OECD Coal Financing Agreement

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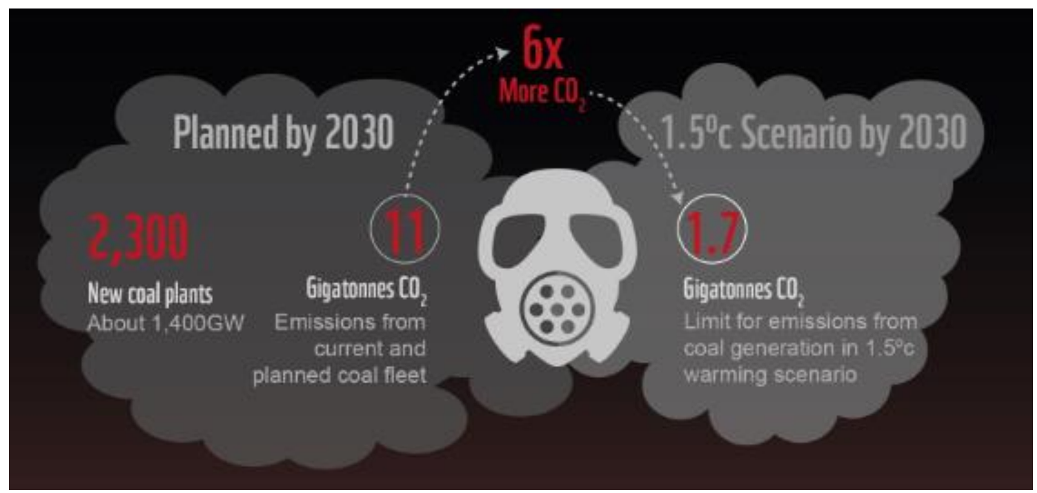
The Future of Fossil Fuels

- A recent Oxford study found that no new fossil fuel electricity infrastructure can be built after 2017 to have a 50% chance of keeping warming to 2 degrees Celsius.

- There are already plans for coal plants that will result in 6 times more carbon pollution than is possible to keep warming to 1.5 degrees Celsius.

Source: WWF, 2016

- Even though the vast majority of existing reserves can never be burned, governments continue to fund exploration.



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Export Credit Agencies

- Most Export Credit Agencies do not have development mandates
- Their primary purpose is to help domestic companies to export.
- OECD provides a negotiating forum that establishes guidelines for ECAs of member countries, including on environmental and social issues.

ECA Coal Financing

- In the past decade, ECAs have become the largest source of public financing for extractive energy and infrastructure projects.
- OECD ECA support for coal has been increasing.
- France, Germany, Japan, South Korea, and the US are responsible for 92% of coal power plant ECA financing from 2009 to 2014.
- OECD member ECA financing contribute to nearly one-quarter of new coal power outside of China.

ECA Oil and Gas Financing

- No restrictions currently exist on oil and gas financing even though it is quite high and includes support for exploration.
- According to the OECD Export Credit Group Secretariat, OECD ECA finance for oil and gas extraction and power plant was roughly five times that of coal between 2003 and 2013.
- OECD estimates that OECD member country public support for fossil fuels over all is at least $8 billion annually – even this figure they admit is probably too low.
- Between 2013 and 2014, total fossil fuel finance from NEXI and JBIC averaged about $15.5 billion per year.

