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Global destruction of nature being subsidized by \$1.8 trillion annually

The world is spending at least \$1.8 trillion every year, equivalent to 2% of global GDP, on subsidies that are driving the destruction of ecosystems and species extinction, finds new research commissioned by The B Team and supported by Business for Nature.

The study is the first in over a decade to provide an estimate of the total value of environmentally harmful subsidies (EHS) across key sectors. It finds the fossil fuel, agriculture and water industries receive more than 80% of all environmentally harmful subsidies per year, depleting natural resources, degrading global ecosystems, and perpetuating unsustainable levels of production and consumption, in addition to exacerbating global inequalities.

Two weeks ahead of the [UN Convention on Biological Diversity \(CBD\) COP15 Open Ended Working Group meeting in Geneva](#), coalition organizations The B Team and Business for Nature are calling for the \$500 billion per year target on subsidy reform in the current draft Global Biodiversity Framework (GBF) to be strengthened to reflect the latest research and commit governments to redirecting, repurposing or eliminating all environmentally harmful subsidies by 2030.

Christiana Figueres, former Executive Secretary of the UNFCCC; Member, The B Team, said:

"Nature is declining at an alarming rate, and we have never lived on a planet with so little biodiversity. At least \$1.8 trillion is funding the destruction of nature and changing our climate, while creating huge risks for the very businesses who are receiving the subsidies. In the meantime, we still have not met the Paris Agreement climate finance target of \$100 billion per year. Harmful subsidies must be redirected towards protecting the climate and nature, rather than financing our own extinction."

The study provides a breakdown of EHS across the economy; including agriculture, construction, forestry, fossil fuels, marine capture fisheries, transport and water - sectors that are responsible for the majority of global greenhouse gas emissions. It links subsidies, provided by public money, to impacts on the environment, global inequalities and climate.

- \$640 billion of support a year is received by the **fossil fuel industry**, contributing to climate change, air and water pollution, and land subsidence.¹
- \$520 billion of subsidies a year finances the **agriculture industry**. The environmental damage of unsustainable agricultural activities includes soil erosion, water pollution, commodity-driven deforestation, greenhouse gas emissions, conversion of natural habitats and consequent biodiversity loss.²

¹ Based on most recent estimates for consumer subsidies from IEA (2021) and the OECD's total support estimates (2019), adjusted to remove overlaps. Data from 2020 are not representative of long-term trends due to severe covid-related dislocations, so were not used.

² The FAO/UNDP/UNEP (2021) estimate that \$470b of agricultural subsidies are "price distorting or harmful to nature and health" (87% of all agricultural subsidies). This figure has been scaled to 2021, using a conservative 2016 midpoint, to reach \$522 billion.

- \$350 billion a year flows to the unsustainable use of **freshwater** and the management of water and wastewater infrastructure, contributing to water pollution and risks to ecosystems in waterways and the ocean.³

Elizabeth Mrema, Executive Secretary, Convention on Biological Diversity: “This report is critically important. Transformative action on incentives and subsidies harmful for biodiversity will be decisive this decade to bend the curve of biodiversity loss. I strongly believe this timely report will help generate the requisite political momentum and contribute to the global biodiversity framework.”

The report highlights how redirecting, repurposing, or eliminating subsidies could make an important contribution to unlocking the \$711 billion required each year to halt and reverse the loss of nature by 2030⁴ as well as the cost of reaching net zero emissions.

It notes that the total value of EHS is likely to be higher than the estimates published today, owing to a lack of transparency and disclosure of subsidy flows between governments and recipients. For example, there is no published estimate of subsidies for hard rock mining, yet 80% of the industry’s activity takes place in 5 of the 6 most ecologically diverse biomes.⁵ It also notes the unaccounted-for costs to society from environmental damages caused by subsidized activities can be equal to or much higher than the subsidies themselves.

The failure of society to take action

During the 2010 UN Convention on Biological Diversity (CBD) Conference, 190 countries committed to phasing out or reforming subsidies harmful to biodiversity by 2020. However, governments failed to meet the target.

