

# Export finance for the past or the future?

Why E3F member countries must end oil and gas financing and finance a climate-compatible future

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November 2021

## Key messages

Despite the commitment to align finance flows with the climate goals adopted under the Paris Agreement, the Export Finance for Future (E3F) coalition members – Denmark, France, Germany, the Netherlands, Spain, Sweden and the UK – provided at least \$22.4 billion (€20 billion) in export finance to fossil fuel projects between 2018 and 2020. Almost all of this financing (97%) went towards oil and gas projects. This is significantly more than the amount of export support provided to clean energy (\$19.6 billion / €17 billion).

E3F countries have also supported or are considering supporting controversial fossil fuel projects, and some have continued to support coal projects, despite undertakings to end such support.

At the COP26 climate summit in Glasgow, over 30 countries, including all seven E3F members, signed a commitment to end international public finance for unabated oil, gas and coal by the end of 2022, and to prioritise public finance for clean energy. To align their activities with the 1.5°C global warming limit, E3F countries should put an immediate halt to new export finance for fossil fuel projects and should ensure that they and other signatories implement this commitment with integrity.

The E3F members have an important opportunity to engage in targeted diplomacy to end public finance and subsidies for fossil fuels internationally, including by spearheading efforts to secure 1.5°C-aligned oil and gas (export) finance restrictions at the Organisation for Economic Co-operation and Development (OECD), G7 and G20.



# Acknowledgements

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The authors would like to thank the following people for their valuable comments and inputs: Vanessa Buth (Just Finance), Sarah Colenbrander (ODI), Niels Hazekamp (BothENDS), Eigil Johannisson (ActionAid Denmark), Davide Maneschi (Swedwatch), Anna-Lena Rebaud (Friends of the Earth France), Regine Richter (urgewald) and Bronwen Tucker (Oil Change International). They would like to thank Matthew Foley, Lizzie Tribone and Aaron Griffiths for support on editing, design and production.

## About this publication

The research for this policy brief was undertaken by ODI and Oil Change International (OCI), with data and inputs from Action Aid Denmark, BothENDS, Friends of the Earth France, Just Finance, Swedwatch and urgewald. ODI and OCI's research was made possible thanks to support from Bulb Foundation and the European Climate Foundation. The authors believe the information in this brief comes from reliable sources and that the data analysis is sound, but do not guarantee the accuracy, completeness, or correctness of any of the information or analysis. The authors disclaim any liability arising from use of this brief and its contents.

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How to cite: Gençsü, I., Sharma, N. and van der Burg, L. (2021) Export finance for the past or the future? Why E3F member countries must end oil and gas financing and finance a climate-compatible future. Policy brief. London: ODI ([www.odi.org/publications/export-finance-for-the-past-or-the-future](http://www.odi.org/publications/export-finance-for-the-past-or-the-future)).

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# Executive summary

The Export Finance for Future (E3F) coalition, consisting of Denmark, France, Germany, the Netherlands, Spain, Sweden and the UK, was established in April 2021 with the objective to lead efforts to align export credit support with climate goals. The E3F countries have committed to do so under the Paris Agreement, which urges them to make finance flows ‘consistent with a pathway towards low GHG emissions and climate-resilient development’.

Despite this commitment, between 2018 and 2020 the E3F countries provided at least \$22.4 billion (€20 billion) in export support on fossil fuel projects. This is significantly more than the amount of export support provided to clean energy (\$19.6 billion / €17 billion).

The bulk of fossil fuel financing has gone to several major projects, including controversial gas developments in Mozambique (supported by the Netherlands, the UK and France), an oil refinery project in Oman, and a liquified natural gas (LNG) project in the Russian Arctic. The largest providers of fossil fuel financing were Spain, Germany and the UK, providing \$7.2, \$5.8 and \$4.2 billion between 2018 and 2020, followed by the Netherlands and France, which provided \$3.6 and \$1 billion. Denmark and Sweden have provided the highest levels of clean energy finance, at \$7.7 and \$7.6 billion.

At the COP26 climate summit in Glasgow all E3F members signed a commitment to end public finance, including export finance, for unabated oil, gas and coal by the end of 2022, as part of a wider group of over 30 countries (and nearly 40 signatories in total). This is an important step. Shifting public finance for energy out of all fossil fuels and into clean energy is an urgent task. According to the International Energy Agency (IEA), to limit global warming to 1.5°C 2021 needs to mark the end of new investments, not just in coal, but also in new oil and gas supply.

Implementing the commitment to end international public finance for fossil fuels provides an important opportunity to shift significant sums of export finance towards clean energy. However, the significant levels of historic support to fossil fuel projects suggest that implementing these commitments requires a dramatic change in direction.

We therefore call on E3F members to enhance climate ambition on three fronts:

## **1. Ending international public finance for fossil fuels**

- Put an immediate halt to new direct and indirect export finance for fossil fuel projects.
- Wind down existing financing for fossil fuel projects and engage affected workers and communities in developing worker-led just transition plans.

- Take a whole of government approach, as per the COP26 commitment, which covers all international public finance: ensure cross-government alignment on policies on ending international finance and subsidies for fossil fuels, including support through development finance institutions (DFIs), multilateral development banks (MDBs) and trade promotion.
- Ensure transparent and timely reporting on all energy finance.

## **2. Expanding international public finance for clean energy**

- Reallocate export finance to renewable energy, energy efficiency, just transition finance, energy access and other measures that advance both climate and development goals.
- Ensure future projects are not only climate-compatible, but also contribute to local business development, avoid deepening inequalities and are implemented with robust consultation and strong due diligence on human rights and ecological impacts. Projects should be inclusive of and led by local governments, workers, communities, civil society organisations and trade unions.

## **3. Supporting countries beyond E3F to replicate best practices**

- Adopt an E3F roadmap for implementing the COP26 statement and for monitoring progress towards commitments.
- Work with other signatories of the COP26 statement to define ‘limited and clearly defined circumstances’ and ‘unabated’, to ensure meaningful implementation of their pledge and avoid loopholes.
- Ensure effective monitoring of progress towards the commitment to end international public finance for unabated fossil fuels by the end of 2022.
- Engage in targeted diplomacy to end public finance and subsidies for fossil fuels internationally, including by spearheading efforts to secure 1.5°C-aligned oil and gas (export) finance restrictions at the Organisation for Economic Co-operation and Development (OECD), G7 and G20.

# Introduction

According to the International Energy Agency (IEA), 2021 needs to see an end to investments in new oil and gas fields and coal mines in order to maintain a 50% chance of limiting global warming to 1.5°C (2021). The science also shows that governments need to plan to rapidly wind down both fossil fuel production and use. The 2021 Production Gap report shows that coal, oil and gas production need to be reduced by 11%, 4% and 3% respectively each year between 2020 and 2030 (SEI et al., 2021). Another study shows that committed emissions from existing power infrastructure are already pushing global warming beyond the 1.5°C goal (Tong et al., 2019).

These studies also show that gas cannot be used as a ‘bridge fuel’, for example to replace coal-fired power generation, as the world moves towards renewables. Gas production and use also need to reduce rapidly in order to maintain a chance of limiting global warming to 1.5°C. According to the United Nations Environment Programme (UNEP), ‘without relying on future massive-scale deployment of unproven carbon removal technologies, expansion of natural gas infrastructure and usage is incompatible with keeping warming to 1.5°C’ (UNEP and CCAC, 2021). Fortunately, research shows that gas is not needed, as renewable-based alternatives for most of its uses are available and are either already cheaper or are expected to be so within a few years (Muttitt et al., 2021). The UN Sustainable Energy for All initiative includes as a core recommendation that ‘financing of fossil fuel projects as a means of closing the energy access gap should be terminated’, as they are no longer the most effective means of providing electricity access (SE4All, 2020).

To realise the required reduction in fossil fuel production and use and build-out of renewable energy production and use, finance flows need to shift out of fossil fuels and into clean energy. Recognising this, countries have committed to making finance flows ‘consistent with a pathway towards low GHG [greenhouse gas] emissions and climate-resilient development’ under Article 2.1(c) of the Paris Agreement adopted in 2015 (UNFCCC, 2015).

