WWF

BRIEFING PAPER

JUNE 2015

G7 export finance: Time to end support for coal

WWF recommendations

- **G7 countries must immediately and publicly announce an end to their national export finance for coal, as a critical way to raise the profile of the issue and put pressure on countries reluctant to end their export finance for coal.**
- **Such national efforts must be leveraged in the forthcoming G7 in Germany (7-8 June 2015): in order to maintain its credibility and leadership on climate change, in its final statement the G7 must publicly commit to ending export finance for coal.**
- **On this basis, G7 countries must ensure that an ambitious OECD agreement is reached to curb export finance for coal from all OECD countries.**

Scope of this briefing

- This briefing focuses on the export finance of G7 countries in the period 2007-2014 through their official Export Credit Agencies (ECAs)[1]. Export Credit Agencies provide government-backed guarantees to domestic companies for incentivising their exports. The source of data used is the database on International public finance for coal developed by NRDC, Oil Change International and WWF[2].
- It should be noted that in addition to coal support provided by Export Credit Agencies, two of the G7 countries also significantly support coal overseas through their national development finance institution: Germany with KfW (2,53 bn USD for coal for 2007-2014) and Japan with JICA (2.42 bn USD for coal for 2007-2014). These figures are not included in data below.

1. THE G7 HAS COMMITTED TO ACT ON EXPORT FINANCE AND CLIMATE CHANGE

Climate science requires urgent action: fossil fuel reserves are far bigger than what our climate can afford and according to the International Energy Agency (IEA), **at least two thirds of proven fossil fuel reserves need to stay underground** (IEA World Energy Outlook 2012). In addition the IEA stated that to have about a 50% chance of staying within a 2°C global temperature rise, **only zero-carbon utilities and infrastructure should be developed beyond 2017** since 80% of cumulative emissions allowable between 2010 and 2035 are already locked-into existing power plants, factories, buildings and services,

[1] According to the OECD list, http://www.oecd.org/trade/xcred/eca.htm
[2] NRDC, Oil Change International, WWF. Under the Rug: How Governments and International Institutions Are Hiding Billions in Support to the Coal Industry. 2 June 2015

unless existing infrastructure is scrapped before the end of its economic lifespan, which is highly unlikely (IEA World Energy Outlook 2011).

In October 2013 the OECD Secretary General Angel Gurría asked "every government" to put into question domestic and overseas support for coal[3].

In June 2014, the G7 already discussed the export finance and climate change issue and stated: "We remain committed to the elimination of inefficient fossil fuel subsidies and continued discussions in the OECD on how export credits can contribute to our common goal to address climate change"[4]. Such a commitment needs to be put into practice before the UNFCCC climate change conference (COP21) in Paris in December 2015 - this means now.

In December 2014, IEA executive director Maria van der Hoeven said "I must emphasise once again that coal use in its current form is simply unsustainable. For this to change, we need to radically accelerate deployment of carbon capture and sequestration (CCS)."[5]

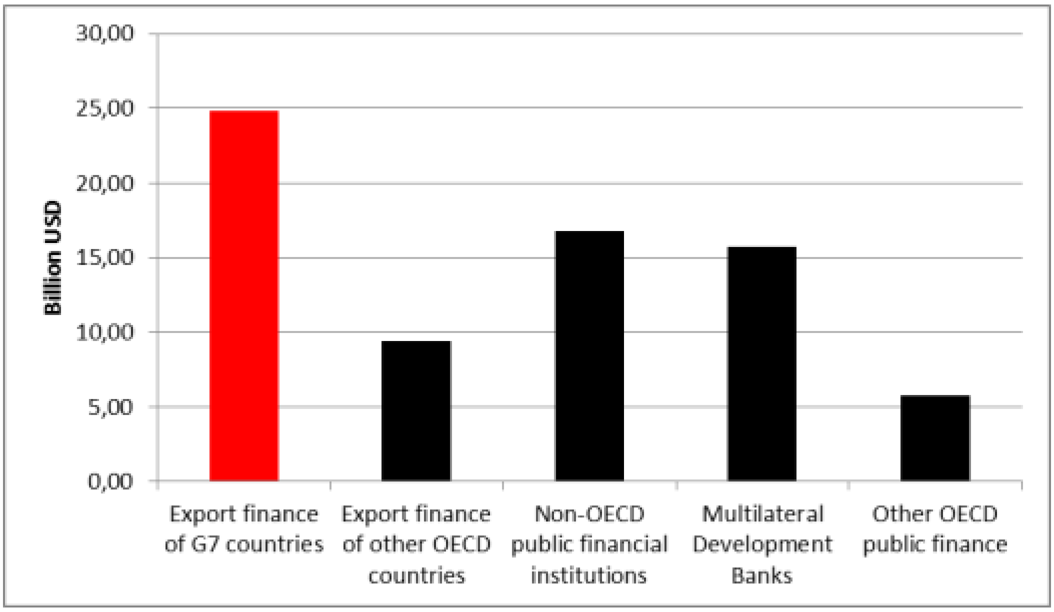
In May 2015 the UN climate chief, Christiana Figueres, made clear there was "no space" for new coal developments[6].

