Working Party on Export Credits and Credit Guarantees

ISSUES PAPER ON OFFICIALLY SUPPORTED EXPORT CREDITS AND THE ENVIRONMENT

CONSULTATIONS BETWEEN STAKEHOLDERS AND THE OECD WORKING PARTY ON
EXPORT CREDITS AND CREDIT GUARANTEES

This Issues Paper is for the purposes of the consultation between stakeholders and the Members of the Working Party on Export Credits and Credit Guarantees.

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JT00104743

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I. Introduction

1. The Members of the OECD Working Party on Export Credits and Credit Guarantees (ECG) are in the course of seeking to agree on Common Approaches to the Environment and Officially Supported Export Credits. The ECG considers that it is important to consult with stakeholders in this process and for this reason welcomes the opportunity to discuss the issue with Buyers’ countries, NGOs and the OECD advisory bodies BIAC and TUAC.

2. To facilitate the consultative process with stakeholders, this paper provides background to the work of the ECG on export credits and the environment, details the publicly disseminated information on the issue, and sets out the main elements under consideration for an agreement on common approaches and on which the views of stakeholders are invited.

3. The legal form of an agreement on common approaches has yet to be decided. There are various possibilities available to the ECG in order to achieve the aims of Members; one possible framework is an OECD Council Recommendation. Recommendations are not legally binding but practice accords them great moral force as representing the political will of OECD Member countries and it is expected that Member countries will do their utmost to implement fully a Recommendation.

II. Background

4. In order to fulfil their political mandate relating to officially supported export credits and the environment, the Members of the ECG, publicly disseminated an Action Statement in February 2000 (see paragraph 5 below) and in April 2000, the so-called Work-Plan (Annex A). The Action Statement and Work-Plan were preceded by the 1999 Agreement on Environmental Information Exchange for Larger Projects (see Annex B) and the 1998 Statement of Intent on Officially Supported Export Credits and the Environment (see Annex C).

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1  All the publicly disseminated information on Officially Supported Export Credits and the Environment is available on the OECD/Export Credit Internet site: http://www.oecd.org/ech/act/xcred/environnement-declaration-en.htm.

2  In the Communiqué from the OECD Council Meeting at Ministerial Level in May 1999, and in the context of the progress being made in the ECG, Ministers: "urged that the work continue with a view to strengthening common approaches and to report on progress made at the next Ministerial Council Meeting." (paragraph 18).
III. 2000 Action Statement

5. The Action Statement recorded the ECG Members’ agreement to the following actions:

i) Continue to develop, within their national systems of official export credit support, procedures and methodologies for identifying and assessing the environmental impact of projects.

ii) Continue to monitor and evaluate, over time, their own experiences with these procedures and methodologies, as well as their own experiences related to mitigating the environmental impact of individual projects, and share these experiences with the other Members.

iii) Agree on further refinements to the Environmental Information Exchange for Larger Projects.

iv) Based on ECAs’ experiences (e.g. with Environmental Information Exchanges), explore ways to synthesise common elements and best practices related to environmental review and impact assessment in order to strengthen a framework of common approaches amongst export credit agencies.

v) Exchange views on an informal basis with appropriate stakeholders.

vi) Agree on a Work-Plan, including Special Sessions of the Working Party on Export Credits and Credit Guarantees dedicated to the environment issue, in order to facilitate this work and the fulfilment of the OECD Ministerial Mandate. The results of this work, which the Working Party aims to complete before the end of 2001, without precluding intermediary results by the 2001 OECD Ministerial Meeting, will be publicly disseminated.

IV. 2000 Work-Plan

6. Following the February 2000 Action Statement, the ECG agreed a detailed Work-Plan (Annex A) in April 2000 to facilitate the fulfilment of the OECD Ministerial mandate to strengthen common approaches on the environment and export credits. The Work-Plan is referred to in point vi) of the Action Statement. The ECG Members are committed to pursuing the Work-Plan without prejudice as to outcomes; it comprises a list of topics (which is not exhaustive) to be addressed in further discussions on common approaches.

V. Main Elements of an Agreement on Common Approaches

7. In considering common approaches, the ECG recognises that its Members have different means of delivering officially supported export credits (e.g. insurance, guarantees and direct loans) through their export credit agencies, and that the primary role of the ECAs is to promote trade, whereas Multilateral Development Banks and development agencies focus primarily on development assistance. The ECG also recognises the sovereign rights of buyers’ countries to make decisions regarding projects within their jurisdiction, whilst recognising that it is the responsibility of ECAs to consider the environmental impacts of projects in their decisions to offer official support for export credits.

