

Turning the tankers around

Stopping Dutch ECA support for fossil fuels
and making the just transition



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Both ENDS gratefully acknowledges the financial support of the KR Foundation and Bulb Foundation for this publication.

EXECUTIVE SUMMARY

The Dutch government is transitioning from massive overseas financial support for fossil fuel-related projects through the Dutch Export Credit Agency (ECA) to increasing support for renewable energy projects and a pledged phase-out of public fossil fuel support by the end of 2022 (agreed in Glasgow, November 2021). In this report we explore ADSB's support for fossil fuels and renewables over the past ten years (2012-2021) and provide recommendations for realising a just transition to sustainable energy systems.

Key findings from this report include:

- ADSB overwhelmingly supported fossil fuel projects over the past decade. Roughly half of the total insured value by ADSB over this period supported fossil fuel projects.
- The support for fossil fuel projects amounted to over €1 billion per year.
- Support for renewable energy related projects was minimal until 2019. Since 2019, it has increased significantly but still makes up only 12% of the maximum insured value for energy-related projects between 2012 and 2021.
- The majority of supported fossil projects were gas related.
- Fossil fuel project insurances were mainly for benefit of offshore projects and related to the maritime sector.

Therefore, we recommend the Dutch government to:

- Ensure that the Glasgow Statement is implemented and translated into progressive and ambitious policy that does not include exceptions for gas-related projects or otherwise contribute to continued, long term fossil fuel dependence.
- Secure new signatories to the Glasgow statement, particularly focusing on the largest providers of public finance for fossil fuels.
- Expand the commitment to phase out public finance support to fossil fuels by including it in (binding) international EU and OECD policies.
- Guarantee that ECAs operate on the basis of just transition principles and processes, ensuring human rights, social and environmental justice, sustainable development and equality are protected.

INTRODUCTION

In 2015, the groundbreaking and legally binding Paris agreement was adopted by 196 parties, with the goal to limit global warming to well below 2 degrees, preferably to 1.5 degrees Celsius, compared to pre-industrial levels.¹ Despite this global commitment, CO₂ emissions reached their highest level in history in 2021, six years after countries pledged to undertake ambitious climate action.² At the same time, scientists have been warning time and again that the devastating effects of global warming are accelerating beyond expectations and are disproportionately affecting poor and marginalised communities.³ The 6th IPCC Assessment Report (2022) draws an alarming picture of current climate impacts on people and ecosystems that are partly already irreversible as natural and human systems are pushed beyond their ability to adapt.⁴ Limiting global warming to 1.5°C is still possible, but immediate and widespread action is needed.⁵

Emissions from fossil fuels are the dominant cause of global warming. Yet governments have continued to support fossil fuel-related projects, including new ones, through subsidies, tax benefits, guarantees and insurances. Government backed loans, guarantees and insurances issued via export credit agencies (ECAs) provide the largest – but least known – tool of public support. In 2019 and 2020 alone, ECAs from G20 countries provided \$40 billion to fossil fuel projects, which amounts to more than 10 times the \$3.5 billion they committed to

renewables.⁶ Continued investments in fossil fuels are actively hindering renewable energy projects and keep countries dependent on fossil energy.

In November 2019, Both ENDS published a report on how the Dutch government nullified its own international climate ambitions by not including its export credit agency, Atradius Dutch State Business (ADSB), in a fossil fuel phase-out pathway.⁷ From 2012 to 2018 ADSB provided over €1.5 billion to support fossil fuel projects each year. The report recommended to include ADSB in the national foreign climate targets and set the target for ADSB to provide no new fossil fuel support by 2020. Although this target has not been realised, important steps have been taken since then, both nationally and internationally. At COP26 in Glasgow (November 2021) 34 countries, including the Netherlands, and 5 financial institutions, signed a statement committing to redirect their international public support towards the clean energy transition and out of fossil fuels by the end of 2022⁸ The Dutch government is supposed to publish its guidance on how to implement the Statement this Autumn. It is key that the government follows up on its commitments.

In this publication we will review Dutch ECA support for fossil fuels and renewables from 2012 to 2021. We look at the trends and developments and provide recommendations for the implementation of the Glasgow agreement to phase out fossil support by the end of this year and realise a just energy transition.

