POLLUTERS PROFITING FROM PANDEMIC BAILOUTS:

HOW THE FOSSIL FUEL INDUSTRY IS USING THE COVID-19 CRISIS TO CAPTURE PUBLIC FUNDS AND LOCK IN DIRTY ENERGY

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FOSSIL FREE POLITICS

INTRODUCTION

The fossil fuel industry is cashing-in on the COVID-19 pandemic, to entrench its position, capture public recovery money, and push false solutions that pave the way to climate catastrophe. COVID-19 is a global health crisis, and in Europe alone there have been over 4.2 million cases and nearly 215,000 deaths.[1] But as with other crises – from the financial crisis of 2008 to the climate crisis – it has not affected everyone equally. The COVID-19 crisis has highlighted existing inequalities, with poorer and marginalised socio-economic groups, and minorities, disproportionately impacted.[2]

Big business has a long track record of using crises as opportunities to profit. After the 2008 crisis, big banks secured huge public bailouts while countless families lost their homes. The fossil fuel industry has a decades-long history of denying science, shaping laws in their favour, delaying, weakening, and sabotaging climate action – all while making billions in profits, heating the planet and destroying communities.[3] Now, the question is how fossil fuel companies and lobby groups have acted during the pandemic and taken advantage of this context. And who is going to profit from the public money being poured into the COVID-19 recovery?

Looking at the fossil fuel industry's lobbying during the crisis, and the recipients of bailout funds – at the EU-level, in Italy, France and other EU member states – some clear and dangerous patterns emerge. The industry is pushing its false solutions as part of the COVID-19 recovery, or using its systemic power to capture public subsidies supposed to aid economic recovery, locking us in to more fossil fuels despite the fact that the vast majority of coal, gas and oil reserves need to stay in the ground if we are to avert climate breakdown. The fossil fuel lobby is also using the crisis to try to delay climate action and lobby for environmental deregulation, efforts helped by their easy access to top-level decision-makers – while transparency around lobbying and decision-making plummets.

The fossil fuel industry's business model is destroying our present and our future. To stop their insidious influence, and prevent them further cashing in on the COVID-19 emergency to prolong their polluting, **we need fossil free politics**.

A. PUSHING FALSE SOLUTIONS AS PART OF THE COVID-19 RECOVERY

In the EU and many of its member states, the fossil fuel lobby has been pushing for fossil-based false solutions (see Box 1) to be included in COVID-19 recovery plans.

In **ITALY,** the fossil fuel industry has been promoting a recovery agenda heavily based on gas, hydrogen and CCS (see Box 1). For example, Italian gas infrastructure firm Snam, and fossil energy business lobby Confindustria Energia, produced a joint report arguing that investments in energy infrastructure would drive the economic recovery; they say this is crucial to achieving decarbonisation, but at the same time estimate that half of investments until 2030 will be in fossil fuels, mostly fossil gas infrastructure.[4] At a press conference on the economic recovery in June, Italian Prime Minister Conte endorsed Eni's new CCS project in Ravenna, heralding it as the world's largest, and a source of 'blue hydrogen' (using fossil fuels to produce hydrogen while applying CCS to capture the CO2 generated in the process).[5] There is a high risk that recovery funds will be channelled toward new fossil gas pipelines and LNG terminals.

BOX 1: EXAMPLES OF THE FOSSIL FUEL INDUSTRY'S FALSE SOLUTIONS

False solutions allow fossil fuel companies to maintain their polluting business model with minimal disruption: at best, wasting time and money, at worst, creating new dangers. Rather than being solutions to climate change, they distract from the real action needed, locking in more fossil-infrastructure instead of paving the way to a fully renewable energy system.[6]