National Coal Restrictions

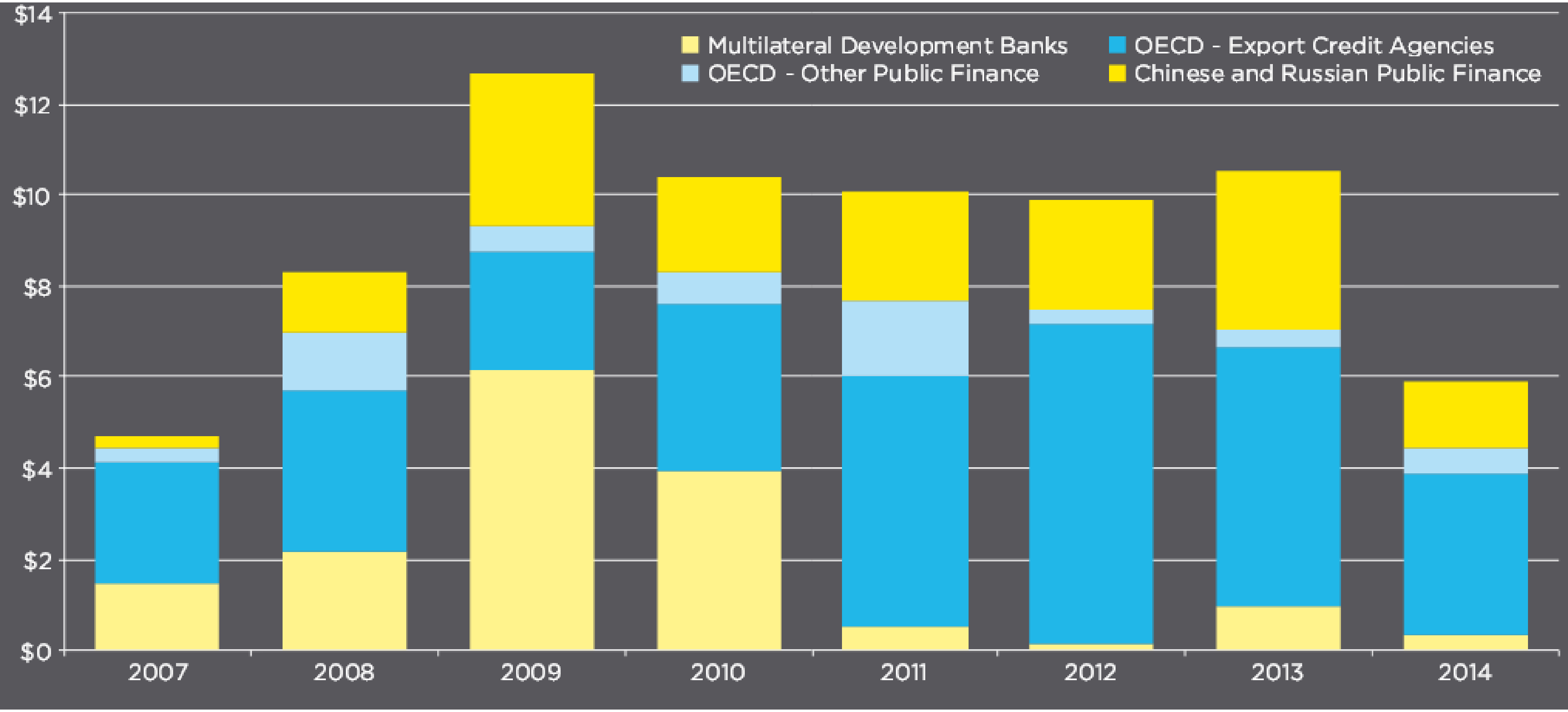
United States: In 2014, the U.S. Export-Import Bank began to restrict its financing for coal plants abroad as part of the implementation of President Obama’s Climate Action Plan.

EXIM
EXPORT-IMPORT BANK OF THE UNITED STATES

coface
FOR SAFER TRADE

France: In 2016, Coface halted subsidies for coal power plants in developing countries unless plants equipped with Carbon Capture and Storage technology.

