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TRADE DIRECTORATE TRADE COMMITTEE

Working Party on Export Credits and Credit Guarantees

EXPORT CREDITS AND THE ENVIRONMENT: INFORMATION ON CATEGORY A AND **CATEGORY B PROJECTS REPORTED FOR 2005**

This document comprises information in respect of Category A and Category B projects notified by Members of the Working Party on Export Credits and Credit Guarantees (ECG) for the year 2005, pursuant to the 2003 OECD Recommendation on Common Approaches on Export Credits and the Environment.

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EXPORT CREDITS AND THE ENVIRONMENT: INFORMATION ON CATEGORY A AND CATEGORY B PROJECTS REPORTED FOR 2005

I. Introduction

- 1. In accordance with paragraph 17 of the extant OECD Recommendation on Common Approaches on Environment and Officially Supported Export Credits [TD/ECG(2005)3] (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 2005.
- 2. It should be noted that some of the information reported here for the previous years has been updated to take account of corrections and amendments to data received from Members.

II. Number and Volume of Projects for 2005

- 3. 21 Members of the Working Party on Export Credits and Credit Guarantees (ECG) reported 192 Category A and Category B projects for the year 2005, representing a total volume of official support of 12.16 billion SDRs, which represents an increase of 25% in the number of such projects and of 9% in the volume of official support compared to 2004.
- 4. In respect of Category A projects, 48 were reported by 13 Members with a related volume of official support of 5.62 billion SDRs; for Category B projects, 144 were reported by 21 Members for a related volume of 6.53 billion SDRs.
- 5. Table 1 compares the number and volume of Category A and Category B projects for 2005 with previous years:

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

Table 1. Number and Volume of Category A and Category B Projects Reported for 2002 - 2005

	Category A		Cat	egory B	Total		
	Number	Volume (billion SDRs)	Number	Volume (billion SDRs)	Number	Volume (billion SDRs)	
2002	49	4.06	88	5.56	137	9.62	
2003	52	4.24	80	2.88	132	7.11	
2004	55	6.48	99	4.63	154	11.12	
2005	48	5.62	144	6.53	192	12.16	
Total	204	20.41	411	19.60	615	40.00	

III. Analysis by Sector: Number of Projects

(i) Category A Projects

6. The 48 Category A projects were distributed by sector as follows: *Manufacturing* (35%), *Mining* (23%), *Transport & Telecommunication* (19%), *Energy* (15%), *Construction & Water* (4%) and, for the first time since reporting began, *Other* (4%) [Table 2]; a comparison of category A projects by sector for 2002-2005 is at Chart 1.

Table 2. Number of Category A Projects by Sector for 2005

MANUFACTURING 17 projects	MINING 11 projects	TRANSPORT & TELECOMMUNI -CATION 9 projects	ENERGY 7 projects	CONSTRUCTION & WATER 2 projects	OTHER 2 projects
 9 chemical plants¹ 6 metal production projects 1 pulp and paper mill project 1 refinery project 	 2 mining projects 4 offshore oil projects² 1 gas development project 2 LNG projects³ 1 combined off-shore /on-shore gas project 1 gas pipeline project 	 3 air transport projects⁴ 6 water transport projects 	 2 gas-fired power plants 2 hydropower projects 2 coal-fired power plants 1 power generation project 	 1 dredging project for river development 1 water supply and sanitation project 	- 2 urban development and management projects

^{1.} One of the seven chemical plants was supported by three Members.

^{2.} This project was supported by four Members.

^{3.} This project was supported by two Members.

^{4.} One of the two air transport projects was supported by two Members.

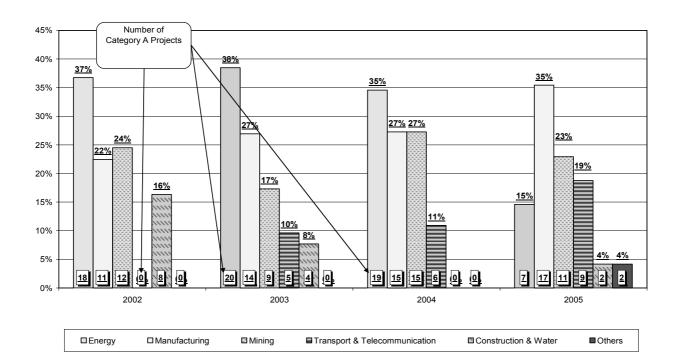


Chart 1. Comparison of Number of Category A Projects by Sector (2002-2005)