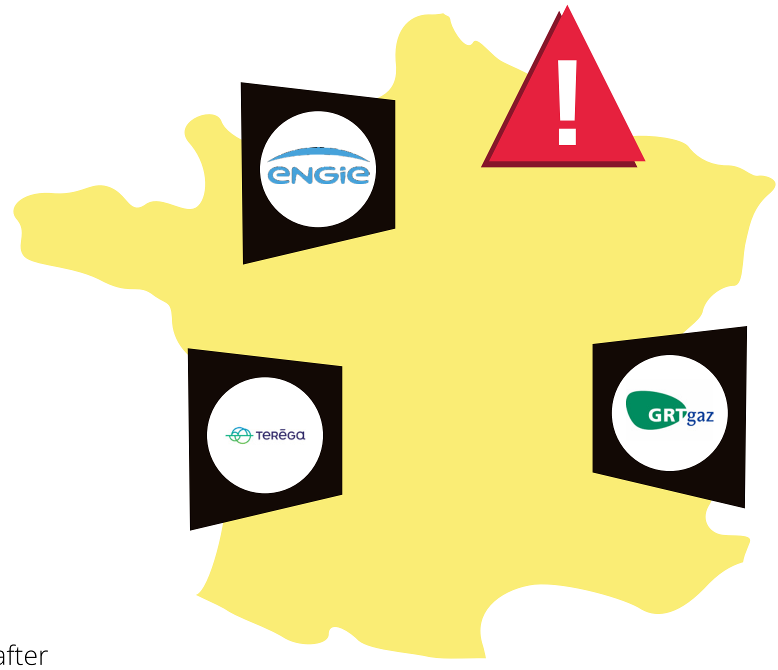
Gas: The gas lobby portrays gas as a climate-friendly fossil fuel, but it releases dangerous quantities of carbon and methane, which our climate cannot afford; building more gas infrastructure locks Europe into an unsustainable fossil fuel system.

Carbon capture and storage (CCS): Carte blanche to keep the current energy model alive, the idea is CO2 from fossil fuels will be captured and stored underground. In reality, however, promises of CCS' commercial viability are always a decade away; it's an unproven and risky energy intensive technology, that defers the phase out of fossil fuels; it's massively expensive, far more than simply switching to renewable energy;[7] and, it's far from delivering the emissions reductions it promises.[8]

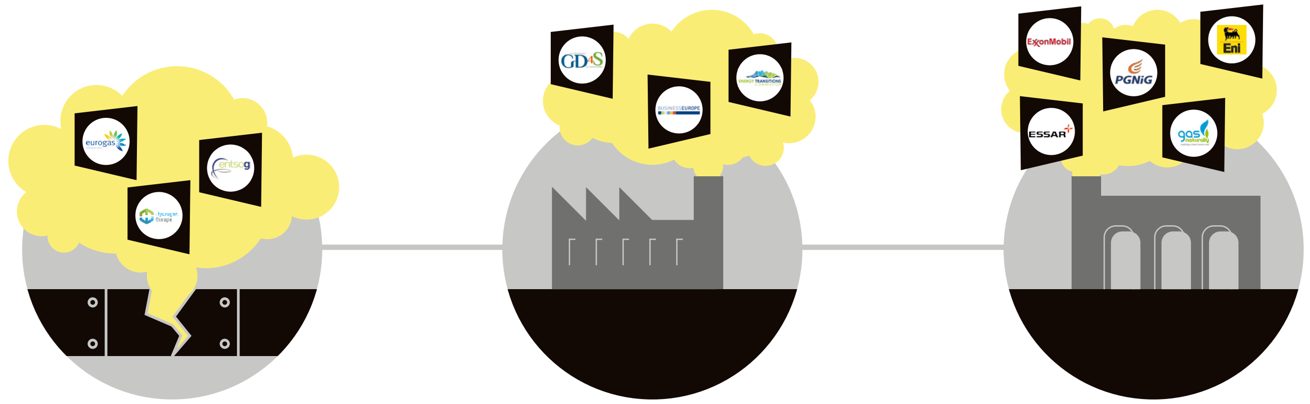
Hydrogen: Hydrogen is the industry's newest panacea, but the narrative of renewable, green hydrogen distracts from the fact that 96% of current hydrogen is based on fossil fuels. Given the non-existence of commercially viable CCS at scale, and given that climate-wrecking methane leaks can never be fully addressed, fossil gas – with its full and heavy climate impact – will continue to be used.[9] The 'promise' of green hydrogen will allow fossil-based hydrogen to expand through massive investments in infrastructure.

