

The fossil elephant in the room

How the Dutch government nullifies its own international climate ambition by not including its export credit agency in a fossil fuel phase-out pathway



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EXECUTIVE SUMMARY

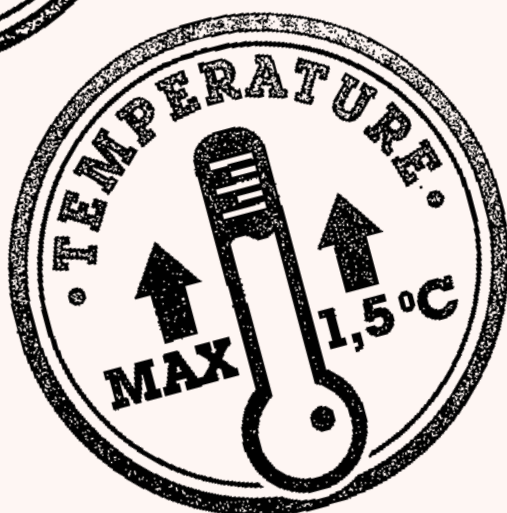
The Dutch government nullifies its climate finance support by continued and significant export credit support to new oil and gas projects abroad via its export credit agency (ECA) Atradius Dutch State Business (ADSB).

Key findings from this report include:

- From 2012 to 2018, the Dutch ECA annually provided over € 1.5 billion to support fossil fuel projects.
- Almost all (98%) insurances that support energy projects are related to fossil fuels.
- Despite recognising it has a responsibility under the Paris agreement, the Dutch ECA provided 36 times as much support to fossil fuels than clean energy.
- By not including export credits under its targets to phase out fossil fuel support from bilateral financial support instruments, the Dutch government created a policy incoherence that nullifies its own international climate ambition.
- There might be political space to establish a coalition of countries - like the UK, Sweden, Denmark and France – prepared to decarbonise ECA support. The Netherlands could take a leading role in establishing this coalition.
- A coalition of willing countries can only be successful if countries are prepared to take steps unilaterally.

Therefore, we recommend the Dutch government:

1. Include the export credit facility in its foreign climate targets and set the target for ADSB to provide no new fossil fuel support by 2020.
2. Advocate for the same target at the OECD, and urge for an immediate stop of all ECA support for coal-related projects.
3. In 2020, set up a Coalition of the Willing: a dialogue between countries willing to decarbonise their ECAs together in line with the Paris Agreement.
4. Take initiatives to ensure EU policies for ECAs take into account commitments of the EU to contribute to combating climate change.



INTRODUCTION

The evidence is clear: climate change is here, and it's rapidly getting worse. Climate change is impeding the fulfilment of our human rights, such as rights to life, health, food, water and sanitation and a healthy environment.¹ Scientists have never been more certain: climate change is human made², with the fossil fuel energy sector contributing the most.³ Committed emissions from existing energy infrastructure already jeopardises the 1.5C climate target.⁴ Governments have made an important contribution by keeping the fossil fuel sector financially afloat,⁵ thereby reducing the competitive advantage of renewables. Government support for fossil fuels comes in many forms: subsidies, tax benefits, guarantees, insurances, etc. Government backed loans, guarantees and insurances issued via export credit agencies (ECAs) provide the largest – but least known – pool of public support.

The ECAs of G20 nations jointly provided an annual amount of € 35 billion support to fossil fuel production between 2013 and 2015.⁶ In 2017, Both ENDS found that the ECA of the Dutch state, Atradius Dutch State Business (ADSB), insured fossil fuel-related projects with a total maximum insured value of € 7.3 billion in the period 2012-2015.⁷ This is two-thirds of its total insured value for that period.

These findings resulted in discussions in the government and parliament, with researchers, climate campaigners as well as within ADSB itself. However, these discussions haven't yet resulted in an alignment of the policies and regulations governing ADSB's business with the goals set out in the Paris Agreement. In July 2019, the Advisory Council of International Affairs concluded that export credits for fossil fuels are not in line with the Paris Agreement and recommended to phase out all public support for fossil fuels.⁸

FOREIGN CLIMATE AMBITIONS IGNORING EXPORT CREDITS

Looking at the foreign trade and development policy context in relation to climate, the Netherlands is one of the countries taking the lead in raising international climate ambitions. The Dutch Prime Minister is actively pushing for an increased CO2 emissions reduction target for the EU in 2030^{9 10 11} and he recently discussed joint action with the Federal Chancellor of Germany on this subject.¹²

In an effort to align its bilateral financing instruments with the Paris Agreement on Climate and the SDG-agenda, in February 2019 the government presented its ambition¹³ that as of 2020, it will end all financial support to coal projects and exploration and development of new oil and gas fields abroad from its foreign trade and development cooperation instruments. Unfortunately, this commitment is not applied to the export credit facility, which supports the by far largest volume of fossil fuel related business transactions abroad. Rather, the government aims for a greening effort by supporting Dutch companies in international projects in the field of climate adaptation and energy transition. ADSB recognises that the government is committed to the Paris climate goals and the Sustainable Development Goals (SDGs)¹⁴, and that the ECA also has a responsibility. In this context it is primarily looking for proposals to enhance its support to green projects.¹⁵

NEED FOR A NEW REPORT

In a response to parliamentary questions, the Dutch Minister of Finance wrote on the 5th of June 2019: "The ECA portfolio consists of some very large and many small transactions. There were few very large transactions in 2017 and 2018. Such transactions

are usually oil- and gas-related: the part of the portfolio that is related to oil and gas has fallen from 39% in mid-2017 to 31% at the end of 2018. When such large transactions occur again in 2019 the falling trend can reverse.¹⁶ In its annual overview of 2018,¹⁷ ADSB reports that 23% of its portfolio is supporting the oil and gas infrastructure sector. Since the support to the shipping sector (18%) is for a large part also supporting the oil and gas industry, the actual share of fossil fuel support in ADSB's portfolio is significantly higher.