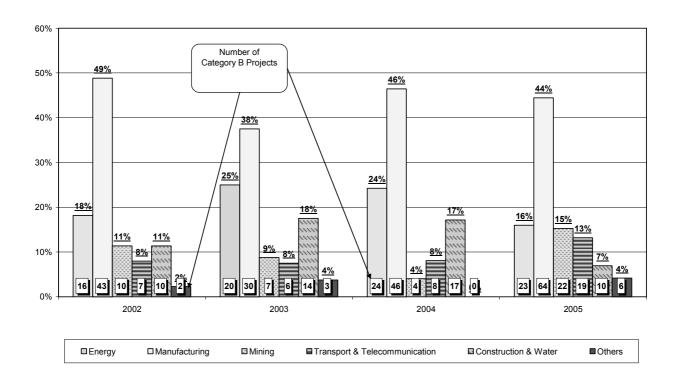
7. The 144 Category B projects were distributed by sector as follows: *Manufacturing* (44%), *Energy* (16%), *Mining* (15%), *Transport & Telecommunication* (13%), *Construction & Water* (7%) and *Other* (4%) [Table 3]. A comparison of category B projects by sector for 2002-2005 is at Chart 2.

Table 3. Number of Category B Projects by Sector for 2005

MANUFACTURING 64 projects	ENERGY 23 projects	MINING 22 projects	TRANSPORT & TELECOMMUNICATION 19 projects	CONSTRUCTION & WATER 10 projects	OTHER 6 projects
 21 metal production projects 15 chemical plants¹ 10 cement production projects² 6 textile projects 5 agro-production projects 2 forest industry projects 1 transport equipment project 1 plant for manufacture of household appliances 3 other projects 	 6 gas-fired power plants 6 electrical transmission/ distribution 5 power generation/ non-renewable sources 4 wind power projects 1 biomass project 1 hydro-power project 	 9 oil & gas projects 9 ferrous metal projects³ 1 non-ferrous metal project 1 coal project 1 precious metal project 1 industrial minerals project 	 12 water transport projects 3 road transport projects 2 air transport project 1 rail transport project 1 telecommunication project 	 6 water supply and sanitation projects 2 waste management/ disposal projects 1 water resources protection project 1 construction project 	 2 flood prevention/ control projects 1 agricultural water resources project 1 livestock project 1 urban development and management project 1 housing project

- 1. One of the chemical plants was supported by two Members.
- 2. One of the cement production projects was supported by three Members.
- 3. One of the ferrous metal projects was supported by two Members.

Chart 2. Comparison of number of Category B Projects by Sector (2002-2005)



IV. Analysis by Sector: Volume of Projects

(i) Category A Projects

8. The total volume of Category A projects reported by Members in 2005 was 5.62 billion SDRs. By sector, *Manufacturing* projects have increased in volume to become the largest sector; the volume of projects in the *Transport & Telecommunication* sectors have also increased substantially for 2005. In contrast, the volume of projects in both the *Energy* and *Mining* sectors have decreased in volume. In 2005, projects were reported in the *Construction & Water* sector and, for the first time, in the *Other* sector [Table 4].

Table 4. Volume of Category A Projects by Sector (2002-2005)

Sector	2002		2003		2004		2005	
	Volume (billion SDRs)	%	Volume (billion SDRs)	%	Volume (billion SDRs)	%	Volume (billion SDRs)	%
Energy	1.95	48	1.99	47	2.21	34	0.71	13
Manufacturing	1.13	28	1.28	30	1.14	18	1.91	34
Mining	0.64	16	0.61	14	2.71	42	1.05	19
Transport & Telecommunication	-	-	0.29	7	0.42	7	1.24	22
Construction & Water	0.34	8	0.07	2	-	-	0.07	1
Other	-	-	-	-	-	-	0.65	11
Total	4.06		4.24		6.49		5.62	

(ii) Category B Projects

9. With regard to Category B projects, the total volume reported was 6.53 billion SDRs. In terms of aggregated volumes by sector, the top three were *Manufacturing*, *Mining* and *Energy*, with *Manufacturing* now accounting for 50% of the total volume of Category B projects reported by Members [Table 5].

	2002		2003		2004		2005	
Sector	Volume (million SDRs)	%	Volume (million SDRs)	%	Volume (million SDRs)	%	Volume (million SDRs)	%
Energy	0.82	15	1.01	35	1.13	24	0.96	15
Manufacturing	1.63	29	0.78	27	1.81	39	3.24	50
Mining	1.23	22	0.43	15	0.52	11	1.29	20
Transport & Telecommunication	1.35	24	0.31	11	0.93	20	0.58	9
Construction & Water	0.46	8	0.30	10	0.24	5	0.31	5
Other	0.08	1	0.06	2	-	-	0.16	2
Total	5.56		2.88		4.63		6.53	

Table 5. Volume of Category B Projects by Sector (2002-2004)

10. In respect of official support provided for projects below 10 million SDRs, the notifying Members reported two projects in Category A (4.2% compared to 5.4% in 2004 and 13.2% in 2003) and 34 projects in Category B respectively (23.6% compared to 33% in 2004 and 21.3% in 2003).