EXPORT CREDIT AGENCIES

ECAs are private or quasi-governmental institutions that act as intermediaries between national governments and exporters to cover financial risks. This can be done through providing credit (financial support) or credit insurance and guarantees, or both, depending on the mandate the ECA has been given by its government. The risks on these credits, guarantees and insurances, are borne by the sponsoring government. The Dutch ECA ADSB does not provide credit but offers a range of insurance and guarantee products to minimise the risk of non-payments for Dutch exporters of capital goods and internationally operating Dutch companies, banks and investors.

JUST TRANSITION

The climate crisis is in part a result of existing inequalities between and within countries and exacerbates these inequalities. High-income, industrialised countries have mostly benefited from fossil fuels, whereas low-income countries suffer the most from climate change impacts and their interests are often ignored in international policy making spaces. In addition, poor communities, often communities of color, low-paid workers, women and other marginalised groups are most heavily impacted by exploitation by the fossil fuel industry, environmental degradation and pollution near extraction sites as well as by climate disasters. The transition to renewable energy can be an opportunity to reduce and repair these inequalities.

A just transition and sustainable development requires a shift from an extractive economy to a regenerative economy and from social injustice to social justice. It requires not only a focus on transitioning from fossil fuels to renewables, but also implies

prioritising energy ownership and equal distribution in the countries where the projects are implemented.⁹ As export credit agencies make the shift towards clean energy they should therefore ensure that renewable energy projects are based on just transition processes and principles. It is important that this transition is shaped in such a way that no one is left behind and exploitative systems are not repeated.

Past fossil fuel projects have demonstrated how human rights and environmental norms have been repeatedly violated, as we shall also see in the case of Mozambique LNG (page 12). Just as is the case with fossil fuel financing and support, also with renewable energy projects there is a need for strong environmental and human rights due diligence covering the project. This is of key importance when it comes to mining projects that contribute to the energy transition, for example.¹⁰

METHODOLOGY

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

1 The Paris Agreement <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

2 <https://unfccc.int/news/global-co2-emissions-rebounded-to-their-highest-level-in-history-in-2021>

3 Politico: Landmark climate report details an atlas of human suffering (28 February 2022) <https://www.politico.eu/article/landmark-climate-report-details-an-atlas-of-human-suffering/>

4 IPCC 6th Global Assessment Report 2022 <https://www.ipcc.ch/report/ar6/wg2/>

5 UNFCCC: The evidence is clear: The time for action is now. We can halve emissions by 2030 (4 April 2022) <https://unfccc.int/news/the-evidence-is-clear-the-time-for-action-is-now-we-can-halve-emissions-by-2030>

6 Oil Change International: Past last call: G20 public finance institutions are still bankrolling fossil fuels (28 October 2021) <https://priceofoil.org/content/uploads/2021/10/Past-Last-Call-G20-Public-Finance-Report.pdf>

7 Both ENDS: The Fossil Elephant in the Room (November 2019) <https://www.bothends.org/nl/Actueel/Publicaties/The-fossil-elephant-in-the-room/>

8 UK COP26: Statement on international public support for the clean energy transition (4 November 2021) <https://ukcop26.org/statement-on-international-public-support-for-the-clean-energy-transition/>

9 See A Just Energy Transition for Africa? (November 2020) <https://www.bothends.org/en/Whats-new/Publicaties/A-Just-Energy-Transition-for-Africa---Mapping-the-impacts-of-ECAs-active-in-the-energy-sector-in-Ghana-Nigeria-Togo-and-Uganda/>

10 Milieudefensie & Banktrack: Locked out of a Just Transition: fossil fuel financing in Africa (March 2022) <https://en.milieudefensie.nl/news/07-md-banktrack-fossil-fuels-africa-rpt-hr.pdf>

COP 26 STATEMENT

By signing the Paris agreement, countries committed to pursue efforts to limit global warming to 1.5°C and ‘making financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development’. However, in the first five years after the Paris agreement, ECAs continued their support for fossil fuel projects for billions of USD per year, undermining the Paris goals. Under pressure from environmental NGOs, activists and climate leaders, this slowly began to change at the end of the decennium. In 2020, ADSB introduced a new policy to stop support for coal and ‘unconventional’ gas exploitation, for example through fracking, and routine flaring.¹¹

