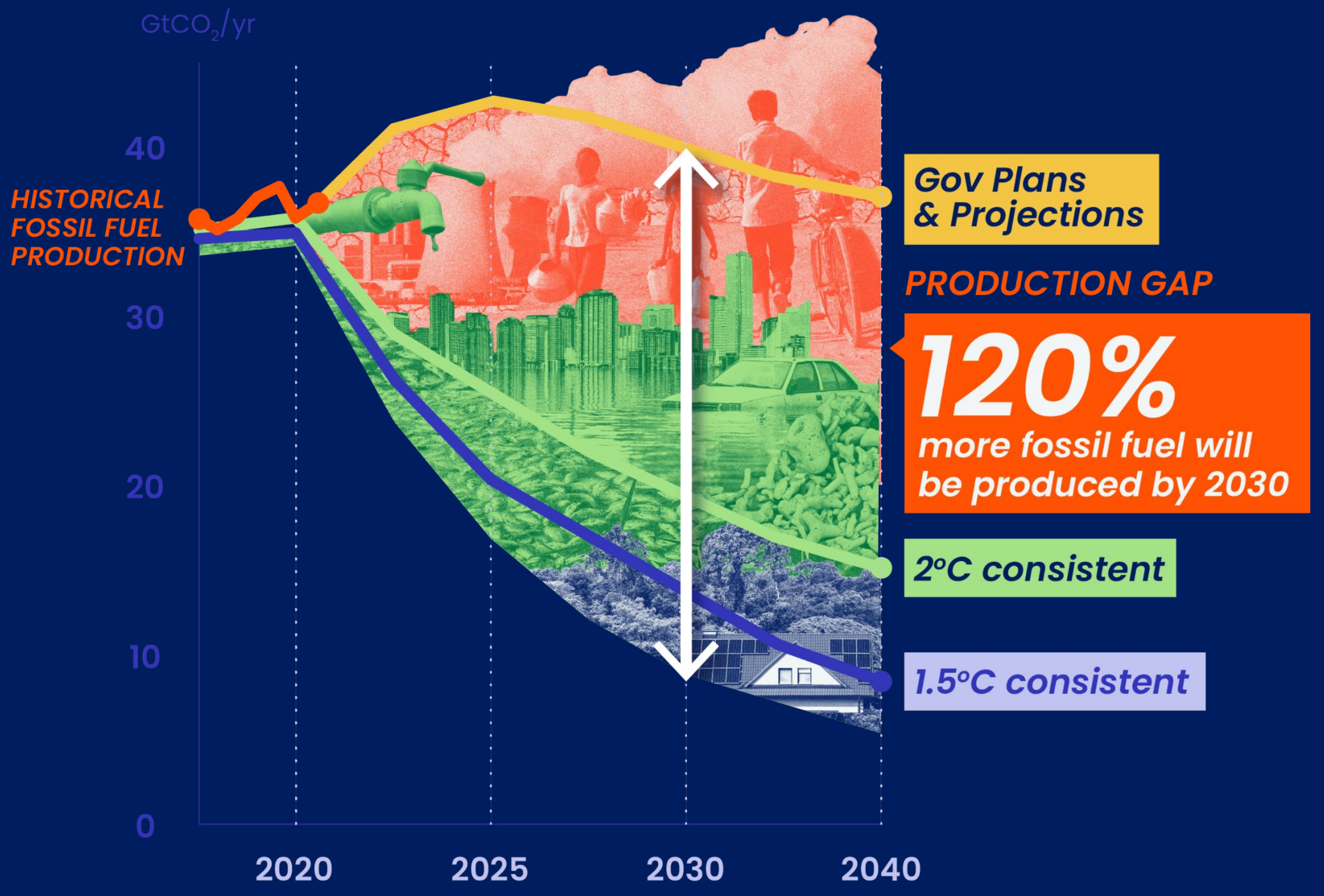
FOSSIL FUEL TREATY

Fair finance and international cooperation for a just transition

10 FEB 2026
JAKARTA



GtCO2/yr
40
30
20
10
0
HISTORICAL FOSSIL FUEL PRODUCTION
2020
2025
2030
2040
Gov Plans & Projections
PRODUCTION GAP
120%
more fossil fuel will be produced by 2030
2°C consistent
1.5°C consistent

3 PILLARS OF A FOSSIL FUEL TREATY

A Just Transition

Help countries move their economies away from fossil fuels, including technical and financial support for nations with less capacity to transition.