V. Type of Environmental Review Conducted

(i) Category A Projects

- 11. Under Article 8 of the OECD Recommendation, Members should require an Environmental Impact Assessment (EIA) for Category A projects. In this connection, members reported that full EIAs were reviewed for 40 of the 48 Category A projects (83.3% compared to 81.9% in 2004, 76.9% in 2003 and 67% in 2002). Of the remaining eight projects, six projects were reported as having been reviewed with alternative sources of environmental information: construction environmental control plan based on the EIA, independent engineer reports, technical project information, summary of the EIA, partial EIA and questionnaire (the latter project was the subject of an application for cover prior to the implementation of the OECD Recommendation). For the remaining two projects, no information was given on the type of environmental review conducted, although one of these projects was subsequently reviewed against the UNDP Environmental Code of Practice.
- 12. Nine Members therefore reviewed EIAs for all their Category A projects (21 projects) and four Members reviewed EIAs for, on average, over 70% of their Category A projects (27 projects).

- 13. Although EIAs are not required for Category B projects, the Members reported 25 projects (17.4%) where EIAs were reviewed; this is an increase on previous years: 17 projects (17.1%) for 2004, 14 projects (17%) for 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:
 - Other environmental reports, such as Preliminary EIAs, Environmental and Social Assessment Reports, or Environmental Management Plans, Corrective Action Plans.
 - Members' Environmental questionnaire/audit.
 - Environmental information/commitment provided by the exporter or exporter's standards.
 - Supplementary information provided by the sponsor/buyer.
 - Reports from independent consultants.
 - Local laws/Permission/documentation from host country environmental authorities.
 - Summary of referral agencies responses to the project.
 - Project descriptions and technical documents.
 - Site visits.
 - Supplementary questions and technical meetings.
 - Information from Embassies and the internet.
 - General environmental information.

VI. Type of Environmental Standards Applied

(i) Category A Projects

14. In respect of Category A projects, International Standards were applied to 38 projects (79.2%), Host Country Standards to eight projects (16.7%), Exporting Country Standards to one project (2.1%), and unspecified to one project (2.1%). An historical distribution of standards, since 2002, used for Category A projects is shown at Chart 3.

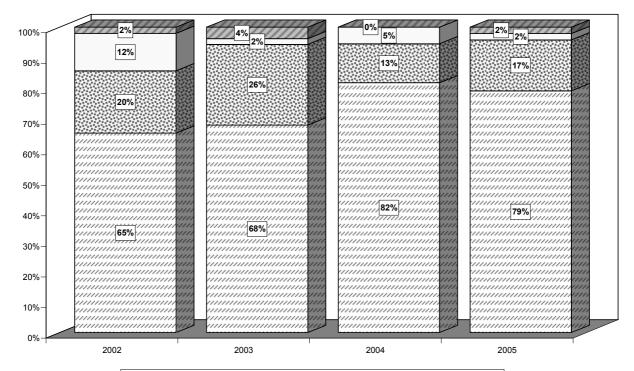


Chart 3. Type of Environmental Standards applied to Category A Projects for 2002-2005

□ International Standards ■ Host Country Standards □ Exporting Country Standards ■ Unspecified

- 15. Seven of the 13 Members reporting Category A projects applied International Standards to all of their projects (18 projects). Three Members applied International Standards to all but one of their projects (20 projects); one Member applied International Standards to over 50% of its projects (seven projects); and one Member applied International Standards to none of its projects (three projects), although these three projects were subsequently also benchmarked against International Standards.
- 16. In respect of the 38 Category A projects where International Standards were applied, the World Bank Standards (including Safeguard Policy published by World Bank) were applied to 32 projects (84.2%) (compared to 93.3% in 2004 and 77.1% in 2003), of which ten projects referred in addition to standards of the European Union, IMO, MARPOL, IPIECA and the Exporting Country standards. Of the remaining six projects, EU standards were applied to two projects, and other or non-specified internationally recognised standards were applied for three projects, and UNDP standards for one project.
- 17. In respect of the eight projects where Host Country Standards were applied: in two cases, these standards were reported as being equivalent to International Standards; in three cases, the projects were also benchmarked against International Standards; and, in two other cases, assessments were also carried out by other relevant organisations. In respect of the one project where Exporting Country Standards were applied, the exporting country was from the European Union.