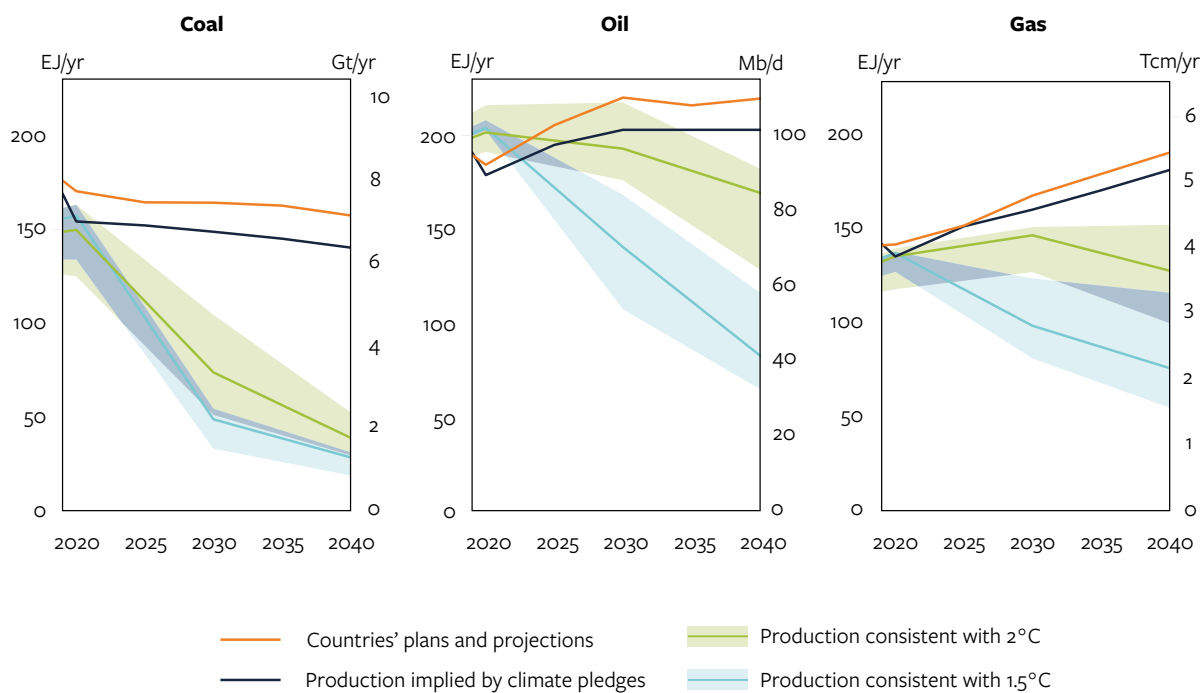
While six years later governments continue to support new fossil fuel production with large sums of public money, we might be at the dawn of a new era. This year, momentum has started to gather on ending public finance for fossil fuels. At the UN Climate Change Conference (COP26) in Glasgow, over 30 countries signed a joint statement committing to end the public finance – including export finance – for all ‘unabated’<sup>1</sup> coal, oil and gas by the end of 2020 (UK Government, 2021a). This decision built on earlier commitments to end the public finance for oil and gas by the European Investment Bank (EIB) and the UK government. The statement brings together some of the largest historic providers of public finance for fossil fuels: Canada, the United States,

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1 Abatement of fossil fuels, in particular coal, implies the use of Carbon Capture and Storage (CCS) or Carbon Capture, Utilisation and Storage (CCUS) technology. ‘Unabated’ therefore generally refers to fossil fuel power production that does not use CC(U)S technology, although there is no clear and universally agreed definition.

Germany and Italy. Together, the signatories are responsible for at least \$24.1 billion per year of public finance for fossil fuels, which could now be shifted towards clean energy if the statement is implemented effectively. Both big polluters and low-income countries<sup>2</sup> have signed the statement, challenging the assumption that developing countries either want or need investments in fossil fuels to achieve their development objectives. Other large financiers have yet to join them. Laggards include Japan (\$10.9 billion per year), South Korea (\$10.6 billion per year) and China (\$7.6 billion per year). These countries are the largest providers of international public fossil fuel finance in the G20, and together account for 46% of G20 and multilateral development bank (MDB) finance for fossil fuels (OCI, 2021a).

**Figure 1** Plans for global oil and gas production over the next two decades and alignment with global warming pathways



Source: SEI et al. (2021)

Alongside fulfilling the stated goal of ‘prioriti[sing] support fully towards the clean energy transition’, the capacity of this initiative to support a just and 1.5°C-aligned global energy transition will hinge on efforts to clearly define vague language used in the statement, such as ‘limited and clearly defined exemptions’ for continued support for fossil fuels and ‘unabated’, to ensure that they do not provide loopholes for business-as-usual investments in oil and gas.

<sup>2</sup> According to the World Bank, low-income economies are defined as those currently with a GNI per capita, calculated using the World Bank Atlas method, of \$1,045 or less in 2020.

The United States (US), one of the signatories of the statement, had previously announced in April 2021 that it wants to ‘spearhead efforts to modify disciplines on official export financing provided by the Organization for Economic Co-operation and Development (OECD) export credit agencies (ECAs), to reorient financing away from carbon-intensive activities’, suggesting that the US, possibly in collaboration with other signatories of the joint statement, could lead efforts to table a proposal for oil and gas export finance restrictions at the OECD (OCI, 2021b).

This briefing focuses on how the Export Finance for Future (E3F) coalition can help accelerate this momentum. E3F, launched in April 2021, is a grouping of seven European governments (Denmark, France, Germany, the Netherlands, Spain, Sweden and the United Kingdom) that have agreed to work together to align export finance with the Paris Agreement, including by ending coal finance, increasing transparency and ‘assess[ing] how to best phase out export finance support to oil and gas industries’ (Atkins, 2021). All E3F members signed up to the COP26 statement to end international finance for fossil fuels by 2022.

This briefing assesses the extent to which E3F members have, to date, aligned their activities with the requirements of the Paris Agreement (‘Paris Alignment’) by shifting their financing away from fossil fuels, including in the context of the growing momentum to shift public finance out of all fossil fuels. The next section of the brief maps E3F coalition members’ financing for the energy sector. The brief then discusses the relationship between fossil fuel export finance and development goals; summarises the fossil fuel exclusion policies of the E3F member countries and finance for fossil fuel projects that are recently confirmed or under consideration; and concludes and makes policy recommendations.

## ECA and E3F finance for fossil fuels

Despite the latest research on the need to phase out fossil fuels, and the commitment to align all finance flows with the aims of the Paris Agreement, substantial public finance for fossil fuels has continued. Between 2018 and 2020 the G20 governments provided \$63 billion a year in international public finance for fossil fuel projects through their public finance institutions (MDBs, bilateral development finance institutions and ECAs) (Tucker and DeAngelis, 2021). This is 2.5 times their support for clean energy projects abroad (\$26 billion). In addition, governments provided at least \$468 billion in 2019 in domestic subsidies to fossil fuel production and use, and invest at least \$257 billion a year in fossil fuel projects through state-owned enterprises (OECD, n.d.a; Geddes et al., 2020).

The impact of public finance for fossil fuels reaches far beyond direct support. Government backing for projects lowers the risks for private investors and therefore crowds-in significant sums of private finance. Since the adoption of the Paris Agreement, the 60 largest private banks have invested \$3.8 trillion in fossil fuels (Kirsch et al., 2021).



The E3F member countries have all committed to aligning financial flows with the internationally agreed climate goals under the Paris Agreement (Article 2.1c), alongside all other signatories of the Agreement. But in stark contrast with these commitments, their ECAs have continued to support fossil fuel production internationally since the adoption of the Paris Agreement. In a number of E3F countries, this fossil fuel export support outweighs support for clean energy, as well as climate finance pledges. The E3F fossil fuel export finance trends described below underline the significance of the commitment made at COP26 to end international public finance for unabated coal, oil and gas by the end of 2022.