Keeping in mind that also projects in other sectors can be linked to fossil fuel related activities, the Dutch ECA continues to significantly support fossil fuel-related projects. In general it remains difficult to exactly determine the amounts of export credit support issued for fossil-fuel related projects. The Ministry of Finance and ADSB do not seem to use the same categorisation¹⁸ and it is not clear whether the shares of ADSB's portfolio relate to volume of exposure or to the number of transactions supported.

In order to better understand and visualise how the Dutch government-backed ECA continues to support the fossil fuel industry abroad, we present this report covering the period 2012-2018 as an update from our previous report covering the period 2012-2015 only.

METHODOLOGY

The methodology detailing what data we used and how we analysed and classified these can be found in Annex 1.

AIM OF THIS UPDATED REPORT

We hope that this report further articulates the problematic nature of the ECA support enabling the locking in of new oil and gas investments for decades to come. Such developments are in conflict with the ever more accumulating evidence that there is an urgent need to drastically reduce greenhouse gas emissions into the atmosphere within the next decade.¹⁹ Policy- and decision makers need to intensify and speed up existing discussions on the need for a greening of the portfolio of ADSB by adding a decarbonisation policy.

The report summarises the main findings of our research into ADSB's support for the fossil fuel sector between 2012 and 2018. It analyses the insured value of such transactions and defines what kind of fossil fuel-related projects ADSB insures. It also looks into ADSB's support for renewable energy projects. The report provides Dutch policy-makers and parliamentarians with recommendations as to how to ensure alignment between the practices of ADSB and the Paris Agreement.

1 https://wedocs.unep.org/bitstream/handle/20.500.11822/30158/Safe_Climate_Report.pdf

2 <https://www.reuters.com/article/us-climatechange-temperatures/evidence-for-man-made-global-warming-hits-gold-standard-scientists-idUSKCN1QE1ZU>

3 <https://www.epa.gov/ghgemissions/global-greenhouse-gas-emissions-data>

4 <https://www.nature.com/articles/s41586-019-1364-3>

5 <https://www.iisd.org/library/g20-fossil-fuel-subsidy-reforms>

6 <http://priceofoil.org/2017/07/05/g20-financing-climate-disaster/>

7 <https://www.bothends.org/en/Our-work/Dossiers/Paris-Proof-Export-Support/>

8 <https://aiv-advies.nl/9zl#request-for-advice>

9 <https://www.volkskrant.nl/nieuws-achtergrond/echte-beproeving-komt-nog-voor-groenste-kabinet-ooit~b12ba9db/>

10 <https://twitter.com/minpres/status/940517841689858048?lang=en>

11 <https://www.volkskrant.nl/nieuws-achtergrond/rutte-slaat-alarm-in-speech-voor-eu-parlement-zelfs-onze-verhouding-met-de-vs-is-geen-vast-gegeven-meer~bd9910ca/>

12 <https://www.nrc.nl/nieuws/2019/08/22/rutte-haalt-merkel-bij-klimaatkopgroep-a3970893>

13 <https://www.rijksoverheid.nl/binaries/rijksoverheid/documenten/kamerstukken/2019/02/14/kamerbrief-internationaal-financieren-in-perspectief-kansen-pakken-resultaten-boeken/kamerbrief-internationaal-financieren-in-perspectief-kansen-pakken-resultaten-boeken.pdf>

