

OUT OF POCKET:



HOW FOSSIL FUELS ARE DRAINING HOUSEHOLDS AND ECONOMIES

350

AND WHY THE WAR IN SOUTH WEST ASIA IS PROVING IT IN REAL TIME

FOREWORDS BY BILL MCKIBBEN

The American and Israeli decision to attack Iran was stupid and unjust, but it's possible that it may play a key role in opening the eyes of people around the world to all the peril and folly of our fossil-fuel based system. I hope so—this must be a turning point, because the costs of that system are breaking the planet in real time.

As this remarkable report—the best combination of numbers and reporting on this issue I've ever seen—makes crystal clear, we've been unwise for many decades to rely on fossil fuels. That reliance has produced riches for a few, and penury for far too many; almost all of us live in the grip of a system over which we have little or no control. The price spikes and supply shocks that have come with this new war are just the latest and most profound evidence of these basic truths.

But there's another truth too, as these pages make clear. Just at the moment when we most need it, 'alternative' energy from the sun and wind is poised to become the obvious, common-sense choice. In the last few years we've crossed some invisible line and it is now cheaper—even before you figure in the costs to health or security—to produce clean energy. We live on a planet, to reiterate, where the cheapest way to make power is to point a sheet of glass at the sun.

Taking full advantage of that new fact requires the kinds of steps outlined in this report: rerouting fossil fuel subsidies so that they support the kind of small-scale clean energy development that support poor people instead of rich ones; reforming finance to make it easy to pay the upfront costs for things like solar panels so that people can access the bounty of free energy that the sun pours on us each day.

These steps will have to be taken over the (well-financed) objections of the fossil fuel industry. They control far too much of our political life. It's most obvious in the U.S., where Donald Trump literally told Big Oil executives that campaign donations would buy them anything they wanted, but it's true in much of the rest of the world too. If we're to stand up to that power, it will require the combination of good data and great organizing that marks 350.org and its allies.

And we take on this fight with the spectre of an ever-warming planet looming above us. We now think that a building El Niño means 2026 and 2027 will set new global temperature records, and that of course will offer yet more chaos, and yet more reminders that it is the poorest people on earth who must bear most of the cost of this ongoing tragedy,

We have a narrow path out of these crises, and that path has been illuminated by the bombs from this misbegotten war. It would be a waste and a sin not to seize this moment.



EXECUTIVE SUMMARY

Every time fuel prices spike, governments tell households it's a global shock beyond anyone's control. This report tells a different story. The war in South West Asia is sending oil and gas prices to the roof and squeezing households and public finances – from Pakistan to South Africa, the United States and beyond. This is not bad luck. It is the price of a system that was designed this way, kept this way, and is making a small number of corporations extraordinarily rich while doing it.

Ordinary people are paying for fossil fuels three times over. First, through their taxes: governments funnel public money into subsidies that deliver just 8 cents of every dollar to the poorest 20% of households, while the wealthy capture most of the benefit. **Second, through their bills:** every time a war, an embargo, or a supply disruption sends oil prices surging, import-dependent households absorb the shock in fuel costs, food prices, and transport fares with no savings buffer and no hedge. **Third, through mounting climate damages:** the floods in Sindh, the droughts in Morocco, the heatwaves closing schools in East Africa are not random disasters. They are the compounding cost of decades of subsidised fossil fuel combustion – falling, disproportionately, on the same households the subsidies claimed to protect.

The scale of what's being extracted from ordinary households is far larger than governments admit. The IMF puts global fossil fuel subsidies at US\$7.4 trillion in 2024. But the IMF's climate damage figure rests on a carbon price – US\$85 per tonne of CO₂ – that represents the cheapest possible price to keep warming below 2°C, not the actual damage fossil fuels cause. Using the peer-reviewed damage models that now underpin the US Environmental Protection Agency's official social cost of carbon, 350.org recalculated those figures for 186 countries. The result: **the industry causes at least US\$9.3 trillion per year in climate damages and air pollution deaths alone** – and pays almost nothing for it. Add direct government subsidies and tax breaks, and the total transfer to the fossil fuel industry reaches **US\$12 trillion a year**, including production-side subsidies tracked by the OECD – more than 60% above the IMF's figure, equivalent to **more than US\$1,400 from every person on Earth, and nearly three times total global climate finance (\$400 billion/year).**

The fossil fuel industry knows how to profit from the very crises it creates – positioning itself to pocket massive windfall gains precisely when everyone else struggles as prices spike. US oil producers alone are set to pocket an extra US\$60–63 billion in windfall profits in 2026 from the current crisis – more than double what the IEA estimates would be needed to deliver electricity and clean cooking to every person in Africa. Meanwhile, families across the Global South face fuel rationing, shortages of fertilizer, and soaring food prices. **The same war. Opposite outcomes.**

According to our new analysis, in the first 50 days, that **over \$150 billion** has been siphoned from ordinary people to oil and gas companies due to soaring energy prices:

The analysis estimates that rising oil and gas prices have already cost consumers and businesses an additional **\$158.6bn–\$166.9bn.**

This analysis calculates losses from price spikes using weighted oil and gas price averages over the first 50 days since the start of the war, combined with global consumption levels and adjustments for uncertainty, as well as reduced oil and gas demand due to rationing in response to rising prices.

