

AUGUST 2025

G20 FACTSHEET #5: FOSSIL FUEL PHASE-OUT

# A Path to a Cleaner Future

## Introduction

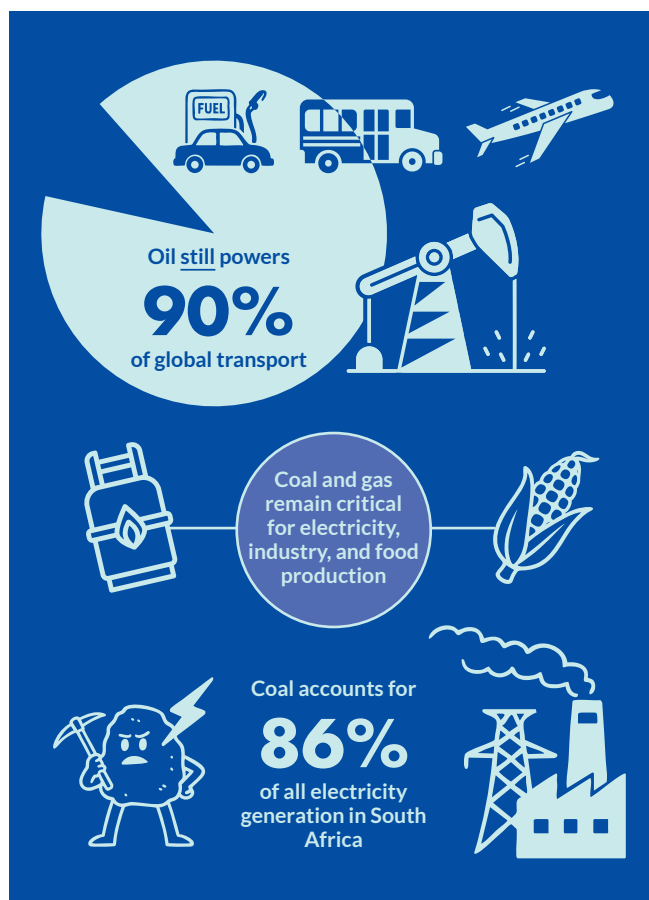
We need to strive for a future that allows us to expand access to electricity for more people globally, all without harming our planet. In this world, rapid development doesn't come with a looming environmental crisis. This is the world we can create by transitioning away from fossil fuels (oil, gas, and coal) that currently power everything from cars to factories.

G20 countries are at a critical juncture. They must decide whether to continue their reliance on fossil fuels, deepening the climate catastrophe, or to accelerate a phase-out and navigate potential economic disruptions. This fact sheet explores the challenges of phasing out fossil fuels and highlights the urgent need for this transition to achieve a sustainable future.

## Why are fossil fuels hard to let go of?

Fossil fuels are everywhere and power the majority of our economic output. Oil powers 90% of global transport, while coal and gas are critical for electricity, industry, and food production.<sup>1</sup> These fossil fuels are detrimental to our planet, as they emit greenhouse gases that contribute to climate change. Climate change results in significant adverse impacts on the world as we know it. It leads to rising temperatures and increased wildfires, ecosystem destruction, including the loss of flora and fauna, worsened floods and storms, droughts, and the depletion of particular species that sustain a livable ecosystem. Yet, the impacts of climate change affect countries in unequal ways, with the Global South most affected. The importance of mitigating the effects of climate change has thus led to calls to cut down or phase out both coal and oil and gas production and use by 2040 and 2050, respectively.<sup>2</sup>

However, this phase-out requires significant investments by governments and companies in alternative, renewable energy infrastructure, such as solar, wind, public transport, electric vehicles, and battery storage. Moreover, such a phase-out is not without risks, because fossil fuels are not just energy sources; they also represent economic lifelines for many countries because they provide jobs, revenue, and geopolitical influence.<sup>3</sup>



### THIS FACTSHEET IS PART OF OUR SERIES ON THE 2025 G20

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For example:

- Coal accounts for 86% of all electricity generation in South Africa and has powered the country's economy, industrialisation, agriculture, and other sectors since the introduction of electricity in the country in the 1800s.<sup>4</sup> South Africa not only has abundant and cheap coal reserves, but it has also developed industrial capacity for electricity generation, with recent investments in the Medupi and Kusile power stations accounting for billions of dollars. .
- The coal industry employs 91,000 workers in South Africa.<sup>5</sup> The transition risks these jobs, as well as trade union membership, in the absence of measures to compensate for the job losses.
- Major oil and gas exporters like Russia also still have fossil fuel-dependent economies.
- Importers, especially emerging economies, face import dependency, exposure to price instability, and fiscal vulnerability issues, which hinder development and make it challenging to redirect investments away from fossil fuels.
- India is a growing energy consumer as it expands its manufacturing sector and seeks to meet the needs of its rapidly growing population of 1.4 billion people.

