike fellow EU member states France and Germany, Italy has not set a national net-zero target. However, the EU-level commitment was legislated on June 28, 2021, together with an ambitious emission-reduction goal for 2030. Achieving these targets will require the Italian government to ramp up policy support for clean technologies and energy efficiency, in particular for industry and low-carbon fuels.

- Italy achieved the third-largest decrease in fossil-fuel support over 2015–19 (33%) and the largest for the OECD members of the G-20. Nearly three-quarters of its 2019 total was in the form of tax breaks (mostly for consumers). These also accounted for nearly all of the measures identified in Italy's peer review with Indonesia.
- The government has begun to decarbonize the power system, reducing the share of fossil-fuel generation from 78% in 2010 to 64% in 2019. But the fossil-fuel power sector retains a sizeable share of total support (12%) compared with other developed G-20 countries.
- As a participant in the EU ETS, Italy has seen carbon prices average 32.34 euros ($38.39) over the last year – up from 24.74 euros ($27.41) in the preceding 12 months. Unlike France and Germany, Italy has no separate carbon pricing scheme of its own.
- Climate-risk assessment is required in Italy through the EU Taxonomy and the Sustainable Finance Disclosure Regulation and TCFD is the recommended framework. However, Italy has few TCFD supporters, which would make it more difficult to implement a mandatory TCFD policy.
- Asset managers must perform some generic sustainability reporting but the development of the climate-risk policies will directly impact them too. Italy's central bank is part of the NGFS initiative.

Fossil-fuel support

Total (2015–19)	$83 billion
Share spent on coal (2019)	1.2%
Share targeted at producers & utilities (2019)	29%

Fossil-fuel support ($billion)



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

Carbon pricing

Carbon-pricing policy	√
National emissions covered by carbon price	45%
Average carbon price (2020)	$67/metric ton

Climate risk disclosure

Mandatory TCFD policy	*In certain cases* √
Corporate, financial and government TCFD supporters	**17**
Investor climate-risk policy	√
Central bank climate-risk stress-testing	*In development at EU level* X
Environmental taxonomy	√

Japan

Annex I party

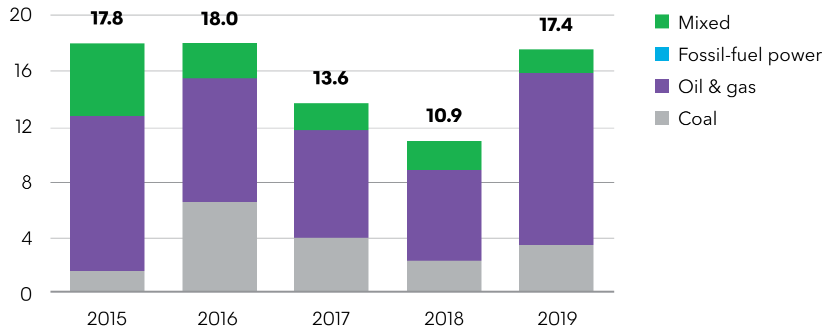
Japan aims to cut emissions 46–50% by 2030 vs. 2013 levels – a marked increase in ambition from its previous target of 26%. Achieving its 2030 goal and pledge to reach net zero by 2050 will require the country to accelerate decarbonization of the power sector and electrification of end-use sectors like transport.

- Japan presents a mixed picture on fossil-fuel support, having achieved only a 3% reduction over 2015–19. The government provides relatively little subsidies on retail energy prices.
- However, its public financial institutions continue to offer considerable support to fossil-fuel producers, especially coal and gas – both domestically and abroad. Much of this funding has been gone into other Asian countries, notably Indonesia and Vietnam. In 2020, the government said that, in principle, its institutions would not finance overseas coal-power plants in a country without a decarbonization policy. However, there are exceptions. In addition, as a member of the G-7, Japan pledged to end international coal-power finance by end-2021, although the agreement was too vague to be meaningful.
- Japan's carbon tax, introduced in 2012, covers just over two-thirds of national emissions. However, it has little effect in practice due to its low rate ($3 per metric ton). At the subnational level, Tokyo and the Saitama Prefecture have linked baseline-and-credit systems for energy-use-related emissions from the industry, power and buildings sectors. The government has begun discussions on a national carbon price.
- Japan has by far the highest number of TCFD supporters and, together with the rest of the G-7, it said it was in favor of "moving towards" mandatory climate-risk disclosure in June 2021. The government began to recommend this reporting framework in 2019 at the launch of the TCFD Consortium – a private-sector initiative to promote discussion on corporate climate-risk disclosure. It has since published some guidance documents.
- Japan currently lacks specific climate-risk regulations for investors. However the Bank of Japan said in March 2021 that it would begin to check financial institutions' preparations for addressing climate risk in its next bank examinations. The Bank is part of the NGFS initiative.

