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Working Party on Export Credits and Credit Guarantees

EXPORT CREDITS AND THE ENVIRONMENT: INFORMATION ON CATEGORY A AND B PROJECTS REPORTED FOR 2004

This document comprises information in respect of Category A and B projects notified by Members of the Working Party on Export Credits and Credit Guarantees (ECG) for the year 2004, pursuant to the 2003 OECD Recommendation on Common Approaches on Export Credits and the Environment.

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I. Introduction

1. In accordance with paragraph 17 of the *OECD Recommendation on Common Approaches on Environment and Officially Supported Export Credits* [TD/ECG(2003)13/REV3] (hereafter, the "OECD Recommendation"), "*the ECG shall (…) with due regard to business confidentiality, make aggregated information publicly available annually based on Members reporting in accordance with paragraph 19*". This report comprises such aggregated information for the year 2004.

2. It should be noted that some of the information reported here for 2003 and 2002 has been updated to take account of corrections and amendments to data received from ECG Members.

II. Number and Volume of Projects Reported for 2004

3. 20 Members of the Working Party on Export Credits and Credit Guarantees (ECG) reported 159 Category A and B projects for the year 2004 (compared to 132 projects for 2003 and 137 projects for 2002), representing a total volume of official support[1] of 11 212 million SDRs (7 114 million SDRs for 2003 and 9, 18 million SDRs for 2002) which represents an increase of 20% in the number of such projects and of 58% in the volume of official support compared to 2003.

4. In respect of Category A projects, 56 were reported by 15 ECG Members with a related volume of official support of 6 549 million SDRs (52 projects with a volume of 4 237 million SDRs for 2003 and 49 projects with a volume of 4 059 million SDRs for 2002). 103 Category B projects were reported by 16 Members for a related volume of 4 663 million SDRs (80 projects with a volume of 2 877 million SDRs in 2003 and 88 projects with a volume of 5 559 million SDRs in 2002).

III. Analysis by Sector: Number of Projects

(i) Category A Projects

5. The 56 Category A projects were concentrated in four main sectors: Energy (34% of the total), Manufacturing (28%), Mining (27%) and Transport & Telecommunication (11%) [Table 1]; all these sectors, except the Telecommunications sector, are noted in the Illustrative List of Sensitive Sectors and Areas in Annex I to the OECD Recommendation. In contrast to previous years, there were no Category A projects reported in the Construction & Water sectors; a comparison of category A projects by sector for 2002-2004 is at Chart 1.

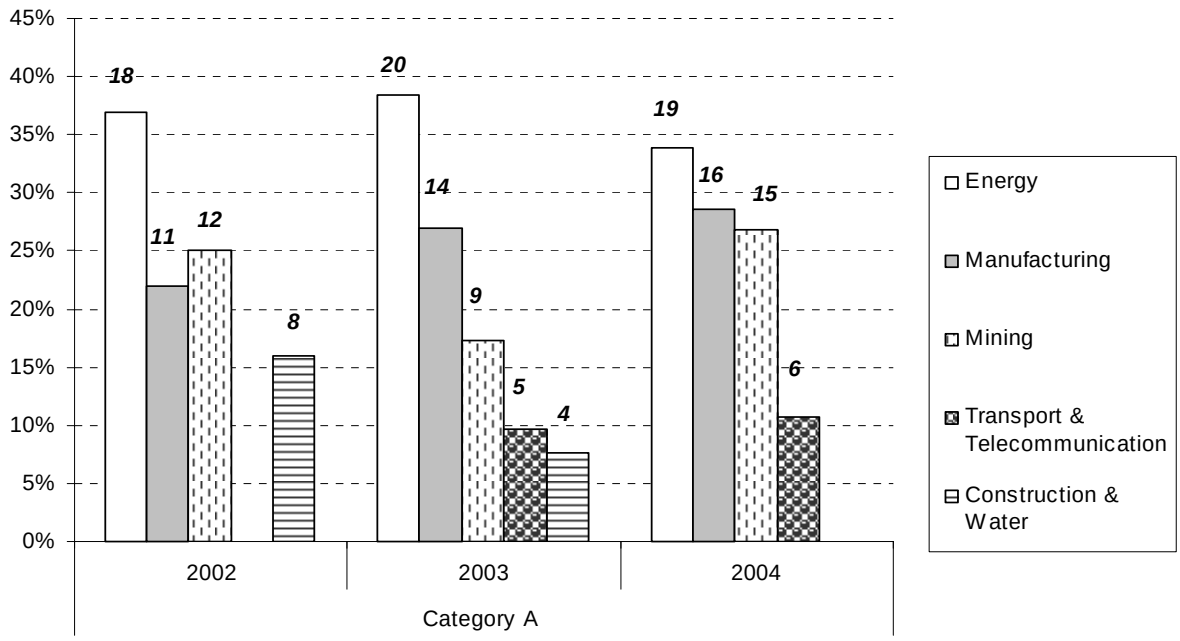
[1] In this document, the term "volume" means part of the contract value benefiting from official support from an Export Credit Agency.