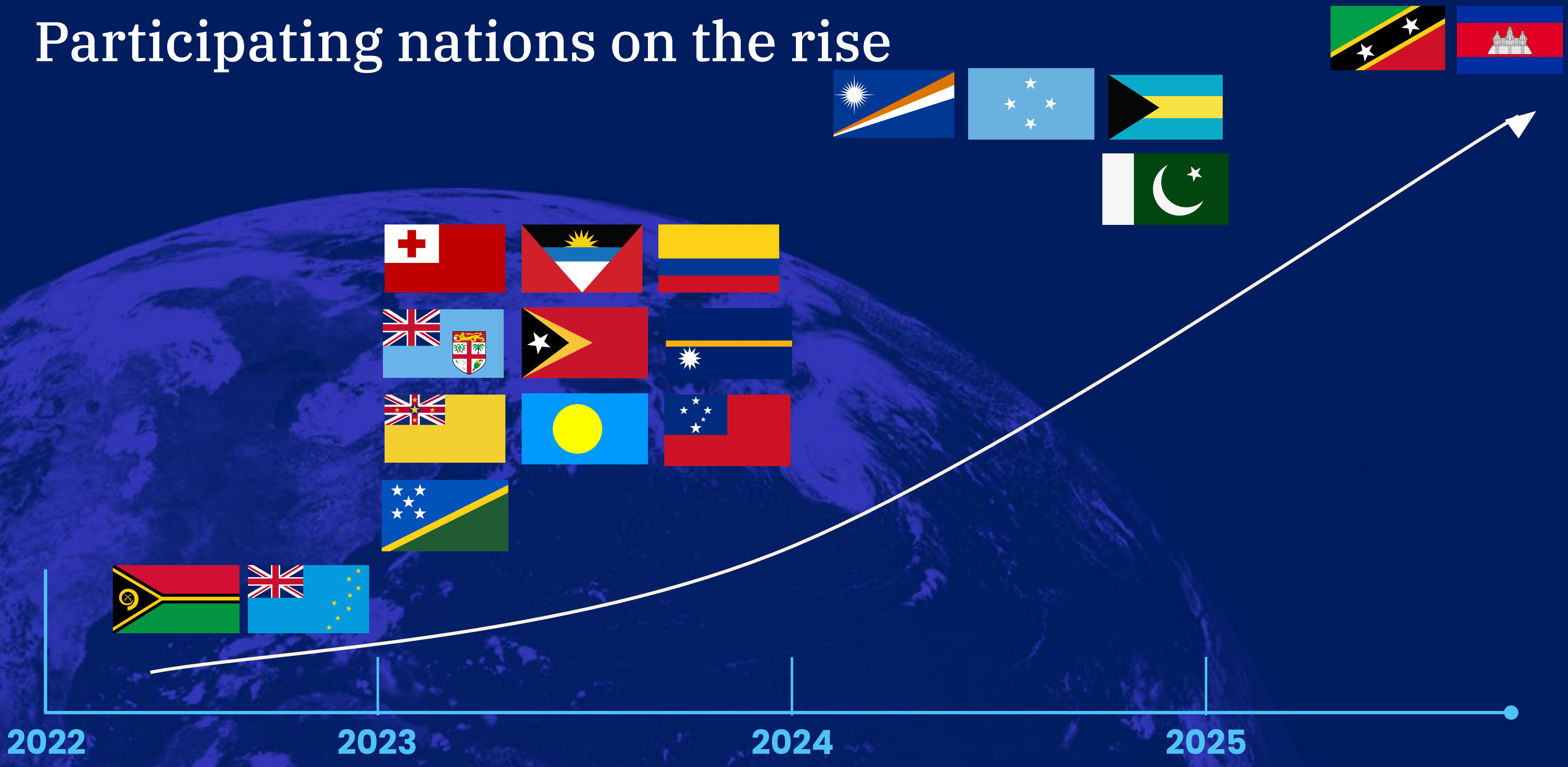
Non-Proliferation

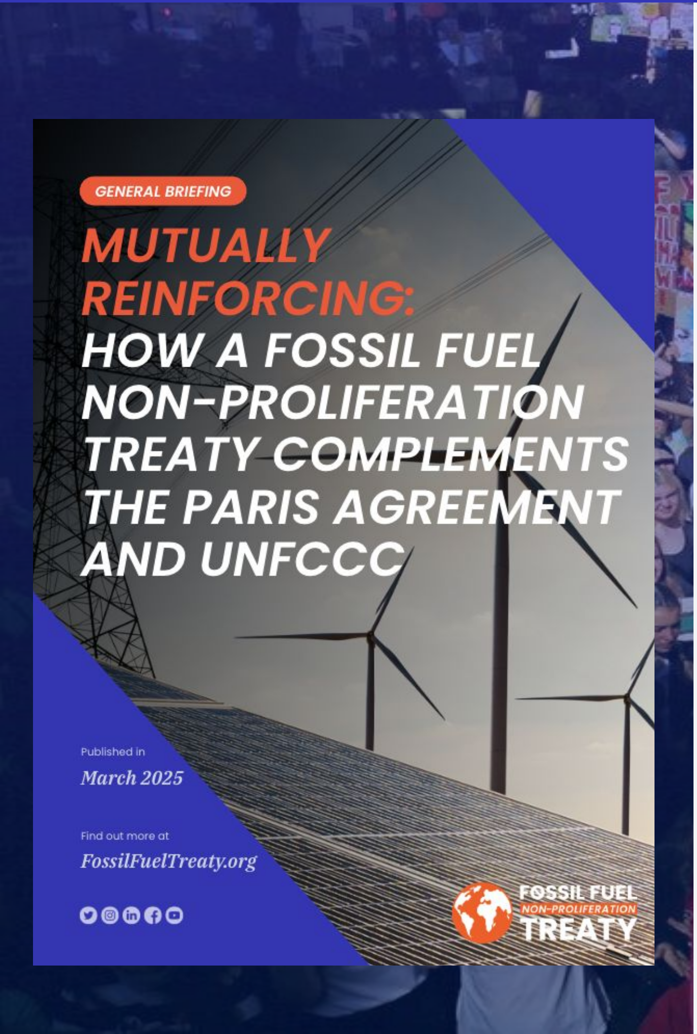
Stop making the climate crisis worse by **ending the expansion of any new coal, oil and gas production and infrastructure.**

A Fair Phase Out

Phase out existing fossil fuel production to limit warming to below 1.5°C, with wealthy nations moving first and fastest.

