

Defunding fossils, funding transition

Science and Policy Pre-Conference Work Stream Concept Note

10.00 -16.00, April 24th Santa Marta, Colombia

Location

Plazoleta Central 2 piso, Julio Otero B. Hybrid for the round table session

Leads

Co-leads: Paula Osorio (Transforma) and David Manley (IISD)

Objective

To contribute ideas to inform the First Conference on Transitioning Away from Fossil Fuels, workstream: Transforming Supply and Demand.

Outputs

- Summary of main points delivered to the high-level conference and proposed talking points to be shared with governments on Workstream 2 of the Santa Marta conference (Transforming supply and demand - Incentives).
- Media talking points on fossil fuel subsidy reform, clean energy incentives, and climate financing to address the energy crisis
- Synthesis paper with more details produced in May.

Format

The session will follow a roundtable format. Invited speakers will speak on their topic briefly, followed by a roundtable discussion. A facilitator will guide the discussion and bring out the main points.

Draft agenda

The current energy crisis puts fossil fuel subsidies and the need to transition at the forefront of energy policies across the world. How will governments meet these divergent goals? How will they protect the most vulnerable, contain the political turmoil, while transitioning as oil and gas prices increase?

We will discuss how to shift financing and consumption from fossil fuels to clean energy technologies in the context of a variety of country and energy insecurity. We will consider how to reform fossil fuel subsidies, how to attract investment into clean energy, and the macro-fiscal challenges governments face in the process. We then bring these three strands together to understand how governments must coordinate across these wide-ranging policy spaces.

Session 1 (Friday 24 April 10:00-12:00)

Fossil fuel subsidy reform

Format: Two-hour session

Panel with keynote speakers	(30 minutes)
Workshops on three themes	(1 hour)
Summary session	(30 minutes)

Hybrid format for the panel session with questions.

Objectives:

- Input to the high-level conference and proposed talking points to be shared with governments on Workstream 2 of the Santa Marta conference (Transforming supply and demand - Incentives)
- Advance options to improve effectiveness of fossil fuel subsidy reform and alternative policy options to address the energy crisis

Panel Discussion

Moderator Vance Culbert

- COFFIS Observatory Paolo Destilo
- Colombia (TBC – Hydrocarbons lead)
- COFFIS Chair Amra van der Hoven

Session 2 (Friday 24 April 13:30-14:20)

Clean energy incentives and the policy mix

Objective: Identify 3 to 5 practical lessons on when and how governments manage a mix of policies, and an understanding of the role of fiscal policy, to attract investment into clean energy sectors, in different country and sector contexts, to feed into the high-level conference.

Schedule:

Panel with keynote speakers (20 minutes)

Roundtable on the themes (30 hour)

Summary session (5 minutes)

Topic: Attracting investment into clean energy quickly and cheaply is crucial for governments to reform fossil fuel subsidies and to limit their countries' exposure to the next energy crisis. So, having discussed how governments can reform fossil fuel subsidies, we next turn to how to attract investment to the clean energy.

Discussion questions:

1. *Obstacles.* What are the obstacles (or market failures) to clean energy development in your country?
2. *Policy mix.* What mix of policies is working or not working (and how important is fiscal policy in this mix)?
3. *Energy crisis.* How is the current energy crisis changing this situation?
4. *Coordination and fiscal space:* How are finance, energy and other agencies coordinating to keep this policy mix fiscally sustainable while still accelerating investment?
5. *Climate clubs and international support:* What can the countries attending the high-level conference coordinate on, and what do countries need from the international community?

Invited speakers:

Speakers will provide short contributions as part of the round table discussion.