At the Climate Ambition Summit in December 2020, the UK announced its intention to no longer provide any new direct financial or promotional support for the fossil fuel energy sector overseas. This announcement was followed by a consultation, leading to a decision by the UK government to phase out overseas

fossil finance per 31 March 2021.¹² In April 2021, the Netherlands, Denmark, France, Germany, Spain, Sweden and the United Kingdom launched the Export Finance for Future (E3F) ministerial initiative for climate action. The initiative resulted in a Statement of Principles *aiming at promoting and supporting a shift in export finance towards climate-neutral, climate resilient projects and investments.*¹³

This all laid the groundwork for a breakthrough statement at the UN climate conference, COP26, in November 2021, in which 34 countries, including the Netherlands, and 5 financial institutions committed to redirect their international public support towards the clean energy transition and out of unabated fossil fuels by the end of 2022, except in limited and clearly defined circumstances that are consistent with a 1.5°C warming limit and the goals of the Paris Agreement.¹⁴

Signatories to the statement are currently in the process of translating their commitment into policy. It is essential to sharply define the terms ‘unabated’ and ‘limited and clearly defined exceptions’ to avoid any

misuse or continued support for fossil fuels. The industry is pushing hard for exemptions for fossil gas projects and temporary fixes like Carbon Capture and Storage (CCS) or Capture Capture Utilisation and Storage (CCUS) solutions. Yet, any new support to long-lived gas infrastructure, including LNG infrastructure, pipelines, and gas-fired power plants is incompatible with a just 1.5°C trajectory. Also, renewable electricity production is already vastly cheaper than fossil fuel electricity production with CCS or CCUS, which has limitations and comes with environmental health risks.

Once the Glasgow statement has been further defined and refined, it is necessary to secure new signatories. Some of the largest providers of public finance for fossil fuels through ECAs (Japan, Korea and China) have not yet signed the statement. Finally, the commitments made in the statement should be cemented in existing, and preferably binding, international policy processes including at EU and the OECD.



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FINDINGS

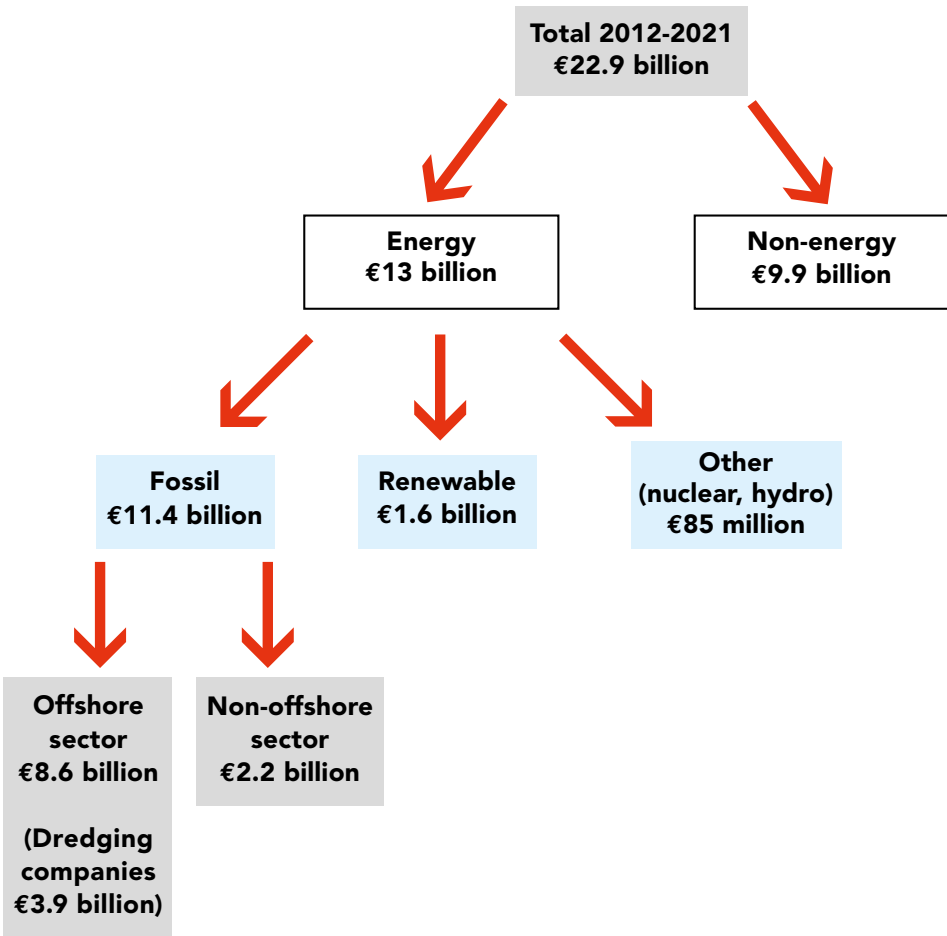
Through ADSB, the Dutch government insured 823 transactions for overseas projects in the period 2012-2021. These transactions insured a maximum value of €22,9 billion. Over half of this (57%) supported the energy sector, with a maximum insured value of €13 billion, of which the majority, €11.4 billion (88%), was for fossil energy-related projects. Support for renewable energy was €1,6 billion in this 10 year time period, which is only 7% of the total insured value.