Of the public finance institutions, ECAs are the largest providers of fossil fuel support. Between 2018 and 2020, the ECAs of G20 member countries provided 12 times more support for fossil fuels than clean energy, with \$40.1 billion per year for fossil fuels and just \$3.3 billion for clean energy (Tucker and DeAngelis, 2021). In part thanks to the adoption of coal export finance restrictions at the OECD in 2015, their support for coal projects has fallen, but progress on further restricting ECA finance for fossil fuels has stalled since 2015 and oil and gas export finance largely remains unrestricted. Some \$36 billion, or 90% of G20 ECA fossil fuel support, now goes to oil and gas projects. This is significantly larger than their combined support for renewable energy (\$3.3 billion) (ibid.).

For the period 2018–2020, our analysis finds that the ECAs of the seven E3F member countries provided at least \$22.4 billion (€20 billion) to fossil fuel projects.<sup>3</sup> This is significantly more than the amount of export support provided to clean energy (\$19.6 billion / €17 billion). The top three were Spain (through its ECA Compañía Española de Seguros de Crédito a la Exportación – CESCE), Germany (through its ECA Euler Hermes) and the UK (through UK Export Finance – UKEF). These three countries account for 77% of the total support from the seven E3F member countries between 2018 and 2020. Germany, the Netherlands and the UK’s ECAs on average contributed approximately 70–80% more to fossil fuels than clean energy investments. These three countries also increased their public finance support to fossil fuels through their ECAs during 2020 in comparison to 2019, despite claiming to prioritise a green recovery from Covid-19 (Ashraf and Seters, 2021; UK Government, 2021b, Maas and Lucas, 2021). There is also evidence that Spain’s CESCE provided financing for five hydrocarbon projects in 2020, but for most of these projects no information is available on the amount of support provided (CESCE, 2020). We also found that, although it has increased financing for clean energy, Sweden has continued to support coal projects alongside oil and gas finance, and that export support to coal increased in 2020 before eventually being phased out at end-2020. Our data suggests that Denmark provided no new support to fossil fuel projects in 2019 and 2020. See Figure 2 for a breakdown of total annual financing provided for different types of fossil fuel energy versus clean energy by E3F member countries’ ECAs. For more detailed information on the total amounts of financing provided for the energy sector by ECAs at country level, see Appendix 2.

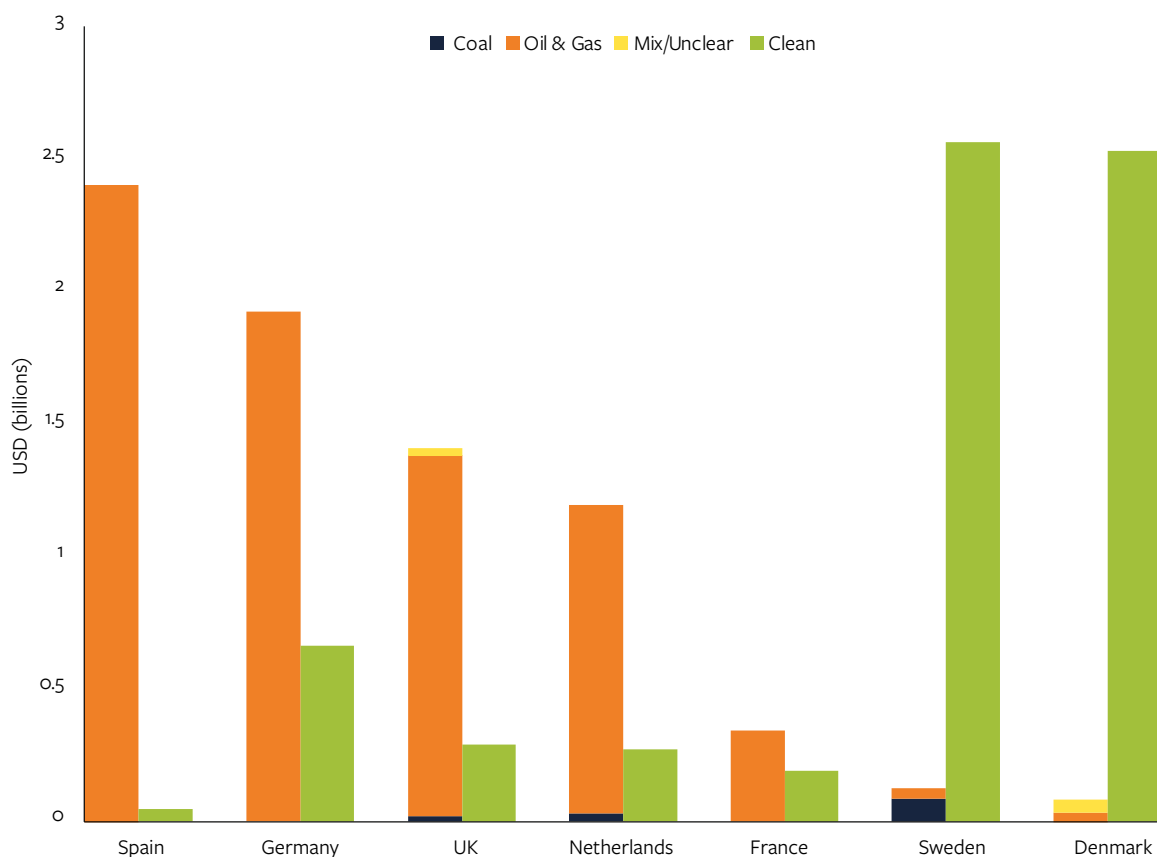
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3 Our analysis is based on data from the ‘Shift the subsidies’ database of Oil Change International and data provided by partner organisations (as noted on the front page of this brief). For more information on the data sources and analysis, see Appendix 1.



It is worth noting that the data collected in this brief relies on ECAs' disclosure of their support to energy projects, available in the public domain, through annual reports and websites. For this reason, the data presented here is likely to be incomplete, and totals are likely to be underestimates. Many ECAs are not transparent about the full extent of the projects they finance. Although the OECD provides due diligence and transparency recommendations, there are limited requirements for ECAs to provide a transparent portfolio (OECD, n.d.b). Further information on data, sources and methodology is provided in Appendix 1.

**Figure 2** ECA support to fossil fuels and clean energy (2018–2020 annual average)



Source: based on authors' calculations.

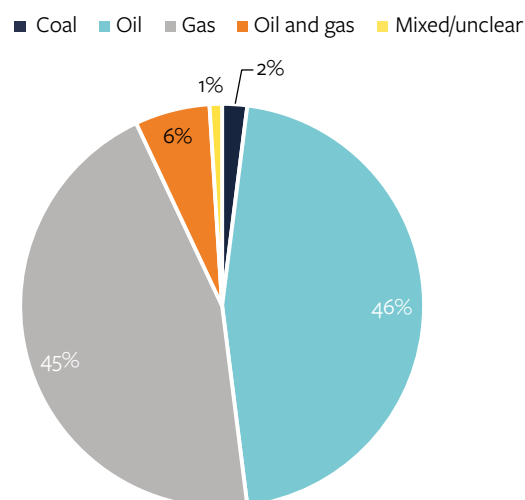
Note: The figures in this graph and the following figures likely underestimate actual export finance levels due to limited transparency.

With financing for coal projects being phased out in line with stronger commitments in recent years, 97% of the total financing identified by E3F member ECAs to fossil fuels between 2018 and 2020 went to oil and gas projects. Just over half (52%) of this amount, or 45% of total fossil energy finance, went to natural gas projects (Figure 3). These were mostly 'midstream' and 'downstream' projects (such as transportation and processing), as opposed to 'upstream' (extraction). Germany's Euler

Hermes provided the most financing to gas projects, at \$5.5 billion over the three-year period. UKEF and Netherlands' Atradius provided the second- and third-highest levels of financing for natural gas projects, \$1.9 billion and \$1.2 billion, respectively. UKEF along with Bpifrance are also involved in a Russian Arctic liquified natural gas ('LNG 2') gas-fired power production project, although BPIfrance's support of approximately \$807 million is still under consideration. The three countries receiving the largest contributions were Russia, Mozambique and Iraq.