14 Following an accepted motion by Van Raan and Diks <https://zoek.officielebekendmakingen.nl/kst-26485-263.html>

15 Invitation to an event: "Greening of the export credit facility" on 26 September 2019

16 <https://zoek.officielebekendmakingen.nl/kst-35200-IX-5.html>

RESULTS

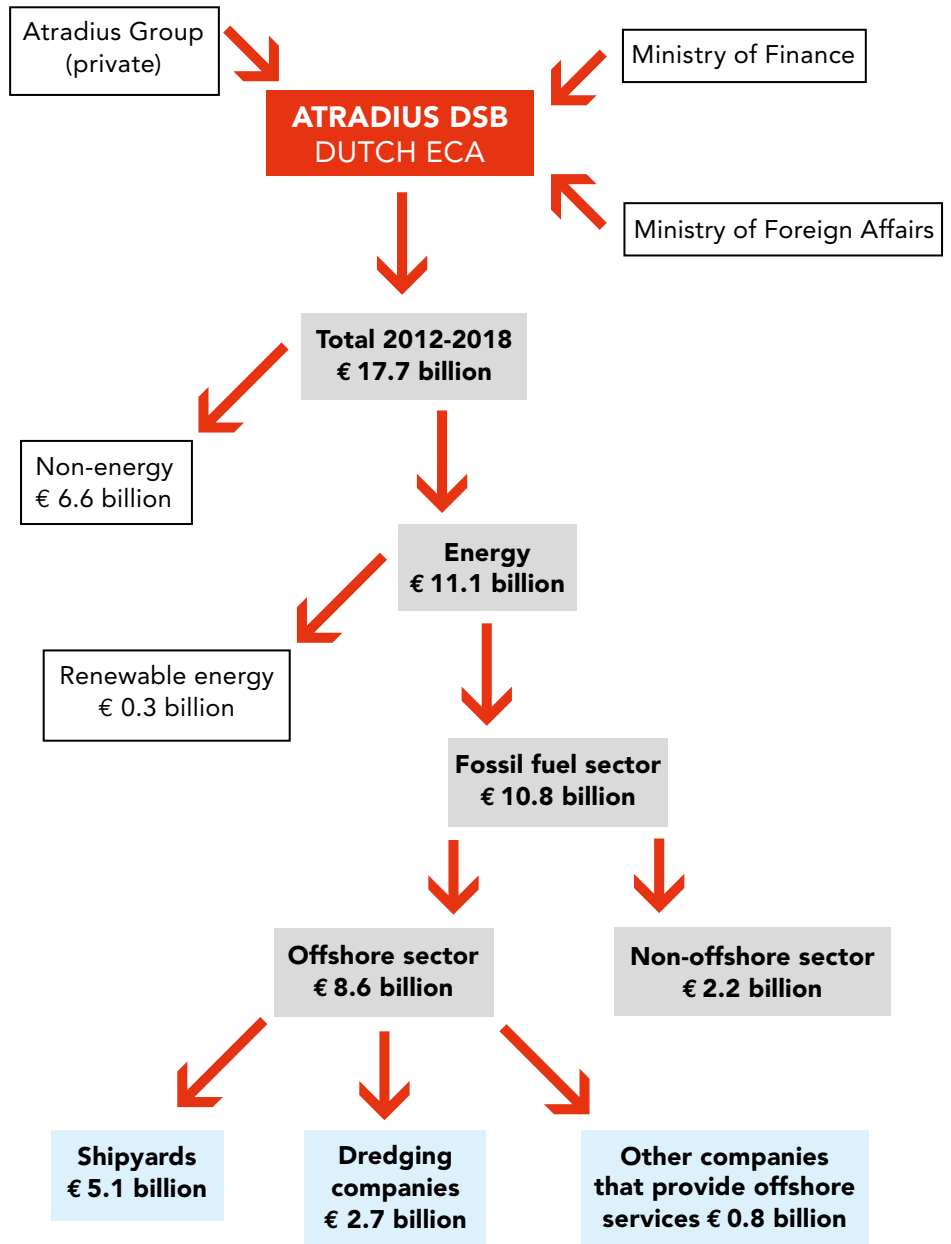
The Dutch government insured 524 transactions in the period 2012-2018. These 524 transactions had a maximum insured value of € 17.7 billion. A significant portion of that, 154 transactions, supported the energy sector with a maximum insured value of € 11.1 billion. Almost all (98%) transactions that support energy projects are related to fossil fuels, in particular to the oil and gas sector. ADSB's support for renewable energy projects in this period is only 2% of the maximum insured value for energy-supporting transactions.

As in our previous report, our results show that:

- ADSB mainly supports projects of clients that serve the purpose of extracting and transporting oil and gas
- Fossil fuel-supporting insurances are mainly related to the maritime sector
- Most fossil fuel-related ADSB support is for activities of shipyards and dredging companies

To visualise our results, figure 1 provides an overview of the main sectors that receive export credit support by the Dutch ECA.

FIGURE 1:
Dutch government support for the fossil fuel sector via its ECA from 2012-2018



PURPOSE AND TYPE OF PROJECT

Table 1 illustrates how fossil fuel-related transactions supported by ADSB can be categorised according to the purpose that they serve. ADSB mostly supports projects of clients that serve the purpose of extracting and transporting oil and gas.

¹⁷ <https://atradiusdutchstatebusiness.nl/nl/documenten/2018-dsb-jaaroverzicht.pdf>

¹⁸ For example, whereas ADSB identifies the oil and gas infrastructure as a specific category, the Ministry of Finance seems to categorise infrastructure separately.

¹⁹ <https://www.ipcc.ch/sr15/>

TABLE 1: ADSB supported fossil fuel-related transactions (purpose)

| PURPOSE | TOTAL FOSSIL FUEL-RELATED INSURANCES | TOTAL MAX INSURED VALUE (BILLION) |
|-----------------|--------------------------------------|-----------------------------------|
| Exploration | 0 | € 0 |
| Extraction | 50 | € 3.6 |
| Transport | 43 | € 4.6 |
| Processing | 20 | € 2.0 |
| Consumption | 19 | € 0.5 |
| Decommissioning | 1 | € 0.09 |
| Not clear | 3 | € 0.03 |
| Total | 136 | € 10.8 |

Table 2 shows the types of fossil fuel-related projects that the Dutch exporters serviced with these same ADSB-supported transactions. Maritime projects refer to the construction, supply or utilisation of ships. The buyers or debtors in these transactions often are service companies, such as marine contractors.

TABLE 2: ADSB supported fossil fuel-related transactions (sector)

| TYPE OF PROJECT | TOTAL FOSSIL FUEL-RELATED INSURANCES | TOTAL MAX INSURED VALUE (BILLION) |
|--------------------------------------|--------------------------------------|-----------------------------------|
| Offshore sector | 94 | € 8.6 |
| Goods/System supply | 40 | € 2.1 |
| Other fossil fuel-related activities | 1 | € 0.03 |
| Project management and consultancy | 1 | € 0.02 |
| Total | 136 | € 10.8 |

DUTCH EXPORTERS INVOLVED

Dutch shipyards are the category of exporters that obtain the highest volume of export credit insurances for export transactions that benefit the fossil fuel sector. Dutch dredging companies also obtain significant support in this field. As illustrated in table 3, the export transactions of companies in the Dutch offshore sector accounted for 79% of all maximum insured risks related to the fossil fuel sector.

TREND

Over the years between 2012 and 2018, both the total value of the insurance policies and the amount of support to fossil fuel-related projects has fluctuated. On average over the studied period, 61% of the total support by the Dutch ECA went to fossil fuel-related projects. The support for fossil fuels compared to the total portfolio had pretty significant fluctuations. The fluctuations between 2012 and 2014 were less pronounced than they have been since 2015. The fluctuations in ADSB support for fossil fuels are more pronounced than the fluctuations in the total volume of insured transactions (see Table 4 & Figure 2).