In **PORTUGAL,** the recovery plan was drafted by the chief executive of oil company Partex (see Part D); the resulting document gives hydrogen – a favourite false solution of the fossil fuel industry (see Box 1) – a prominent place as a recipient for recovery funds.[10]

In **FRANCE,** gas companies such as Engie, GRTgaz and Teréga continue to promote the use of gas as a 'low carbon' energy source, especially for transport, and went to great lengths to promote 'green gas' and hydrogen (see Box 1) as a key part of the recovery package, in the name of climate transition and 'energy sovereignty'.[11] In this way, the industry justifies a strong emphasis on the role of gas infrastructure as key to these 'clean gas' developments.



At **EU-LEVEL,** fossil fuel interests lobbied month after month for their false solutions to be included in the Next Generation EU COVID-19 recovery package:



APRIL

Fossil fuel lobby groups including Eurogas, Hydrogen Europe and ENTSO-G, wrote to the EU institutions requesting renewable and decarbonised gases be a "central pillar of the stimulus package".[12] Spanish gas utility Naturgy sent its proposals for economic recovery to Energy Commissioner Kadri Simson, including scaling up of "decarbonized gases" and pushing for hydrogen projects.[13]

MAY

IOGP, the international oil and gas producers lobby group, lobbied Members of the European Parliament for public support for CCS and hydrogen, urging them to push the European Commission to prioritise them in the recovery plan.[14] On the same day, IOGP lobbied Commissioner Simson, again promoting CCS and hydrogen in the context of recovery support.[15] GD4S, representing gas distribution system operators including Italgas and GRDF, requested a virtual meeting with Commissioner Simson to "highlight the role of renewable gases" in the recovery plan and the importance of "gas grids and clean gases".[16] BusinessEurope wrote to Simson promoting its vision for the recovery plan, including "significant public support to help deploy key low-carbon technologies" such as hydrogen and CCS.[17] The Energy Transitions Commission – whose 'Commissioners' include BP and Shell – likewise sent Simson its recovery priorities, including public support for hydrogen.[18]

JUNE

A cohort of fossil fuel groups including ExxonMobil, FuelsEurope, PGNiG, Eni and GasNaturally, wrote to European Commission President Ursula von der Leyen urging "the EU to invest in all hydrogen technologies", adding that fossil gas-based hydrogen is "2 to 5 times cheaper than renewable hydrogen".[19]

This lobbying has already paid off. In the 'State of the Union' speech in September Commission President Von der Leyen heavily backed 'hydrogen valleys' for EU support. Earlier, in July 2020, the European Council adopted its position on the EU budget 2021-27 and the €750 billion Next Generation EU recovery package, committing 30% of the funds towards climate action.[20] But the devil is in the detail; the lobbying described above seeks to categorise fossil-based false solutions *as* climate action, and there are warning signs of their success. For example, the EU's Sustainable Finance Taxonomy – rules to define which investments count as 'green' – may open the door to further fossil fuel investment, and the taxonomy will be key to the implementation of recovery funds (and European Central Bank (ECB) bailouts – see Box 2). The taxonomy is too lax, allowing public funds to go to gas infrastructure with CCS. And it gets worse: the fossil gas lobby – which Reclaim Finance estimates is spending €68.8 to €82.9 million a year to promote gas as a 'bridge' energy[21] – has reportedly ramped up lobbying for a last-ditch change to the taxonomy, to expand the scope for gas to be counted as sustainable.[22] The EU recovery package risks being a major win for false solutions like gas – as well as CCS and hydrogen – with the result that huge public subsidies go to gas infrastructure.

B. CAPTURING COVID-19 PUBLIC SUBSIDIES

All their efforts to secure COVID-19 crisis funding – by capturing emergency bailout funds as well as lobbying for false solutions to be included in recovery plans – has paid off. Fossil fuel companies are likely to pocket hundreds of millions of euros of public subsidies in the name of COVID-19 recovery – though a lack of transparency makes the full extent unclear.[23]

In **SPAIN,** no exclusionary criteria, or binding climate, environmental or social conditions, were established by Congress for the bailouts managed by the Instituto de Crédito Oficial (ICO) and the Sociedad Estatal de Participaciones Industriales (SEPI).[24] In March 2020, the government announced a public fund of €100 billion in guarantees and loans for companies, managed by the ICO, but channelled through – and decided by – private commercial banks. 30% of this fund benefited big corporations; the ICO does not publish who it offers financing to, or for what, but the lack of environmental requirements creates a high risk of fossil fuel companies being bailed out.[25] In July, this was increased to €140 billion, plus a €10 billion SEPI-managed fund to ensure the solvency of industrially 'strategic' companies.[26] Spanish fossil fuel companies such as Cepsa, Repsol and Naturgy have also had bonds bought up through the ECB's Pandemic Emergency Purchase Program, via the Spanish National Bank (see Box 2).