Participating nations on the rise





UNFCCC decisions lack implementation measures

e.g. 'accelerating efforts towards the phase-out of unabated coal power and inefficient fossil fuel subsidies' (1/CMA.3, para 36) & 'Transitioning away from fossil fuels in energy systems, in a just, orderly and equitable manner, accelerating action in this critical decade, so as to achieve net zero by 2050 in keeping with the science' (1/CMA.5, para 28(d)).

A Treaty can help by:

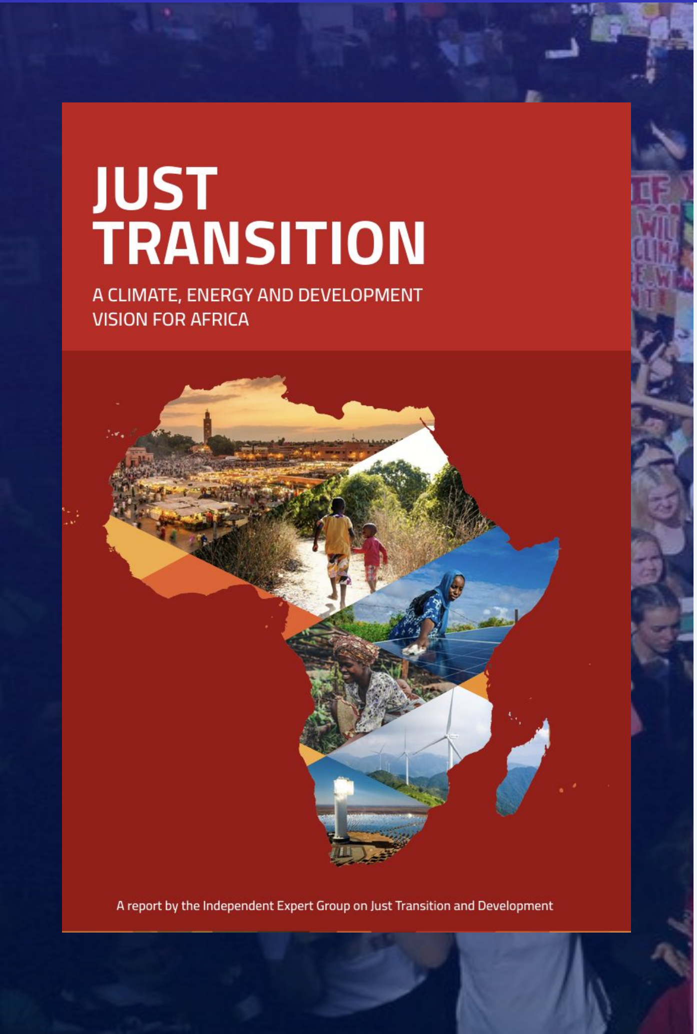
- ➔ ***Creating obligations relating to fossil fuel phase out*** – that support effective fulfillment of the letter and spirit of the Paris Agreement and UNFCCC.
- ➔ ***Establishing the coordinated measures and steps needed at the multilateral level*** to fill the policy gap through a specific, tailored instrument focused explicitly on fossil fuel supply.

While the Fossil Fuel Treaty will contribute to international governance on climate change, it will not solely be a climate treaty. Fossil fuel extraction undermines all 17 SDGs.

Barriers to a Just Global Transition that international cooperation and solidarity should address

The barriers to fossil fuel phase out - both consumption and production - are structural:

- ➔ ***Debt injustice*** - the debt crisis is escalating and the multilateral system is failing to respond (e.g. G20 CF, FFD4). African nations are particularly affected; more is spent on debt interest alone than health or education in many countries; multilateral money is being used to pay private creditors.
- ➔ ***Capital costs*** - highly prohibitive e.g. the weighted cost of capital for renewables on the African continent 15.6% despite huge potential. IFIs and banks are yet to respond beyond talk-shops
- ➔ ***"Innovative financing"*** - siloed, lack transparency, driven by loans (e.g. JETPs) exacerbating debt rather than being based in the principle of reparations. Commercial financing → severe debt risks
- ➔ ***Trade injustice*** - nothing meaningful is being done to address trade inequities, including unilateral measures, which is why it's ended up in the UNFCCC negotiations. Nations can't progress a just transition away from fossil fuels in this context. Intellectual property rights are weighted in favour of northern countries and companies preventing endogenous use and knowledge transfer

