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**TRADE AND AGRICULTURE DIRECTORATE  
PARTICIPANTS TO THE ARRANGEMENT ON OFFICIALLY SUPPORTED EXPORT CREDITS**

**SECTOR UNDERSTANDING ON EXPORT CREDITS FOR COAL-FIRED ELECTRICITY  
GENERATION PROJECTS**

*This document contains the Sector Understanding on Export Credits for Coal-Fired Electricity Generation Projects agreed by the Participants to the Arrangement on Officially Supported Export Credits at their meeting on Tuesday 17 (p.m.) November 2015.*

Contact: Xcred Secretariat, Export Credits Division, Trade and Agriculture Directorate, OECD  
Tel: +33 (0) 45 24 89 10; fax: +33(0)1 44 30 61 58; email: [xcred.secretariat@oecd.org](mailto:xcred.secretariat@oecd.org)

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**SECTOR UNDERSTANDING ON EXPORT CREDITS FOR  
COAL-FIRED ELECTRICITY GENERATION PROJECTS**

*The Participants to the Arrangement on Officially Supported Export Credits (the "Arrangement") have agreed the following Sector Understanding on Export Credits for Coal-Fired Electricity Generation Projects: it will be annexed to the Arrangement, as new Annex VI (with subsequent Annexes re-numbered).*

*Appendix I attached hereto shows the resulting changes (in marked-up mode) that will need to be made to integrate this new Sector Understanding into the Arrangement and its re-numbered Annex VII (the terms and conditions applicable to project finance transactions).*

*The new Sector Understanding and the resulting changes to the Arrangement will be incorporated into the next version of the Arrangement to be published in early 2016.*

## **SECTOR UNDERSTANDING ON EXPORT CREDITS FOR COAL-FIRED ELECTRICITY GENERATION PROJECTS**

The Participants to this Sector Understanding agree that the financial terms and conditions of the Sector Understanding, which complements the Arrangement, shall be implemented in a way that is consistent with the Purpose of the Arrangement.

### **CHAPTER I: SCOPE OF THE SECTOR UNDERSTANDING**

#### **1. SCOPE OF APPLICATION**

- a) This Sector Understanding sets out the financial terms and conditions that apply to officially supported export credits relating to contracts for coal-fired electricity generation projects, for:
  - 1) The export of new coal-fired electricity generation plants or parts thereof, for the grid and for industrial use, located in plants without operational carbon capture and storage or carbon capture and utilisation technology, comprising all components, equipment, materials and services (including the training of personnel) directly required for the construction and commissioning of such plants. The addition of a new coal-fired electricity generation unit to an existing plant is deemed to be a new coal-fired electricity generation plant.
  - 2) The modernisation of, or supply of equipment to, existing coal-fired electricity generation plants, for the grid and for industrial use.
- b) This Sector Understanding does not apply to items located outside the coal-fired electricity generation project site boundary for which the buyer is usually responsible, in particular, water supply not directly linked to the power production plant, costs associated with land development, roads, construction villages, power lines and switchyard, as well as costs arising in the buyer's country from official approval procedures (*e.g.* site permits, construction permit), except:
  - 1) In cases where the buyer of the switchyard is the same as the buyer of the power plant and the contract is concluded in relation to the original switchyard for that power plant, the terms and conditions for the original switchyard shall not exceed those for the coal-fired electricity generation project; and
  - 2) The terms and conditions for sub-stations, transformers and transmission lines with a minimum voltage threshold of 100kV located outside the coal-fired electricity generation project site boundary shall not be more generous than those for the coal-fired electricity generation project.
- c) If a coal-fired electricity generation project falls within the scope and meets the conditions of Appendix II of the Sector Understanding on Export Credits for Renewable Energy, Climate Change Mitigation and Adaptation, and Water Projects, the financial terms and conditions applicable to such project shall be those set out in the said Sector Understanding.

## CHAPTER II: PROVISIONS FOR EXPORT CREDITS

### 2. MAXIMUM REPAYMENT TERMS

- a) For officially supported export credits for goods and services covered by the provisions of Article 1a)1) of this Sector Understanding, the maximum repayment term is set out as follows in Table 1 below:

**Table 1**  
**Maximum repayment terms**

PLANT UNIT SIZE (gross installed capacity)	Unit > 500 MW	Unit ≥300 to 500 MW	Unit < 300 MW
Ultra-supercritical ( <i>i.e.</i> , with a steam pressure >240 bar and ≥593°C steam temperature), OR Emissions < 750 g CO <sub>2</sub> /kWh	12 years <sup>1</sup>	12 years <sup>1</sup>	12 years <sup>1</sup>
Supercritical ( <i>i.e.</i> , with a steam pressure >221 bar and >550°C steam temperature), OR Emissions between 750 and 850 g CO <sub>2</sub> /kWh	Ineligible	10 years, and only in IDA-eligible countries <sup>1,2,3</sup>	10 years, and only in IDA-eligible countries <sup>1,2,3</sup>
Subcritical ( <i>i.e.</i> , with a steam pressure < 221 bar), OR Emissions > 850 g CO <sub>2</sub> /kWh	Ineligible	Ineligible	10 years, and only in IDA-eligible countries <sup>1,3</sup>