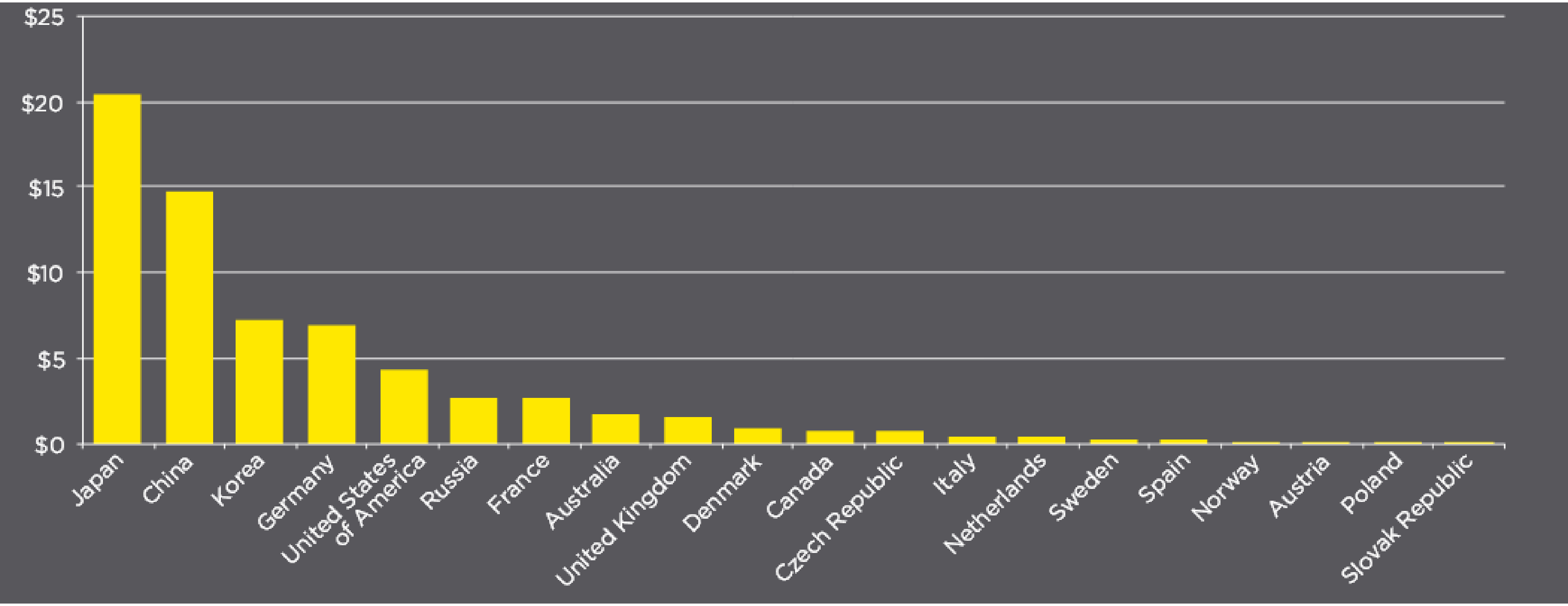
Public Coal Finance by Year



Source: OCI, *Under the Rug*, 2015

OECD Export Credit Agencies provided nearly half of the total international finance for coal

Public Coal Finance by Country



Source: OCI, *Under the Rug,* 2015

Japan provided the largest amount with over $20 billion from 2007 to 2014.

The Agreement

- On November 17, 2015, the OECD Export Credit Group reached an agreement to restrict export credit subsidies for coal plants.
- The agreement was a compromise that will not completely eliminate financing for coal plants.
- The agreement represents the first time that a large number of ECAs have publicly acknowledged that financing for greenhouse gas emitting projects abroad is a problem.

OECD Agreement Alone Will Not End Coal Financing

- The OECD agreement still allows public export credits for 40.3 GW of new coal-fired power capacity for which the technology is known.

- The OECD agreement is, therefore, not compatible with the Paris agreement, which aims to keep warming to 1.5 degrees C above pre-industrial levels.

- The final coal capacity that could receive OECD export support will likely be much higher given that more than half of the current coal plant pipeline is of unknown technology, and other loopholes.