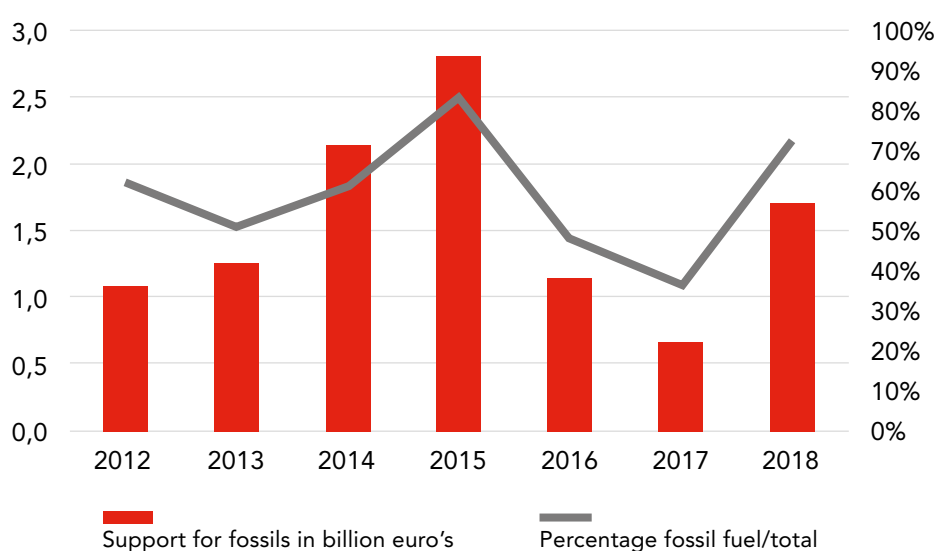
TABLE 3: ADSB supported fossil fuel-related transactions (exporters)

| EXPORTER | TOTAL FOSSIL FUEL-RELATED INSURANCES | TOTAL MAX INSURED VALUE (BILLION) |
|--------------------------------------|--------------------------------------|-----------------------------------|
| Shipyards | 69 | € 5.1 |
| Dredging companies | 14 | € 2.7 |
| Other offshore contracting companies | 11 | € 0.8 |
| Total offshore transactions | | € 8.6 |
| Other companies | 42 | € 2.2 |
| Total | 136 | € 10.8 |

TABLE 4: Maximum insured value for fossil fuels over the years in billions of euros

| YEAR | TOTAL (IN BILLIONS) | FOSSIL FUEL (IN BILLIONS) | PERCENTAGE FOSSIL FUEL/TOTAL |
|--------------|---------------------|---------------------------|------------------------------|
| 2012 | €€ 1.7 | €€ 1.1 | 62 % |
| 2013 | €€ 2.5 | €€ 1.3 | 51 % |
| 2014 | €€ 3.5 | €€ 2.1 | 61 % |
| 2015 | €€ 3.4 | €€ 2.8 | 83 % |
| 2016 | €€ 2.4 | €€ 1.1 | 48 % |
| 2017 | €€ 1.8 | €€ 0.7 | 36 % |
| 2018 | €€ 2.4 | €€ 1.7 | 72 % |
| Total | €€ 17.7 | €€ 10.8 | 61 % |

Figure 2: Maximum insured value for fossil fuels over the years in billions of euros



COMPARISON WITH PUBLIC SUPPORT FOR CLIMATE ABROAD

In 2018 the Dutch government spent an amount of € 0.58 billion from its Official Development Assistance budget for climate action in developing countries.^{20 21 22} This involved activities that contributed in whole or in part to the reduction of greenhouse gases (climate mitigation) and / or the increase of resilience to climate change (climate adaptation). Additionally, the Dutch Government mobilised an amount of € 0.5 billion in private investments in climate projects in the same period, through public-private partnerships, multilateral climate funds, multilateral development banks and the Dutch development bank FMO.

Besides climate support for projects in developing countries, the Dutch government might be supporting climate projects in other countries as well. Unfortunately, no data on this support exists.²³

Although no hard conclusions can be drawn, the figures in Table 5 illustrate that effectively the Dutch government support to the fossil fuel sector via ADSB is likely to more than nullify the impacts of the same government's investments in climate finance abroad.

²⁰ 2016. Page 47-48 <https://www.rijksoverheid.nl/binaries/rijksoverheid/documenten/kamerstukken/2017/05/17/bijlage-kamerbrief-aanbieding-hgis-jaarverslag-2016/HGIS-jaarverslag+2016.pdf>

²¹ 2017. Page 46-47 <https://www.rijksoverheid.nl/binaries/rijksoverheid/documenten/jaarverslagen/2018/05/01/jaarverslag-2017-hgis/jaarverslag-2017-hgis.pdf>

²² 2018. Page 50-52 <https://www.rijksoverheid.nl/documenten/jaarverslagen/2019/05/15/jaarverslag-2018-homogene-groep-internationale-samenwerking>

²³ The Ministry of Foreign Affairs and the Ministry of Economic Affairs and Climate were not able to provide such data.

