

FEBRUARY 2023

CIVIL SOCIETY JOINT POSITION:

OIL AND GAS RESTRICTIONS UNDER THE OECD ARRANGEMENT ON OFFICIALLY SUPPORTED EXPORT CREDITS



Purpose - This document outlines how the OECD Arrangement on Officially Supported Export Credits can align with the Paris Agreement warming target of 1.5°C by placing restrictions on export support for oil and gas projects and associated infrastructure. These restrictions build on the existing prohibition on coal-fired power, which came into effect 1 January 2022 and was preceded by the coal-fired power sector understanding (CFSU). Participant countries under the Arrangement are encouraged to utilize this document to develop comprehensive fossil fuel restrictions. This briefing has been written by a coalition of civil society organizations from both global south and global north countries working on climate governance of export-credit agencies (ECAs). For more information, contact Nina Pušić of Oil Change International (nina@priceofoil.org) or Kate DeAngelis of Friends of the Earth US (kdeangelis@foe.org).

I. CONTEXT:

In 2015, the Paris Agreement committed governments to limit global warming to 1.5°C by the end of the century in order to avert and minimize catastrophic anthropogenic climate change. Article 2.1(c) of the Agreement also obliges countries to “make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development”¹. With the earth’s global surface temperature having already warmed by 1.2°C in 2021 from preindustrial temperatures², urgent action is needed to keep 1.5°C within reach. A phase-out of oil, gas and coal, the source of 86% of greenhouse gas emissions in the last 10 years³, is paramount. In its Net Zero Emissions by 2050 Scenario, which maintains a 50% chance of limiting global warming to 1.5°C, the IEA concludes that there is no room for investments in new coal, oil, or gas supply or liquefied natural gas (LNG) infrastructure without stranded extraction assets⁴. Moreover, the IPCC’s latest climate mitigation report shows that existing fossil fuel infrastructure, if operated as planned, would already push the world far beyond 1.5°C⁵. This means that some of the oil and gas fields and coal mines, as well as fossil fuel-burning power plants, that are already built and in production will need to be decommissioned and retired early to keep the 1.5°C warming target of the Paris Agreement within reach⁶, which includes 40% of already-developed fossil fuel reserves that will need to stay in the ground⁷. **Therefore, there is no room for any international public support for any new oil and gas projects, or the expansion of coal, oil, and gas exploration, production, transportation, storage, refining, power generation, and associated infrastructure.**

Export credit agencies (ECAs) play a pivotal role in de-risking investment and shaping the global energy landscape. Yet, most recent data shows that between 2019 and 2021, G20 ECAs provided \$34.7 USD billion annually to fossil fuels, yet only \$4.7 billion USD for renewables⁸. Due to the Arrangement’s development of the Sector Understanding on Export Credits for Coal-Fired Electricity Generation Projects (CFSU) in 2015, followed by the prohibition of coal-fired power under Article 6 of the Arrangement in October 2021, export finance for coal has dropped

1 Paris Agreement (2015) Article 2.1(c). United Nations Framework Convention on Climate Change (UNFCCC). Available at: https://unfccc.int/sites/default/files/english_paris_agreement.pdf

2 IPCC (2021) “Understanding Global Warming of 1.5C” Section A. IPCC Special Report on the impacts of global warming of 1.5°C <https://www.ipcc.ch/sr15/chapter/spm/>

3 United Nations (2022) “Renewable energy: Powering a Safer Future” Available at: <https://bit.ly/3drNgCf>

4 IEA (2021) “Net Zero by 2050 Report” Available at: <https://www.iea.org/reports/net-zero-by-2050>

5 IPCC, 2021

6 Tong et al. (2019). Committed emissions from existing energy infrastructure jeopardize the 1.5 °C climate target. *Nature*, 572(7769), 373-377. Available at: <https://doi.org/10.1038/s41586-019-1364-3>.