The project-level challenges with oil and gas are exemplified by recent ECA investments. Both UKEF and the Netherlands' ECA Atradius have backed a highly controversial LNG project in Mozambique, with \$1.11 billion and \$1.07 billion of financing, respectively. The project has faced consistent criticism due its extremely high carbon footprint (pre- and post-development), its role in fomenting violence in the region, the lack of benefits for local people and land grabs. The project has also faced criticism given Mozambique's vulnerability to the climate crisis (White, 2021). One of the worst tropical cyclones on record to affect Africa, Cyclone Idai, killed an estimated 1,000 people in 2019 (Oxfam, 2020). Also in Mozambique, Bpifrance has financed the Coral South LNG project (Natixis, 2018), but this is not captured in our dataset because it falls outside the period under review (2018–2020).

**Figure 3** Distribution of E3F members' ECA fossil fuel financing by fuel type



Source: based on authors' calculations.

Oil projects received 46% of total E3F finance support in the period 2018–2020. The three countries receiving the most contributions towards oil-based energy projects were Oman, China (Hong Kong) and Nigeria. Support for oil finance largely came from the ECAs of Spain, the UK and the Netherlands, contributing approximately \$7 billion, \$1.7 billion and \$1 billion, respectively.

Approximately 46% of the total contribution to oil projects from CESCE, UKEF and Atradius went to the Omani Duqm oil refinery project in 2018–2019, with CESCE providing an additional \$2.78 billion in 2019.

EKN, EKF, Atradius and UKEF also supported projects involving a mix of oil and gas. Their total support to oil and gas projects was \$1.4 billion, or 6% of total fossil fuel finance contributions in 2018–2020. Projects were mostly geared towards infrastructure or equipment support to power plants.

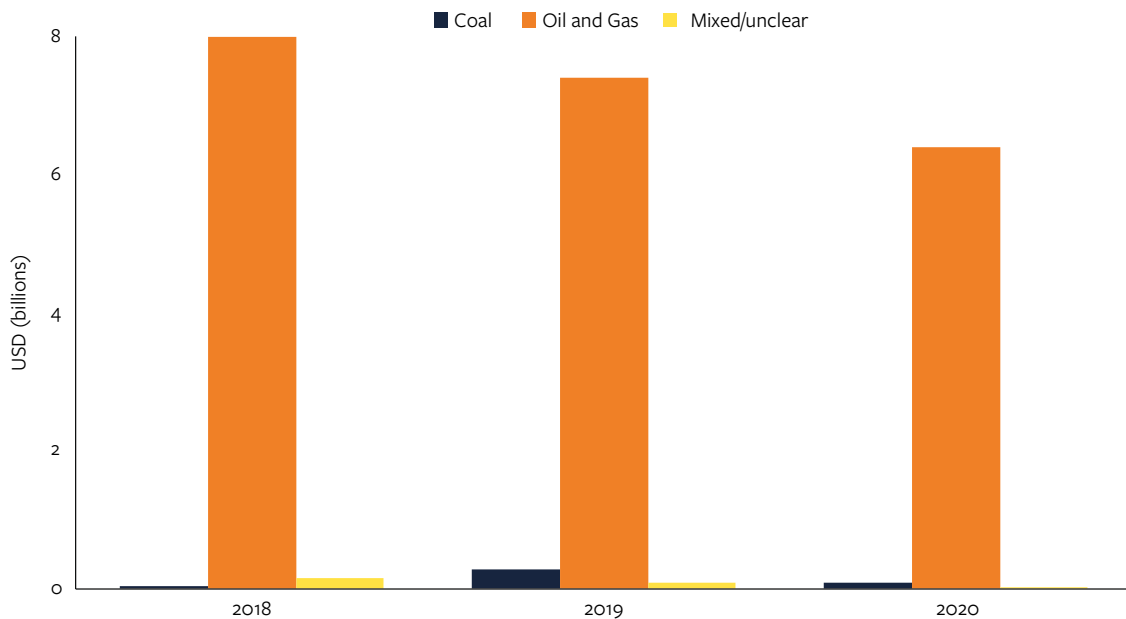
Despite concerns raised publicly several years ago, the ECAs of Denmark and the UK have continued to support the Brazilian state-run Petrobras oil and gas conglomerate, with a line of credit of \$477 million in 2018. While UKEF supported the company's operations in Brazil, EKF supported its counterpart in the Netherlands (Ottery, 2015). EKF also provided a guarantee of \$109 million for the Bermuda Electric Light Company's 56MW heavy fuel power plant project in 2018. EKF continued with the transaction despite high risks due to the use of heavy fuel oil (HFO) in the power plant, and its severe effects on soil, water and nearby communities (Decarbonising Danish Credit Report, 2021).

Although finance for coal projects is being reduced, Sweden, the Netherlands and the UK continued to provide support during the period under review. Sweden provided the most coal export finance, at \$250 million. Sweden's EKN tripled its financing to coal-based projects between 2019 and 2020 (Swedwatch, 2021). Indonesia received the largest amount of coal export finance support from the EKN, approximately \$146 million. Russia and Poland respectively received the largest amounts of UK and Dutch export funding. We found no financing for coal from Denmark's EKF, Spain's CESCE, Germany's Euler Hermes or France's Bpifrance, but this cannot be completely verified due to the lack of transparency in reporting by some ECAs.

With regard to the amount of financing for fossil fuels in different years, the largest amounts were in 2018 and 2019 (\$8.2 billion for 2018 and \$7.7 billion for 2019), with a slight drop in 2020 (to \$6.5 billion) (see Figure 4). While this may have been partly caused by the Covid-19 pandemic and its global economic impact, there was encouraging progress on financing for clean energy, which increased significantly to \$11 billion in 2020, up from \$5.3 billion in 2018 and \$3.3 billion in 2019. Although it is not possible to draw conclusions on absolute trends based on data from three years, we can be cautiously optimistic that ECAs are starting to shift their financing away from fossil fuels and towards clean energy in response to scrutiny and advocacy by civil society organisations. The challenge now is to accelerate this shift to make sure we can meet climate targets by bringing any new international public finance for fossil fuels to an immediate halt and prioritising support for clean energy. Moreover, the clean energy projects being financed must meet the highest standards of social, human rights, environmental and governance considerations. While ECAs are mandated to support domestic industries with doing business

overseas, governments and their ECAs often claim that continued ECA support for fossil fuels is needed to support development objectives. The next section critically examines this argument, demonstrating why ECAs' fossil fuel financing is at odds with development objectives.

**Figure 4** E3F ECA support to fossil fuels by year (2018–2020)



Source: based on authors' calculations.

## Why fossil fuel financing is at odds with development objectives

The large sums of export credit finance for fossil fuels outlined above are inconsistent with the objective of limiting global heating to 1.5°C and sustainable development, which requires a rapid reduction in both the production and use of coal, oil and gas. Maintaining large sums of export finance for fossil fuels is also at odds with decent job creation, which is critical to poverty reduction.

Over the last five years, the use of renewable energy technologies for energy generation globally has outpaced that of fossil fuel and nuclear power capacity combined (REN21, 2021). Due to growing global and local resistance to fossil fuels and increasing competition from renewable energy technologies, over the last decade renewable energy stocks have outperformed fossil

fuel markets, and in 2019 the oil and gas sector placed last in Standard & Poor's (S&P) 500 index (IEEFA, 2020). The Covid-19 crisis has dealt a further blow to a sector that was already showing signs of decline. Whilst the renewable energy sector continued to thrive despite the pandemic and the S&P clean energy index more than doubled, oil and gas companies lost about a quarter of their market value in 2020 (IEA, 2020). In 2021 gas prices surged due to a combination of factors, but renewable energy costs remained stable, underscoring that shifting to clean energy and reducing dependency on fossil fuels is critical for reducing energy poverty and keeping energy bills affordable (European Commission, 2021).