In **ITALY,** petrochemical and engineering company Maire Tecnimont received a €365 million state-backed loan, as part of the government's COVID-19 recovery scheme.[27] And it looks like more is to come: in August 2020, the Minister of Economic Development met with executives from Italy's largest fossil fuel corporations, including Eni, Enel and Snam, to discuss projects that could be presented by the Italian government to the Next Generation EU fund, for approval (and subsequent access to the EU recovery funds).[28] Meanwhile, as part of Italy's recovery program, its export-credit agency, SACE, has been granted increased financial power through public guarantees. SACE is a major supporter of Italy's fossil fuel industry: in 2019, the oil and gas sector was its biggest beneficiary (€4 billion, or 34% of total volumes), and it is involved in highly controversial gas projects in Mozambique, Arctic LNG in Russia, and the Punta Catalina coal power plant in the Dominican Republic.[29] As there is no environmental conditionality attached to its public guarantees, and SACE does not disclose all the projects and companies it supports, there is a high risk of recovery money going to fossil fuel companies. Similarly, Italy's national investment bank, Cassa Depositi e Prestiti, will launch a €45 billion corporate bond purchasing program as part of the recovery, once again with no environmental conditionality attached and little disclosure, creating a high risk of public money being used to buy fossil fuel companies' debt.[30]

In **FRANCE,** it is two fossil-dependent industries – the car and aviation sectors[31] – rather than the fossil fuel industry itself, that have received most direct crisis support in government-backed loans and subsidies. However, oil and gas industry supplier Vallourec (which was in crisis before the pandemic) was an exception, as a beneficiary.[32] What's more, Agence des participations de l'Etat, the government agency in charge of managing the state's shareholdings, and public investment bank, Bpifrance, have both received discretionary funds to support 'strategic' companies, with no transparency and no climate criteria. Meanwhile, although Total announced it would receive no public support, it has actually benefited from bond purchasing by the ECB, via Banque de France (see Box 2).[33] The French government has also recently announced a €7.2bn plan to boost the hydrogen industry, which will support many projects developed by fossil fuel companies.[34]

BOX 2: EUROPEAN CENTRAL BANK BAILING OUT FOSSIL FUEL GIANTS

The European Central Bank (ECB), through its €750 billion Pandemic Emergency Purchase Program (PEPP), is channelling EU COVID-19 emergency public aid to big corporations, including fossil fuel companies.[35] Since March 2020, the PEPP Corporate Sector Purchase Program (CSPP) has been buying up corporate debt, in the form of bonds, from corporations including Repsol, Shell, Eni, OMV, Total Capital, E.ON and Snam.[36] By June this had already amounted to an injection of over €7 billion into fossil fuels. This isn't just bailing out fossil fuel companies during the pandemic, it's investing in their future profitability: as Observatori del Deute en la Globalització explains, the ECB bought bonds from oil and gas giant Shell, whose market value dropped 45% since the start of 2020. The rate of return on Shell's bonds (when they expire in 4, 8 and 12 years) will depend on the company's' resilience, which means "the ECB is creating a risk-sharing relationship, or financial alliance with the fossil sector and needs the companies to perform well enough for a sufficient time to repay the bonds' face value plus interest."[37]

To put it plainly, by buying fossil fuel companies' corporate debt, the EU institutions now have an interest in getting that money back. Which means they have a vested interest in pushing policies that will help those fossil fuel companies perform well financially, for at least the next decade. But such fossil-friendly policies are completely incompatible with the policies needed to fight the climate emergency, and leave fossil fuels in the ground. This climate incoherence emerged thanks to the lack of clear and binding environmental and social criteria for distributing COVID-19 public aid. The ECB delegates the task of choosing which companies to aid to national central banks, but places no requirements or restrictions on which corporate bonds to select (ie CSPP "does not discriminate on the basis of the economic activity of the issuers" and "there is no positive or negative discrimination on the basis of environmental or social criteria"[38]).