8. The ECG also has in mind the desirability to promote policy coherence between export credits and environmental protection, thereby contributing to sustainable development; to develop common approaches on the environmental impact of projects in order to level the playing field and to encourage the prevention of support for environmentally-detrimental projects. In addition, the ECG Members seek to foster transparency and predictability in decision-making, and, bearing in mind business confidentiality, to enhance the financial risk assessment of projects by taking into account their environmental aspects.
a) Coverage of an Agreement

9. The main issues with regard to coverage are:
   - **Scope**: officially supported export credits for projects and goods and services directly related to projects, normally sold on medium and long terms of payment
   - **Threshold**: the concept of a *de minimis* threshold is being considered.
   - **Sector considerations / Site/location of projects**: sensitive sectors and sensitive geographic sites

b) Screening

10. Information for screening of applications for officially supported export credits to identify projects which may have adverse environmental impacts and whether an environmental review is required could include:
   - **Parties to the project**: e.g. sponsors, financial institutions, exporters
   - **Project description**: e.g. size, sector
   - **Project location**: e.g. any proximity to environmentally sensitive sites

11. Projects are expected to be classified in accordance with the extent of their potential environmental impact, e.g.:
   - **Projects which have the most significant environmental impact**: this could include projects located in or near sensitive geographic sites and in sensitive sectors, for which an Environmental Impact Assessment (EIA) would be expected.
   - **Projects which have a lesser environmental impact**, and for which an environmental assessment of less extent than for the previous category would be required.
   - **Projects for which no environmental assessment is needed** (e.g. projects under a certain threshold, projects not located in or near sensitive sites or in sensitive sectors)

c) Environmental Review Information

12. In circumstances where an environment review is considered appropriate by the ECG Members, there would be an expectation that parties to the project, such as exporters, financial institutions and project sponsors, would be requested to provide information in respect of the environmental impact of projects:
   - **Environmental Impact Assessment (EIA)**: an EIA would be expected to address the relevant issues referred to in the guidelines of International Financial Institutions, or other relevant guidance.
   - **Reference points or benchmarks**: good practice against which to reference/benchmark the environmental impacts of projects could include standards developed by relevant international institutions, relevant regional development banks, host government standards and national
standards set by OECD Members. With a view to achieving consistency in the benchmarking process, projects should as a minimum comply with the regulations and standards of the host country.

d) **Evaluation and Decision, Exchange of Information, Reporting and Monitoring:**

13. ECG Members will take the decision as to whether to provide official support based on all the relevant information provided by parties to the projects -- appropriate stakeholders -- taking into account the competitive context in which they operate and the constraints of commercial confidentiality.

14. Any agreement concluded on common approaches would be monitored and reviewed over time in the light of experience.
ANNEX A

WORK-PLAN (2000)

(1) Members agree to continue to develop, within their national systems of official export credit support, procedures and methodologies for identifying and assessing the environmental impact of projects.

Timeframe: Aim for completion by November 2000

Coverage

- Scope of considerations (e.g. environmental, developmental and social impact of projects)
- Thresholds
- Sector considerations
- Site/location of projects
- Modifications to existing projects / "add-on" projects
- Exemptions from Coverage

Procedures and Practices

- Elements for screening/quantitative and qualitative factors
- Extent of screening (e.g. varying according to sector/size of project)
- Leverage of ECAs (e.g. treatment of sub-contracts)
- Benchmarking (e.g. IFI guidelines, host country standards)
- Timing of introduction of procedures and methodologies within national systems
- Cost/benefit analyses

Environmental Review Practices

- Environmental guidelines and criteria (e.g. quantitative and qualitative limits and criteria)

Information Gathering on Individual Projects

- Scope and depth of information (e.g. requirement for an Environmental Impact Assessment)
- Sources (e.g. NGOs, ECAs, project sponsors, affected parties, recipient governments)
- Exchange of views on consultations at the national level

Resource Implications for ECAs

- Costs involved
- "In-house" expertise; involvement of other Ministries (e.g. Environment); need for external consultants
- Allocation/responsibility for costs (e.g. on ECA, project sponsor etc.)
(2) Members agree to continue to monitor and evaluate, over time, their own experiences with these procedures and methodologies, as well as their own experiences related to mitigating the environmental impact of individual projects, and share these experiences with the other Members.