TABLE 5: Dutch climate finance abroad vs ADSB support for fossil fuels for 2018

| | CLIMATE FINANCE (IN BILLIONS) | ADSB FOSSIL FUEL SUPPORT (IN BILLIONS) |
|------------------------------------|----------------------------------|---|
| Public ODA | € 0.58 | |
| Private flows developing countries | € 0.50 | |
| ADSB renewables support | € 0.05 | |
| ADSB fossil fuels support | | € 1.76 |
| Total | € 1.13 | € 1.76 |

BOX 1: Case study

Mozambique LNG

In 2010 the American company Anadarko did its first gas find in the northern province of Cabo Delgado in Mozambique. The since then identified gas reserves in the region are amongst the largest in the world. Many ECAs are, or are planning to be involved in financing further project developments. Currently, ADSB is studying an application regarding 'offshore LNG mining and an onshore LNG plant' in the northern province of Mozambique, Cabo Delgado.²⁴ The identity of the Dutch exporter remains classified. However, multiple contracts with Dutch companies have been signed already, such as Van Oord (USD 1 billion²⁵), Boskalis associate Smit Lamnalco (USD 200 million²⁶) and Shell (intends to build a gas to liquid plant to turn natural gas into liquid fuel²⁷).

In 2016 and 2017, the Dutch government provided around € 30 million a year to Mozambique for overseas development aid.²⁸ As stated in the multi-annual strategy of the Dutch embassy in Mozambique, food security, strengthening civil society and climate are amongst the priorities in the bilateral cooperation efforts.²⁹ Dutch public support for projects related to LNG developments in Mozambique would clash with ambitions to promote sustainable development in several ways.

1. Climate action

New fossil fuel infrastructure projects don't fit within the 1.5 degree target agreed in the Paris Agreement. It is contradictory for the government to combine support for the fossil fuel sector

abroad with efforts to promote emission reductions in line with the goals of the Paris Agreement. Mozambique is one of the countries which are hit hard by climate change. This was proved by this year's two very strong cyclones.³⁰ Export credit support for Mozambique LNG would undermine the government's own formulated priority to work on climate and inclusive sustainable development in this country.

2. Security

Cabo Delgado Province has become affected by an insurgency since 2017 and is now described as a war zone.³¹ Well over 200 people have been killed and attacks occur frequently.³² The development of the gas infrastructure in the Cabo Delgado area contributes to tensions in the region and puts communities and civil society at risk.

3. Human rights

Although the gas project does bring some benefits, social and environmental impacts and concerns persist. There are conflicts between communities and the government about access to land and it is unclear how the distribution of land for displaced families will take place. In the context of huge investments in Cabo Delgado, communities lose access to land and resources providing for their livelihoods. Social and economic inequality has increased in the past decade.³³

4. Protecting ecosystems

The coastline of northern Mozambique is home to significant biodiversity. Official environmental studies for the gas developments in Cabo Delgado indicate that the onshore and offshore areas include a number of species that are considered imperiled by the International Union for Conservation of Nature (IUCN). A number of species have been observed that appear to be new to science.³⁵

In general, Mozambique's wildlife is understudied and there has been too little scientific research done to assess and define all impacts on existing biodiversity. Environmental impacts of the project are underestimated as only impacts of the project itself have been calculated. The impacts of additional investments, such as infrastructure, food and housing, to be attracted by this project have so far been ignored.

5. Countering corruption and effective tax collection

Mozambique is one of the poorest countries in the world. Its currency has lost more than 60% of its value over the past decade. A significant part of Mozambique's current debt problems was the result of fraud.³⁶ The discovery of substantial offshore gas reserves is usually seen as a great opportunity to get out of these financial problems.³⁷ Given the low ranking on the corruption perceptions index of Transparency International,³⁸ and the absence of articulated guarantees that the citizens of Mozambique will benefit from the revenues of the gas resources, the country sadly faces all the ills of the so-called resource curse.

Both ENDS, together with local, national and international NGOs, has been raising attention for these concerns with ADSB and other ECAs. Although ECAs do not have a development mandate, these government backed agencies would have an obligation not to work against sustainable development objectives.



Photo³⁴: Woman in a rice field in Senga. Most communities depend on farming for their livelihood.

ARGUMENTS TO NOT PHASE-OUT FOSSIL FUELS, A DISCUSSION

'We need an international level playing field'

In March 2017, the Dutch State Secretary for Finance replied to parliamentary questions on the support for fossil fuels. He wrote: "If the Netherlands were to pursue a different policy than other countries with regard to the oil and gas sector via the ECA, the result would be a loss of market share of Dutch companies or the relocation of production facilities."³⁹ He also wrote: "Dutch exporters compete intensively with foreign competitors on orders from the oil and gas sector".⁴⁰

This narrative is similar to governments in other countries like Sweden, Denmark, France and UK. The international level playing field of ECAs is primarily made at the OECD, where decisions are made by consensus only. Objections of only one government are sufficient to prevent

decisions for climate protection to be adopted here. An international level playing field for ECAs is in reality also seriously hampered by differences in institutional set-up as well as in financial products offered by various ECAs. Some ECAs offer direct cover (loans), while other ECAs limit their services to so-called pure cover (guarantees & insurances only). Many ECAs offer financial products that are not covered by the OECD Arrangement. These differences indicate more space for the development of new policies than ECAs usually suggest. In the end it remains a matter of political will for ECAs to adopt new policies to ensure new quality standards that society expects them to apply.

In some countries, discussions around export credit support for fossil fuels are taking place at the national level. Here we present an overview.