7 Trout et al (2022) “Existing fossil fuel extraction would warm the world beyond 1.5 °C” *Environ. Res. Lett.* <https://bit.ly/3SWRABD>

8 Oil Change International and Friends of the Earth US (2022) “At a Crossroads: Assessing G20 and MDB international energy finance ahead of stop funding fossils pledge deadline” Available at: <https://priceofoil.org/2022/11/01/g20-at-a-crossroads/>.

significantly. Coal finance dropped by \$4 billion USD in 2021 compared to the averages between 2013 and 2017⁹, before the OECD Arrangement Coal-Fired Power Sector understanding came into force. As a result, 92% of G20 ECA fossil fuel support between 2019 - 2021 went to oil and gas related projects. To ensure the guidelines of the Arrangement are compatible with 1.5°C, it is critical to build on the progress witnessed under the prohibition of coal-fired power and secure oil and gas export support restrictions.

In 2021, 39 governments and institutions signed the Glasgow Statement on International Public Support for the Clean Energy Transition¹⁰. This statement commits signatories to ending new direct public support for the international unabated fossil fuel energy sector, including oil and gas, by the end of 2022, and “driving multilateral negotiations in international bodies, *in particular in the OECD*, to review, update and strengthen their governance frameworks to align with the Paris Agreement goals”¹¹. Therefore, ensuring the implementation of both the Glasgow Statement explicitly requires enacting restrictions on oil and gas export finance under the OECD Arrangement of Officially Supported Export Credits.

II. OIL AND GAS EXPORT CREDIT RESTRICTIONS UNDER THE OECD ARRANGEMENT

With 52% of the OECD members signed onto the Glasgow Statement and the subsequent near-identical G7 commitment to end international public finance for fossil fuels by the end of 2022¹², there is an opportunity for these members to ensure other OECD members follow suit. Fossil fuel restrictions in the OECD are in signatories’ and the G7 members’ interest as they will help create a level-playing field, which is the main purpose of the OECD¹³. For oil and gas export finance restrictions at the OECD level to be aligned with 1.5°C of warming, these restrictions must:

- Target upstream (exploration, drilling, and extraction), midstream (storage, processing, and transportation) and downstream (oil or gas-fired power) oil and gas finance, **ensuring no new fossil fuel infrastructure support using official export credits;**
- Prohibit export credit financing for **all associated oil and gas infrastructure;**
- **In case of any reference to “unabated” fossil fuels, clearly define the term** to avoid misuse or continued support for the entire oil and gas supply chain and power generation¹⁴.

The OECD Arrangement can build on the momentum of its prohibition on coal-fired power and align with 1.5°C, by adopting a ‘prohibition model’¹⁵ approach to oil and gas restrictions:

1. follows the Coal-Fired Power Prohibition approach enacted 1 Jan. 2022;
2. requires that Participants shall not provide officially supported export credits or tied aid for oil and gas;
3. extends that requirement from ‘plants’ to ‘infrastructure’, thereby encompassing up-, mid-, and downstream activities as well as associated infrastructure.

⁹ Ibid

¹⁰ Glasgow Statement on the International Support for Clean Energy Transition [Glasgow Statement] (2021) <https://bit.ly/3DGx6PY>

¹¹ Ibid, Paragraph 3

¹² In May 2022, G7 climate, energy and environment ministers issued a communique committing to end public finance for fossil fuels by the end of this year. Available here: <https://bit.ly/3S921Ji>

¹³ OECD (2022) “Arrangement on Officially Supported Export Credits” Available at: <https://bit.ly/3f57Rwp>.

¹⁴ The definition of “unabated” should include scope 1, scope 2, and scope 3 greenhouse gas emissions.

¹⁵ This model was recommended by legal expert on export credits, Professor Navraj Singh Ghaleigh of the University of Edinburgh

III. EXEMPTIONS

Any exemptions to these restrictions must not allow support for any fossil fuel long-term infrastructure projects, such as gas-fired power plants, oil refineries, pipelines, or export terminals, etc. These types of infrastructure are incompatible with 1.5°C-aligned climate goals and take years to build¹⁶; therefore, they cannot deliver on short-term emergency needs. Gas-fired power specifically has been proven to be incompatible with the IPCC's 1.5°C scenario, due to methane leakages from gas infrastructure which undermine claims of environmental benefits over other fossil fuels¹⁷.