With respect to employment, research suggests that investments in renewables create three times more jobs than investments in fossil fuels (Kaufman, 2021; Morton, 2020). For the UK specifically, a Vivid Economics study assessed the job impacts of UKEF moving out of fossil fuels and concluded that UKEF could create 150% to 200% more jobs by investing the same amount of money currently invested in fossil fuels in renewable energy, primarily because renewables are more labour intensive (Vivid Economics, 2021). The study also concluded that its findings were relevant to other ECAs. A similar study looking into jobs created by the Dutch ECA Atradius found that more jobs could be created by investing export finance in renewable projects rather than in fossil fuels (Molnár et al., forthcoming).

This does not mean that ending export finance for fossil fuels does not lead to job losses, but other factors, such as competition from renewables, the volatility of oil and gas markets and the impacts of Covid-19, play a larger role (Molnar et al., forthcoming). In the UK, for example, while it is estimated that export finance for oil and gas helped sustain 8,000 jobs, about 50,000 jobs in the oil and gas sector are being lost because of a decline in North Sea oil and gas production due to dwindling oil and gas reserves (Vivid Economics, 2020).

The evidence suggests that maintaining ECA support to sustain jobs in a sector that faces permanent decline does not provide job security and is not a long-term solution. The number of jobs supported by the sector worldwide has always fluctuated, but over recent years has been on a downward trend. The sector is also reportedly losing popularity as an employer and is finding it difficult to attract young talent (McDonnell, 2020; Ward, 2020). In the UK, a Platform Survey of more than 1,300 UK offshore oil and gas workers suggests that employees are open to moving to new sectors (Jeliazkov et al., 2020). The survey found that 43% of employees had been laid off or furloughed since March 2020, and that 81% would consider leaving the industry. If given the option of retraining to work elsewhere in the energy sector, more than half would be interested in renewables and offshore wind (ibid.).

Regardless of the reasons, it is crucial that governments take (looming) job losses in the sector seriously and engage with workers and trade unions to develop comprehensive just transition plans for affected workers and communities, focused on retraining, creating new job opportunities and providing early retirement programmes.

The trends outlined here suggest that fossil fuels are a poor bet for economic recovery from Covid-19, across developed and developing countries alike (van der Burg et al., 2020). Energy efficiency and renewable energy hold better promise. These sectors create more jobs than fossil fuels per dollar spent. In most parts of the world they already outcompete fossil fuels on cost, and create healthier, more resilient societies that are less dependent on exports or imports of a volatile commodity.

Whilst some argue that government-backed fossil fuel finance is necessary to spur economic development and support access to electricity, the data shows otherwise (Pickard and Scott, 2020). The largest recipients of support for fossil fuels are not the poorest countries, and a negligible share of this finance goes to energy access projects. Where fossil fuel finance does flow to lower-income countries, it comes with risks of asset stranding, it benefits multinational corporations and wealthy ‘donor’ countries over local populations, often violates human and Indigenous people’s rights, causes displacement and degrades health and the environment (Tucker and DeAngelis, 2020).

Distributed renewable energy solutions will often be the least costly pathways to achieve universal energy access at the household level, which can enable poverty reduction and build wider community resilience through access to health services and education and local economic development (IRENA, 2019; Pickard and Scott, 2020; CAFOD et al., 2020). As governments continue to deploy historic levels of public finance in response to Covid-19, an emphasis on resilient recovery that will not exacerbate the climate crisis is therefore critical.

## A new era of fossil-free public finance?

Despite ongoing financing to fossil fuels by ECAs, recent developments suggest that we might be at the dawn of a new era. After a wave of commitments to end international coal finance, countries are now starting to address oil and gas finance too. The joint statement signed at COP26 by over 30 countries, including all E3F members, pledges to end all international public finance (including export credit finance) for all unabated coal, oil and gas by the end of 2022. This commitment builds on similar pledges by some E3F members, of varying levels of ambition, on ending oil and gas export finance. The recent exclusion policies of E3F member countries, and any fossil fuel financing identified that has recently been approved or is under consideration despite pledges, are summarised in Table 1.

**Table 1** Overview of exclusion policies for fossil fuel financing in E3F member countries and evidence of project finance despite commitments

Country	Government policies	Selected ECA financing activities	Annual avg. export finance for fossil fuels, 2018–20
Denmark (EKF)	<ul style="list-style-type: none"> <li>Denmark provides no coal export support, formalised in a policy adopted in 2020 that introduced further coal export finance restrictions.</li> <li>In November 2021 Denmark announced to end public financing and export promotion to fossil fuel support in the energy sector abroad except in limited circumstances, effective 1 January 2022. The limited circumstances pertain to natural gas projects.</li> <li>Denmark has signed up to the agreement launched at COP26 to end international public finance for fossil fuels by the end of 2022.</li> </ul>	<ul style="list-style-type: none"> <li>EKF's last known support to an oil project was allocated in 2018 for a power plant in Bermuda.</li> <li>No fossil fuel projects under consideration identified.</li> </ul>	\$83 million (€73 million)
France (Coface, Bpifrance)	<ul style="list-style-type: none"> <li>France ended export finance for unconventional (non-traditional methods of extraction) oil and extra heavy oil in 2021.</li> <li>In 2020 a new policy was adopted ending export finance for oil exploration and production by 2025 and gas exploration and production by 2035. The policy is due to be reviewed in 2022.</li> <li>France ended support for routine flaring in 2020 and will end support for unconventional gas by in 2021.</li> <li>France has signed up to the agreement launched at COP26 to end international public finance for fossil fuels by the end of 2022, bringing the 2035 end date for support to gas projects forward significantly.</li> </ul>	<ul style="list-style-type: none"> <li>France financed a major controversial LNG project in Mozambique in 2017.</li> <li>France is considering supporting the Russia Arctic LNG project with \$807 million.</li> </ul>	\$339 million (€295 million)



Country	Government policies	Selected ECA financing activities	Annual avg. export finance for fossil fuels, 2018–20
Germany (Euler Hermes)	<ul style="list-style-type: none"> <li>● In May 2020 Germany committed to end export support for new applications related to routine venting and flaring of associated gas during oil production.</li> <li>● Germany has committed to end export financing for coal power generation (including for coal mining and transport), albeit without a concrete timeline.</li> <li>● Germany has signed up to the agreement launched at COP26 to end international public finance for fossil fuels by the end of 2022.</li> </ul>	<ul style="list-style-type: none"> <li>● Germany is supporting the Amur Gas processing plant in Russia.</li> <li>● Germany is also reviewing the application to support the Russia Arctic LNG 2 project.</li> </ul>	\$1.9 billion (€1.7 billion)
Netherlands (Atradius DSB)	<ul style="list-style-type: none"> <li>● The Netherlands officially ended support for coal projects overseas in 2014.</li> <li>● As of 1 January 2021, Atradius no longer supports routine flaring and fracking. Finance to oil and other gas projects continues unrestricted.</li> <li>● The Netherlands has signed up to the agreement launched at COP26 to end international public finance for fossil fuels by the end of 2022.</li> </ul>	<ul style="list-style-type: none"> <li>● Despite a pledge to end support for coal, financing was identified for a coal project in 2019.</li> <li>● Atradius also supported gas projects in Mozambique to the tune of €903 million.</li> </ul>	\$1.2 billion (€1 billion)
Spain (CESCE)	<ul style="list-style-type: none"> <li>● Spain has signed up to the agreement launched at COP26 to end international public finance for fossil fuels by the end of 2022.</li> </ul>	<ul style="list-style-type: none"> <li>● Spain continues to provide significant sums of finance to midstream and downstream oil projects.</li> <li>● Spain supports the Omani Duqm refinery project. Between 2018-2020 Spain has provided \$ 3.28 billion in guarantees to the Omani Duqm project.</li> </ul>	\$2.4 billion (€2.1 billion)