The reliance on fossil fuels has made it challenging for countries to agree on a unified approach to phasing out fossil fuels.

Moreover, phasing out fossil fuels is not just about shutting down oil fields, gas plants, or coal mines. It's about untangling decades of dependency. In many cases, countries need to deal with the following factors, which highlight why the shift to renewable energy has proven to be so hard.

## TRANSITION CHALLENGES

**SOCIAL IMPACT** - Workers in fossil fuel-dependent regions face unemployment and displacement if the world transitions to renewable energy without adequate measures to mitigate the risk of job loss. Unions like the National Union of Mineworkers (NUM) and the National Union of Metalworkers of South Africa (NUMSA) have called for worker protection and social equity during the transition to renewable energy.<sup>6</sup> This problem is not only prominent in developing countries like South Africa, but developed countries like Germany also face the same conundrum. For instance, workers in



the small city of Schwedt currently fear for their jobs, as the city's economy is heavily dependent on a partly Russian-owned oil refinery that employs 6,000 of the city's 30,000 residents. This oil refinery threatens to lay off workers due to a limited oil supply from Russia, resulting from sanctions imposed after the Russia-Ukraine war. Although not a direct outcome of fossil fuel phase-out strategies, but rather a geopolitical standoff, this situation highlights the real-life impact on workers and communities in regions heavily dependent on fossil fuels.

**ECONOMIC PRESSURE** - Fossil Fuels sustain the public purse in some countries. Cutting them risks fiscal instability, especially for countries which are heavily reliant on oil, gas, and coal revenues. For example, Russia's government finances are very sensitive to changes in global oil prices because oil and gas earnings contribute around 30% of the total federal revenue.<sup>7</sup>



**ENERGY SECURITY** - Countries often prioritise ensuring an uninterrupted energy supply, thereby relying on existing fossil fuel infrastructure instead of accelerating the phase-out of fossil fuels.<sup>8</sup>



**INFRASTRUCTURE LOCK-IN** - Governments also fail to walk the talk, claiming to want climate action while accepting decades-long commitments through new investments in gas pipelines and oil refineries, which crowd out investment in clean energy sources. For instance, despite some clean energy commitments, countries like China, Japan, and the United States still finance fossil fuel power projects domestically and in other countries.<sup>9</sup> In 2023 alone, governments used \$343 billion of public money to support natural gas producers and consumers.<sup>10</sup>



Despite these challenges, we, as citizens, activists, social movements, and civil society, must pressure our governments to ensure that these challenges do not become stumbling blocks, but instead that we find ways to mitigate them while addressing their root causes.

## G20's fossil fuel phase-out failed promise

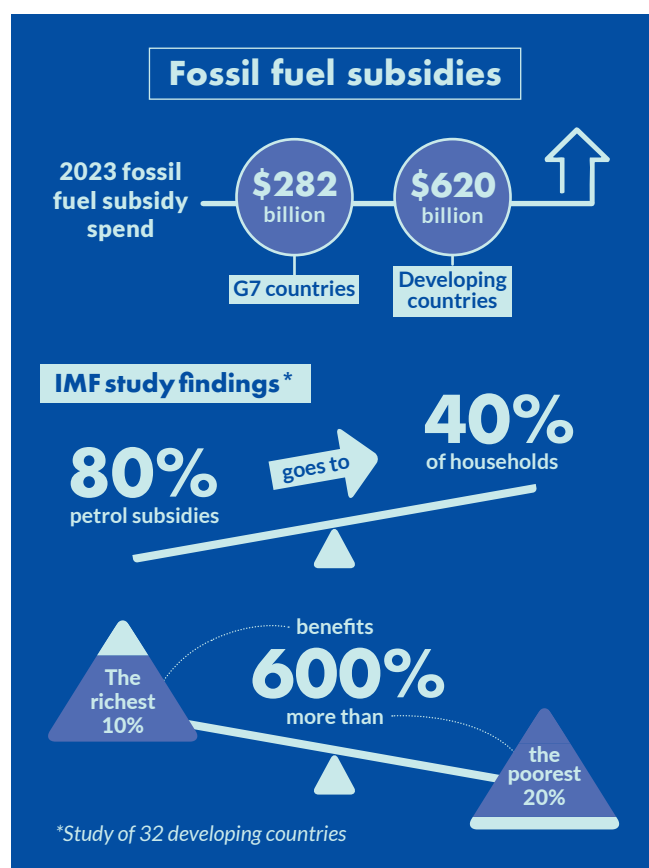
The G20 has made promises to phase out fossil fuels, but progress has been slow and inconsistent. Many of these delays are prompted by the fact that G20 nations have varying dependencies and geopolitical influences stemming from the production and exporting of fossil fuels. For example, countries like Saudi Arabia and Russia continuously resist phaseout efforts, citing domestic economic risks, while the European Union strongly supports an urgent need to shift towards clean energy.<sup>11</sup> This creates an impossible trade-off in the absence of global support, where countries are choosing between short-term gains and long-term climate goals. At the same time, advocating for blanket approaches to transitions overlooks the need to address the unique developmental needs of developing countries.