Dutch ECA support for fossil energy-related activities is traditionally primarily linked to the Dutch offshore sector. This concerns dredging companies and shipyards supporting the development of fossil-fuel projects.

Figure 1 provides an overview of the main sectors that received export credit support by ADSB.

FIGURE 1

DUTCH EXPORT CREDIT SUPPORT FROM 2012-2021



11 ADSB: Geen EKV voor kolen en onconventionele brandstoffen <https://atradiusdutchstatebusiness.nl/nl/nieuws/geen-ekv-voor-kolen-en-onconventionele-brandstoffen.html>

12 UK government press release: PM announces that the UK will end support for fossil fuel sector overseas (12 December 2020) <https://www.gov.uk/government/news/pm-announces-the-uk-will-end-support-for-fossil-fuel-sector-overseas>

13 Export Finance for Future: Statement of Principle (14 April 2021) <https://www.tresor.economie.gouv.fr/Articles/48e53470-62e7-4048-a507-5292b4ba69f4/files/36bb69c3-e7d9-4b77-b34f-f6240ffa1290>

14 UK COP26: Statement on international public support for the clean energy transition (4 November 2021) <https://ukcop26.org/statement-on-international-public-support-for-the-clean-energy-transition/>

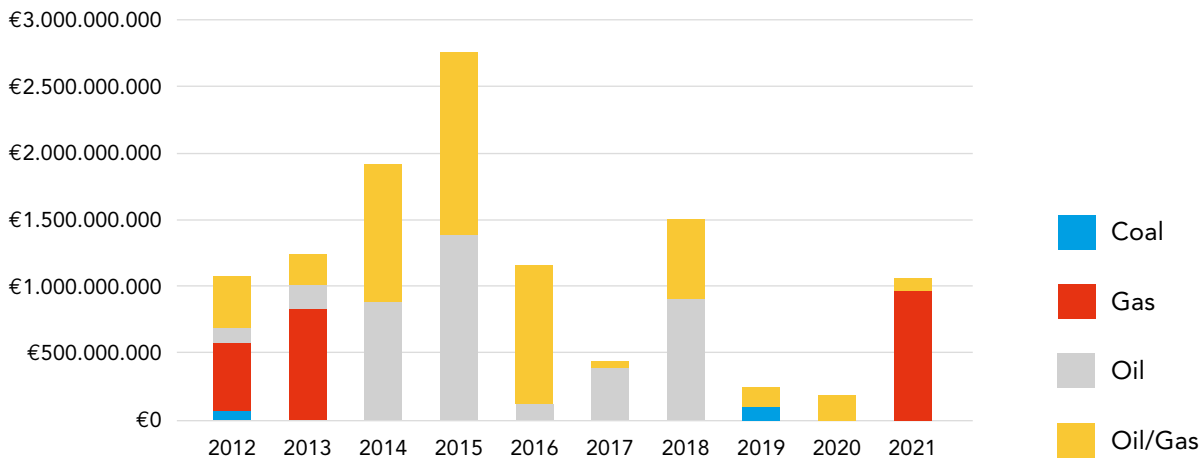
FOCUS ON GAS

Figure 2 provides an overview of the Dutch government's support for fossil fuels over the past 10 years. In some cases, support is provided to projects in which both oil and gas is extracted, processed or transported. These cases are indicated as such (Oil/Gas).