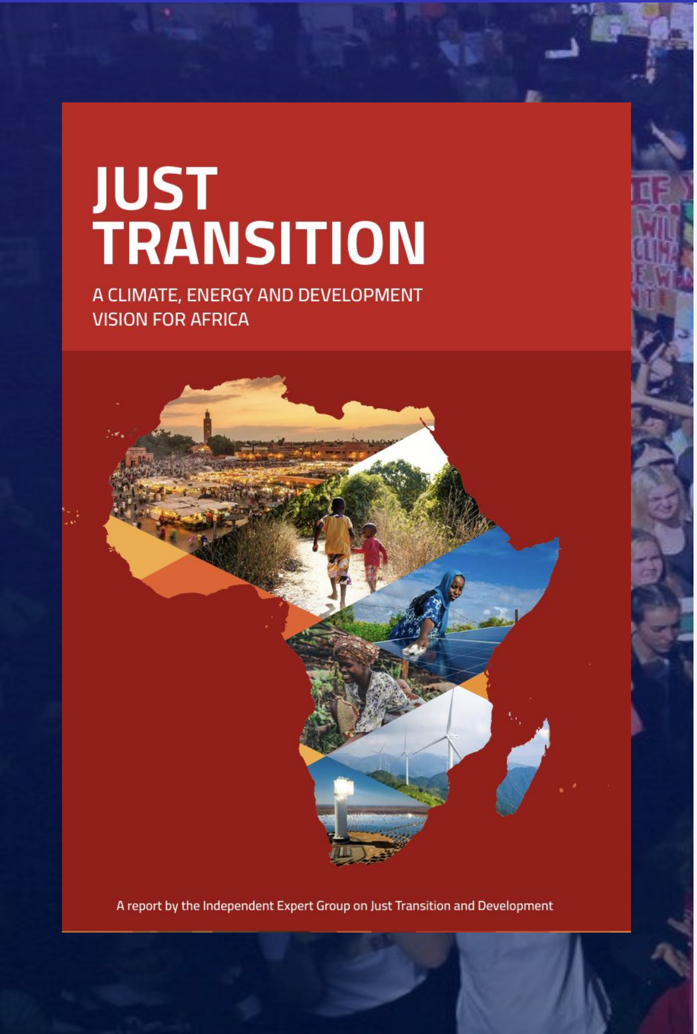


The Just Transition Africa Report tells us that:

African countries - particularly as a result of historical marginalisation driven by colonial extractivism and a deeply unfair global political economy - suffer from at least three major structural economic deficiencies:

- lack of food sovereignty
- lack of energy sovereignty
- low value-added content of exports relative to imports.

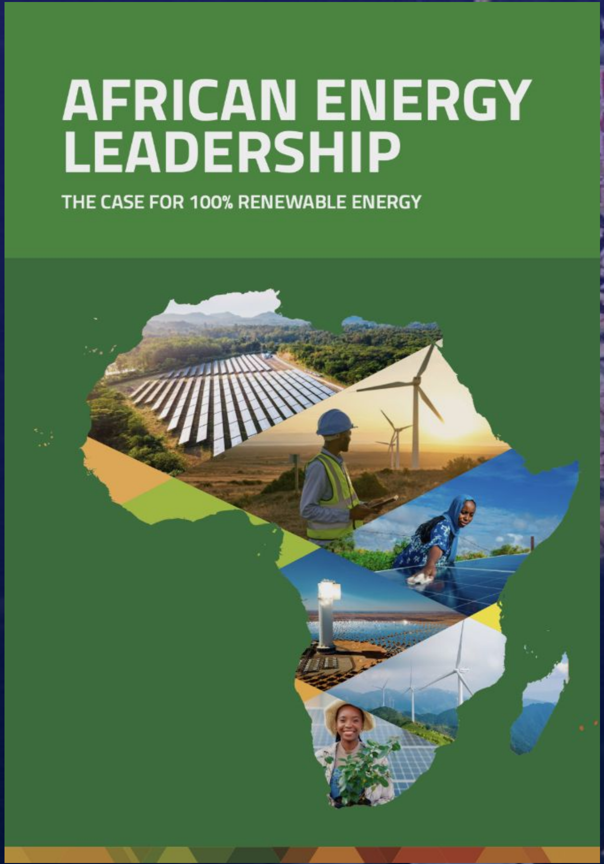
These contribute to structural trade deficits, weakened African currencies and a pressure to issue debt denominated in foreign currencies (typically U.S. dollars) with increased and perpetual indebtedness as a result.



Many policies promoted to African decisionmakers have not resulted in alleviation of these challenges, especially not ensuring energy independence and access.

"(these are) in fact, structural traps. These traps are further amplified through a global race to the bottom where African and other developing countries are forced into lowering labour and environmental standards, more regulatory and fiscal concessions to foreign investors, and ever more dependence on the Global North".

One of these traps is the expansion of fossil fuel extraction for export markets and the locking in of fossil fuels in domestic energy systems, which ensure further climate impacts and risk becoming stranded assets.



“If Africa were to invest in a 100% renewable energy system by 2050 it would **save $3-5tn (approximately $150bn per year) and the total fuel cost savings ($8.3tn) would fully cover the total investment required to go 100% renewable ($7.3tn),** and save more than double (2.2x) the additional investment (3.8tn) compared to business as usual.

2.2 million extra jobs would be created by following a pathway towards a 100% renewable energy system: Business-as-usual would add around 3.2 million jobs in the energy sector (2.1 million in renewables), whereas **a full renewables transition would see 5.4 million additional energy sector jobs by 2050**.”