G20 nations agreed to phase out fossil fuel subsidies as far back as the 2009 Pittsburgh Summit. However, in the time succeeding these commitments, subsidies have substantially increased, G7 countries have spent \$282 billion in 2023 alone,<sup>12</sup> while developing and emerging countries spent a further \$620 billion.<sup>13</sup> More work is required to ensure that countries reduce these fossil fuel subsidies in ways that provide a safety net for the most vulnerable populations. Currently, fossil fuel subsidies are generally regressive, benefiting wealthier households. According to an IMF study, in 32 developing countries, 80% of petrol subsidies go to the top 40% of households, with the top 10% benefiting six times more than the poorest 20%.<sup>14</sup>

More recently, during its G20 presidency, Indonesia prioritised energy transitions, launching a \$20 billion agreement to switch from its coal-dependent economy towards clean energy electricity by 2025.<sup>15</sup> In Brazil, the presidency integrated socio-economic dimensions into clean energy strategies, launching the Principles for Just and Inclusive Energy Transitions. Brazil also emphasised renewable energy investments in emerging markets and published a roadmap for clean cooking strategies.

## Will South Africa's fossil fuel approach fast-track action?

South Africa's G20 presidency in 2025 presents a unique opportunity to advocate for ambitious commitments to phase out fossil fuels. As a country grappling with its dependence on fossil fuels, South Africa seeks to champion a balanced approach. Drawing on Brazil's efforts, South Africa aims to create



socio-economic safeguards for coal-dependent regions.<sup>16</sup> The South African presidency also seeks to prioritise a people-centred approach to the energy transition, ensuring that costs and benefits are distributed equitably. They aim to achieve this by creating green industrial hubs, upskilling and reskilling workers, and fostering local content requirements to support domestic sourcing for renewable energy projects. Moreover, South Africa aims to deepen the principles for just and inclusive energy transitions, which will involve developing a comprehensive action plan to implement these principles. South Africa has also identified clean hydrogen and nuclear energy as alternatives that could support industries shifting away from fossil fuels.

South Africa's Task Force 1 on Inclusive Economic Growth, Industrialisation, Employment and Reduced Inequality will also produce High-Level Principles on Green Industrial Policy and a Critical Minerals Framework, which will also have an impact on the fossil fuel phaseout.<sup>17</sup>

Despite these efforts, funding gaps and accountability issues threaten the success of these initiatives.

## How do activists get involved?

A future beyond fossil fuels is quite imaginable. Together, we can choose to make this a reality. While governments play a crucial role, a just shift requires all of us, as activists, communities, workers, unions, and everyday citizens. Around the world, people have already started this journey.

### HERE'S HOW WE CAN BE PART OF THE CHANGE:

**DEMAND TRANSPARENCY** - Fossil fuels not only impact our planet but also affect our livelihoods. As governments continue to give subsidies to fossil fuel companies, global climate movements have led the call for greater transparency. Organisations like the Global Climate & Health Alliance have done exceptional work in exposing and countering the fossil fuel industry's lobbying efforts and influence on climate policy.<sup>18</sup> Movements like Transparency International have supplemented their efforts through campaigns to the United Nations and other climate bodies. These movements' efforts demonstrate that by advocating for greater transparency, we can reveal the actual cost of fossil fuel dependence.



**STOP NEW FOSSIL FUEL PROJECTS** - Grassroots movements in Denmark<sup>19</sup> and Costa Rica showed us that if we raise our voices, we can protect our land, our air, and our future. These grassroots movements successfully pushed their governments to stop new oil and gas explorations.<sup>20</sup>



**MOBILISE WORKERS** - Transitioning away from fossil fuels must uplift workers, not leave them behind. That's why trade unions and community-based organisations advocated for a just energy transition. Trade unions like NUM and NUMSA actively discuss these issues. We should join their initiatives to ensure that all workers are protected from the social impact created by the shift to renewable energy.



**PUSH FOR GLOBAL SOLIDARITY** - The Global South needs resources and technology to phase out fossil fuels. We should unite global movements and call for wealthier countries to offer debt-free financing and technology to support the transition away from fossil fuels in the Global South. We must also ensure that global policies do not perpetuate dependency of the Global South through unfair loans related to the transition to renewable energy.



## The debate does not end here

- Are G20 countries doing enough to accelerate the phaseout of fossil fuels?
- Will an unfair phase-out impact you?
- How will you ensure that we phase out fairly and equitably?
- How will you facilitate greater global collaboration among civil society and social movements?

## Endnotes

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