²⁴ <https://atradiusdutchstatebusiness.nl/nl/documenten/ex-ante-a-classification.pdf>

²⁵ <https://www.vanoord.com/news/2019-van-oord-awarded-large-contract-mozambique-Ing-project>

²⁶ <https://boskalis.com/press/press-releases-and-company-news/detail/boskalis-associate-smit-lamnalco-signs-first-10-year-terminal-services-contract-in-mozambique.html>

²⁷ <https://www.shell.com/energy-and-innovation/natural-gas/gas-to-liquids.html>

²⁸ <https://zoek.officielebekendmakingen.nl/ah-tk-20182019-859.html>

²⁹ <https://www.nederlandwereldwijd.nl/binaries/nederlandwereldwijd/documenten/publicaties/2019/07/03/multi-annual-country-strategy--mozambique-2019-2022/MACS+Mozambique+2019-2022.pdf>

³⁰ <https://www.weforum.org/agenda/2019/05/mozambique-cyclone-idai-climate-change-hits-poorest/>

³¹ <https://clubofmozambique.com/news/mozambique-cabo-delgado-war-continues-by-joseph-hanlon-136599/>

³² <https://clubofmozambique.com/search-result/?q=cabo+delgado>

³³ <https://www.nederlandwereldwijd.nl/binaries/nederlandwereldwijd/documenten/publicaties/2019/07/03/multi-annual-country-strategy--mozambique-2019-2022/MACS+Mozambique+2019-2022.pdf>

³⁴ By Milieudefensie.

³⁵ http://www.mzlng.com/pt/content/documents/MZLNG/EIA/Volume_1/English/Chapter_7_-_LNG_Final_EIA_Feb_2014_Eng.pdf

³⁶ <https://www.ft.com/content/9ecf86f4-0fb2-11e9-a3aa-118c761d2745>

³⁷ <https://www.reuters.com/article/us-mozambique-debt-creditors-factbox/factbox-mozambique-debt-crisis-what-does-the-country-owe-and-to-whom-idUSKCN1VU1WE>

³⁸ <https://www.transparency.org/country/MOZ>

BOX 2: Overview of national discussions on decarbonising ECAs

United Kingdom

- ECA: UK Export Finance (UKEF)
- Support for fossil fuels per year: € 0.6 billion⁴¹
- Situation: Both UK parliament's Environmental Audit Committee and the International Development Committee have criticised UKEF for providing support to fossil fuel projects. The Environmental Committee concluded in its report⁴² that most of UKEF's investment undermines the UK's climate commitments. It therefore recommends that UKEF should end support to new fossil fuel projects by 2021, and align its work with achieving net zero emissions by 2050. The International Development Committee concluded that the fossil fuel support by UKEF currently is damaging the coherence of the UK Government's approach to combating climate change and thus needs to be rectified urgently.⁴³

France

- ECA: Bpifrance Assurance Export
- Support for fossil fuels per year: € 1.05 billion^{44 45}
- Situation: During the UN General Assembly on 24 September 2019, President Macron said that "we continue to have export financing [...] which is opening up new polluting structures. This is incoherent. It's irresponsible."⁴⁶ The French government for some years has not supported coal projects. Although the French government didn't yet stop export

credit support for oil and gas, it is discussing with parliamentarians some propositions to reduce export credits for fossil fuels. Also, the government and its ECA are forced to become more transparent and start a reflection on climate reporting. Not only for oil and gas, but also aircraft industry and shipping. Lastly, the government wants to use export credits to accelerate the energy transition.

Denmark

- ECA: Eksport Kredit Fonden (EKF)
- Support for fossil fuels per year: € unknown⁴⁷
- Situation: Due to the strong wind energy sector in Denmark, wind projects account for more than 70% of EKF's total guarantee exposure and loans.⁴⁸ Although EKF's year report of 2018 doesn't show how much support it provides to fossil fuel-related projects, it mentions that 2% of its customers are working in the oil and gas industry. The Danish ECA doesn't have specific exclusion policies and is, like all ECAs, demand driven. The fact that Denmark is a world-wide leader in wind energy is mainly due to national governmental policies shifting towards electricity production initiated after the oil crisis in the 1970s.⁴⁹ EKF's overall portfolio in renewable energy in practice reflects the Danish export priorities moving away from support for fossil fuels. How Denmark can catalyse others in following suit towards climate resilience remains to be seen.

Canada

- ECA: Export Development Canada (EDC)
- Support for fossil fuels per year: € 7.4 billion⁵⁰
- Situation: The Canadian parliament will complete a review of EDC's governing legislation in 2020. Among other issues, the review will consider support for fossil fuels. Meanwhile, EDC recently introduced a climate change policy that includes a commitment to measure, monitor, and commencing in 2020, set targets to reduce the carbon intensity of its lending portfolio.⁵¹

Sweden

- ECA: The Swedish Export Credit Agency (EKN) and Swedish Export Credit Corporation (SEK)
- Support for fossil fuels per year: EKN € 0.11 billion and SEK € 2.4 billion⁵²
- Situation: No ECA has yet banned all fossil fuel support, but Sweden's Export Credit Corporation (SEK) appears to have come closest. SEK's Annual Report and Accounts 2018 report that: Gross lending to fossil fuel extraction (not infrastructure or power plants) should be less than 5% of SEK's total lending. In practice total gross lending to fossil fuel extraction was less than 1%, plus 2.3% for fossil-fuel dependent infrastructure.⁵³ The Swedish Society for Nature Conservation therefore calls on both Swedish ECAs to become the world's first fossil-free export credit agencies.⁵⁴

Both ENDS and other NGOs advocate for specific governments to agree with likeminded countries to form a level playing field for climate action by ECAs beyond the OECD consensus in what might be called a coalition-of-the-willing. The Netherlands could take a leading role in establishing such a coalition. Non-action by other countries furthermore is no excuse to not phase out ECA support for fossil fuels unilaterally.