A pathway to just transition finance

Debt Management and Alleviating Fiscal Constraint

Mechanisms that address countries' high, and rising, levels of indebtedness in a system facing polycrisis, from climate to energy and food crises.

New forms of finance and investment

New forms of cooperation to overcome investment barriers for public and private investors, central banks and governments, making investment in clean energy transition, resilient infrastructure and economic diversification more possible for states.

Replacing Fossil Fuel Revenues at scale & speed

Options for economic diversification (e.g. through green industrialisation) and for raising new revenues to service fossil fuel-related debt and maintain public services currently supported by fossil fuel revenues.

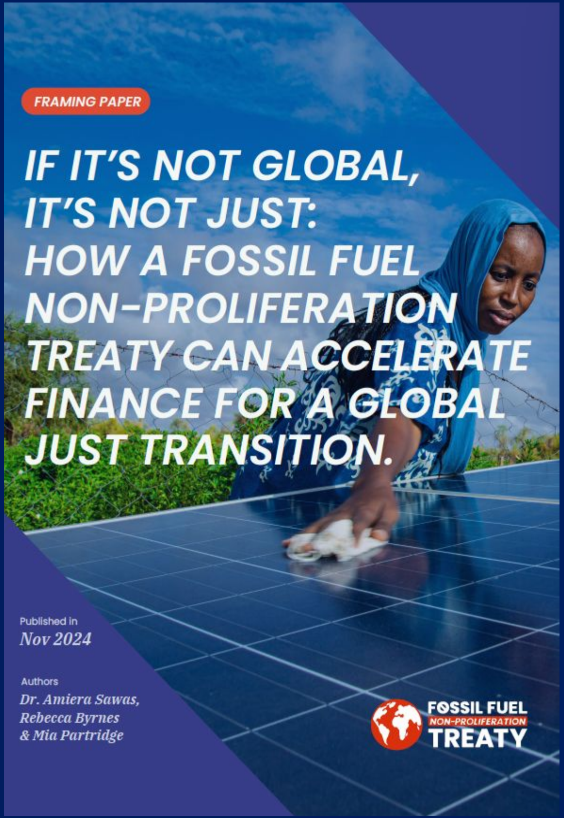
These are fundamentally interconnected and require multiple stakeholders working together in new ways.

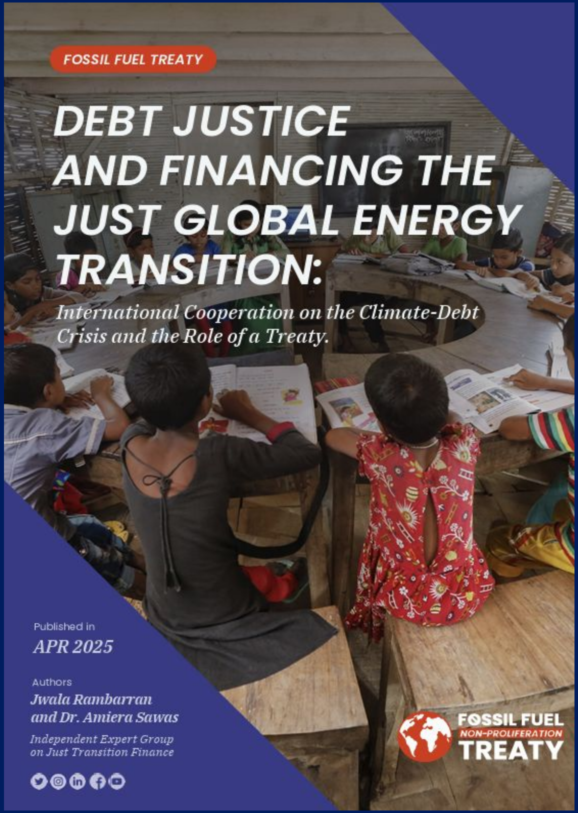
Six ways a treaty can enable transition finance

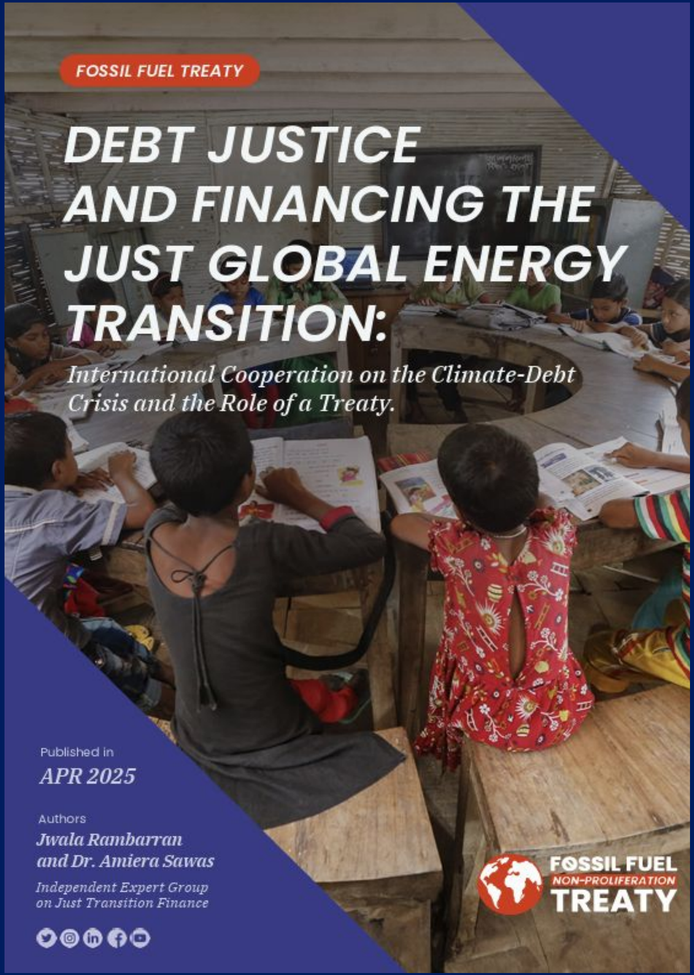
1. ***Raising funds*** from developed countries and corporates to transfer to developing countries
2. ***Mechanisms to disburse funds*** to developing countries
3. Processes or mechanisms to ***remove the barriers to finance***
4. Instruments and mechanisms to ***help countries diversify their economies***
5. Processes, instruments and mechanisms to ***facilitate mutually beneficial trade relationships*** to unlock fairer financing
6. ***Transparency arrangements*** around finance flows