Country	Government policies	Selected ECA financing activities	Annual avg. export finance for fossil fuels, 2018–20
Sweden (EKN, SEK)	<ul style="list-style-type: none"> <li>• EKN committed to end guarantees for coal-fired power plants in 2018, and ended guarantees for coal mining at the end of 2020.</li> <li>• Sweden committed to end export credits for fossil fuel exploration and extraction including for associated infrastructure such as construction machinery used for the extraction of oil and gas, and fire protection equipment for oil drilling platforms, by 2022.</li> <li>• SEK has joined the Fossil Free Sweden Initiative and has limited lending to oil, gas and coal to a maximum of 5% of total lending.</li> <li>• Sweden has signed up to the Agreement launched at COP26 to end international public finance for fossil fuels by the end of 2022.</li> </ul>	<ul style="list-style-type: none"> <li>• Despite a pledge to end support for coal, a number of coal projects supported by Sweden between 2018 and 2020 were identified.</li> <li>• Sweden also supports oil and gas projects.</li> <li>• EKN is considering supporting the Central Térmica Temane (CTT) gas power plant project in Mozambique.</li> </ul>	\$124 million (€108 million)
UK (UKEF)	<ul style="list-style-type: none"> <li>• The UK committed to end coal export finance in January 2020.</li> <li>• The UK was also the first major economy to put an immediate end to export finance to oil and gas in March 2021. The UK now restricts most gas finance except in ‘exceptional’ circumstances, and does not allow any support for upstream gas or distribution into the global market (including LNG export terminals).</li> <li>• The UK led the agreement launched at COP26 to end international public finance for fossil fuels by the end of 2022.</li> </ul>	<ul style="list-style-type: none"> <li>• No evidence was found of coal finance.</li> <li>• The UK is currently facing legal proceedings for its export support to an LNG project in Mozambique.</li> <li>• Before the ban on international public finance for fossil fuels went into force in March 2021, a number of fossil fuel projects were awaiting approval for export finance support.</li> </ul>	\$1.4 billion (€1.2 billion)

Sources: Abnett and Jessop (2021); EKN (2021); Government of Denmark (2021); UK Government (2021a); Source Material (2021); Swedwatch (2021); Tucker and DeAngelis (2021); White (2020)

The overview of fossil fuel exclusion policies adopted by E3F member countries shows that the COP26 commitment to end financing for all fossil fuels by the end of 2022 marks a clear turning point. However, it also highlights the scale of the transformation that is going to be required, with billions having to be shifted away from fossil fuel projects and towards new, clean technologies.

## Conclusions and recommendations

The world is not on track to meet its climate goals and is currently heading for 2.4°C of global warming by 2100 (Climate Action Tracker, 2021). To have a 50% chance of keeping global heating to a maximum of 1.5°C, we must rapidly wind down the production and use of fossil fuels. The bright spot is that progressive governments are finally starting to act on Article 2.1(c) of the Paris Agreement, to align all sources of finance with climate goals, in the hope that this will inspire others and create a domino effect. The UK-led commitment launched at COP26 focused on ending all international public finance for unabated fossil fuels by the end of 2022 is the latest example.

It is encouraging that all E3F countries have supported the statement. Alongside fulfilling their stated goal of ‘prioriti[sing] support fully towards the clean energy transition’, they must now work together to define vague language used in the statement, such as ‘limited and clearly defined exemptions’ for continued support for fossil fuels and ‘unabated’. To avoid the risk of continued investments in long-term natural gas infrastructure, ‘limited and clearly defined circumstances’ should apply to humanitarian crisis circumstances or LPG for cooking and heating only. While exceptions such as for LPG for cooking or heating and fossil fuel generators in emergency response settings are acceptable where needed, public finance for long-lived gas infrastructure, such as LNG infrastructure and gas-fired power plants, is unnecessary and inconsistent with limiting warming to 1.5°C (Muttitt et al., 2021). It is also not required in order to deliver on energy access goals. Renewable-based alternatives for most gas uses are available and are either already cheaper or are expected to be so within a few years. Similarly, ‘unabated’ should be defined as all fossil fuel production apart from power plants equipped with carbon capture and storage (CCS) or carbon capture, utilisation and storage (CCUS). Given the limitations and high costs of these technologies, and the availability of clean alternatives, signatories to the COP statement should effectively be ending finance to almost all fossil fuel projects by next year. Signatories, including E3F members, should refrain from ramping up support for fossil fuel projects before the 2022 deadline. Signatories must also work together to act on debt relief, increase grant-based climate finance and build on this recent momentum by encouraging more governments to sign up to the statement. They should also table proposals for oil and gas finance restrictions at international fora such as the OECD, the G7 and the G20.

The evidence gathered for this brief shows that, despite various commitments including the commitment of all Paris Agreement signatories to align financing with climate goals, all E3F members have over the last three years provided significant levels of financing for fossil fuels. Support is predominantly flowing to oil and natural gas projects, which are just as much at odds with climate and development objectives as coal, for which support is being phased out. While there is evidence of financing for fossil fuels declining in 2020, and support for clean energy increasing, countries must now take urgent action to deliver on their commitment to phase out all financing for fossil fuels by 2022.

We therefore call on E3F members to enhance climate ambition on three fronts:

### **1. Ending international public finance for fossil fuels**

- Put an immediate halt to new direct and indirect export finance for fossil fuel projects.
- Wind down existing financing for fossil fuel projects and engage affected workers and communities in developing worker-led just transition plans.
- Take a whole of government approach, as per the COP26 commitment, which covers all international public finance: ensure cross-government alignment on policies on ending international finance and subsidies for fossil fuels, including support through development finance institutions (DFIs), multilateral development banks (MDBs) and trade promotion.
- Ensure transparent and timely reporting on all energy finance.

### **2. Expanding international public finance for clean energy**

- Reallocate export finance to renewable energy, energy efficiency, just transition finance, energy access and other measures that advance both climate and development goals.
- Ensure future projects are not only climate-compatible, but also contribute to local business development, avoid deepening inequalities and are implemented with robust consultation and strong due diligence on human rights and ecological impacts. Projects should be inclusive of and led by local governments, workers, communities, civil society organisations and trade unions.

### **3. Supporting countries beyond E3F to replicate best practices**

- Adopt an E3F roadmap for implementing the COP26 statement and for monitoring progress towards commitments.
- Work with other signatories of the COP26 statement to define 'limited and clearly defined circumstances' and 'unabated', to ensure meaningful implementation of their pledge and avoid loopholes.
- Ensure effective monitoring of progress towards the commitment to end international public finance for unabated fossil fuels by the end of 2022.
- Engage in targeted diplomacy to end public finance and subsidies for fossil fuels internationally, including by spearheading efforts to secure 1.5°C-aligned oil and gas (export) finance restrictions at the Organisation for Economic Co-operation and Development (OECD), G7 and G20.

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# Appendix 1      Methodology and data

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This analysis looks at financing for coal, oil, gas, oil and gas and mixed/unclear fossil fuel energy projects. We also include information on financing going to clean energy projects, as well as financing for other types of energy projects from renewable sources, but which have detrimental impacts on the environment (such as through deforestation and harmful impacts on aquatic ecosystems).

## **What are Export Credit Agencies?**

Export Credit Agencies, commonly known as ECAs, are state-owned agencies that provide government-backed loans, guarantees, credits and insurance to private enterprises from their respective countries. ECA support and funding enable these private entities to conduct business in other countries, particularly ones which are politically and financially risky. ECAs in most industrialised nations are usually an official or quasi-official branch of their government.

ECAs have become the largest sources of public financial support for investments by foreign corporates, specifically for projects in the developing world. ECAs are estimated to support twice the amount of fossil fuel-related projects as Multilateral Development Banks. The majority of upcoming industrial projects in developing countries with a high risk of GHG emissions have some form of ECA support (ECA Watch, 2000).

This brief focuses on ECAs that are either fully or partially state-owned or function as a quasi-official branch of the state. Generally, ECAs provide energy finance internationally, but they sometimes also provide domestic support. Domestic projects are not covered in this brief. It is also worth noting that not all the ECAs assessed in this brief function in the same way. For example, some countries' ECAs are the sole issuer of export credits, while others have multiple ECAs, and some have DFIs that also provide export credits.