At the UN Framework Convention of Climate Change (UNFCCC) COP26 in Glasgow, 141 world leaders pledged to “halt and reverse forest loss and land degradation by 2030.” Yet the report reveals that every year \$155 billion is used to subsidize unsustainable forest management and the production of forest-derived products, which encourages deforestation, a loss of carbon sequestration, and biodiversity loss.⁶

There is some evidence of recent industry-specific commitments, including governments pledging to phase out “inefficient” fossil fuel subsidies at COP26.⁷ However, the report advises that cross-industry standards and action across all sectors of EHS are needed to accelerate the rate of change and meet mid-century targets.

The business case for redirecting and repurposing EHS

The destruction of nature threatens business interests, with over half of the world’s total GDP - \$44 trillion – moderately or highly dependent on nature.³

³ Midpoint of range in World Bank analysis. Does not include subsidized water through direct withdrawal by industrial, power, and agricultural users.

⁴ [Financing Nature: Closing the Global Biodiversity Financing Gap](https://www.paulsoninstitute.org/conservation/financing-nature-report/) by the Paulson Institute, The Nature Conservancy and Cornell (2020) <https://www.paulsoninstitute.org/conservation/financing-nature-report/>

⁵ <https://www.sciencedirect.com/science/article/pii/S0959378021000820>

⁶ Value of illegally harvested wood; based on Interpol (2020) and the World Bank (2021).

⁷ https://unfccc.int/sites/default/files/resource/cop26_auv_2f_cover_decision.pdf

The study argues that EHS create major risks for businesses and investors, including distorting investment patterns and industry cost structures, masking operating or accident risks, and creating competitive barriers to environmental improvements. Whilst not the only recipient of EHS, businesses are a major beneficiary of them, and frequently lobby for continued or increased government support.

Roberto Marques, Executive Chairman and CEO, Natura &Co, said: “Humanity’s dependency on nature’s ecosystems is not currently reflected in our markets or institutions. As businesses we have an important role to play in catalysing the system change to deliver an equitable, net-zero and nature-positive economy. Together, we must work to realign perverse incentives to bring proper value to nature.”

Coalition organizations Business for Nature and The B Team have launched a brief in response to the research, including a set of recommendations for governments and businesses on subsidy reform.

Eva Zabey, Executive Director, Business for Nature, said: “The UN Biodiversity Conference is our single best chance to turn the tide of nature loss. An ambitious outcome at COP15 on environmentally harmful subsidies has the potential to reset the rules of our economic and financial systems and would incentivize companies to chase nature positive outcomes.”

They also look to the private sector to call on governments to reform subsidies and collaborate across sectors to raise awareness of the advantages of subsidy disclosure. The brief calls for businesses to support the development of international standards, frameworks, and guidance for mandatory ESG disclosure, which includes subsidies.

Any subsidy reform must consider both social and environmental impacts to avoid negatively impacting the poorest households and most vulnerable communities around the world, advises the brief from The B Team and Business for Nature. This might include targeted support, particularly in countries with low capacity to administer welfare payments.

Mary Robinson, former President of Ireland; Member, The B Team, said: “Climate action is at a crossroads, in part because of the large scale of public money flowing to harmful industries and practices. We need to see thorough subsidy reform from governments and businesses, with social and environmental considerations at the heart, to ensure a just and equitable transition for all.”

In October 2021, 11 CEOs of multinational companies called on governments to eliminate and redirect all harmful subsidies, recognizing the threat that nature loss poses to business interests.⁸

ENDS

Full report and response will be available on 17 February at:
<https://www.businessfornature.org/news/subsidy-reform> [link to go live once embargo is lifted].

⁸ <https://www.businessfornature.org/open-letter-cop15>

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NOTES TO EDITORS

About the research

New research, titled "[Protecting Nature by Reforming Environmentally Harmful Subsidies: The Role of Business](#)" [link to go live once embargo is lifted], led by subsidy experts Doug Koplow and Ronald Steenblik and co-funded by The B Team and Business for Nature provides a review of the scale of support from subsidies by sector, context on how they create environmental harm, and the expected benefits of reform.

