

Les Amis de la Terre * Campagna per la Riforma della Banca mondiale * Colectivo de Estudios Aplicados al Desarrollo Social * The Cornerhouse * Environmental Defense * Euronatura * Finnish ECA Reform Campaign * NGO Working Group on the Export Development Corporation * Pacific Environment * Projecto Gato * Urgewald * World Economy Ecology and Development

Ms. Brigitta Nygren
Ms. Janet West
Chair of the Participants to the Export Credit Arrangement
OECD
2, Rue André Pascal
F-75775 Paris Cedex 16
France

3rd February 2004

SUBJECT: Request of civil society consultation on OECD ECA Arrangement review

Dear Ms. Nygren,

We are writing regarding the upcoming negotiations among Participants to the Arrangement on Guidelines for Officially Supported Export Credits. We understand that Participants will meet in Paris this April in order to start debating a review of the Arrangement's so-called "track 2 issues" throughout 2004. As civil society, we would like to be consulted by Members of the ECG on the Arrangement prior to this meeting."

Our organisations have been monitoring ECA activities worldwide within the global ECA-Watch network since 1997 and have advocated for ECA environmental and social reforms. We feel that the current review of the OECD Arrangement constitutes an important opportunity to create a more level playing field for ECA operations in order to orient ECA operations toward sustainability—a goal that is coherent with OECD governments' international commitments on sustainable development undertaken over the last ten years.

In this regard, we understand that some Participants are keen to debate the opportunity to improve the possibilities for ECAs to support renewable energy and energy efficiency projects. We share such goals and feel that a reorientation of ECA activities toward sustainability requires the review of current "special sector agreements" in the Arrangement (from which to date environmentally and socially unsustainable projects benefit.).

While a growing number of ECAs show at least a rhetorical willingness to support the export of new renewable energy¹, this willingness is not necessarily reflected in their project portfolios to date. Instead, support for coal, oil and gas projects as well as large hydropower projects remains the norm. Furthermore, where new renewable energy targets have been set -- as in the case of the

¹ "New renewable sources" includes modern biomass, World Commission on Dams (WCD) compliant small (up to 10 MW) hydro (mechanical as well as electric), geothermal, wind, all solar, fuel cell, tidal, wave and other marine energy. Modern biomass includes improved use of traditional biomass such as 'smokeless' efficient cookstoves as well as electricity generation, heat production and liquid fuels from carbon neutral and low input, sustainable sources of biomass.

UK's ECGD-- ECAs and exporters of new renewable energy have had difficulty in agreeing on common methods for meeting these targets. So far, one of the important obstacles to widespread uptake of renewable energy by ECAs is the price of energy they generate: Because they must compete with traditional fuels, such as fossil fuels and nuclear power, which have the benefit of powerful lobbies and are often subsidized by ECAs themselves as well as other sources of public funding, they are competing on an un-level playing field.

Therefore, in order to increase the competitiveness for new renewables, ECAs should provide loans under more favourable commercial terms. In the energy sector so far, the only special sector agreements are for longer repayment terms for conventional power plants and nuclear power plants; the latter are allowed the application of Special Commercial Interest Reference Rates. Because the OECD Export Credit Arrangement regulates the export credit terms and conditions that may be provided by participant governments, and is further charged with the task of removing subsidies, we believe the OECD must take the critical first step of allowing for repayment terms for renewable energy that equal or surpass conventional and nuclear power plants in order to level the playing field for new renewable energy. It would be suitable to establish a specific sector agreement under the OECD Arrangement that would permit more generous export credit terms for new renewables than for conventional energy systems, e.g. maximum repayment terms due to the very high upfront capital cost of technologies which, compared to conventional power plants, have very low average operational costs.

An appropriate moment to develop these new specific guidelines and approaches is rapidly approaching: The upcoming World Renewables 2004 Energy Conference in Bonn hosted by the German government will take place in June. This conference is part of the German government's fulfilment of its commitments at the World Summit on Sustainable Development in Johannesburg. As government-financed entities, ECAs also should provide a concrete contribution to the conference, and we believe this contribution should come in the form of changes in the Arrangement aimed at supporting financing for sustainability, with sustainable energy a key component in that financing. A precondition for individual ECA commitments to sustainability would be for them to set portfolio targets for renewable energy financing.

Another hurdle for new renewable energy projects is that they are often small scale projects that do not conform to the usual scale of ECA lending. One way of surmounting this obstacle is to bundle renewable energy projects—an idea that has been explored at several recent UNEP-promoted workshops on ECAs to which our members actively participated.

To conclude, our organizations are extremely interested in participating from the outset in the Arrangement revision process. We are eager to contribute to the discussion with the goals of:

- 1) advancing ECA support for renewable and energy efficiency projects at favourable commercial terms as part of creating the level playing field for all players the Arrangement aims to achieve;
- 2) creating new renewable energy targets similar to those adopted by the ECGD for all ECAs; and
- 3) exploring the possibility of new forms of financing, such as bundling of smaller projects, which would create greater opportunities for more sustainable projects to be financed by ECAs, including new renewable energy projects;

4) exploring the possibilities of an increasing percentage of local costs to be covered by the financing.

All of these goals, if achieved, would help advance the goals articulated by participants to the World Summit on Sustainable Development.

Apart from the discussion on ECAs and Renewables we would be very much interested in a broader discussion on how to orient ECA operations toward sustainability. This should include discussions on how the Arrangement could cover military equipment/unproductive expenditure in order to stop ECAs subsidising arms exports.

We therefore request an early consultation meeting with civil society organisations as part of the next Participants' meeting. To date, consultations with NGOs have typically been only a few hours. We would therefore respectfully request a consultative meeting with government representatives for one day, to exchange opinions on the Arrangement and renewable energy as well as on the implementation of the Common Approaches. Half a day might be spent on each.

We would also like to be able to have the opportunity to comment on the agenda for the day long meeting, along with other interested parties such as TUAC.

Furthermore, we respectfully request that you make available as many as 20 seats for self-selected NGO participants, as per the last OECD consultation in September 2003. Since many southern partners may also be interested in attending the meeting, but are unable to do so for financial reasons, we would also seek your assistance in providing financial support for the travel and accommodation costs of those of us traveling from developing countries.

We look forward to your reply and remain

Sincerely yours

Antonio Tricarico, Campagna per la Riforma della Banca mondiale, Italy
Regine Richter, urgewald, Germany
Jan Capelle, Projecto Gato, Belgium
Fraser Reilly-King, NGO Working Group on EDC, a Working Group of the Halifax Initiative coalition, Canada
Sebastien Godinot, Les Amis de la Terre, France
Nick Hildyard, The Cornerhouse, United Kingdom
Doug Norlen, Pacific Environment, United States of America
Bruce Rich, Environmental Defense, United States of America
Heike Drillisch, World Economy, Ecology and Development, Germany
Tove Selin, Finnish ECA Reform Campaign, Finland
Jorge Cortés, Colectivo de Estudios Aplicados al Desarrollo Social – CEADES, Bolivia
Renato Roldao, Euronatura, Portugal

CC:

DG Trade, Mr. Ian Wilkinson
UNEP, Mark Radka and Martina Otto