- 18. With respect to Category B projects, some 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 to the 144 Category B projects: International Standards were applied to 100 projects (69.4%), Host Country Standards to 28 projects (19.4%), and Exporting Country Standards to 11 projects (7.6%). The standards applied were not indicated for five projects.
- 19. The distribution of standards used for Category B projects, since 2002, is shown at Chart 4.

0% 0% 3% 100% 5% 14% 8% 15% 9% 90% 19% 80% 23% 70% *.....* 60% 50% 40% 69% 63% 61% 30% 50%

Chart 4. Type of Environmental Standards applied to Category B Projects for 2002-2005

☐ International Standards ☐ Host Country Standards ☐ Exporting Country Standards ☐ Unspecified

2004

2005

VII. Key Environmental Factors Taken into Consideration

2003

(i) Category A Projects

2002

20%

10%

- 20. With regard to key environmental factors which were taken into consideration in the environmental review of Category A projects, Members reported the following (not all of which are mutually exclusive):
 - Emissions (48 mentions), of which: waste (17 mentions), noise (13 mentions) water (ten mentions), and air (seven mentions).
 - Water quality, including ground water (21 mentions).
 - Air quality (19 mentions).

- Use of/impact on natural resources / location, including flora, fauna and soil (16 mentions).
- Marine resources, coastal and fisheries (nine mentions).
- Social and socio-economic factors (eight mentions).
- Resettlement and cultural property (six mentions).
- Effects on nearby protected areas (three mentions).
- Impact on local wildlife and preserved species (three mentions)
- Turbidity (three mentions).
- Oil spillage risks (two mentions).
- 21. In addition, Members reported that they had taken into account concerns regarding health and safety, raw material supplies, hazard to life, downstream impacts, adequacy of public consultation, landscape impact and Environmental Management Plans.

- 22. With regard to environmental factors for Category B projects, Members took a similar variety of environmental factors into consideration as shown below (not all of which are mutually exclusive):
 - Emissions (147 mentions), of which: air (41), waste (37 mentions), noise (31 mentions) water (29 mentions), and electromagnetic (one mentions).
 - Water quality, including ground water (21 mentions).
 - Air quality (17 mentions).
 - Use of/impact on natural resources / location, including flora, fauna and soil (eight mentions).
 - Turbidity (six mentions).
 - Water and energy consumption (five mentions).
 - Effects on nearby protected /sensitive areas (four mentions).
 - Replacement of old equipment helping to reduce emissions (four mentions).
 - Health and Safety (three mentions).
 - Impact on local wildlife and preserved species (three mentions)
 - Emergency spillage risks (two mentions).
 - Land use (two mentions).
 - Raw material supplies (two mentions).

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- Rehabilitation of existing plants (two mentions).
- Resettlement (two mentions).
- Routing and impact on existing infrastructure (two mentions).
- Social and socio-economic factors (two mentions).
- 23. In addition, Members reported taking account of concerns regarding temporary disturbance during construction, ISO14001, erosion control, downstream impact, use of chemicals and local permitting.

VIII. Conditions Applied for Providing Official Support

- 24. For Category A projects, additional environmental conditions for official support were reported by Members to have been used as follows:
 - Official support given **with additional conditions**: 23 projects (47.9% compared to 54.5% for 2004, 44.2% for 2003 and 22.4% for 2002).
 - Official support given **without additional conditions**: 23 projects (47.9% compared to 45.5% for 2004, 40.4% for 2003 and 77.6% for 2002).
 - No information given: 2 projects (4.2% compared to 0% for 2004, 15.6% for 2003 and 0% for 2002.).
- 25. With regard to Category B projects, additional environmental conditions for official support were reported to have been used as follows:
 - Official support given with additional conditions: 19 projects (13.2% compared to 16.2% for 2004).
 - Official support given **without additional conditions**: 119 projects (82.6% compared to 74.7% for 2004).
 - No indication: 6 projects (4.2% compared to 9.1% for 2004).

IX. Disclosure of Information

- 26. Under Article 16 of the OECD Recommendation, 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. In respect of projects reported in 2005, Members advised:
 - Ex ante disclosure of Environmental Impact Information: 39 projects (81.3% compared to 62% for 2004) of which 26 projects involved the disclosure of EIAs; 11 projects involved the disclosure of other information; and two projects involved disclosure of a summary of an EIA.
 - No ex ante disclosure of Environmental Impact Information: nine projects (18% compared with 38% for 2004); these included seven projects where no environmental

information was disclosed as the applications were received or processed before Members' new policies were implemented to bring them into compliance with the OECD Recommendation. As to the remaining two projects, no information was given by the Member.

27. Under the OECD Recommendation, there is no requirement to disclose environmental information for Category B projects; therefore, this is not addressed in the reporting templates or in this review