In response to this new research, The B Team and Business for Nature have prepared a brief "[Financing Our Survival: Building a Nature Positive Economy Through Subsidy Reform](#)" [link to go live once embargo is lifted] for governments and decision-makers. The brief summarizes the findings from the subsidy research and presents recommendations for governments at the UN CBD. The document provides an outline of the business case for subsidy reform and a call to action for businesses and investors.

Nuances

The report draws on previous work to identify subsidies in different sectors, some of them have been well researched and there are several different figures and methodologies for each sector, which results in discrepancies in the total values. For example, the IMF has estimated that fossil fuel subsidies were \$5.9 trillion in 2020, but the bulk of that number refers to the cost of selected externalities. The Dasgupta Review estimates \$4-6 and \$5-7 trillion for multiple sectors, but this figure includes the IMF estimates and represents subsidies as a whole, rather than singling out the environmentally harmful component, as this new research seeks to do.

Some of the estimates (including on subsidies to transport and construction) are illustrative, due to a lack of comprehensive estimates data available. It is therefore anticipated by the report researchers that the true value of these subsidy flows is much larger than the totals stated in this report.

More information about the methodology and data sources is available upon request.

Breakdown of EHS across sectors:

- Fossil fuels - \$640 billion a year.⁹
- Agriculture – \$520 billion a year.¹⁰
- Forestry - \$155 billion a year.¹¹

⁹Based on most recent estimates for consumer subsidies from IEA (2021) and the OECD's total support estimates (2019), adjusted to remove overlaps. Data from 2020 are not representative of long-term trends due to severe covid-related dislocations, so were not used.

¹⁰The FAO/UNDP/UNEP (2021) estimate that \$470 billion of agricultural subsidies are "price distorting or harmful to nature and health" (87% of all agricultural subsidies). This figure has been scaled to 2021, using a conservative 2016 midpoint, to reach \$522 billion.

¹¹Value of illegally harvested wood; based on Interpol (2020) and the World Bank (2021). No global data on other subsidies to forestry.

- Water - \$350 billion a year.¹²
- Construction (including housing) - Greater than \$90 billion a year.¹³
- Transport – Greater than \$85 billion/year.¹⁴
- Marine capture fisheries - \$50 billion/year.¹⁵
- Hard rock mining - no estimate of the total amount of EHS.

Examples of Environmentally Harmful Subsidies

Examples fact sheet – illustrations of problems relating to different sectors and countries - [click here to view](#).

Supporting quotes

Jesper Brodin, CEO, Ingka Group (IKEA); Chair, The B Team, commented: “The research is clear, \$1.8 trillions are spent every year into supporting the old system. We are in the most important decade when it comes to climate change and reversing nature loss and together, business and government, have an opportunity to reform and redirect these funds to accelerate a just transition for people and the planet.”

Richard Branson, Founder of the Virgin Group; Co-founder, The B Team: “Environmentally harmful subsidies in business stand in the way of every effort to tackle climate change and protect our planet’s fragile ecosystems. We must develop a deeper understanding of their devastating impacts and redirect our resources to the policies that help create a more sustainable future for all.”

Jean Oelwang, Founding CEO and President, Virgin Unite; Member, The B Team: “Subsidies perpetuate a broken system and perverse incentives. It is absurd that we continue to subsidise the destruction of the Planet, and in turn our own destruction. We have an opportunity to courageously join forces to shape a smart transition that will incentivise clean energy and the protection of nature.”

Paul Polman, Business leader, campaigner, and co-author of “Net Positive”: “Few are aware of the \$1.8 trillion in perverse subsidies dished out by governments globally, which drive environmental degradation, poverty and soon will be the biggest single driver of climate change.”

“We’re often told there’s no money to tackle these problems. Yet just a third of the money could be redirected towards making our food system sustainable – the same food system which is otherwise responsible for a third of all greenhouse gas emissions.”