2. G7 EXPORT FINANCE REPRESENTS THE BULK OF INTERNATIONAL PUBLIC FINANCE FOR COAL

As shown in Figure 1, **G7 countries' Export Credit Agencies provide the bulk of international public finance for coal: 24.8 bn USD out of a total of 72.5 bn USD in the period 2007-2014, or 34%**. This is far more than Multilateral Development Banks (15.8 bn) or non-OECD public finance for coal overseas, comprised mainly of Chinese public finance (16.8 bn)[7].

[3] http://www.oecd.org/about/secretary-general/The-climate-challenge-achieving-zero-emissions.htm
[4] The Brussels G7 Summit Declaration, 5 June 2014, paragraph 11
[5] IEA Medium-Term Coal Report 2014, December 2014
[6] http://www.theguardian.com/environment/2015/may/04/un-climate-chief-says-the-science-is-clear-there-is-no-space-for-new-coal
[7] These figures are likely an underestimate because of the difficulty of finding data on projects financed by several institutions, notably from Germany, Japan and China

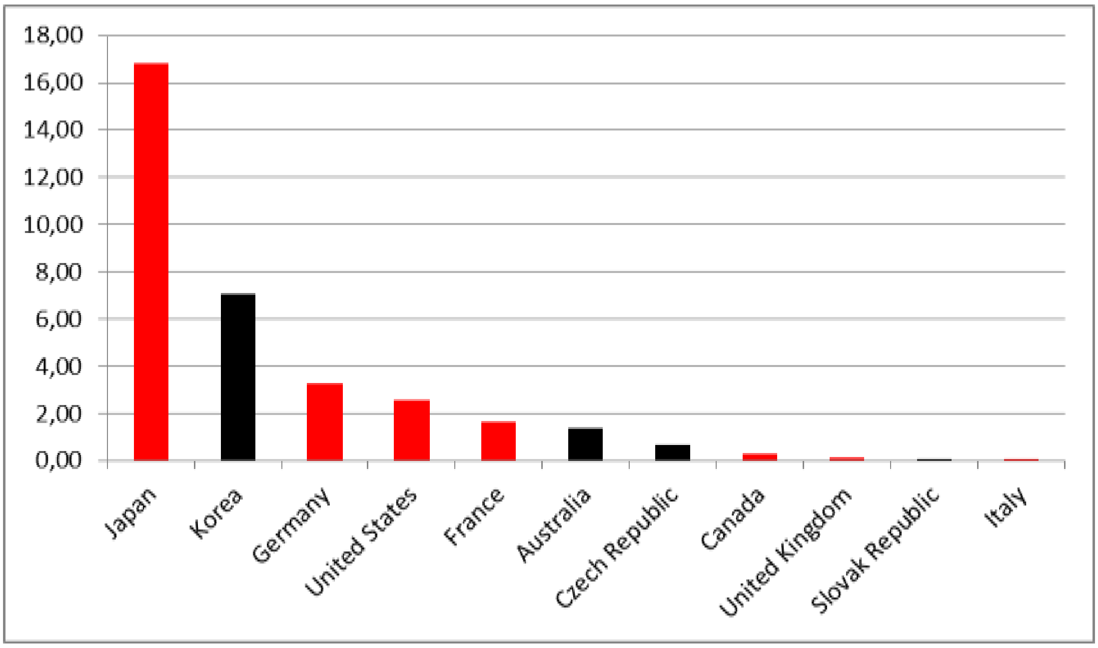
Figure 1. International public finance for coal 2007-2014



When focusing on OECD Export Credit Agencies exclusively, **the G7 countries represent 73% of OECD export finance for coal in 2007-2014 and are all among the eleven major providers of OECD export finance for coal in the period 2007-2014** (see Figure 2 below, G7 countries in red). The table below shows that Japan is the biggest provider of export finance for coal by far (49% of OECD export finance in 2007-2014, or almost half), followed by Germany (10%), the U.S. (7%) and France (5%). Canada, UK and Italy had more limited support for coal although not non-existent.