C. USING THE CRISIS TO DELAY CLIMATE ACTION AND PUSH ENVIRONMENTAL DEREGULATION

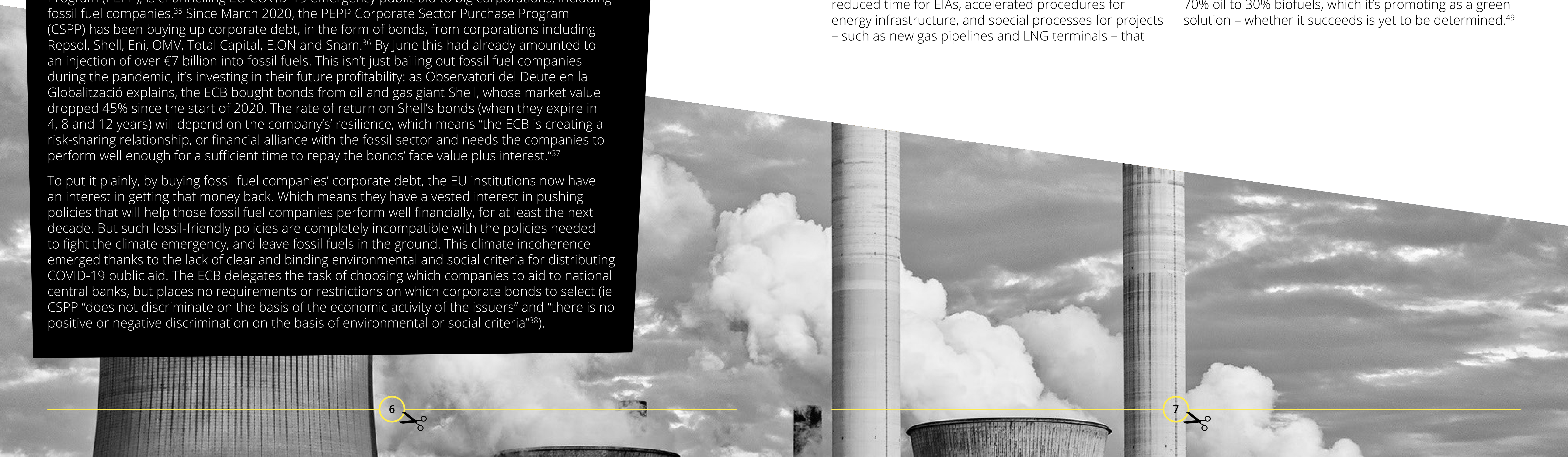
Whether it's pushing for delays to climate law implementation, rolling-back important environmental regulations, or demanding extensions for fossil fuel projects, the industry is not missing its chance to use the pandemic to push its usual 'cut green tape' agenda.

At **EU-LEVEL,** big business lobby group BusinessEurope, whose Corporate Advisory Group includes BP, ExxonMobil, Shell and Total, wrote to the European Council in March demanding "temporary derogations from normal regulatory requirements" and "EU initiatives that could increase costs for companies" to be delayed.[39] In April, it wrote to Commission Vice-President Frans Timmermans, asking for EU initiatives not directly linked to the health and economic crisis to be put on hold, including key elements of the European Green Deal such as the Climate Law.[40] Naturgy lobbied Energy Commissioner Simson in April for flexibility to extend deadlines in national energy and climate plans "to address post-CoViD-19 challenges"- i.e. delaying the meeting of 2030 climate targets.[41]

In **ITALY,** the energy sector has used the pandemic to revive demands for environmental deregulation, arguing it will help Italy recover from the crisis and meet its climate targets. Confindustria, Italy's largest industry lobby group, repeatedly asked the Italian senate for environmental impact assessment (EIA) procedures to be simplified as part of the government recovery response.[42] In March, Confindustria Energia – whose members include Anigas (gas), Assocarboni (coal), and Unione Petrolifera (oil) – published a report with Snam on energy infrastructure for Italy's recovery. It set out the regulatory changes they wanted, including reduced time for EIAs, accelerated procedures for energy infrastructure, and special processes for projects – such as new gas pipelines and LNG terminals – that are included in the Italian climate plan.[43] Most of their demands were accommodated by a new government Decree, which fast-tracks EIAs, reduces time available for public participation, and modifies authorization procedures for coal-to-gas conversions and gas infrastructure.