Arrangement v. Non-Arrangement

- The Arrangement on Officially Supported Export Credits provides a framework for OECD member countries' use of export credits.

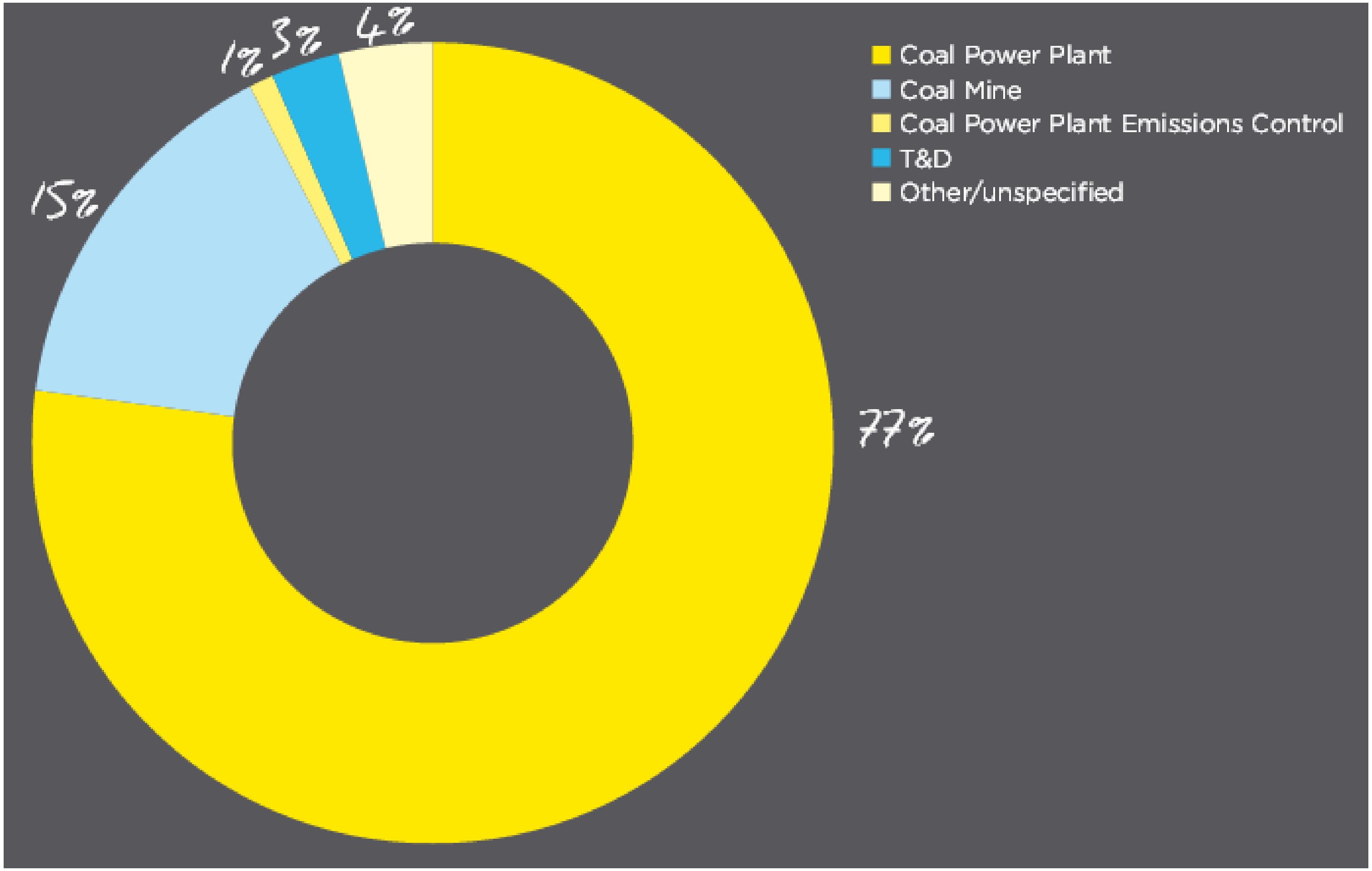
- The OECD Export Credit Group Secretariat has documented that between 2003 and 2014 "almost half" of OECD member ECA financing for coal fell outside of the scope of the Arrangement.