Apart from G7 countries, Korea is the only major provider of OECD export finance for coal with 7.1 bn USD in 2007-2014 (21% of OECD volume 2007-2014), and to a much lesser extent Australia (1.4 bn USD) and Czech Republic (0.7 bn USD).

Figure 2. OECD export finance for coal 2007-2014: 11 main countries in volume (billion USD)



Export finance for coal from G7 countries 2007-2014

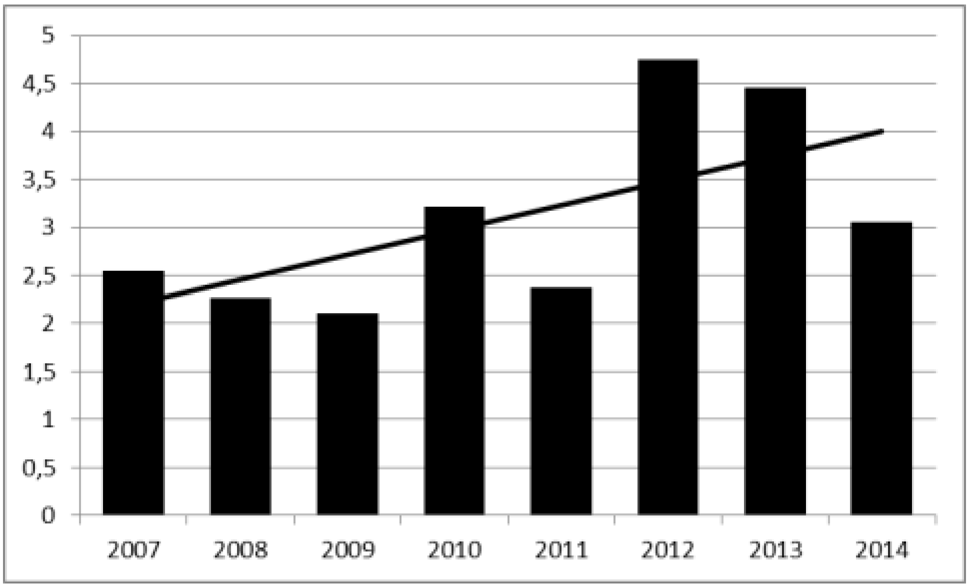
	Bn USD	% of OECD volume
Japan	16.8	49.2%
Germany	3,29	9.6%
United States	2.55	7.5%
France	1,64	4.8%
Canada	0,31	0.9%
United Kingdom	0.10	0.3%
Italy	0,06	0.2%
Total G7 countries	**24.8**	**72.5%**
Total OECD countries	**34.2**	**100%**

71% of G7 export finance 2007-2014 supported coal-fired power plants, while coal mining received 25%, and other projects 4%.

3. TREND OF G7 EXPORT FINANCE FOR COAL

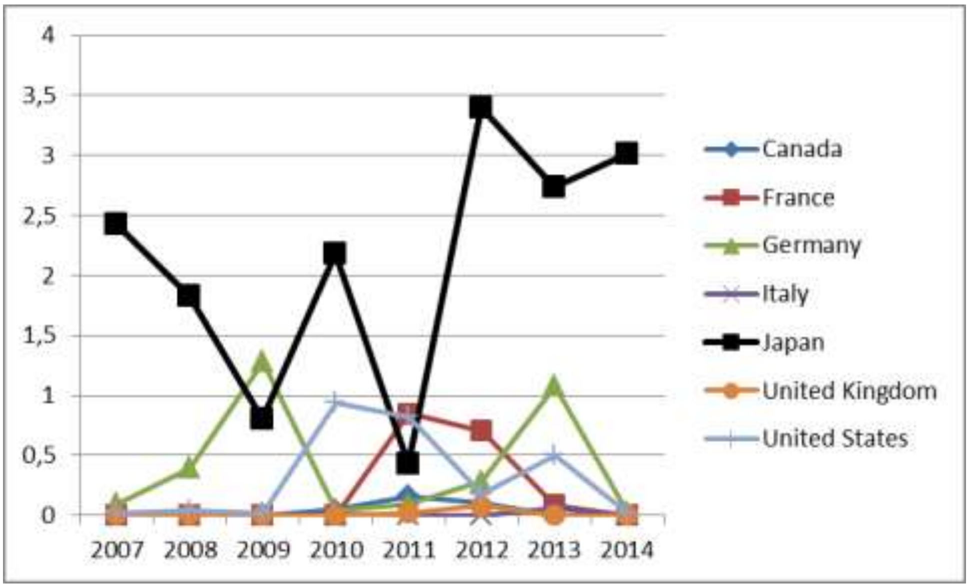
Quite worryingly, G7 countries' export finance for coal shows an increasing trend in the last eight years (see Figure 3).