Snam is one of the main shareholders of TAP AG, the company building the Trans-Adriatic Pipeline. TAP was granted an extension – the latest of many – to complete construction of the €4.5 billion gas pipeline by the Italian regulator in June 2020, after it argued the pandemic could have impacts beyond its control. Effectively, COVID-19 has served to justify the delays TAP faced thanks to local opposition and legal proceedings.[44] There have also been worrying attempts – so far unsuccessful – by the fossil fuel industry to use the pandemic to push for lifting the ban on oil and gas licenses in the Adriatic Sea, which has been in place since 2019.[45]

In **FRANCE,** the start of the pandemic brought an open push back against environmental and climate regulations from French big business lobby groups Afep (whose members include Engie, Total and Shell[46]) and Medef.[47] This soon gave way to a more insidious strategy of advertising themselves as transition champions while still lobbying against binding environmental rules and promoting technological fixes (with some success, for example, delaying the abolishment of a tax advantage for non-road diesel[48]). A proposed new climate measure also triggered fossil fuel push back: the 'Citizen Climate Convention' proposals, released in June, included a ban on fossil-based heating systems. The heating oil lobby argued it shouldn't apply to heating systems that were 70% oil to 30% biofuels, which it's promoting as a green solution – whether it succeeds is yet to be determined.[49]



D. EASY ACCESS FOR DIRTY ENERGY, AS TRANSPARENCY PLUMMETS

The pandemic has seen a drop in transparency around Europe, while fossil fuel interests have used the COVID-19 crisis as a hook to access and influence decision-makers.

At **EU-LEVEL,** between 23 March and 26 May 2020, 25 meetings with fossil fuel lobbyists were logged by the key top-level Commission officials in charge of climate and energy policymaking.[50] That's three a week during the lockdown period, with big polluters such as Total, Shell, FuelsEurope, Cefic, and Hydrogen Europe. Fossil fuel lobbyists also secured high-level officials as speakers at online events promoting false solutions (see Box 1). For example, in May, gas lobby Eurogas' online event featured the German Energy Attache to the EU, who made it clear EU policy would embrace hydrogen.[51] In June, Commissioner Simson spoke at a virtual event sponsored by Shell,[52] and in July, she participated in two photo ops for Shell, tweeting pictures of herself adorned with the company's logo, and promoting hydrogen.[53] In the same month, Simson and two other Commissioners spoke alongside Hydrogen Europe at the Commission-hosted e-launch of the European Clean Hydrogen Alliance (whose members include Total, BP, Shell, Eurogas, IOGP, etc).[54]

And it's not just an issue of meetings and cosy-events with the fossil fuel industry: at the height of the pandemic, in April 2020, the European Commission ignored a blatant conflict of interest and appointed US fund BlackRock, one of the world's largest investors in fossil fuels, as its advisor on sustainable banking.[55] And in July, Commission Vice-President for External Action Josep Borrell appointed a board member of Eni as a special advisor.[56]

PORTUGAL put its recovery plans directly in the hands of an oil boss. The chief executive of oil and gas company Partex, António Costa Silva, was appointed by the government to write the "strategic vision" for Portugal's COVID-19 economic recovery plan.[57] After meeting with the Environment Minister to ensure his position as an oil boss wouldn't be incompatible with the climate agenda, Costa Silva embarked on his role as a consultant – or 'paraminister' – reportedly holding meetings with ministers, and accompanying the Prime Minister to meet companies.[58] The oil boss argued no conflict of interest existed, despite the plan covering areas such as energy transition, decarbonisation, and infrastructure, and despite his previous public outrage at the government's decision to block new oil and gas exploration in the Algarve.[59] The resulting recovery plan – which prioritises hydrogen (see Part A) – has been criticised by environmental groups.[60]

ITALY has also had a close relationship with the fossil fuel sector, with several members of the Italian executive – and the European Commissioner for Energy's head of cabinet – speaking alongside Snam's chief executive, at a webinar promoting energy infrastructure for Italy's recovery, that Snam hosted with Confindustria Energia in July.[61] In August, the Italian Minister of Economic Development met with fossil fuel executives to discuss projects that could apply for EU recovery funds (see Part B).

