

Debt-Fossil Fuel Trap: An analysis of Emerging Global Environmental Challenge

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Abstract:

Recently in November 2021, Our beloved Prime minister addressing at UN Climate Conference, Glasgow in his speech, showed his concerns about a very serious Emerging Global Environmental Challenge and loudly appealed to the Developed Nations to provide a CLIMATE FINANCE of 1 trillion dollars to **The Global South** (a term used for developing, less developing and underdeveloped countries, located in Africa, Latin America, and Asia — countries). His statement was considered as the representation of entire GLOBAL SOUTH. Why was the Prime minister of India appealing to the Developed countries for such a huge monetary help and what was the reason?

Basically, now a days Various Rich and Developed countries are forcing the poor, under developed or developed countries (The Global South) to continue to rely on fossil fuels for generating revenue to return the loans taken from richer countries and private lenders to meet various economic exigencies like the pandemic three years ago.ⁱ **The Global South**ⁱⁱ are increasingly being burdened by enormous debts in recent years. According to a report their “external debt payments (money borrowed from richer countries, or multilateral creditors like the World Bank and IMF, or private lenders such as banks) has gone up by 150% between 2011 and 2023, reaching their highest levels in 25 years”. These rich countries are continuously trying to trap these trodden countries either by capturing the mines of the GLOBAL SOUTH Countries or forcing them to rely on fossil fuels for generating revenue to return the loans taken from richer countries. A British organisation “Debt Justice” recently in its report discussed about emerging traumatically originated concept of “**debt fossil-fuel Trap**”. It is such a dangerous trap which could be proved an impossible task to the poor countries.

How this trap will affect the Climate and would be a threat to environment is serious concern. The analysis would be on how indebt countries find out it difficult even impossible to phase-out from this trap of mining fossil-fuel and transition to renewable energy a revenue from fossil fuel.

Author has tried to analyse this dangerous step taken by few rich and developed countries in this book in a chapter form.

Keywords: Fossil Fuel, Debt, The Global South, Environmental Challenges

The Problem:

Incident -1: According to the recent report of WHOⁱⁱⁱ in the past history seven million people have lost their life prematurely in a harmful health impact because of burning coal, natural gas and fossil fuels.

Incident -2: Another recent report alarms that thousands of people have been asked to vacate their own land often by adopting reasons like coercion, force, contamination of farmland or drinking water only as a result of fossil fuel projects.^{iv}

Incident -3: Moreover, a vast portion of fertile land have been cleared by destroying or polluting critical wildlife, local habitats and communities that live in that area only to run the fossil fuel projects.

The problem caused by fossil fuel projects are well documented by quoting few of these above mentioned serious incidents. It is also evident that so called wealthy polluters have snatched more than their reasonable share of atmospheric space.

Root cause lying in colonial rooted commodity dependency trap

These fossil fuel projects, started by most of the global south countries^v widely connected to commodity export need dating back to colonialism. It is also clear from history that under European colonial rule (global north Power) many global South countries had to focus on export of raw materials like fossil fuels metals and cash crops to feed industrial growth of colonial global north power and resulting into strengthening their economy.^{vi}

Furthermore, Global North Power Countries including dominating institutions like International Monetary Fund (IMF) and World Bank (WB) have actively encouraged global south countries through either direct funding or attaching some development policies that find natural resources including fossil fuels as a key contributor in economic growth and development. This reliance on fossil fuels projects and economic growth causes significant environmental and human harms.^{vii}

Even, discouraging such reliance, institution like United Nations Conference on Trade and Development (UNCTAD) have also emphasised on balanced economic strategies rather to encourage export led-development resulting into environmental and human harms to achieve economic sustainability.^{viii}

All these chain of historical incidents of lethal exploitation, loot, extractions and inequalities are some examples to understand the unending relationship of Global South Country and fossil fuel projects, continuous cycle of indebtedness, aggravating climatic risk, environmental harm and human health problems.

The connections between fossil fuels debt and environmental Crisis High level of indebtedness trench resources

"Debt-Fossil Fuel Trap" refers to a complex and intertwined set of challenges facing many countries around the world, particularly those heavily dependent on fossil fuel production and export. This trap is characterized by a cyclical relationship between high levels of national debt, economic dependence on fossil fuel revenues, and environmental degradation due to the extraction and consumption of fossil fuels. High level indebtedness refers to lacking in the resources to invest for fulfilling the needs of population, fighting with exigencies and protecting environment. In a recent survey it was reported that Global south countries are currently trapped in investing more then five times in repaying their debt than on addressing the impacts of the climate crisis.^{ix}

In its report published on 27 Oct 2021, leading journal Debt Justice wrote that "Lower income countries will be raising the impact of debt on their ability to tackle climate change at the UN Climate Summit taking place in Glasgow from 31 October to 12 November."^x

Lower income country debt payments are increasing. By 2025, Jubilee Debt Campaign estimates that the 34 countries covered in the research will be spending seven times more on debt payments than limiting the impacts of climate change.^{xi}

Even During the pandemic-19 these debt statistics touched the new heights. Most of the global South debt is owed to commercial creditors often given at much higher interest. Furthermore, failure of paying debt

by borrowing government of any of global South country or defaults on its repayment of loans, their mutual agreement is not stopping those private creditors to taking borrowing government to court to demand the full payment. Moreover, many of court cases would take place either in UK or New York as all such international debt contract are governed by either New York or English law.