Our data shows that over the past decade, there has been little support for coal-related projects (€137 million) and most insurances were for projects that include oil (€8,9 billion, 78% of the total insurance value for fossil projects). Most recently, fossil support has skewed towards gas.

FIGURE 2

DUTCH EXPORT CREDIT SUPPORT FOR FOSSIL FUELS



THE MYTH OF 'GAS AS A TRANSITION FUEL'

For a long time, businesses and some governments have argued that gas is a necessary 'transition fuel' between coal-fired power and renewables. Even though renewable technology is improving quickly and costs are rapidly decreasing, new large-scale gas projects are still being developed. This is risky for a multitude of reasons. Currently, gas projects in low- and middle-income countries are receiving more international public finance than any other energy source: four times as much as wind or solar.¹⁵ Access to international public finance plays an important role in the development of new projects as it both unlocks private finance by reducing project risks and gives signals that influence wider investment trends.¹⁶ It is therefore crucially important that ECA support for gas-related projects is ended as part of the Glasgow agreement.

The argument that gas is needed does not hold anymore. Gas is a fossil fuel that not only emits CO₂ when used, but is also known for large methane leakage along the whole supply chain. Methane is a greenhouse gas with a warming effect 80 to 90 times stronger than CO₂ over a 20 year timescale.¹⁷ Even if these total emissions are lower than emissions from coal, the International Energy Agency (IEA) concludes that it would not be enough to limit global warming to a maximum of 1.5°C.¹⁸ The climate crisis is so urgent and the stakes are so high, that there is no space for any new fossil fuel projects. Expanding the global gas sector stands in the way of reaching the Paris agreement.¹⁹

In addition, gas-based power is more expensive than renewable solar and wind energy, which have seen sharp cost declines over the past decades. Neither is gas essential for grid reliability, as is often argued by gas advocates. Improved possibilities for battery storage, in combination with optimising demand response, can offer solutions that do not require gas-based power plants. Indeed, new gas projects hinder the development of new renewable projects because of the resources they absorb. Multibillion-dollar gas infrastructure built today is designed to operate for decades and is unlikely to be dismantled ahead of its expected economic lifespan. This way, they lock in emissions for many years to come.

Finally, gas is a poor solution to the energy access problem that affects 800 million people worldwide. 85% of people who lack access to electricity live in rural areas where distributed renewable energy is better able to provide electrification at a lower cost. Sustainable alternatives are more suited to meeting development needs and are better aligned to a just transition if properly implemented. In addition, distributed (off-grid) renewable energy solutions can create resilient energy systems, that are desperately needed for communities most affected by climate change impact. These solutions support vital adaptation measures, for the most vulnerable communities.²⁰ Overall, there is little rationale nor justification for international public finance institutions to continue supporting gas at scale in the Global South.

¹⁵ Step off the gas: International public finance, natural gas, and clean alternatives in the Global South (IISD, 2021) <https://www.iisd.org/publications/natural-gas-finance-clean-alternatives-global-south>

¹⁶ Ibid.

¹⁷ National Geographic: Natural gas is a much 'dirtier' energy source than we thought (19 February 2020) <https://www.nationalgeographic.com/science/article/super-potent-methane-in-atmosphere-oil-gas-drilling-ice-cores>

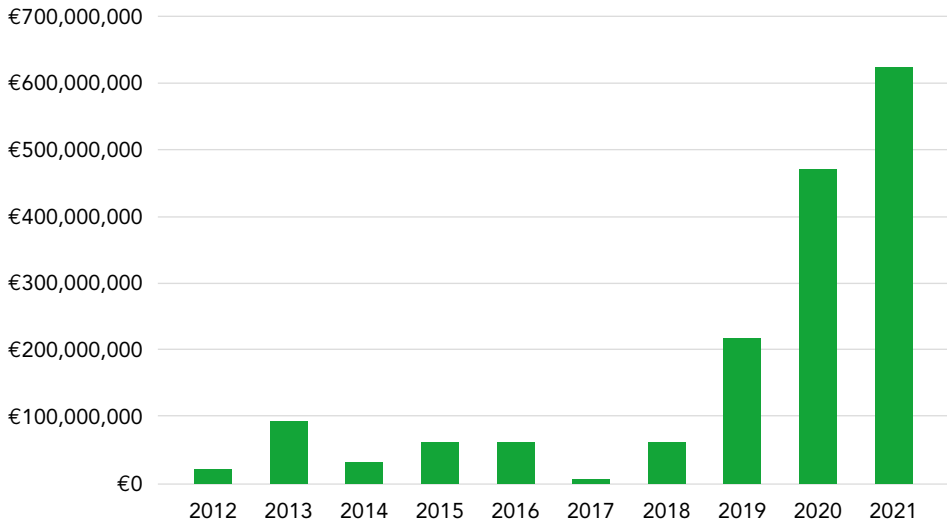
¹⁸ International Energy Agency: Net Zero by 2050: A Roadmap for the Global Energy Sector. <https://www.iea.org/reports/net-zero-by-2050>