BOX 3: CUTTING TRANSPARENCY WHEN WE NEED IT MOST

A worrying trend across Europe has been the curtailment of transparency rules and freedom of information (FOI) during the COVID-19 crisis – at a time when public scrutiny is needed most. In **BULGARIA, ROMANIA** and **HUNGARY,** governments doubled or tripled the amount of time public bodies were given to respond to FOI requests. **ITALY** and **SPAIN** went further, suspending FoI altogether,[62] while **France** extended deadlines by several months for lobby register reporting and submission of officials' declarations of interest.[63] The International Press Institute warned that FOI disruptions were hindering media access to information, and shielding governments from scrutiny or criticism.[64]

At **EU-LEVEL,** online transparency about Commission lobby meetings seriously lagged as the pandemic set in.[65] The European Ombudsman urged the EU institutions to ensure "high standards of transparency, not despite the crisis, but precisely because of the crisis".[66] In April 2020 she called for the Commission and Council to make all pandemic-related decisions as transparently as possible, and specifically pushed for accountability around climate-related decisions, with "effective public access to documents and transparent dealings with lobbyists" including virtual meetings.[67] In May however, the Commission said online meetings with cameras turned off would not be logged as lobby meetings in Commissioners' calendars.[68] By July, the Ombudsman noted "longer delays in reporting meetings and fewer meetings being reported" and evidence of Commission meetings with lobbyists not signed up to the Transparency Register.[69] She also opened an inquiry into transparency of the Council's crisis decision-making, and a strategic initiative looking into the transparency of COVID-19 response measures by the European Investment Bank.[70]

CONCLUSION

Fossil fuel companies and their lobby groups have been pushing their false solutions – designed to maintain polluting business-as-usual – as part of the COVID-19 recovery, and successfully captured public bailout money, locking us in to more fossil fuel use. This trend is evident at the EU-level and in various member states, as are attempts by the fossil fuel industry to use the public health crisis to delay climate action and lobby for environmental deregulation. Enabled by easy access to, and cosy-relationships with, high-level decision-makers, with scant regard for conflicts of interest, there has at the same time been a drop in transparency during the pandemic; a dangerous combination.

Big business – including the fossil fuel industry – are masters in the art of profiting from crises, and part of the reason for their success is their privileged access and undue influence. The COVID-19 pandemic has brought suffering, loss and financial insecurity, hitting those already worst-off hardest; we need recovery plans that have the interests of people and planet at their heart, not more bailouts for big business and the very corporations that are profiting from destroying our climate. Yet as long as powerful fossil fuel interests have the ear of – and so much influence over – decision-makers, their decisions will reflect that influence.

To tackle the climate emergency, and ensure that climate policy and the COVID-19 recovery are conducted entirely in the public interest, we must cut fossil fuel interests out of our politics, similar to restrictions on the tobacco industry. The coming months and years will be particularly crucial in shaping our economies and society. We need **fossil free politics**, now more than ever. That's why we **demand** that governments and democratic institutions:

1

Institute a firewall to end fossil fuel industry access to decision-making: no lobby meetings; no seats in expert and advisory bodies; no role in governmental research bodies.

2

Address vested interests: no conflict of interest, no revolving door between public office and the fossil fuel industry; no industry side jobs or placements; no hiring of industry consultants.

3

End preferential treatment of the fossil fuel industry: no involvement in climate negotiations; no place on government delegations to international negotiations or trade missions; no more subsidies or incentives for the use of fossil fuels or activities that promote or prolong the use of fossil fuels.

4

Reject partnerships with the fossil fuel industry: no sponsorships or partnerships; no sharing platforms with industry representatives; no hosting or attending of industry events; no party or candidate donations.[71]

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