FOSSIL FUEL TREATY

Just Transition Finance Reports



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DEBT JUSTICE AND FINANCING THE JUST GLOBAL ENERGY TRANSITION:
International Cooperation on the Climate-Debt Crisis and the Role of a Treaty.
Published in
APR 2025
Authors
Jwala Rambarran and Dr. Amiera Sawas
Independent Expert Group on Just Transition Finance
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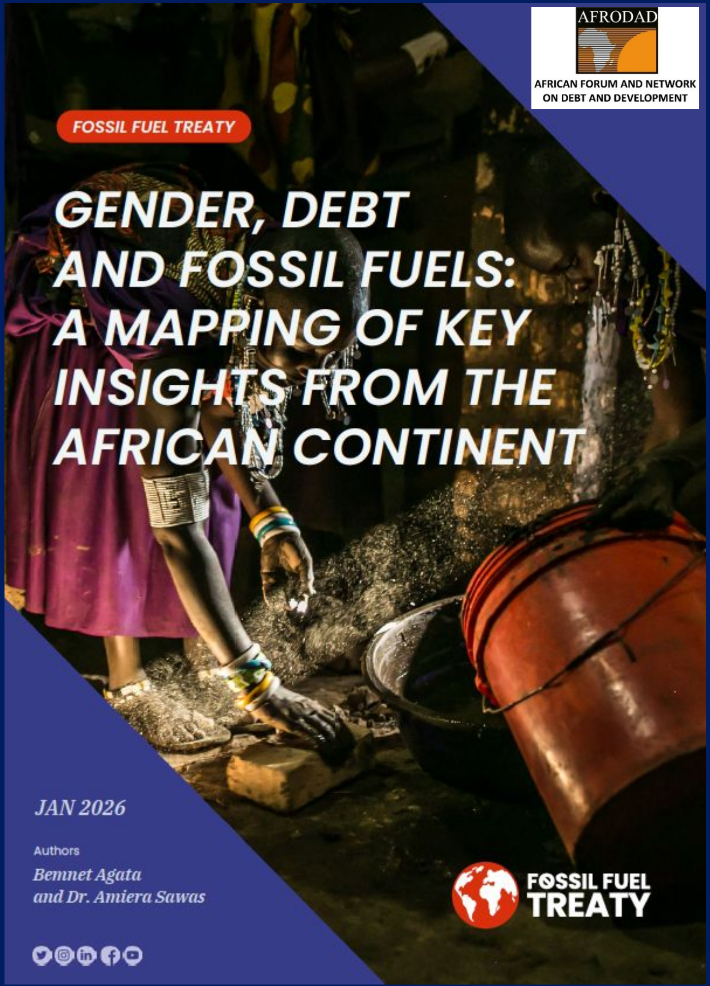
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JAN 2026
Authors
Bemnet Agata and Dr. Amiera Sawas
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DEBT MANAGEMENT & ALLEVIATING FISCAL CONSTRAINTS

Potential Treaty Mechanisms on Debt

- In this cluster, the primary function of the mechanisms would be to remove obstacles to financing mechanisms and instruments, e.g:
    - **Debt cancellation** - creating obligations on debtor states and where possible MDBs e.g. cancelling all fossil fuel related debts
    - **Debt suspension** - creating obligations on debtor states and where possible MDBs
    - **Debt conversions** - creating obligations on states and/or Establishing a new mechanism to enable sovereign-led, and better deals in debt-for-climate/nature/renewables swaps

- These options could be grounded in a **'Debt Resolution Facility'** platformed in a Treaty, offering support to member states to review and re-negotiate their debts, as well as implement more transparent and accountable deals with different creditors
- In the short-medium term the Debt Resolution Facility could be a key **first step towards building consensus on sovereign debt architecture reforms**.
- In the long term, the Treaty proposal can provide the resources for its members to secure a just, financed and equitable global energy transition through the **collective power and advocacy of its members,** informed by civil society, academia, and the private sector.

What could a Debt Resolution Facility look like?