In person:

- Dr. Marco Jano, IDEA Think Tank, Mexico. [Nuestro equipo - IDEA:](#)
- David Manley, IISD. [David Manley - International Institute for Sustainable Development | LinkedIn](#)
- Yanne Horas, IISD, [Yanne Horas | International Institute for Sustainable Development](#)

Online:

- Dr. Marilou Jane Uy, Non-Resident Senior Fellow, Global Economic Governance Initiative, United States. [Marilou Uy | Global Development Policy Center](#)
- Dr. Hoa Ho Cong, Lecturer at Academy of Policy and Development, Vietnam
- Dr. Ronald Steenblik, Senior Technical Advisor, Quaker United Nations Office, Switzerland. <https://www.linkedin.com/in/ronaldsteenblik/> (not confirmed)

Break – 10 minutes

Session 3. (Friday 24 April 14:30-15:20)

Energy Transition and Sovereign Debt: Fiscal, External, and Political Economy Dimensions

Three distinct analytical perspectives have emerged to examine these challenges.

The first focuses on fiscal vulnerabilities associated with the transition, particularly for fossil fuel-exporting economies that may face declining hydrocarbon revenues, stranded assets, and significant public investment needs to support economic diversification and new energy systems. This literature explicitly connects these fiscal pressures to sovereign debt sustainability, highlighting the risk that falling revenues or rising expenditures could increase public debt burdens.

A second perspective examines external sector vulnerabilities associated with the transition. Changes in fossil fuel export revenues, rising energy import needs, and shifts in global capital flows can significantly affect countries' balance-of-payments positions, foreign exchange earnings, and reserve buffers. These external dynamics may create macroeconomic instability for both fossil fuel exporters and energy-importing economies.

A third perspective focuses on the political economy of the transition, examining how domestic incentives, distributional conflicts, and short-term political constraints shape governments' ability to manage the economic adjustments associated with decarbonization.

Despite their close interconnections, these three perspectives are rarely brought together to analyze the implications of the energy transition for sovereign debt vulnerabilities. In particular, a persistent fiscal bias in debt sustainability frameworks means that debt risks are often conceptualized primarily as the result of fiscal dynamics, while external sector vulnerabilities are less frequently linked to sovereign debt sustainability. Yet for many developing economies—especially those with significant external debt—debt sustainability depends not only on fiscal balances but also on the ability to generate the foreign exchange required to service external obligations.

This session brings these three perspectives together to address a central question: how can developing countries—both fossil fuel exporters and energy importers—build the macroeconomic conditions needed to avoid sovereign debt vulnerabilities while phasing out fossil fuels?

By integrating insights from fiscal policy, external macroeconomics, and political economy, the session aims to develop a more comprehensive understanding of how the energy transition may reshape sovereign debt risks in developing economies and what policy frameworks may help countries manage these risks.

Key Questions for the Seminar

- What types of sovereign debt vulnerabilities may emerge during the energy transition for developing countries?
- How do these vulnerabilities differ between fossil fuel exporters and energy-importing economies?
- Through what mechanisms can the transition generate external-sector debt vulnerabilities, for example through declining export revenues or rising energy import bills?
- How should debt sustainability frameworks evolve to better capture risks emerging from both fiscal and external channels?
- What macroeconomic policies can help countries build the fiscal and external conditions needed to avoid debt vulnerabilities while phasing out fossil fuels?
- How do political economy constraints shape governments' ability to manage these fiscal and external challenges during the transition? What can multilaterals do to support developing countries move towards a greener and more financially sustainable future?

Potential speakers

The session will bring together perspectives from fiscal policy, external macroeconomics, and political economy to examine how the energy transition may generate sovereign debt vulnerabilities in developing economies.

- MoF Colombia
- Nicolas Lippolis — Founder and Executive Director of the Centre for Energy, Finance and Development (CEFD).
- Fernando Morra (International Institute for Sustainable Development)

Moderator: IISD

Break – 10 minutes



Session 4 (Friday 24 April 15:30 – 16:00)

This final session will bring the three topics together to understand how countries can integrate efforts to reduce fossil fuel subsidies while accelerating clean energy development, and surmounting the macro-fiscal challenges of keeping debt sustainable and the national external account balanced.

Over the course of the day, questions for this final session will arise. Possible topics to discuss:

How can FFSR, clean energy investment and macro-fiscal policies be managed politically? How can governments sequence such reforms to maintain public support?