It does not yet include wider knock-on effects, such as rising fertiliser and food costs, declines in economic output and employment, or broader inflation driven by fossil fuel price volatility. As a result, the true economic damage is likely significantly higher than the losses from oil and gas prices alone.

This is not a coincidence. For decades, fossil fuel companies have run one of the most sophisticated lobbying operations in history – funding the think tanks, capturing the negotiating rooms, ensuring every climate commitment is ambitious enough to satisfy public pressure and vague enough to change nothing. At COP28 alone, the summit where governments pledged to transition away from fossil fuels, nearly 2,500 fossil fuel lobbyists were registered. The results speak for themselves: three quarters of humanity live in countries that are net importers of fossil fuels, absorbing every price shock, every supply disruption, every war – while the profits flow to a handful of corporations and the wealthiest households in producing countries.

The notion that fossil fuels are "cheaper" for ordinary people is a fiction engineered over decades by an industry with everything to gain from it. This report documents the stories of real people paying that fiction's true price: People in Sindh who have to rebuild their house after the 2022 floods. Families in South Sudan rationing electricity from 4pm. Farmers in Sri Lanka who cannot afford fertiliser for the planting season. Communities in La Guajira, Colombia, whose land has been sacrificed for coal that will never power their homes. In each of these places, the fossil fuel system is not providing affordable energy. It is extracting wealth – from households, from public budgets, from the climate, and concentrating it elsewhere.

Public discourse often focuses on the upfront cost of clean energy – solar panels, clean cookstoves, electric scooters, or home insulation – especially for households with no savings or access to credit. But it rarely looks at the real cost of staying dependent on fossil fuels. As a result, the conversation around the energy transition is dominated by GDP (Gross Domestic Product) charts and political talking points, instead of a simple question: **can ordinary people afford food, transport, housing and healthcare in a world shaped by the impacts of climate change and volatile fossil fuel prices?**

The cost of delay has never been higher. Globally, climate-related extreme weather events have imposed damages of more than US\$2 trillion over the past decade, with some individual disasters costing vulnerable countries more than their annual GDP. On the other side of the equation is the solution: renewable energy sources, solar, wind and battery storage are now cheaper than new fossil fuel generation in most markets. The case for transition has never been stronger.

The solution is not complicated. It requires political will. As decision-makers gather in Santa Marta, Colombia, next week for the first international conference to phase out fossil fuels, they have the chance to put us on the right path: they can signal the end of a system that is silently siphoning trillions away from household budgets and draining state coffers.

In particular, they should:

- **Introduce permanent windfall taxes on fossil fuel companies** and others who profit from fossil volatility.
- **End the handouts** and replace blanket fossil fuel subsidies with targeted measures that actually reach the poor. The IMF estimates that removing explicit subsidies alone would raise revenue equivalent to 0.5% of global GDP.
 1. In the immediate crisis, this means cash transfers or other direct support for the most vulnerable households and workers — far more effective than fossil fuel subsidies, which deliver just 8 cents of every dollar spent to the poorest 20%.
 2. Over the medium term, subsidy savings should be channelled into programs that support families and small and micro enterprises to achieve permanent energy affordability and independence through solutions such as rooftop and balcony solar, electric vehicles, energy cooperatives and virtual power plants.
- **Make Polluters Pay** and implement carbon pricing that reflects the true cost of fossil fuels — not the IMF's conservative floor, but something approaching the \$185–233 per tonne that peer-reviewed science now documents — and recycle revenues into clean energy access and climate finance for vulnerable countries.
- **Redirect public finance from fossil fuel expansion to a fast and fair energy transition.** National and international public finance (through export credit agencies, development finance institutions, public pension fund investments and multilateral development banks) continues to underwrite new oil, gas, and coal infrastructure. Redirecting these flows toward just transition, climate resilience and inclusive green industrialization is among the highest-leverage policy interventions available.
- **Fast-track investment in renewables for broad-based prosperity and energy security.** Simplify permitting, de-risk with guarantees, and prioritize the needs of communities, local businesses and families living in energy poverty.
- **Protect governments that act from fossil fuel retaliation.** Countries that move to phase out fossil fuels face a real legal and financial threat: energy companies can — and do — sue governments under international investment treaties for passing climate laws that reduce the value of their assets. Canada, the Netherlands and Germany have all faced such cases. Reform of Investor-State Dispute Settlement (ISDS) must be accelerated to remove this legal weapon from the industry's toolkit. At the same time, a new UN fossil fuel treaty and mandatory minimum fossil fuel taxes embedded in the UN Tax Convention would make the phase out a collective international commitment — so that no country has to bear the political and financial cost of going first alone. The COP30 Roadmap process must translate the COP28 pledge to transition away from fossil fuels into binding country-level timelines before the window closes.