Objectives:

1. Offer coordinated debt relief for countries that implement verifiable fossil fuel phase-down plans in line with the commitments agreed under the treaty.
2. Expand fiscal capacity for renewables, economic diversification and social safety nets.
3. Utilise concessional and blended finance to support debt restructuring efforts.
4. Include transition and stranded-asset risks in debt sustainability assessments.
5. Reform global debt governance to align with the goals of Paris and a global just transition.

Development:

- Leaning on lessons from 8+ previous efforts to address debt. Each offers valuable insights into governance, concessionality, creditor coordination and performance-based finance.
- Appraisals of these efforts by stakeholders working towards debt justice and a just transition for nations of the Global South are also considered.
- DRF would serve as a catalytic mechanism within the Treaty framework to support fair and equitable fossil fuel transitions. It would require the following design elements, which are currently being explored through the lessons review and discussions with key stakeholders:

  i) institutional placement; ii) Capitalization Sources; iii) Financial Instruments; iv) Eligibility Criteria and v) Governance Structure.

NEW FORMS OF FINANCE & INVESTMENT

Innovative financing in its current forms offer major risks to African economies

1. ***Insufficient and debt-creating finance*** - only 3-7 % JETP financing was grants. $500 billion, along with related infrastructure spending, is the estimated cost for sub-Saharan Africa to close the energy poverty gap *and* transition its energy system to a sustainable basis. Global financing in 2023 was only 22 billion
2. ***Additionality of financing*** e.g. Indonesia's JETP still had a 70% financing gap; debt swaps have not been additional to existing donor commitments
3. ***Conditionality of financing extends into sovereignty*** - beyond the transfer of financial resources and involves legal, regulatory and policy reforms in developing countries.
4. ***(In) Compatibility with Multilateral Climate Commitments*** - not supervised under a convention raises risks around transparency and safeguarding.

Thanks to Professor Celine Tan, Warwick University (Climate Finance for Equitable Transitions project (CLiFT)) for this analysis.

REPLACING FOSSIL FUEL REVENUES

Kenya and Nigeria

Team members:

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Angola, Tanzania and Senegal

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Adia Coumba Ndaw - University of Gaston Berger
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Thomas Klug - Potsdam Institute for Climate Impact Research

New visions for replacing Fossil Fuel Revenues in African nations:

Learning from Angola, Kenya, Nigeria, Tanzania & Senegal

Find out more
FossilFuelTreaty.org

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Research Objectives

1. Understand the macro and political-economic conditions of the fossil fuel economies of Angola, Kenya, Nigeria Senegal and Tanzania
2. Identify alternative sectors that can generate revenue for public expenditure and foreign reserve
3. Map out ideas for nationally appropriate just transition pathways
4. Provide evidence-based policy recommendations to governments, national stakeholders and the Treaty Initiative to phase out fossil fuels that are rooted in economic sovereignty, international cooperation and global justice

Overarching Messages

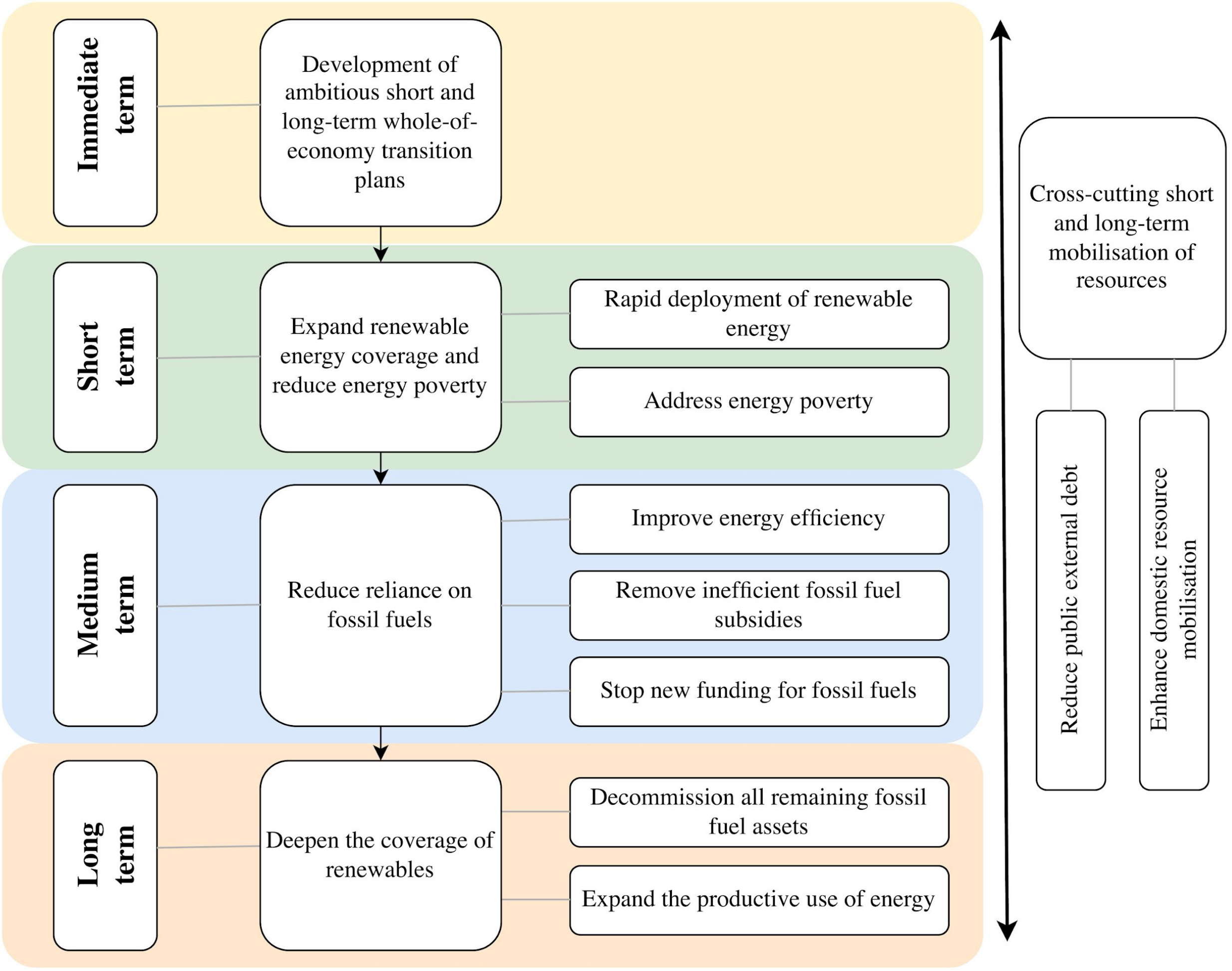
- African fossil fuel producers and consumer nations have **opportunities to harness high-growth sectors** with great promise for economic diversification and debt reduction whilst achieving climate goals.
- Transitioning away from fossil revenues is **absolutely possible when considered as more than an economic issue**; rather, a complex structural challenge that requires planning, coordinated policy efforts, investment, and workforce transformation.
- As one of the world's fastest-growing regions economically, **now is the time for African nations to develop these pathways and seek the cooperation needed** to deliver them. Waiting for market forces as the global transition away from fossil fuels accelerates exposes nations to exponential and unnecessary risks.
- The **fossil fuel era is coming to an end,** limiting the promise of oil, coal and gas as major drivers of economic growth. In Africa, Fossil fuel producers have also experienced slower economic growth than their non-producing counterparts.