- b) For the purpose of the implementation of Table 1 above:
- 1) With respect to eligible subcritical units, official support shall be limited to two co-located units in a given plant, not to exceed an aggregate gross installed capacity of 500 MW, except if the alternatives analysis referred to in Article 4b)1) of this Sector Understanding examines the possibility of one larger unit in a higher efficiency category, and

<sup>1</sup> Where eligible for official support, an additional two years repayment term is allowed for project finance transactions consistent with paragraph d) below, subject to the maximum repayment terms in Article 2 of Annex VII.

<sup>2</sup> To help address energy poverty, ten year export credit support may be provided in all countries where the National Electrification Rate (as per the most current IEA World Energy Outlook Electricity Access database) is reported as 90% or below at the time the relevant completed application for export credit is received.

<sup>3</sup> Export credit support may be provided in non-IDA-eligible countries for geographically isolated locations, where, (1) the alternatives analysis referred to in Article 4b)1) of this Sector Understanding deems that less carbon-intensive alternatives are not viable and (2) the physical/geographic and existing grid features (including inability to connect to a larger grid) justify the proposed project's efficiency category as the best available technology. In cases where the project is not located on a physical island, the interested Participant shall seek the consent of all Participants through the use of a Common Line procedure in accordance with Articles 58 to 63 of the Arrangement.

demonstrates that this approach is not viable; in this case, official support shall be limited to two units, not to exceed an aggregate gross installed capacity of 600 MW.

- 2) With respect to eligible supercritical units, official support shall be limited to no more than two co-located units in a given plant, except if the alternatives analysis referred to in Article 4b)1) of this Sector Understanding examines the possibility of achieving the same capacity through one or two larger units, and demonstrates that this approach is not viable.
  - 3) IDA-eligible countries are defined as countries eligible for International Development Association (IDA) resources (including IDA-only and IDA blend countries) at the time the relevant completed application for export credit is received.
- c) For officially supported export credits for goods and services covered by Article 1a)2) of this Sector Understanding, the maximum repayment term shall be determined by Article 12 of the Arrangement.
  - d) Project Finance transactions are transactions of goods and services covered by this Sector Understanding that also meet the criteria set out in Appendix I of Annex VII. For such transactions, a Participant applying the relevant repayment term allowed by Table 1 of this Sector Understanding, shall also apply the other terms and conditions set out in Annex VII, subject to the provisions of Article 3 of this Sector Understanding.

### **3. REPAYMENT OF PRINCIPAL AND INTEREST**

- a) Subject to the provisions of paragraph b) below, the repayment of principal and interest shall be provided in accordance with:
  - 1) Article 14 of the Arrangement, or
  - 2) For transactions of goods and services covered by this Sector Understanding that also meet the criteria set out in Appendix I of Annex VII, Article 3 of that Annex.
- b) The weighted average life of the repayment period supported shall not exceed half of the repayment period plus one quarter of a year.

## **CHAPTER III: PROCEDURES**

### **4. PRIOR NOTIFICATION**

- a) A Participant shall give prior notification in accordance with Article 48 of the Arrangement at least ten calendar days before issuing any commitment if it intends to provide support in accordance with the provisions of this Sector Understanding.

- b) Such notification shall:
  - 1) Indicate that an evaluation of less carbon-intensive energy alternatives has been carried out and such alternatives are demonstrated as not viable, and
  - 2) Include a demonstration that the project is compatible with the host country's national energy policy and climate mitigation policy and strategy, which is supported by a targeted policy to expand renewables and/or to enhance energy efficiency.
  - 3) For projects qualifying under Footnote 2, an explanation of how the supported project helps address energy poverty.
- c) A Participant notifying a transaction under "Project Finance" in compliance with Article 2d) of this Sector Understanding shall, in addition to the reporting requirements set out above, report the information required in accordance with Annex VII.

#### **CHAPTER IV: MONITORING, REVIEW AND REVISION**

##### **5. MONITORING**

The Secretariat shall report annually on the implementation of this Sector Understanding.