¹² Midpoint of range in World Bank analysis (Andres et al. 2019). Does not include subsidized water through direct withdrawal by industrial, power, and agricultural users.

¹³ Estimate is from two US tax breaks for single-family homes alone. Federal debt insurance for single family homes exceeded multi-family 10:1.

¹⁴ Some potential overlap between OECD producer subsidy inventory for fuel tax reductions. Because this estimate reflects a narrow set of available studies, the actual level of subsidies to expanded transport infrastructure and subsidizing bulk commodity movements is anticipated to be much larger.

¹⁵ Estimate is roughly half from subsidies to excess capacity and overfishing (Skeritt and Sumailla, University of British Columbia and Oceana 2021) and half from illegal fishing (mid-point of World Bank 2021 estimate).

“It’s time to stop the self-serving, short-sighted lobbying that perpetuates damaging subsidies, instead directing public money towards supporting responsible companies transition to nature positive business models. This is one of our best opportunities to drive stronger, greener and more inclusive economic growth and it would be irresponsible and foolish to miss it.”

Guilherme Leal, co-founder and Chairman of the Board, Natura &Co; Member, The B Team:

“Everything is connected. Together, we must build a more harmonious relationship with nature. I urge governments everywhere to redirect harmful subsidies toward solutions that protect and sustain life on Earth.”

Marco Lambertini, Director General, WWF International: “This new research shows it’s time to change course: we must set nature on the road to recovery. This year offers an unmissable opportunity to secure a nature-positive world by 2030. With the COP15 summit on the horizon and a new post-2020 Global Biodiversity Framework still to be finalized, it is more important than ever to put in place ambitious targets to reverse nature loss and to redirect, repurpose or eliminate all subsidies that harm our natural world to protect people and the planet. There is no time to waste.”

Sharan Burrow, General Secretary of the International Trade Union Confederation; Vice-Chair, The B Team: “A systematic reform of all subsidy systems is a complex challenge, but one that presents a wealth of opportunities for governments, businesses and investors. To fix this broken model, we must be mindful of the imperative for a just transition that is not at the expense of workers. That means radical collaboration from workers, businesses and civil society to create a shared prosperity.”

Yolanda Kakabadse, Former President, WWF International; Member, The B Team: “Biodiversity plays an integral role in creating resilient ecosystems and sustaining life through water, clean air and regulating the climate. We now find ourselves at crossroads, where we know that there is a direct line between biodiversity and the survival of every species. This is a moment where business and governments need to urgently collaborate to tackle the challenge of environmentally harmful subsidies. Only then can we truly protect the health of people and the planet.”

Halla Tómasdóttir, CEO & Chief Change Catalyst, The B Team: “Governments are subsidizing the destruction of nature - to the tune of \$1.8 Trillion each year--that's insane! More than half of the world’s total GDP—\$44 trillion of economic value generation—is at moderate or severe risk due to nature loss. It’s time to align incentives with the future we need.”

Rebecca Marmot, Chief Sustainability Officer, Unilever: “Businesses have a huge opportunity to protect and restore nature. But what is required is deep systems change to put us on track for a nature positive world. This report is very important to help governments and business decision makers move away from subsidies that are driving the destruction of ecosystems.”

Jennifer Morris, CEO, The Nature Conservancy: “There is a monumental task before us which can only be attained through strong collective action and this research supports that objective. We must break down the siloed approach that has led to putting subsidies in place without consideration of their long-term environmental costs. To do this, we need action at the CBD to drive coherence across economic, health and environmental policies. Redirecting trillions of dollars in funding away from harming nature and towards restoring it is not only essential, it is our best hope for tackling biodiversity loss.”

Mark Gough, CEO, Capitals Coalition: “Public money now finances the destruction of the planet to the tune of \$1.8 trillion every year. By redirecting these financial flows we can ensure that public money is rightly delivering value to society and contributing to the achievement of societal goals. To be successful, it is crucial for governments and businesses to work together to eliminate harmful subsidies & develop incentives that deliver value to nature and people.”