It is acknowledged that existing ECAs with fossil fuel restriction policies, including UK Export Finance, and Sweden's EKN, currently have exemptions related to fossil fuels, when it is needed to increase access to modern energy services, and in instances of humanitarian crises¹⁸. These narrow exceptions include stand-alone diesel or gas generators in emergency response settings¹⁹, where renewables are not viable, or in the case where liquefied petroleum gas (LPG) is the only option available for cooking, lighting, or heating. These exemptions should never be used without the agency first publicly publishing a robust alternatives assessment that evaluates the potential for renewable energy support instead, in order to ensure a just transition to renewable energy is not negatively impacted. In this document, signatories note that these exceptions may be superfluous, as ECAs are not the best suited financial mechanisms to respond to humanitarian crises nor energy access needs. Grants through other public financial means, such as Development Finance Institutions (DFIs) or Aid agencies, are generally better suited to support instances where finance for short-term emergency energy access is needed. Key energy research and energy landscape analysis has demonstrated that **fossil fuels are no longer the cheapest nor most accessible way to provide energy access**²⁰.

IV. GENERAL PRINCIPLES FOR NEGOTIATING “CLIMATE-FRIENDLY” INCENTIVES

Acknowledging that ECAs do not have the most suitable mandate to support local sustainable development or energy access, OECD Arrangement Participants must ensure that any climate-related incentives that are negotiated help facilitate a just transition to

¹⁶ Kempfert et al (2022) “The expansion of natural gas infrastructure puts energy transitions at risk” <https://go.nature.com/3eeOMYR>

¹⁷ Greg Muttitt et al. (2021) “Step off the Gas: International public finance, natural gas, and clean alternatives in the Global South” International Institute for Sustainable Development <https://bit.ly/3VrdHJc>

¹⁸ Examples of this model for a humanitarian exemption can already be found in: UKEF (2021), “Aligning UK international support for the clean energy transition”. Section 4a and 4b: Page 8. Available at: <https://bit.ly/3UruDio>; EKN (2022) “Policy and Guidelines: Sustainability Policy” Available at: <https://bit.ly/39fIVDa>

¹⁹ “Emergency response settings” should strictly include: countries with active warfare, and short term (less than 6 months) community recovery from rapid-onset extreme weather disaster and not interpreted under other conditions.

²⁰ Sustainable Energy for All, & Climate Policy Initiative (2020) Energizing finance: Understanding the landscape <https://bit.ly/3rUfgZU>; and Bloomberg New Energy Finance, 2021 Levelized Cost Of Electricity report, Bloomberg Terminal;

renewable energy²¹. Therefore, incentives *must explicitly exclude* any kind of fossil fuel-related infrastructure, such as fossil gas, ammonia and hydrogen produced from fossils, and carbon capture and storage (CCS), nuclear, and large hydroelectric power plants²², from benefiting from financial incentives²³. Instead, if additional incentives are negotiated under the revised Climate Change Sector Understanding, they must be clearly defined as renewable energy projects and associated infrastructure, such as wind, solar, small-scale hydro, and emerging renewable technologies such as tidal power.

Given the problematic history of ECA finance, and repeated instances of negative impacts of local communities on project sites²⁴, ECAs are not well suited to engage in large-scale energy projects. However, if large-scale renewable energy projects are undertaken, a just transition approach must be utilized to ensure proper due diligence for all projects, respect for the rights of Indigenous Peoples and local communities in line with Free, Prior, Informed Consent (FPIC) principles²⁵, and increase affordable energy access, energy ownership, active participation of the location communities, including via job creation. It is also recommended that ECAs do not support projects concerning the mining or transportation of critical minerals for the energy transition. Considering numerous historic examples of ECA finance²⁶, other public financial actors who have a better track record of respecting human rights, upholding Indigenous Peoples' rights to self-determination, and ensuring strong environmental and social safeguards²⁷, are better placed to engage with projects related to critical minerals. These principles are to ensure problematic practices, such as the creation of "sacrifice zones"²⁸, are not perpetuated in the revised Climate Change Sector Understanding under the OECD Arrangement.

21 More information on Just Transition Principles can be found in: Climate Justice Alliance, "Just Transition Principles" Available at: <https://bit.ly/3ey152s>; Also cited in Paris Agreement (2015) preamble, page 2 "Taking into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities".