##### **6. REVIEW AND MONITORING**

- a) This Sector Understanding shall be reviewed by no later than 30 June 2019 with the objective of further strengthening its terms and conditions in a second phase beginning no later than 1 January 2021, in order to contribute to the common goal of addressing climate change and to continue phasing down official support for coal-fired power plants, including with a view to reducing the use of less efficient coal-fired power plants.
- b) The review shall take into account:
  - 1) The most recent reports on climate science and the implications for global infrastructure investment decisions of remaining on the path to limit global warming to below 2 degrees Celsius higher than pre-industrial levels;
  - 2) Advancements in technology concerning coal-fuelled power plants, including Integrated Gasification Combined Cycle (IGCC);
  - 3) Availability of carbon capture and storage technology;
  - 4) The evolution of regulatory frameworks in both exporting and buying countries with regard to coal-fuelled power plants;
  - 5) The evolution of market conditions, in various countries, including commercial feasibility of, and operational experience with, various coal-fuelled power plant technologies;

- 6) Developments in the export credit financing policies and practices of non-OECD countries, especially the major exporting countries of coal-fuelled power plants, recognising the important role that Participants can play in encouraging the Participation of non-OECD countries in this area; and
- 7) How the present Sector Understanding has affected energy poverty and the National Electrification Rate.

## **7. TRANSITIONAL ARRANGEMENTS**

The terms and conditions of this Sector Understanding are applicable to final commitments for goods and services covered by this Sector Understanding as of 1 January 2017, with the exception of those projects for which a request for proposals was issued prior to 1 January 2017, on the basis of a fully completed technical feasibility study and environmental and social impact assessment, and provided that an application for export credit support for any such project is submitted and acted upon expeditiously.

## APPENDIX I: CHANGES TO THE ARRANGEMENT AND TO ANNEX VII

### ARRANGEMENT ARTICLES

#### 6. SECTOR UNDERSTANDINGS

- a) The following Sector Understandings are part of the Arrangement:
- Ships (Annex I)
  - Nuclear Power Plants (Annex II)
  - Civil Aircraft (Annex III)
  - Renewable Energy, Climate Change Mitigation and Adaptation, and Water Projects (Annex IV)
  - Rail Infrastructure (Annex V)
  - Coal-Fired Electricity Generation Projects (Annex VI).
- b) The Participants to either Annex I, II, IV or V may apply the respective provisions for official support for export of goods and/or services covered by the relevant Sector Understandings. Where a Sector Understanding does not include a corresponding provision to that of the Arrangement, a Participant to that Sector Understanding shall apply the provision of the Arrangement.
- c) For the export of goods and/or services covered by Annex III, the Participants that are also Participants to that Sector Understanding shall apply the provisions of that Sector Understanding.
- d) For the export of goods and/or services covered by Annex VI, the corresponding provisions of that Annex shall be applied in lieu of those of the Arrangement. Where Annex VI does not include a corresponding provision to that of the Arrangement, a Participant to that Sector Understanding shall apply the provisions of the Arrangement.

#### 7. PROJECT FINANCE

- a) The Participants may apply the terms and conditions set out in Annex VII to the export of goods and/or services for transactions that meet the criteria set out in Appendix 1 of Annex VII.

- b) Paragraph a) above applies to the export of goods and services covered by the Sector Understanding on Export Credits for Nuclear Power Plants, the Sector Understanding on Export Credits for Renewable Energy, Climate Change Mitigation and Adaptation, and Water Projects, ~~and~~ the Sector Understanding on Export Credits for Railway Infrastructure, and the Sector Understanding on Export Credits for Coal-Fired Electricity Generation Projects.
- c) Paragraph a) above does not apply to the export of goods and services covered by the Sector Understanding on Export credits for Civil Aircraft or the Sector Understanding on Export Credits for Ships.

### **13. REPAYMENT TERMS FOR NON-NUCLEAR POWER PLANTS**

- a) For non-nuclear power plants not covered by Annex VI, the maximum repayment term shall be 12 years. If a Participant intends to support a repayment term longer than that provided for in Article 12, the Participant shall give prior notification in accordance with the procedure in Article 48.
- b) Non-nuclear power plants are complete power stations, or parts thereof, not fuelled by nuclear power; they include all components, equipment, materials and services (including the training of personnel) directly required for the construction and commissioning of such non-nuclear power stations. This does not include items for which the buyer is usually responsible, in particular costs associated with land development, roads, construction villages, power lines, and switchyard and water supply located outside the power plant site boundary, as well as costs arising in the buyer's country from official approval procedures (*e.g.* site permits, construction permit, fuel loading permits), except:
  - 1) in cases where the buyer of the switchyard is the same as the buyer of the power plant, the maximum repayment term for the original switchyard shall be the same as that for the non-nuclear power plant (*i.e.* 12 years); and
  - 2) the maximum repayment term for sub-stations, transformers and transmission lines with a minimum voltage threshold of 100 kV shall be the same as that for the non-nuclear power plant.

## **ANNEX VII – PROJECT FINANCE**

### **2. MAXIMUM REPAYMENT TERMS**

The maximum repayment term is 14 years, subject to the provisions of the Sector Understanding on Export Credits for Coal-Fired Electricity Generation Projects for projects falling within its scope.