'The ECA is not an instrument to achieve climate objectives independently'

The government sees ECAs as market-based instruments to promote domestic business abroad operating without a political agenda or responsibility themselves.⁵⁵ However, article 2.1c of the Paris Agreement clearly states that governments should make "finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development."⁵⁶ Since ECAs certainly facilitate finance flows, this article also applies to ECAs. As mentioned in the introduction, ADSB recognises this as well. Achieving climate objectives thus is a responsibility for ADSB. In light of the size of new oil and gas projects in its portfolio, it's hard for ADSB to ignore calls for a phase-out of fossil fuels support.

Also the Dutch Central Bank (DNB) expressed expectations towards individual financial institutions and policy makers to respectively mitigate financial risks for their portfolio by taking energy transition risks into account and avoid unnecessary losses by implementing timely, reliable and effective climate policies.⁵⁷ As mentioned above, ECAs don't need to phase out fossil fuels individually if they can combine strength internationally.

'The share of oil and gas in our portfolio will decrease in time'

The State Secretary also stated: "As the importance of the oil and gas sector in the world economy decreases, for example as a result of the climate agreement concluded in Paris, the share of the oil and gas sector in the insurance portfolio is expected to decrease."⁵⁸ This is not reflected so far in ADSB's figures. Furthermore, this statement is contradicting itself. The importance of oil and gas will not decrease if governments keep supporting new projects. Support for fossil fuels disadvantages the competitiveness of renewables in the energy market and hampers the transition to a renewable energy based global economy.

'ADSB already gets more applications for renewables'

To strengthen the argument that the share of fossil fuel support by ADSB will decrease over time, the State Secretary for Finance also informed Dutch Parliament that, "In recent years, I have seen an increasing amount for offshore wind projects".⁵⁹ From 2012-2018, ADSB insured 15 renewable energy projects of which 7 were related to offshore wind, 5 to solar and 3 to biogas. More than half of these 15 renewable energy projects were supported between 2014 and 2015. In 2016, 2017 and 2018 only one renewable project per year was supported. The total support for all renewables together over the researched period, with a total maximum insured amount of € 264 million, remains only 2% of ADSB's total support for energy projects.

In the past two years ADSB has produced two papers: 'Renewable energy outlook'⁶⁰ and 'The export opportunities for the Netherlands

³⁹ Page 22. <https://www.rijksoverheid.nl/documenten/kamerstukken/2017/03/17/bijlage-beantwoording-vragen-beleidsdoorlichting-exportkredietverzekering>

⁴⁰ Page 22. <https://www.rijksoverheid.nl/documenten/kamerstukken/2017/03/17/bijlage-beantwoording-vragen-beleidsdoorlichting-exportkredietverzekering>

⁴¹ <https://www.parliament.uk/business/committees/committees-a-z/commons-select/environmental-audit-committee/news-parliament-2017/uk-export-finance-report-published-17-19/>

⁴² <https://www.parliament.uk/business/committees/committees-a-z/commons-select/environmental-audit-committee/inquiries/parliament-2017/uk-export-finance-17-19/>

⁴³ <https://publications.parliament.uk/pa/cm201719/cmselect/cmintdev/1432/1432.pdf>

⁴⁴ € 9.3 billion since 2009 only for oil & gas https://www.contexte.com/article/energie/info-contexte-la-france-rechigne-a-arreter-de-financer-les-projets-dhydrocarbures-a-letranger_106995.html

⁴⁵ € 10.5 billion since 2009 including the export credits for coal plants in South Africa Kusile & Medupi <https://www.bpifrance.fr/Qui-sommes-nous/Nos-metiers/International/Assurance-Export/Evaluation-Environnementale-et-Sociale>

⁴⁶ <https://twitter.com/amisdelaterre/status/1177606526095302656>

⁴⁷ While export credits, guarantees and project financing are to a large extent now publicly available, due to how "promise-of-cover" items are deemed as commercially sensitive information, it is not possible to assert the actual figure of support for fossil fuel.

⁴⁸ <https://www-prod.ekf.dk/annual-report/2018/ekf-2018-engelsk.pdf>

⁴⁹ https://www.irena.org/documentdownloads/publications/gwec_denmark.pdf

⁵⁰ <https://www.edc.ca/en/about-us/corporate/disclosure/reporting-transactions/canadian-industry-sub-sector-2018.html>

⁵¹ <https://www.edc.ca/en/about-us/newsroom/climate-change-policy-2019.html>

in the renewable energy sector'.⁶¹ These documents show that the Dutch renewables sector exported € 15.1 billion worth of goods in 2017. Dutch offshore and construction companies are now also - sometimes hesitantly⁶² - investing in this renewable energy generation sector. However, given the size of this export market the size of ADSB support in this field remains remarkably small.

In its latest annual review, ADSB commits to report in 2020 which transactions are contributing to climate mitigation and adaptation over 2019.⁶³ Unfortunately, it doesn't yet commit to also report which transactions are contributing to the fossil fuel sector in general and the amounts of (scope 3) greenhouse gas emissions from these transactions in particular. The disclosure of such data would be an essential step to clarify the challenges the Dutch government faces in its efforts to contribute to a full phase-out of ECA support for fossil fuels.

In conclusion, the State Secretary might indeed have seen an increase in applications for renewables up to 2015. However, the figures of ADSB show no sign of an increase in renewable energy support while support for oil and gas is not declining. Commitments to be transparent on public support for climate mitigation and adaptation are a distraction from the real issue, which is the persistent massive ECA support for fossil fuels.

'ADSB will green its portfolio'

On September 26, 2019, the government together with ADSB organised a stakeholder meeting to discuss options for greening the export credit facility. Many regular customers of ADSB, banks and civil society groups joined to discuss the challenges and opportunities the

export credit facility faces in light of climate change and the Paris Agreement. Although civil society highlighted the need for a rapid total phase-out of support for fossil fuels, the State Secretary for Finance affirmed that rather than phasing out fossil fuels, ADSB will focus on greening its portfolio.