The researchers emphasise the risks of continued fossil production:

- High levels of **energy poverty persist in African fossil fuel producer** nations; this is partly due to the high cost of electricity and the poor grid infrastructure in these countries.
- Research on 12 African nations that that made their first (major) petroleum discoveries during the most recent commodity boom, found that all experienced disappointment: 1/3rd did not make any commercially viable discoveries. For those who did, the latest timelines from discovery to production are **83% longer on average than expected,** and revenue collected thus far or the most recent revenue projections for countries yet to reach production are **63% lower on average** than the initial forecasts.
- African oil and gas projects are **15-20% more costly to develop and operate**, and are more than 80% more energy intensive than the global average.
- If the world meets the Paris Agreement commitments, African fossil fuel production is likely to be **deprioritised by major capital pools** - with major stranded asset risk
- Without scaling support for renewables by 2040, nearly **90% of Africa's population will live without electricity** and 50% without access to clean cooking.

But – the opportunity of renewables & economic diversification is vast

- A **100% renewable energy economy is possible in every country on the continent** - and this can save money, create significant jobs and enable sustainable development.
- There are **immediate, short, medium-term and long-term pathways that can be developed**, learning from international experiences of what works; and supported by national and international cooperation.
- The resources invested into the development and maintenance of fossil fuels can be **directed to the transformation of those national companies and number of key high-growth potential sectors,** including, but not limited to, Digital Economy and Fintech, climate-resilient Agriculture, Creative Industries, Manufacturing and of course Renewable Energy.



Designed by Dr. Jessica Omukuti

What kinds of international cooperation can help? Some examples…but analysis is underway

Debt	Support efforts to assess, renegotiate and cancel unjust debts
Trade	Support the development of producer-consumer trade agreements Revise the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) to integrate collaborative technology transfer accelerators AfCFTA 'green tariff wall' on polluting imports from global north to fund green industrialization; Pan-African critical minerals pact (fix prices, ban raw exports)
Finance	Support the development of regional collaborative models such as African-led energy bank (bypass conditional loans and enable more sovereign financing) Enable significantly greater access to concessional and catalytic capital for renewables
Tech & innovation	Support to institutionalize regional technology transfer and innovation exchanges Support the establishment of green industrial parks powering high promise sectors – to reduce logistics costs, create jobs and catalyse inclusive and sustainable development at scale
Knowledge production & planning	TBD….

Concluding Summary

1. **Unplanned fossil fuel phaseout risks exacerbating energy poverty** and loss of external revenues critical for funding budgets for healthcare, education, and infrastructure.
2. Need for **New Visions** and strategies for executing equitable and socially just energy transition, with economic diversification as a strong pillar. These national and pan-African visions must be supported by international cooperation underpinned by solidarity policies.
3. Diversification opportunities in agriculture, manufacturing, critical minerals, and renewables are viable with great potential, **but will require overcoming political, economic, and financial challenges which are both structural and national.**
4. **A treaty could help to build greater avenues for cooperation between countries, access to financing in return for plans and collective advocacy towards global economic and climate justice goals.**

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Thank you!

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