Table 1. Number of Category A Projects by Sector for 2004

ENERGY 19 projects	**MANUFACTURING** 16 projects	**MINING** 15 projects	**TRANSPORT & TELECOMMUNICATION** 6 projects
- 2 gas-fired power plants - 1 nuclear power plants - 3 oil pipeline projects[1] - 4 coal-fired power plants - 1 gas pipeline project - 4 power generation (gas/steam turbines) - 4 electrical transmission (supply of substation)	- 6 chemical plants - 5 pulp and paper mill projects - 4 petroleum refinery projects[2] - 1 metal production project	- 7 mining projects[3], including gold and metals - 2 offshore oil development projects - 5 gas development projects[4] - 1 LNG production projects	- 1 air transport project - 2 road transport project - 1 rail transport project - 2 telecommunication cable

1. One project supported by three Members.
2. One of the three petroleum refinery projects was supported by two Members.
3. One of the six mining projects was supported by two Members.
4. One of the two gas development projects was supported by four Members.

Chart 1. Comparison of Number of Category A Projects by Sector (2002-2004)



(ii) Category B Projects

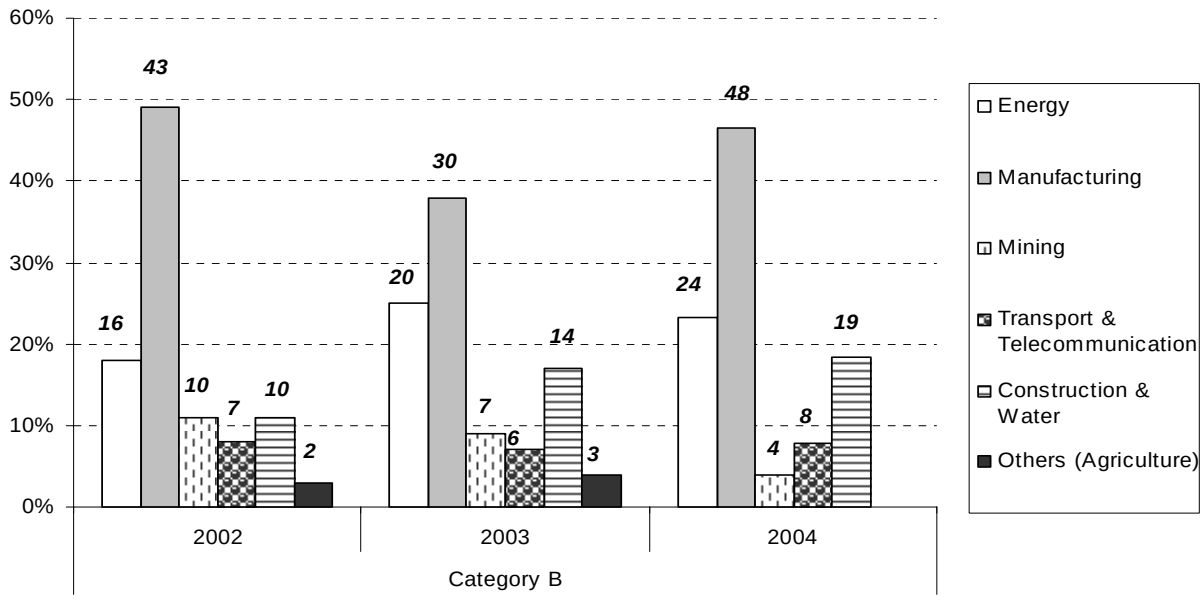
6. The 103 Category B projects were concentrated in five main sectors: Manufacturing (47% of the total), Energy (23%), Construction & Water (18%), Transport & Telecommunication (8%), and Mining (4%) [Table 2]. There were no Category B projects reported in 2004 for other sectors, such as Agriculture; a comparison of category B projects by sector for 2002-2004 is at Chart 2.