For example, Sri Lanka is currently being sued in New York by Hamilton Reserve Bank Ltd for full payment of a bond Hamilton has bought on the secondary market.^{xii}

Need of foreign exchange pushing global South Country into fossil fuel debt trap resulting Global Environmental Challenge

Most of global South countries are now dependent on their natural resources mostly fossil fuels (which might be proven for them a good source of renewable energy) to generate the revenue and need of foreign exchange required to face multiple repayment of debt resulting into climatic crisis.

Recent research shows that approximately 76 lower incomes Global South Countries have already diverted their route towards fossil fuel reserves extractions to repay loan or debt resulting into environmental and human harms.^{xiii}

Data Analysis of few of Global South Countries trapped

Data shows that unavailability of good quality climate finance is one of the strong reason which is worsening the debt crisis in 2009. It was also reported that few of global north governments came forward to provide a \$100 billion climate finance every year to global South countries by 2020 but These promises could not be met by global North governments for a long period of time.^{xiv}

Below mentioned table shows data analysis of some of the Global South Countries and their future plan to mitigate fossil fuel debt trap.

Sr. No.	Global South Country Name	Debt/Risk	Future Planning to Mitigate Debt Payment/Loan increasing Climate Crisis
1.	Ecuador ^{xv}	High	Diverting more than 10% Govt. revenue/ Doubling its oil Production by extraction of Fossil Fuels
2.	Suriname	High	Oil Exploitation
3.	Chad	High	Maximisation of oil revenue
4.	Uganda	High	Vacating People/oil Transportation/Harming farm land
5.	Pakistan	High	Increasing Tax on renewable energy/ e- vehicles
6.	Argentina	Moderate	Increasing export of oil and gas

Source: Debt-Fossil-Fuel-Trap-Report of 2023

Global Climate Crisis

Dominica, after being hit by Hurricane Maria in 2017, it's debt percentage increased by 10% from 68% to 78%.

Bahamas Island took \$100 million loan after Hurricane Dorian hit the island. Mozambique is in a debt of \$118.7 million to recover from cyclone Idai hit. Examples are a lot.^{xvi}

It shows that little climate finance actually comes in the form of loans (71% loan and 29% grants).

This increase the debt level and in process of repayment of it most of Global South Country unfairly see

the faces of climate crisis by trapping themselves into fossil fuel debt projects. It also results in stop funding and cancellation of different renewable energy scaling up programme.^{xvii}

How to Stop it: Some Suggestions

Wealthy polluters global north countries and institutions like International Monetary Fund (IMF) and World Bank (WB) wants to take part in eradication of such global climate crisis resulting from fossil fuel trap Must support and help to global South countries in various ways suggested as follows:

1. Introduce policies promoting debt cancellation for all countries that need it.
2. Fossil fuel debt Must be considered as an Illegitimate and cancelled with immediate effect.
3. Promotion of grant based public climate finance.

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1. See <https://indianexpress.com/article/explained/explained-global/rich-countries-force-poor-nations-rely-fossil-fuels-8904371/>
 2. (a term used for developing, less developing and underdeveloped countries, located in Africa, Latin America, and Asia — countries).
 3. See <https://www.who.int/news-room/detail/02-05-2018-9-out-of-10-people-worldwide-breathe-polluted-air-but-more-countries-are-taking-action>
 4. See <https://theconversation.com/fossil-fuels-are-bad-for-your-health-and-harmful-in-many-ways-besides-climate-change-107771>
 5. (Global South Countries generally refer to homeland of Brazil, India, Pakistan, Indonesia, China, Nigeria and Mexico. These are the largest southern states in terms of land area and population. Majority of these countries are located in or near the tropics.)
 6. The Divide: A Brief Guide to Global Inequality and Its Solutions, Jason Hickel, 2017
 7. See https://debtjustice.org.uk/wp-content/uploads/2023/08/Debt-Fossil-Fuel-Trap-Report_2023.pdf
 8. See <https://unctad.org/press-material/export-led-development-no-longer-viable-unctad-says-economies-will-perform-better>
 9. See <https://debtjustice.org.uk/press-release/lower-income-countries-spend-five-times-more-on-debt-than-dealing-with-climate-change>
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 12. See <https://news.bloomberglaw.com/securities-law/sri-lanka-must-face-bondholders-suit-over-default-judge-rules>
 13. See <https://www.imf.org/en/Publications/CR/Issues/2022/12/16/Ecuador-Sixth-Review-under-the-Extended-Arrangement-under-the-Extended-Fund-Facility-and-527064>
 14. See <https://www.oecd.org/environment/climate-finance-provided-and-mobilised-by-developed-countries-in-2016-2020-286dae5d-en.htm>
 15. See <https://gk.city/2021/10/19/accion-inconstitucionalidad-decreto-lasso/>
 16. See <https://debtjustice.org.uk/press-release/imf-loan-to-mozambique-following-cyclone-idai-shocking-indictment-of-international-community>
 17. See <https://reliefweb.int/report/pakistan/pakistans-10-billion-dollar-flood-funding-question>