Fossil-fuel support

Total (2015–19)	$78 billion
Share spent on coal (2019)	20%
Share targeted at producers & utilities (2019)	91%

Fossil-fuel support ($billion)



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

Carbon pricing

Carbon-pricing policy	√
National emissions covered by carbon price	68%
Average carbon price (2020)	$3/metric ton

Climate risk disclosure

Mandatory TCFD policy	*Recommended only* X
Corporate, financial and government TCFD supporters	**389**
Investor climate-risk policy	*Generic ESG reporting* X
Central bank climate-risk stress-testing	*Planned* X
Environmental taxonomy	X

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Mexico

Non-Annex I party

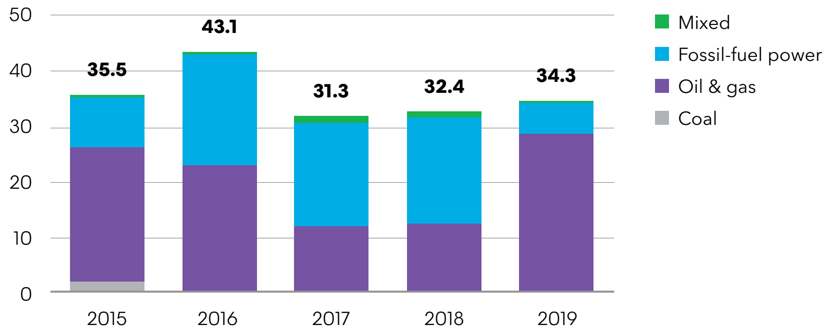
Mexico's current NDC target is not in line with the goals of the Paris Agreement and the government has shown little interest in boosting its ambition. Instead, President Andrés Manuel López Obrador's (AMLO) explicit efforts to reverse parts of the 2013–14 energy reform and block renewable power deployment stand to impede decarbonization.

- Mexico made some progress in reducing fossil-fuel support over 2013–17 through its reform of petroleum-fuel pricing and taxation. However, since the publication of its peer review with Germany in 2017, the country has seen support slowly creep up, rising 9% over 2017–19. Over this period, the government has cut retail energy price supports by a further 73%. But this decline has been mitigated by significant growth in budgetary transfers, tax breaks and public finance.
- AMLO, who came to power in 2018, has also prioritized development of state-owned oil and power companies in the name of "energy sovereignty". As a result, investment by state-owned enterprises – notably Pemex – accounts for a sizeable slice (41% in 2019) of total fossil-fuel support.
- Mexico's pilot emission-trading scheme began in 2020, covering power and industry. All permits are given for free, although participants will receive less free allocation during the next period if they fail to comply. The program should be fully operational by 2022. It also has a national carbon tax, with a maximum rate around $2 per metric ton. Some states have implemented or are planning their own carbon taxes.
- Mexico has a low number of TCFD supporters but since 2020 the central bank has supported the creation of more regulations to enforce the disclosure of climate risks borne by financial institutions. It advocates TCFD as a reporting standard. However, there is low awareness: a survey by the central bank and UNEP found that 70% of banks and 85% of asset owners are unfamiliar or have just started learning about the TCFD. It also found that only half of the financial institutions consider that environmental risks can impact them financially.

Fossil-fuel support

Total (2015–19)	$175 billion
Share spent on coal (2019)	0%
Share targeted at producers & utilities (2019)	49%

Fossil-fuel support ($billion)



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

Carbon pricing

Carbon-pricing policy	√
National emissions covered by carbon price	63%
Average carbon price (2020)	$2/metric ton

Climate risk disclosure

Mandatory TCFD policy	*Recommended only*	X
Corporate, financial and government TCFD supporters		**20**
Investor climate-risk policy	*Generic ESG reporting for pension funds*	X
Central bank climate-risk stress-testing		X
Environmental taxonomy		X

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Russia

Annex I party

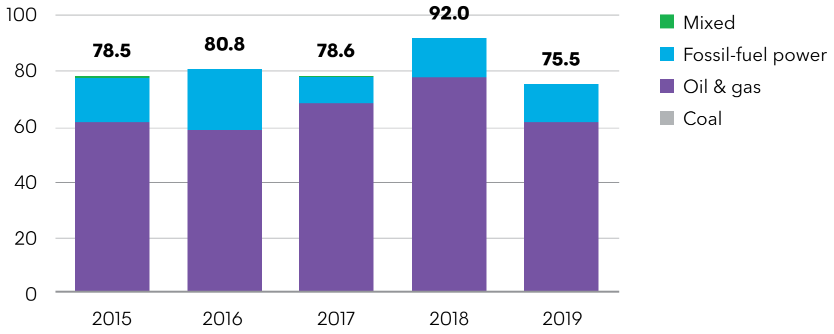
Russia's 2030 emission target lacks ambition and the government has introduced limited policy measures to spur decarbonization. However, the government is exploring how to diversify the economy and a new climate policy was approved by the State Duma (lower house) in April. If passed by parliament, the law would introduce a system for companies to monitor and report their emissions.

- Among the G-20, Russia provided the second-largest sum of fossil-fuel support in 2019 and the third highest on a per-capita basis. As a leading fossil-fuel producer, it is less than a surprise that around two-thirds of support benefits producers and utilities.
- This is mainly thanks to investment by state-owned enterprises and tax breaks. Some 50% of oil extraction was eligible for subsidized fiscal rates in 2019 – up from 30% in 2013. This share is expected to exceed 90% in 2035, according to the finance ministry.
- Russia has no carbon pricing systems in place. However, national and regional policy makers agreed in January on a roadmap to set up a pilot emission-trading scheme in the eastern region of Sakhalin. The plan would still require legal approval by the State Duma. The potential introduction of the EU's carbon border adjustment tax could accelerate Russia's plans for emission trading.
- Support for climate-risk disclosure is weak in Russia: the country has almost no TCFD supporters, and the government and central bank have not issued a recommendation to incentivize market participants to use report using the framework.
- In a consultation paper launched in June 2020, Russia's central bank invited market participants to consider climate risk impacts on financial institutions. However the country is still lacking a regulatory framework.

Fossil-fuel support

Total (2015–19)	$406 billion
Share spent on coal (2019)	0.2%
Share targeted at producers & utilities (2019)	67%

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	3
Investor climate-risk policy	X
Central bank climate-risk stress-testing	X
Environmental taxonomy	X

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