22 Large hydroelectric power projects in this context are defined as those larger than 30 megawatts (MW) of generation capacity.

23 Incentives under the OECD Arrangement must not follow recent problematic policy classifications, such as the European Union's Green Taxonomy, which has failed to follow science-based metrics to align with 1.5°C. See more in: Anlar, Seden. (2022) "EU Taxonomy: The dirty politics of greenwashing energy" Green European Journal. Available at: <https://bit.ly/3Lz9UoD>. Currently being legally challenged by 4 environmental groups who argue that this classification is unlawful as it clashes with a number of key EU laws, in particular the legal basis of the Taxonomy itself. <https://bit.ly/3SYdYBt>

24 For example, many export credit agencies are supporting the liquefied natural gas development in northern Mozambique, but ECAs have failed to conduct proper due diligence and ensure that meaningful community consultation has taken place. NRC, 'The Netherlands ignored warnings about kidnappings and beatings in Mozambique during gas project', 1 November 2021, <https://bit.ly/3eGEaSw>; Paul Burkhardt and Matthew Hill, U.S. Export-Import Bank Warned on Mozambique Risks Before \$4.7 Billion Loan, Bloomberg, 6 April 2021, <https://bloom.bg/3Vf067D>

25 See more information on FPIC at: FAO (2016) "Free Prior and Informed Consent: An Indigenous Peoples' Right and a good practice for local communities" <https://bit.ly/3fIKWY2>

26 For example, the U.S. Export-Import Bank supported the Sasan coal plant and mine where tens of people have died, including children. Office of the Inspector General, Export-Import Bank of the United States, Report on the Project Financing of Sasan Power Limited (28 September 2015): <https://bit.ly/3CM2w5x>; Darrell Proctor, At Least Two Dead in Coal Ash Breach in India, Power, 12 April 2020, <https://bit.ly/3s4xelr>; Letter to Jennifer Fain, Acting Inspector General, Export-Import Bank of the United States re Sasan deaths, 1 May 2020, <https://bit.ly/3seE8UZ>. Examples from Mozambique include the Rovuma LNG project, Coral South FLNG project, and more, featured in: Anneke Wensing "Fueling the Crisis in Mozambique" Milieudefensie, May 2022, Page 13, <https://bit.ly/3VMChow>. Examples from Ghana (Offshore Cape Three Points Integrated Oil and Gas Exploration (OCTP), Nigeria ('Train 7' project) and East African Crude Oil Pipeline (EACOP) can be found in: Both Ends "A Just Energy Transition for Africa? Mapping the impacts of ECAs in the energy sector" November 2020, Page 13-15, <https://bit.ly/3yXMjZM>

27 This includes following robust standards such as the "Initiative for Responsible Mining Assurance" see more: Earthworks "The Initiative for Responsible Mining Assurance" IRMA is a multi-sector initiative that offers independent, third-party auditing and transparency at mine sites using its 400+ page standard, <https://bit.ly/3MixQFi>

28 Sacrifice Zones in the context of green energy is further explored in: Zografos and Robbin (2020) "Sacrifice Zones" in the Green Energy Economy: Toward an Environmental Justice Framework" <https://bit.ly/3SM5y99>



V. RECOMMENDATIONS FOR OECD PARTICIPANTS TO ALIGN EXPORT FINANCE WITH 1.5°C:



- Sign on to the Glasgow Statement on the International Support for Clean Energy Transition, if they have not yet done so²⁹;
- Implement their Glasgow Statement obligations as soon as possible, and at maximum within one year of signing;
- Showcase ambitious leadership in other critical fora, such as the G7 and Export Finance for Future (E3F) initiative, utilizing diplomatic leverage to encourage other countries to follow suit;
- Build support for robust oil and gas restrictions, as outlined above, at the OECD Civil Society Stakeholder meetings and during closed Participant meetings;
- Institute enforcement measures that should apply for both existing and planned oil, gas and coal projects to hold ECAs accountable to human rights, and environmental and social safeguards;
- Table a proposal on restricting oil and gas in accordance with the above criteria, or align with other leading Participants to support such a proposal **no later than March 2023**.