Table 2. Number of Category B Projects by Sector for 2004

ENERGY 24 projects	**MANUFACTURING** 48 projects	**MINING** 4 projects	**TRANSPORT & TELECOMMUNICATION** 8 projects	**CONSTRUCTION & WATER** 19 projects
- 10 gas-fired power plants[1] - 5 power generation including gas turbines - 6 electrical transmission - 2 wind power (farms) - 1 gas distribution	- 13 chemical plants - 3 pulp and paper mill projects - 1 petroleum refinery projects - 12 metal production projects - 4 agro-production projects - 3 cement production projects - 1 fertilizer project - 1 industrial development project - 2 pharmaceutical production projects - 3 textile projects - 1 transport equipment - 4 other projects	- 2 gas development projects - 1 offshore oil development project - 1 offshore mineral development project	- 2 air transport project - 1 road transport project - 3 rail transport project - 2 telecommunication network	- 8 dredging projects - 4 building projects - 4 water production projects - 2 wastewater treatment plant - 1 waste treatment plant

1. One of the nine gas-fired power plants supported by two Members.

Chart 2. Comparison of number of Category B Projects by Sector (2002-2004)



IV. Analysis by Sector: Volume of Projects

7. The total volume of Category A projects reported by ECG Members in 2004 was 6 549 million SDRs (compared to 4 237 million SDRs for 2003 and 4 059 million SDRs for 2002). By sector, Mining projects have increased in volume substantially in 2004 to overtake Energy as the largest sector for Category A projects. Energy has increased slightly in volume, although it is lower in percentage, and Manufacturing has declined in both volume and percentage. As noted above, no projects were reported for 2004 for the Construction and Water sectors [Table 3].

Table 3. Volume of Category A Projects by Sector (2002-2004)

Sector	2002		2003		2004	
	Volume (million SDRs)	%	Volume (million SDRs)	%	Volume (million SDRs)	%
Energy	1 953	48	1 985	47	2 214	34
Manufacturing	1 129	28	1 283	30	1 203	18
Mining	635	16	614	14	2 710	42
Transport & Telecommunication	-	-	285	7	423	6
Construction & Water	342	8	70	2	-	-
Total	**4 059**		**4 237**		**6 549**	

8. As to Category B projects, the total volume reported by ECG Members was 4 662 million SDRs (compared to 2 877 million SDRs in 2003 and 5 559 million SDRs in 2002). In terms of the main sectors, the top three were: Manufacturing, Energy and Transport & Telecommunication (compared to Energy, Manufacturing, and Mining in 2003 and Manufacturing, Transport & Telecommunication and Mining in 2002) [Table 4].

Table 4. Volume of Category B Projects by Sector (2002-2004)

Sector	2002		2003		2004	
	Volume (million SDRs)	%	Volume (million SDRs)	%	Volume (million SDRs)	%
Energy	822	15	1 007	35	1 129	24
Manufacturing	1 625	30	781	27	1 824	39
Mining	1 230	22	428	15	519	12
Transport & Telecommunication	1 345	24	308	11	950	20
Construction & Water	460	8	298	10	240	5
Others (Agriculture)	77	1	55	2	-	-
Total	**5 559**		**2 877**		**4 662**	

9. In respect of official support provided for projects below 10 million SDRs, the notifying ECG Members reported three projects (5.4%) in Category A and 34 projects (33.0%) in Category B respectively: this compares with seven projects (13.2%) for Category A and 17 projects (21.3%) in Category B for 2003.

V. Type of Environmental Review Conducted

(i) Category A Projects

10. Under Article 8 of the OECD Recommendation, ECG Members should require an Environmental Impact Assessment (EIA) for Category A projects. In this connection, Members reported that full EIAs were reviewed for 46 of the 56 Category A projects (82.1%, compared to 76.9% in 2003 and 67% in 2002). Of the remaining ten projects, four (reported by one Member) involved partial EIAs and were conditional upon receipt of completed EIAs for review, and six (reported by two Members) appear to have been the subject of applications for cover prior to the implementation of the OECD Recommendation. Twelve Members therefore reviewed EIAs for all their Category A projects (37 projects); one Member reviewed EIAs for almost two-thirds of its Category A projects (11 projects); and two Members reviewed EIAs for less than half of their Category A projects (8 projects).