One of the main objectives for ADSB is to provide full transparency on the level of support for green projects. A challenge it faces is how to calculate if a project is considered 'green'. It was mentioned that internationally, the Netherlands is already having (bilateral) talks about how green projects can be supported more. However, some countries are not being very constructive. Clients of ADSB mainly shared the notion that lower interest rates of banks and ADSB would go a long way in making green projects more financially attractive to their customers. Here, the question can be raised how green such projects really are. For example, can an electricity powered supply vessel be classified as 'green' if it supplies oil rigs or is charged by a diesel generator?

CONCLUSIONS

In a multilateral context, the Netherlands claims a leading role in financing the energy transition and excluding bilateral financial support from its ODA budget for fossil fuel projects. As of 2020, it will end all financial support to coal projects and exploration and development of new oil and gas fields abroad from its foreign trade and development cooperation instruments. By not applying the same principles to its public export credit support, the Dutch government is creating a policy incoherence that nullifies its own contributions to international climate ambitions.

Based on publicly available data, the results of this study show that ADSB insured fossil fuel-related projects with a total insured value of € 10.8 billion in the period 2012-2018. This is more than 60% of its total insured value for that period and € 1.5 billion a year on average. Almost all (98%) export credit insurances that support energy projects are related to fossil fuels, in particular in the field of new oil and gas projects. Despite recognising it has a responsibility under the Paris agreement, the Dutch ECA provided 36 times as much support to fossil fuels than to clean energy.

The vast majority (80%) of the fossil fuel-related support goes to the offshore sector and 76% supports the extraction or transportation of new oil and gas, covering the construction or upgrading of specialised ships such as Floating Production, Storage and Offloading vessels (FPSOs), fast crew and supply vessels, dredging and pipe-laying ships.

The State Secretary's estimated decrease in oil and gas applications is not reflected in the figures. Support for renewables by ADSB is not increasing and commitments to be

transparent on support for 'green' projects are welcome, but also a distraction from the real issue which is its volume of support for fossil fuels.

There might be political space to establish a coalition of countries willing to consider steps to phase out export credit support for fossil fuels, for example in countries like the UK, Sweden, Denmark and France. Such a coalition could provide for a new international level playing field. The Netherlands could take a leading role in establishing this coalition. In light of the urgency for effective climate action to be put in place, non-action by other countries can no longer be an excuse to delay the phasing out of fossil fuel export credit support at national level.

RECOMMENDATIONS

As a level playing field on decarbonising is not to be expected any time soon, there is an urgent need for countries to take up their own responsibility.

We call on the Dutch government and parliament to ensure that export credit support works towards the climate goals laid down in the Paris Agreement and the implementation of the Sustainable Development Goals.⁶⁴ Therefore, we recommend the Dutch government:

1. Include the export credit facility in its foreign climate targets and set the target for ADSB to provide no new fossil fuel support by 2020.
2. Advocate for the same target at the OECD, and urge for an immediate stop of all ECA support for coal-related projects.
3. In 2020, set up a Coalition of the Willing: a dialogue between countries willing to decarbonise their ECAs together in line with the Paris Agreement.
4. Take initiatives to ensure EU policies for ECAs take into account commitments of the EU to contribute to combating climate change.

ANNEX

Annex 1: Methodology description, in separate document.

⁵² https://www.naturskyddsforeningen.se/sites/default/files/dokument-media/the_worlds_first_fossil-free_export_credits.pdf

⁵³ <https://www.sek.se/en/wp-content/uploads/sites/2/2019/04/Annual-Report-2018.pdf>

⁵⁴ https://www.naturskyddsforeningen.se/sites/default/files/dokument-media/the_worlds_first_fossil-free_export_credits.pdf

⁵⁵ Page 22. <https://www.rijksoverheid.nl/documenten/kamerstukken/2017/03/17/bijlage-beantwoording-vragen-beleidsdoorlichting-exportkredietverzekeringen>

⁵⁶ https://unfccc.int/sites/default/files/english_paris_agreement.pdf

⁵⁷ https://www.dnb.nl/binaries/OS_Transition%20risk%20stress%20test%20versie_web_tcm46-379397.pdf

⁵⁸ Page 22. <https://www.rijksoverheid.nl/documenten/kamerstukken/2017/03/17/bijlage-beantwoording-vragen-beleidsdoorlichting-exportkredietverzekeringen>

⁵⁹ Page 22. <https://www.rijksoverheid.nl/documenten/kamerstukken/2017/03/17/bijlage-beantwoording-vragen-beleidsdoorlichting-exportkredietverzekeringen>

⁶⁰ https://atradiusdutchstatebusiness.nl/nl/documenten/atradius_renewable_energy_outlook-.pdf

⁶¹ https://atradiusdutchstatebusiness.nl/nl/documenten/atradius_economic_research_exportkansen_duurzaam_january_2019.pdf

⁶² Mr. Peter Berdowski – CEO of the Dutch dredging company Royal Boskalis Westminster N.V. - called offshore wind a horrible industry ; interview Het Financieele Dagblad, 11 March 2019.

⁶³ <https://atradiusdutchstatebusiness.nl/nl/documenten/2018-dsb-jaaroverzicht.pdf>

⁶⁴ Accepted motion by Van Raan and Diks <https://zoek.officielebekendmakingen.nl/kst-26485-263.html>

CREDITS

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Text: Niels Hazekamp and Wiert Wiertsema

Production: Masja Helmer

Design: Margo Vlamings



Both ENDS
Nieuwe Keizersgracht 45
1018 VC Amsterdam
The Netherlands
www.bothends.org