- The agreement only covers Arrangement financing, meaning that about half of OECD ECA coal financing is not covered by the agreement.

ECAs Can Still Finance:

- Exploration for and mining of coal, as well as coal-related infrastructure financing, including projects to transport or export coal.
- All other fossil fuels, which account for roughly five times more OECD ECA financing than coal, according to the OECD Export Credit Group Secretariat.
- Modernization and supplies for existing coal plants.

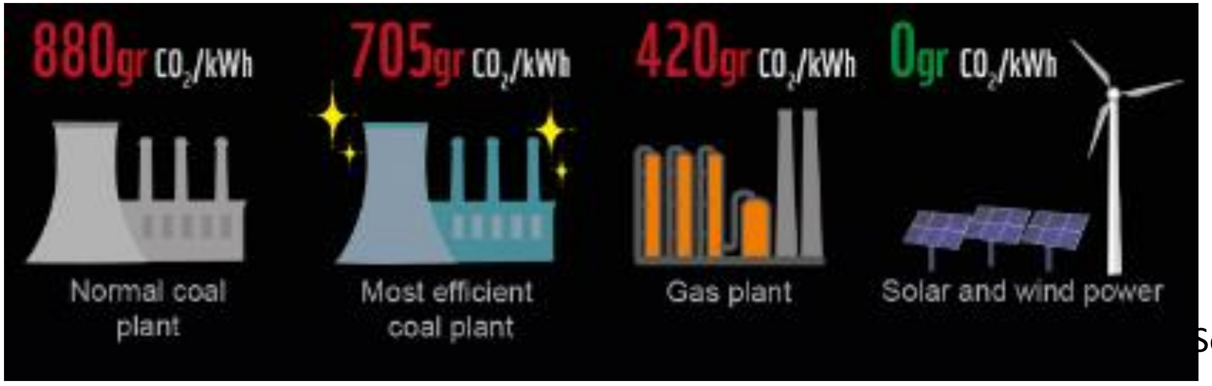
Public Coal Finance by Project Type



Source: OCI, *Under the Rug,* 2015

Coal Plant Efficiency

- According to research by Ecofys, even high-efficient low-emission (HELE) power plants are incompatible with 2 degrees Celsius.
- Even if every planned coal plant was a HELE plant, warming would exceed 2 degrees Celsius.
- Even the most efficient coal plants pollute almost as much as low-efficiency plants .



Source: WWF, 2016

Slow Timeframe

- Even though agreed to in 2015, it does not go into effect until 2017, which could cause a rush of applications for coal plant financing in 2016.

- The agreement will be renewed in 2019 and the next amendment in 2021. This is too slow of a timeline to achieve the needed improvements to the agreement, including all fossil fuel plants and infrastructure.

Examples of Projects that Would Still Be Allowed under the Agreement

- Bangladesh: Orion power plants near Dhaka and the Sundarbans
- Indonesia: Batang power plant in central Java
- Australia: export port inside the Great Barrier Reef World Heritage Area