## **Data**

This brief utilises data from OCI's Shift the Subsidies database, which tracks energy finance from public finance institutions at the project level. Each finance entry is classified as fossil fuel, clean or other based on the description of the project and project documents. In addition to reviewing information made publicly available by majority government-owned financial institutions and other public sources of information, this database draws information from governments or ECAs, the Infrastructure Journal (IJ) Global Database and Boston University's Global Economic Governance Initiative's China Global Energy Database. Where aggregate estimates at the subsector level differ substantially from project-level reporting, we use these, as is the case for

Bpifrance. The amounts recorded reflect only the public finance dedicated to a project and not the value of the private finance mobilised by such transactions. Entries are included based on the date a transaction is finalised, not the initial announcement.

## **Classifications of energy finance**

**Fossil Fuel:** The oil, gas and coal sectors. This includes access, exploration and appraisal, development, extraction, preparation, transport, plant construction and operation, distribution and decommissioning. It also includes energy efficiency projects where the energy source(s) involved are primarily fossil fuels. Coal is separated from oil and gas finance in many sections of this brief, but as many transactions combine support for oil and gas they are not disaggregated. Transactions are classified as ‘Mixed Fossil’ where coal as well as oil and gas support is present, or where it is unclear what mix of fossil fuels is involved.

**Clean:** Energy that is both low-carbon and has negligible impacts on the environment and human populations if implemented with appropriate safeguards. This includes projects with energy coming from naturally replenished resources such as sunlight, wind, rain, tides and geothermal heat. This classification also includes energy efficiency projects where the energy source(s) involved are not primarily fossil fuels. It is important to note that a lack of consistent safeguards and transparent reporting from institutions means some projects classified as renewable here do not necessarily have negligible impacts on the environment and human populations.

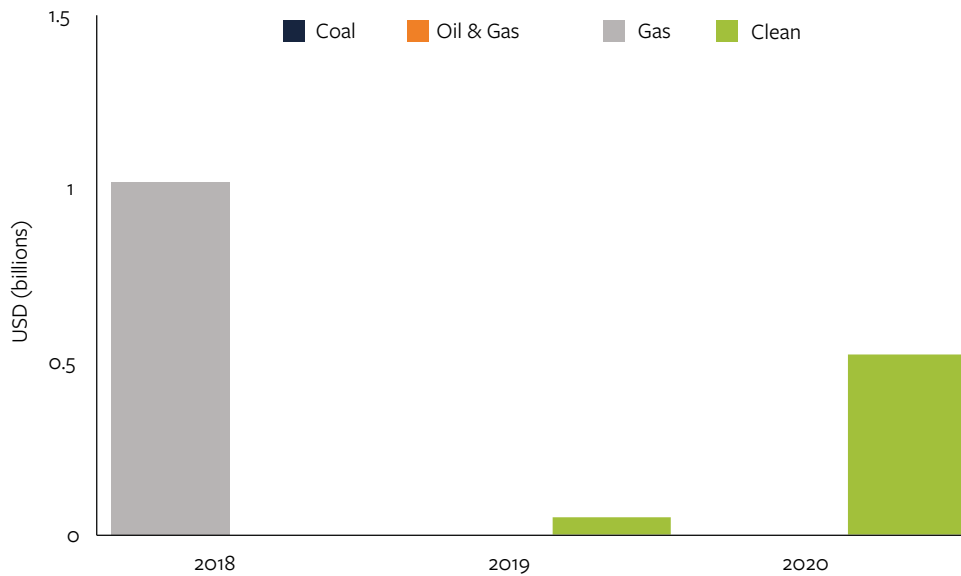
**Other:** Projects where (a) the energy source(s) are unclear or unidentified, as with many transmission and distribution projects; and (b) non-fossil energy sources that typically have significant impacts on the environment and human populations. Forms of energy that are not fossil fuels but also not consistently low impact, low carbon and renewable, such as large hydropower, biofuels, biomass, nuclear power and incineration, are included in the ‘other’ category.

## **Limitations due to lack of transparency**

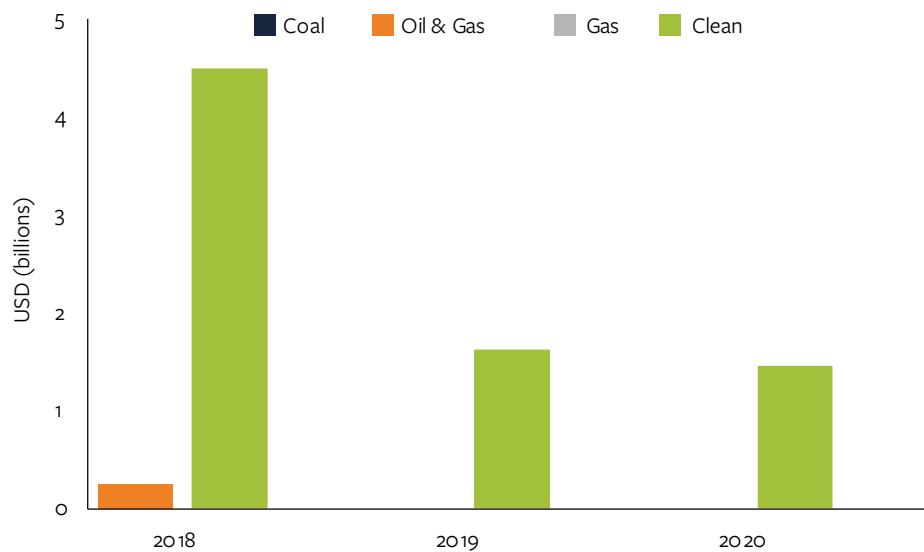
The transparency of investment data for ECAs varies greatly. Few of the agencies assessed in this brief allow public access to detailed investment information, and therefore we report the gross value of public finance from majority government-owned ECAs. Over 70% of the finance assessed in this brief was provided in the form of guarantees, with the remainder split between other instruments. This high percentage of guarantees is especially relevant given the potential for default, and therefore risk, borne by governments that advantages the energy projects financed. Aside from the lack of transparency, there are other reasons the public finance figures identified in this report are likely to be significant underestimates. Crucially, the datasets used for this analysis omit most finance delivered through financial intermediaries because the volume of finance for specific energy activities ultimately delivered through those intermediaries is often unclear.

## Appendix 2 Country charts

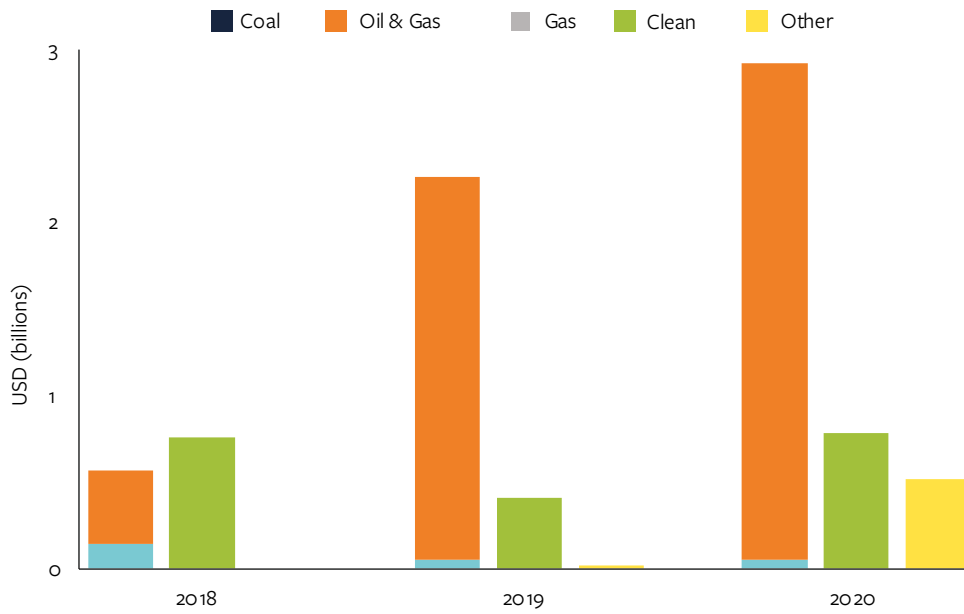
**Figure 5** France's export finance for energy projects by year (2018–2020)