(ii) Category B Projects

11. Although EIAs are not required for Category B projects, ECG Members reported 17 projects (16.5%) where EIAs were reviewed; this contrasts with 14 projects (17.5%) in 2003 and five projects (6%) in 2002. In those cases where an EIA was not reviewed, most Members conducted their environmental review process on the basis of the following, not all of which are mutually exclusive:

- Environmental questionnaire/audit.
- Environmental information/commitment provided by the exporter.

- Supplementary information provided by the sponsor/buyer.
- Reports from independent consultants.
- Environmental contents of Feasibility Studies.
- Permission of host country environmental authorities.

VI. Type of Environmental Standards Applied

(i) Category A Projects

12. In respect of Category A projects reported, International Standards were applied by ECG Members to 46 projects, *i.e.* 82.1% of the total (compared to 67.3% in 2003 and 65% in 2002); Host Country Standards to seven projects, *i.e.* 12.5% (26.9% in 2003 and 20% in 2002) and Exporting Country Standards to three projects *i.e.* 5.4% (1.9% in 2003 and 12% in 2002) [Chart 3 below].

13. Nine ECG Members applied International Standards to all of their projects (32 projects); four Members applied them to some of their projects (14 out of 22 projects); and two Members applied them to none of their projects (two out of two).

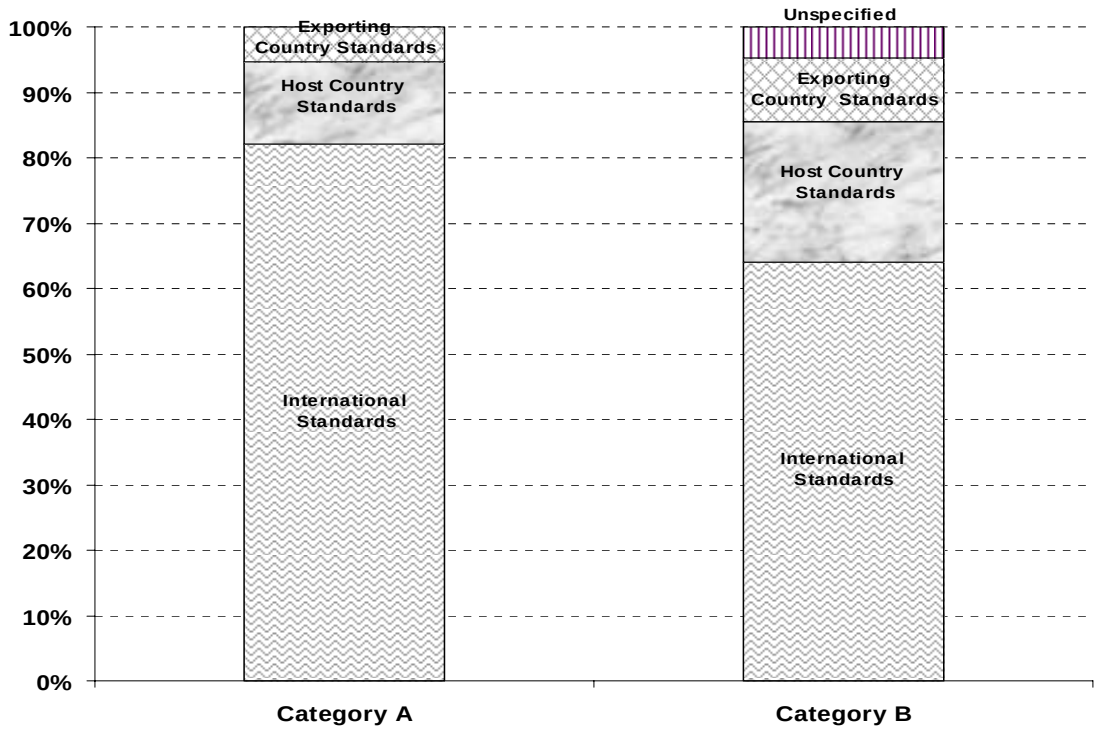
14. Of the 46 Category A projects where International Standards were applied, the World Bank Standards (including Safeguard Policy published by World Bank) were applied to 43 of the 46 projects (93.5%), of which 14 projects referred in addition to standards of the EU, WHO, IMO, MARPOL, and also to Exporting Country Standards and local standards. In the remaining three projects, EU standards were applied.