Shinta Kamdani, CEO, Sintesa Group, Chair of the B20 Indonesia: “Ambitious efforts must be taken to eliminate and redirect Environmentally Harmful Subsidies, in order to transform our economic and financial systems and ensure the creation of a level playing field for businesses globally. As a multi-stakeholder collective of businesses across G20 countries, the B20 Indonesia fully commits to following through with this agenda and accelerating the efforts needed to translate this vision into reality.”

Wiebe Draijer, Chairman of the Managing Board, Rabobank: “We need to look at reforming, repurposing, and redirecting US\$1.8 trillion of subsidies that could harm the environment, because this has the potential to transform our economic and financial systems and ensure the creation of a level playing field for businesses globally.”

André Hoffmann, Vice Chair, Roche Holding AG; Member, B Team: “Nature is indispensable to life on Earth. We will not survive long if our natural system becomes dysfunctional. Globally, we must redirect environmentally harmful subsidies toward investment in natural capital and sustainable practices that benefit, rather than deplete, natural resources and help, rather than harm, people.”

Peter Bakker, President and CEO, World Business Council for Sustainable Development: “We welcome this impactful work around building a nature positive economy through subsidy reform, as we need more positive incentives that will enable an equitable, net-zero and nature positive world. Business can, and must, support governments in the creation of policy environments that can intelligently accelerate transformation as well as in redirecting subsidies so that social and environmental benefits are utmost utilized – and business is ready to do so.”

Leyla Ertur, Head of Sustainability, H&M Group: “Clear ambitions on Environmentally Harmful Subsidies have the potential to transform our industry and we believe that the outcome of COP15 will enable the creation of a level playing field for businesses globally. A joint approach and the collaboration with policymakers will contribute to the implementation of the Post-2020 Global Biodiversity Framework. This will further strengthen the important work that H&M Group is already doing in this field.”

María Mendiluce, CEO, We Mean Business: “This research highlights the twin opportunity for governments: remove subsidies that harm the environment and redirect them towards climate action and nature protection. Around 800 major businesses last year called on G20 leaders to stop subsidizing fossil fuels and support a rapid transition to renewables and electrification. Because business can scale up investments faster if governments align public finance with halving global emissions and reversing nature loss by 2030.”

Eliot Whittington, Director of Policy, University of Cambridge Institute for Sustainability

Leadership: “This research shines a spotlight on the huge scale of environmentally harmful subsidies - money we just can't afford to keep spending in this way. Governments around the world should take this as an urgent wake-up call and deliver a rapid programme of reform to redirect these funds and stop this waste of money that distorts markets, drives environmental destruction and diverts investment away from more sustainable practices.”

About The B Team

The B Team is a global collective of business and civil society leaders catalyzing a better way of doing business. Its agenda ladders up to one overarching goal: to build, by 2030, an inclusive economy that works for all people and communities while safeguarding our natural environment.

<https://bteam.org/>

About Business for Nature

Business for Nature is a global coalition bringing together influential organizations and forward-thinking businesses. Together, we demonstrate business action and amplify a powerful business voice calling for governments to reverse nature loss.

<https://www.businessfornature.org/>

About Ronald Steenblik and Doug Koplow

Doug Koplow is the founder of Earth Track in Cambridge, MA. For more than 30 years, his work has focused on government subsidization of natural resources, including energy, water and water treatment, and primary materials. Working collaboratively with environmental groups, government officials, and international agencies he has helped to improve subsidy measurement and to document the pervasive reach and enormous scale of these subsidies, particularly in the energy sector. He earned an MBA from the Harvard Business School and a BA from Wesleyan University.

Ronald Steenblik is a non-resident senior fellow with the Global Subsidies Initiative of the International Institute for Sustainable Development. Until retiring from the organization at the end of 2018, he was the OECD's Special Counselor for Fossil Fuel Subsidy Reform. Over his career, he has worked on measuring and providing policy advice on subsidies to agriculture and biofuels, marine capture fisheries, primary plastics, and fossil fuels. He earned a BS degree from Cornell University, and an MS degree from the University of Pennsylvania.