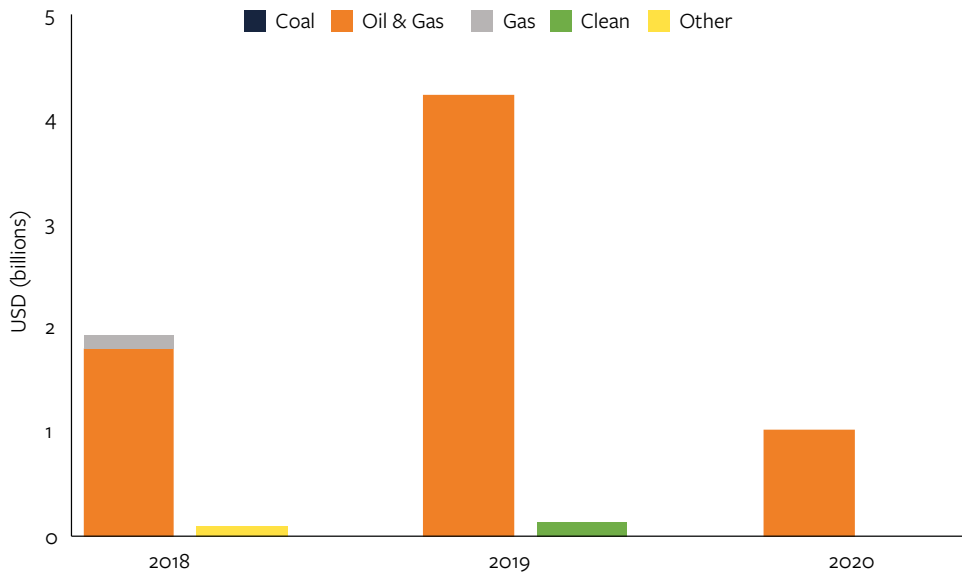
**Figure 6** Denmark's export finance for energy projects by year (2018–2020)



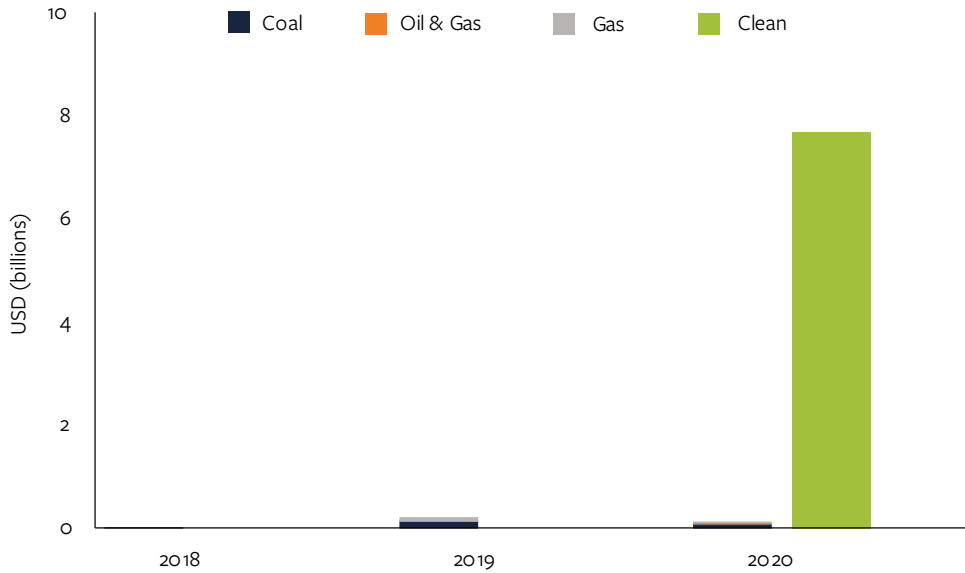
**Figure 7** Germany's export finance for energy projects by year (2018–2020)



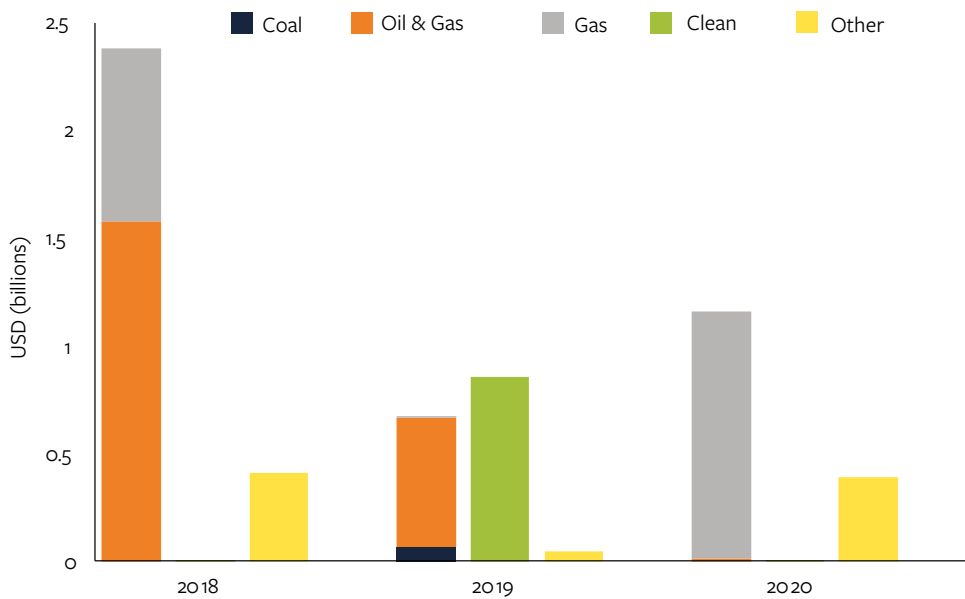
**Figure 8** Spain's export finance for energy projects by year (2018–2020)

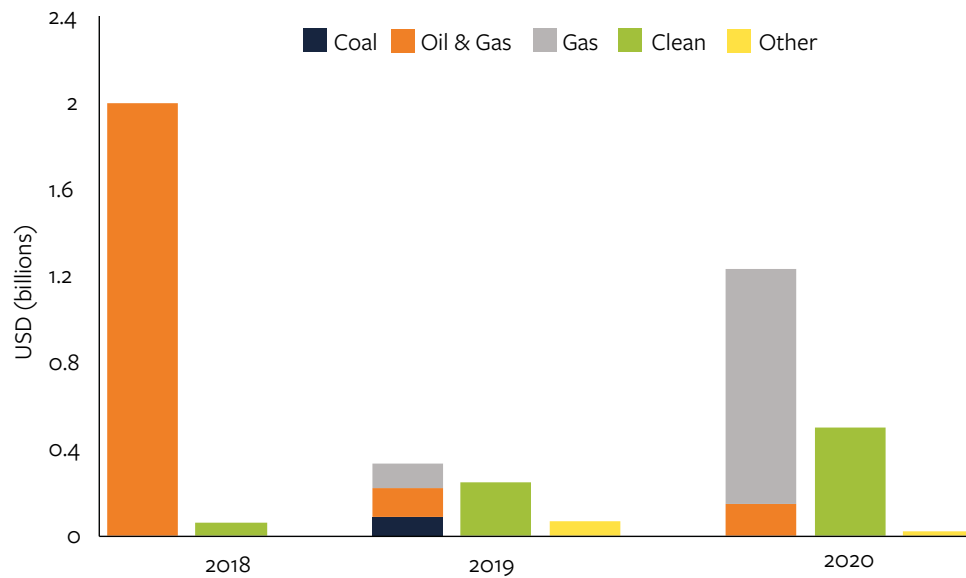


**Figure 9** Sweden’s export finance for energy projects by year (2018–2020)



**Figure 10** The United Kingdom’s export finance for energy projects by year (2018–2020)



**Figure 11** The Netherlands' export finance for energy projects by year (2018–2020)

Note: Data received from BothENDS and analysed by the authors of this briefing.