²⁹ Glasgow Statement on the International Support for Clean Energy Transition [Glasgow Statement] (2021) <https://bit.ly/3DGx6PY>

THIS JOINT POSITION HAS BEEN ENDORSED BY THE FOLLOWING CIVIL SOCIETY ORGANIZATIONS:

350 Africa (International)	Friends of the Earth Norway (Naturvernforbundet)
350 Aotearoa (New Zealand)	Fundación Ambiente y Recursos Naturales (Argentina)
350.org (Australia)	GegenStromung - CounterCurrent (Germany)
AbibiNsroma Foundation (Ghana)	Global Justice Now (United Kingdom)
ActionAid (Denmark)	Greenpeace (International)
Agrosilvicultores de Hidalgo Sociedad Cooperativa (Mexico)	Grupo de Financiamiento Climático para Latinoamérica y el Caribe (International)
Alerte Congolaise pour l'Environnement et les Droits de l'Homme (Democratic Republic of Congo)	Japan Center for a Sustainable Environment and Society (Japan)
Alliance for Empowering Rural Communities (Ghana)	Jubilee Australia Research Centre (Australia)
AnsvarligFremtid (Denmark)	Just Finance International
Bank Information Center (United States)	Les Amis de la Terre France - Friends of the Earth (France)
BankTrack (International)	Lift Humanity Foundation (Nigeria)
Both ENDS (Netherlands)	Maan ystävät / Friends of the Earth (Finland)
CEE Bankwatch Network (International)	Magyar Természetvédők Szövetsége - Friends of the Earth (Hungary)
Center for International Environmental Law (International)	Mekong Watch (Japan)
Christian Aid (United Kingdom)	Milieudefensie - Friends of the Earth (Netherlands)
Climate Action Network (Australia)	Mindful Money (New Zealand)
DREx (Ecuador)	Moderna Sostenible (Chile)
Derecho Ambiente y Recursos Naturales (Perú)	Nature and Youth/Young Friends of the Earth (Norway)
E3G - Third Generation Environmentalism (International)	Oil Change International
Eliana Arias Portillo (Columbia)	Oxum (Columbia)
Environment Governance Institute (Uganda)	Proyecto de Gobernanza sobre Cambio Climático (Costa Rica)
Environmental Defence Canada (Canada)	ReCommon (Italy)
Friends of the Earth US (United States)	Recourse (United Kingdom)
Friends of the Earth England, Wales and Northern Ireland (United Kingdom)	

Sierra Club (United States)	Brighton & Hove Friends of the Earth (United Kingdom)
Solutions For Our Climate - SFOC (Republic of Korea)	Canadian Health Assoc. for Sustainability & Equity (Canada)
Swedwatch (Sweden)	Care For Environment (Cameroon)
Tearfund (United Kingdom)	Center for Energy and Environment Development (Ghana)
Urgewald (Germany)	Centre for Citizens Conserving Environment & Management (Uganda)
World Economy, Ecology & Development - WEED (Germany)	Chair of LAMB Health (United Kingdom)
Youth For Green Communities (Uganda)	CHANGE, Coeur Humanitaire en Action Novatrice pour la réGénération Effective, (D.R. Congo)
350 Ghana Reducing our Carbon (Ghana)	Citizen Participation Forum (Kenya)
350.org América Latina	Citizens Climate International (Nigeria)
Above Ground (Canada)	Citizens' Climate Lobby (Canada)
African patterns child poverty and environment (Uganda)	Clean Air Action Group (Hungary)
Agenda Marina Costera (Costa Rica)	Climate Action Leicester and Leicestershire (United Kingdom)
AITEC (France)	Coordination Office of the Austrian Bishops' Conference for International Development and Mission - KOO (Austria)
Alliance for Empowering Rural Communities (Ghana)	Climate Justice Saskatoon (Canada)
Alliance Sud (Switzerland)	Comité ambiental de Piedras Tolima (Colombia)
Alofa Tuvalu (France)	Comité de Defensa de la Bahía de Ocoa (Dominican Republic)
American Friends Service Committee (International)	Conectas Direitos Humanos (Brasil)
AnsvarligFremtid (Denmark)	Cordaid (Netherlands)
Appui aux Initiatives Communautaires de Conservation de l'Environnement et de Développement Durable, AICED (D.R. Congo)	Derbyshire Pensioners Action Group (United Kingdom)
Arab Watch Coalition (International)	Derecho Ambiente y Recursos Naturales (Perú)
Asociación Interamericana para la Defensa del Ambiente, AIDA (Latin America)	Divest Lothian (United Kingdom)
Association de lutte contre la déforestation (Mali)	Divest Tyne and Wear (United Kingdom)
ATTAC (France)	Divest WMPF (United Kingdom)
Australian Conservation Foundation (Australia)	Earthworks (United States)
Bangladesh Environmental Layers Association (Bangladesh)	Éghajlatvédelmi Szövetség / Hungarian Climate Alliance (Hungary)
Barranquilla+20 (Colombia)	