Figure 3. Trend of G7 export finance for coal 2007-2014 (bn USD)



When looking at specific G7 countries in the period 2007-2014, it is interesting to note less export finance for coal in 2014 compared to 2012-2013, and all G7 countries except Japan appear to have reduced financing for coal overseas in 2014 (see figure 4). It is very likely that the U.S. and more recently the French policies to end export finance for coal plants (see next chapter) had a positive impact in 2014. However, it is as yet unclear if this drop is simply an annual variation or the beginning of a trend; it is also likely that, since 2014 is a more recent year, information on several projects has not been made publicly available yet (see Figure 4).

Figure 4. Trends of G7 export finance for coal by country 2007-2014 (bn USD)



4. G7 COUNTRIES' POLICIES ON EXPORT FINANCE FOR COAL

National policies of G7 countries on export finance for coal are very uneven:

- **The U.S.[8] and France[9] have both publicly ended their export finance for coal plants (with exemptions). As such they are championing the G7 for a credible approach in the year of the crucial climate COP21.**

- Germany[10] has publicly restricted its export finance for coal plants to the most efficient coal plants (reaching 44% efficiency for hard coal and 43M% for lignite) and only in countries that have a national climate mitigation policy and strategy. There are exemptions (plants smaller than 500 MW).

[8] US Ex-Im, Annex A-2: Supplemental Guidelines for High Carbon Intensity Projects, February 2014, http://www.exim.gov/generalbankpolicies/environment/ENVIRONMENTAL-AND-SOCIAL-GUIDELINES.cfm#annexA-2
[9] Discours du Premier Ministre Manuel Valls lors de la clôture de la Conférence environnementale, 28 Novembre 2014, http://www.gouvernement.fr/partage/2745-discours-de-manuel-valls-lors-de-la-cloture-de-la-conference-environnementale-du-28-novembre-2014
[10] Federal Government report on the financing of international coal-related projects for the Economic Committee of the Bundestag, December 2014, http://www.bmwi.de/English/Redaktion/Pdf/bericht-der-bundesregierung-zur-internationalen-kohlefinanzierung-fuer-den-wirtschaftsausschuss-des-deutschen-bundestages-englisch,property=pdf,bereich=bmwi2012,sprache=en,rwb=true.pdf

- All other G7 countries have no national public policy on export finance for coal so far, which means that they can support any kind of coal project overseas. But leaked information from the OECD meetings shows that the UK is in favour of a policy to end support for coal plants, while on the opposite Japan is opposed to any restrictions on financing for coal and is advocating for incentives for higher efficiency coal plants. Canadian and Italian positions are less clear but are said to be in favour of a compromise rejecting support for inefficient coal plants. As a result, **Japan's position is increasingly isolated in the G7.**

- No G7 country has committed to end export finance for coal mining and related infrastructure to date.

5. URGENT STEP REQUIRED: THE G7 MUST COMMIT TO END EXPORT FINANCE FOR COAL

It is unacceptable that G7 taxpayers' money is still used to back projects fostering the use of coal - the worst single climate killer globally. The only way for rich countries to ensure credibility and consistency between their climate commitments and their export finance policies is to immediately end export finance for coal – as a first step towards stopping export finance for fossil fuels altogether.

OECD countries are currently undertaking negotiations to curb OECD export finance for coal, with the objective to reach a final agreement in the OECD Export Credit Group meeting of 9-12 June 2015. **These negotiations are at high risk to fail, because many countries show weak commitment to make significant progress and a few countries led by Japan[11] are attempting to block any progress.**

As shown above, G7 countries are responsible for the bulk of coal export finance and have a critical role to play:

WWF recommendations

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- **Such national efforts must be leveraged in the forthcoming G7 in Germany (7-8 June 2015): in order to maintain its credibility and leadership on climate change, in its final statement the G7 must**

[11] Mainly Japan, Korea, Australia

- **publicly commit to ending export finance for coal.**
- **On this basis, G7 countries must ensure that an ambitious OECD agreement is reached to curb export finance for coal from all OECD countries.**

Such a move from the G7 is critical to inciting similar action from emerging countries like China. It is unfair to ask for China to improve its export finance policies when rich countries are not showing joint leadership on the issue.

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