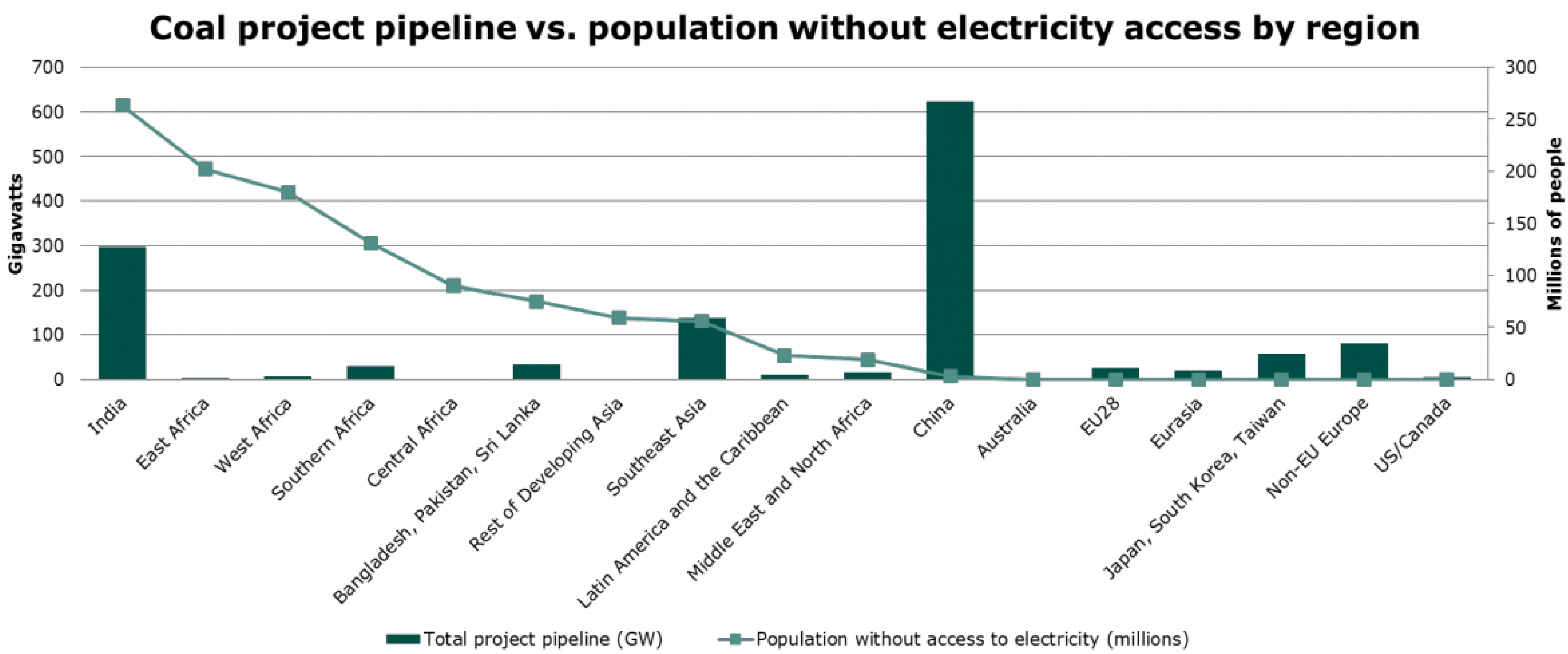
Exemption for the Poorest Countries

- These restrictions do not apply to projects in the poorest countries where there are no viable options.
- Coal projects would do little to support energy access or poverty reduction in the least developed countries, and will make conditions worse through deadly pollution.

Coal and Energy Access

- 1.1 billion people lack electricity
- Off-grid systems are often cheaper and more reliable
- Export credits have rarely supported electrification efforts in the poorest countries. No coal projects financed in the past eight years were in low-income countries.