EKOenergy ecolabel (International)	MVO Nederland (The Netherlands)
Electra Energy Cooperative (Greece)	New forest friends of the earth (United Kingdom)
Endorois Indigenous Women Empowerment Network (Kenya)	OECD Watch
Faith for the Climate (United Kingdom)	Oil Watch (Uganda)
Foundation for Animal Welfare and Nature Protection (Hungary)	ONG FIMA (Chile)
Fenntarthatóság Felé Egyesület (Hungary)	Operation Noah (United Kingdom)
FIDEP Foundation (Ghana)	Pauchamama (Chile)
Fossil Free Merseyside (United Kingdom)	PBFCC (Bolivia)
Fossil Free Shropshire (United Kingdom)	Peterborough in Transition (United Kingdom)
Friends of the Earth (Australia)	Plataforma Boliviana Frente al Cambio Climático (Bolivia)
Friends of the Earth (Georgia)	Presenta Fundación Pachamama (Ecuador)
Friends of the Earth (Ireland)	Project on Organizing, Development, Education, and Research (Mexico)
Fund Our Future (South Africa)	Protect Our Winters UK (United Kingdom)
Fundación Cerro Verde (Ecuador)	Public Defender's Office Service (Brazil)
Fundación Chile Sustentable (Chile)	RAPEN, Réseau des associations pour la protection de l'environnement et la nature, (Sénégal)
Fundación Manfred MaxNeef (Chile)	RECODEF (Sénégal)
Global Justice Bradford (United Kingdom)	Recourse (International)
Global Witness (International)	Réseau Action Climat (France)
GreenNet (United Kingdom)	Réseau des associations pour la protection de l'environnement et la nature RAPEN (Sénégal)
Hivos (International)	Sahabat Alam Malaysia - Friends of the Earth (Malaysia)
Indigenous Environmental Network (United States)	Society for Threatened Peoples (Switzerland)
Instituto de Abogados para la Protección del Medio Ambiente, INSAPROMA (Dominican Republic)	Solidarité pour la Protection des Droits de l'Enfants (D.R. Congo)
Instituto Talanoa (Brasil)	South Yorkshire Fossil Free! (United Kingdom)
Jamaa Resource Initiatives (Kenya)	Strategic Response on Environmental Conservation (Uganda)
Közép-Magyarországi Zöld Kör (Hungary)	Sula Batsu Cooperativa (Costa Rica)
Latinoamérica Sustentable (Ecuador)	
Leave it in the Ground Initiative (Germany)	
Lekeh Development Foundation (Nigeria)	
Les Amis de la Terre (Togo)	

Sustainable Development Institute
(Liberia)

Sustainable Development Institute
(Liberia)

The Climate Collective (United Kingdom)

Tottenham Friends of the Earth (United
Kingdom)

Union pour le Développement et
Coopération (Guinea)

University of Kassel (Germany)

University of Witten/Herdecke (Germany)

WALHI South Sulawesi (Indonesia)

WECF International - Women Engage for a
Common Future (Netherlands)

Women for Green Economy Movement
(Uganda)

Women for Green Economy Movement
(Uganda)

Worthing Climate Action Network (United
Kingdom)

WWF European Policy Office (Belgium)

Zero Carbon Shropshire (United Kingdom)