(ii) Category B Projects

15. With respect to Category B projects, some ECG Members reported benchmarking standards against or compliance with more than one set of standards. The following is therefore based on the principal set of standards applied: International Standards were applied to 66 projects, *i.e.* 64.1% of the total (compared to 61.2% in 2003 and 50% for 2002); Host Country Standards to 23 projects, *i.e.* 22.3% (23.8% in 2003 and 36% in 2002); and Exporting Country Standards to nine projects, *i.e.* 8.7% (15.0% in 2003 and 14% in 2002). The Standards applied were not indicated for five projects.

16. Chart 3 below shows the principal type of environmental standards applied when reviewing Category A and B projects for 2004.

Chart 3. Type of Environmental Standards applied to Category A and B Projects for 2004



VII. Key Environmental Factors taken into Consideration

17. With regard to key environmental factors for Category A projects, ECG Members took a variety of environmental factors into consideration – as shown below (not all of which are mutually exclusive):

- Air emissions / quality (26 mentions).
- Water emissions / quality (18 mentions).
- Use of/impact on natural resources / location, including flora, soil, coral, mangroves and wild life (17 mentions).
- Resettlement, expropriation and cultural property (ten mentions).
- Waste disposal and management (eight mentions).
- Marine ecology (eight mentions).
- Noise (seven mentions).
- Socio-economic factors, *i.e.* employment, in-migration, closure of existing facilities (six mentions).
- Community relations / consultations (five mentions).

- Oil spillage risks (four mentions).

18. With regard to environmental factors for Category B projects, ECG Members took a similar variety of environmental factors into consideration – as shown below (not all of which are mutually exclusive):

- Air emissions/quality (53 mentions).
- Water emissions/quality (41 mentions).
- Noise (31 mentions).
- Waste disposal and management (27 mentions).
- Use of/impact on natural resources/location, including flora, soil, coral, mangroves and wild life (20 mentions).
- Socio-economic factors, *i.e.* employment, in-migration, closure of existing facilities (four mentions).
- Resettlement, expropriation and cultural property (four mentions).

VIII. Conditions Applied for Providing Official Support

19. For Category A projects, additional environmental conditions for official support were reported by ECG Members to have been used as follows:

- Official support given with additional conditions: 31 projects (55.4%, compared to 44.2% for 2003 and 22.4% for 2002).
- Official support given without additional conditions: 25 projects (44.6%, compared to 40.4% in 2003 and 77.6% in 2002). [NB the comparison with 2003 is problematic, see paragraph 2, plus no comparative data exists for paragraphs 19-20 below in the previous public report]

20. For Category B projects, ECG Members reported that additional environmental conditions for official support were used as follows:

- Official support given with additional conditions: 16 projects (15.5%).
- Official support given without additional conditions: 78 projects (75.7%).
- No indication: 9 projects (8.8%).

IX. Disclosure of information

21. Under Article 16 of the OECD Recommendation, ECG Members should seek to make environment impact information publicly available (*e.g.* EIAs, summary thereof) for Category A projects at least 30 calendar days before a final commitment to grant official support. For projects supported in 2004, Members reported:

- ***Ex ante* disclosure of Environmental Impact Information**: 34 projects (61%). Of these, Members reported that 25 projects involved the disclosure of EIAs; five projects involved the

disclosure of other information, relevant documentation or partial EIA; and four projects involved disclosure of a summary.

- **No *ex ante* disclosure of Environmental Impact Information**: 22 projects (39%). This included 20 projects where the applications were received or processed before Members' new policies were implemented to bring them into compliance with the OECD Recommendation and two projects delays were reported in obtaining the relevant EIA.

22. Under the OECD Recommendation, there is no requirement to disclose environmental information for Category B projects; ECG Members' practices in respect of disclosure for Category B projects have not been analysed.