Coal Being Built Where Access Already Exists



Source: ODI, https://www.odi.org/coal-and-poverty-faq-energy-access

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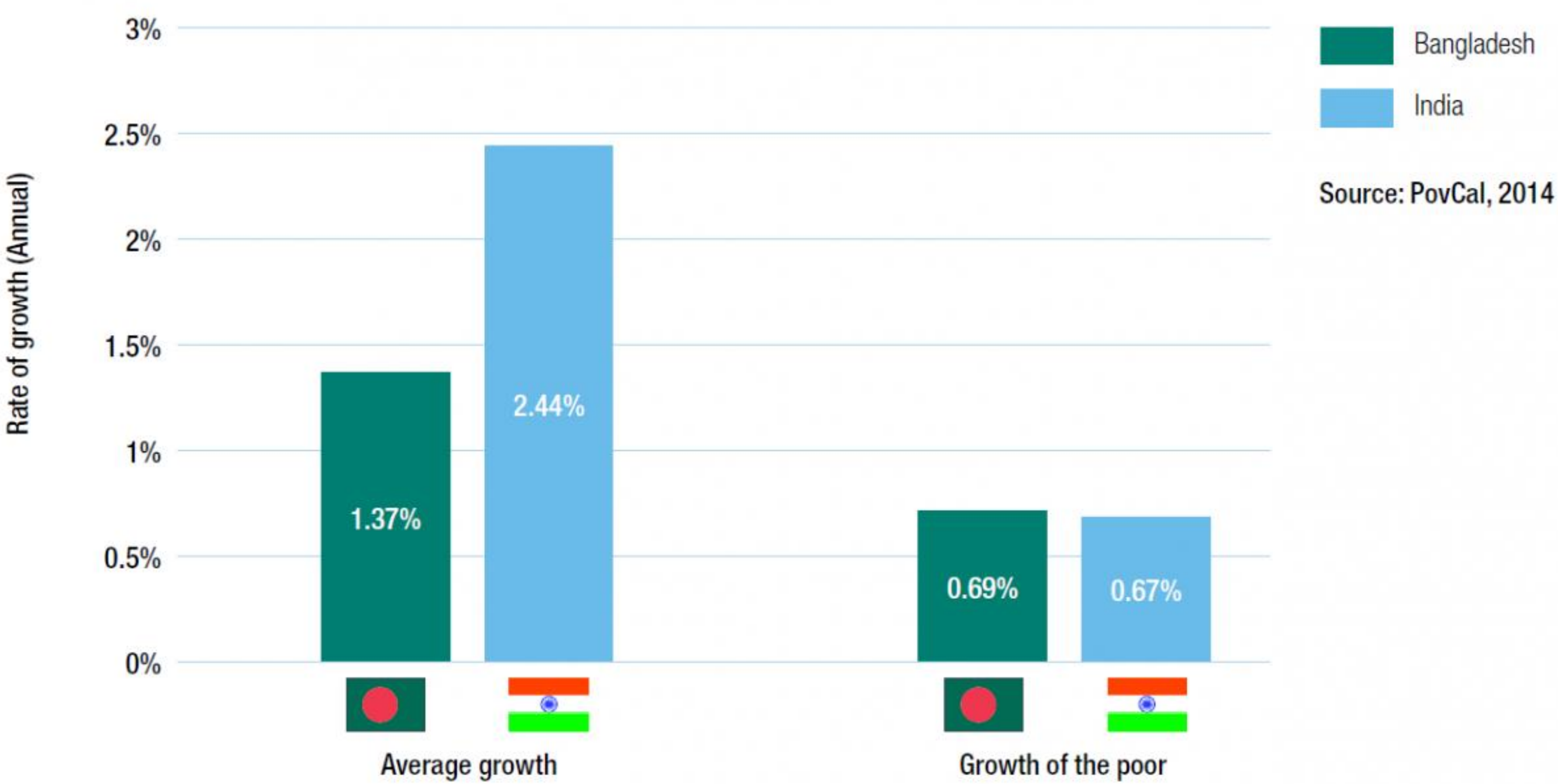
Coal ≠ Economic Growth



Source: ODI, *Zero Poverty, Zero Emissions*, 2015.

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Recommendations for the OECD

- Require public disclosure of all data on public finance for fossil fuels, including both arrangement and non-arrangement financing, as well as investments made through financial intermediaries.

- Require an end to all financing for fossil fuel projects, including exploration and extraction projects.