**Timeframe:** Aim for completion by November 2000

**Monitoring**

- Elements for monitoring
- Methodology for monitoring
- Sharing of information

**Evaluation of Information**

- Appropriate elements for inclusion in evaluation of environmental effects
- Methodology for evaluation

**Mitigation Measures**

- Methodology for measuring mitigation
- Consideration of influence of ECA (e.g. if only supporting small sub-contract)
- "Conditionality" or otherwise of proposed measures (e.g. will official support be dependent on the mitigating steps being followed?); Covenants
- Environmental management systems

**Information Exchange**

- Methodology for sharing of evaluations
- Appropriate recipients of information
- Enhancing the Environmental Information Exchange for Larger Projects
- Constraints (e.g. confidentiality concerns)
(3) **Members agree based on ECAs’ experiences (e.g. with Environmental Information Exchanges), to explore ways to synthesise common elements and best practices related to environmental review and impact assessment in order to strengthen a framework of common approaches amongst export credit agencies.**

**Timeframe:** Aim for completion by November 2001, but allowing for progress report to OECD Ministers in second quarter 2001

**Common Elements and Best Practices**
- Collecting and mapping of information relating to i) and ii) above (e.g. on new and established environmental screening systems)
- Synthesis of information on common elements and best practices

**Framework of Common Approaches**
- Methodology for developing a framework
- Factors for consideration (e.g. mitigation of environmental risks, avoidance of distortions of competition, etc.)
- Modalities of disseminating the Framework

(4) **Members agree to exchange views on an informal basis with appropriate stakeholders.**

**Timeframe:** Ongoing

**Consultations (e.g. with NGOs, recipient countries, BIAC, TUAC, etc.)**
- Appropriate third parties
- Sovereign rights of recipient governments
- Public dissemination issues
ANNEX B

AGREEMENT ON ENVIRONMENTAL INFORMATION EXCHANGE FOR LARGER PROJECTS (1999)

1. Drawing on experience to date, Members of the OECD Working Party on Export Credits and Credit Guarantees (ECG) agree to refine the case-by-case voluntary environmental information exchange by undertaking the following:

- Export Credit Agencies (ECAs) involved in a project would ensure that all information, including any Environmental Impact Assessment (EIA) of the project, would form the basis of the voluntary environmental information exchanges.
- All participating ECAs would receive a copy of the EIA prepared for the buyer/owner or on behalf of the owner.
- Each ECA would then review the EIA and formulate views on environmental issues or concerns raised by the project.
- Taking account of confidentiality concerns, ECAs involved in any environmentally sensitive project may share information, exchange views and co-ordinate their responses to exporters, lenders, borrowers and other principle parties to the project.
- ECAs may share views on the adequacy of information available in relation to environmental and other project risks.
- The OECD Secretariat would be informed of these exchanges, and would be able to report periodically on the experience during the information exchange period.

2. The exchanges would apply to larger multi-sourced projects, which are included in environmentally sensitive sectors (e.g., mining, power, etc.). In the event that an EIA is not available, and if the ECAs decide that an EIA is essential to the environmental evaluation of the project, the ECAs would require the project sponsors to bear the cost of an EIA along with any other independent reports necessary for risk assessment purposes.
STATEMENT OF INTENT ON OFFICIALLY SUPPORTED EXPORT CREDITS AND THE ENVIRONMENT (1998)

Continuing the efforts in the OECD Group on Export Credits and Credit Guarantees to establish approaches for taking environmental factors into account when providing official export credit support, the Members:

1. Desire to conserve and enhance the environment, and to encourage consideration of the environmental impact of projects in buyers’ countries.

2. Welcome the role that OECD exports can play in diffusing environmentally beneficial technology and know-how to buyers’ countries.

3. Respect the sovereign right of buyers’ countries to make decisions regarding the impact and benefits of projects within their jurisdiction, and to enforce environmental regulations and standards.

4. Recognise the benefits of working in partnership with exporters, financial institutions and buyers’ countries.

5. Acknowledge the need for OECD exporters not to be placed in an adverse position vis-à-vis their competitors including non-OECD competitors.

6. Recognise the requirements for commercial confidentiality.

While these principles are an important step, the Group recognises the desirability of strengthening environmental considerations in risk assessment practices of export credit agencies, acknowledging the differences in national systems of official export credit support. In this regard, Members express their willingness to share information on the application of these practices and principles to relevant projects.