¹⁹ Oil Change International: Burning the gas 'bridge fuel' myth; why gas is not clean, cheap, or necessary <https://priceofoil.org/2019/05/30/gas-is-not-a-bridge-fuel/>

²⁰ Bracing for Climate Impact, Renewables as a climate change adaptation strategy (IRENA, 2021) https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2021/Aug/IRENA_Bracing_for_climate_impact_2021.pdf

FIGURE 3

DUTCH EXPORT CREDIT SUPPORT FOR RENEWABLES (SOLAR AND WIND)



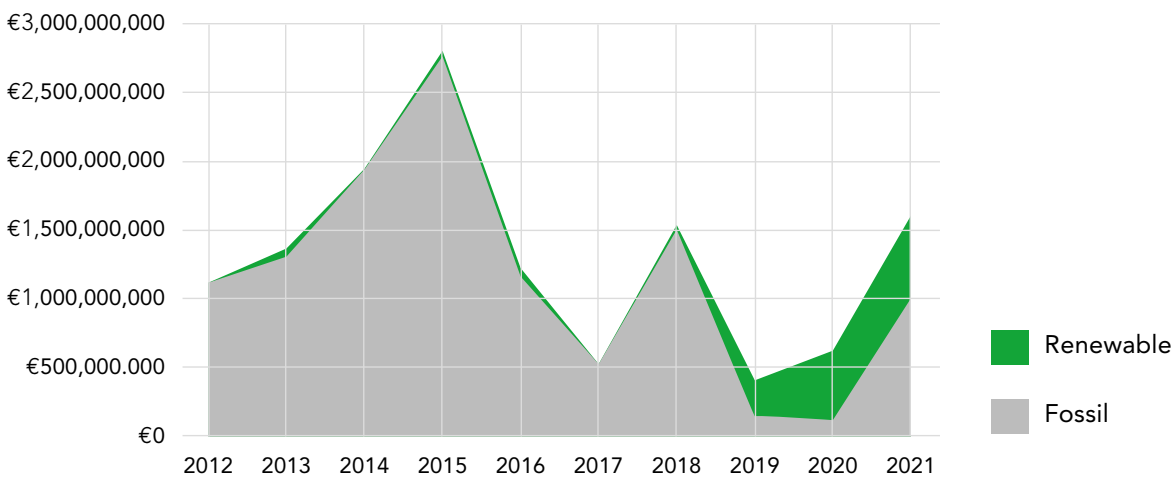
INCREASE IN RENEWABLE ENERGY PROJECTS

Figure 3 and Figure 4 show a sharp increase in support for renewable energy (solar and wind) projects since 2019.

In addition, Figure 4 shows that the percentage of renewable support as part of the total energy support has significantly increased since 2019.

FIGURE 4

COMPARING DUTCH EXPORT CREDIT SUPPORT FOR FOSSIL FUELS AND RENEWABLES



RESULTS

Our analysis of ADSB's transactions over the 2012-2021 time period show that:

- ADSB overwhelmingly supported fossil fuel projects over the past decade.
- Fossil fuel-related export credits were mainly for benefit of offshore projects and related to the maritime sector, e.g. shipyards and dredging companies.
- The majority of supported fossil projects were gas-related.
- Support for renewable energy related projects has increased significantly since 2019, but still makes up only 12% of the maximum insured value for energy-related projects between 2012 and 2021.

CASE STUDY²¹: LNG MOZAMBIQUE

The Cabo Delgado province in northern Mozambique is one of the poorest regions of the country, where people have little development prospects. This is in spite of the presence of valuable natural resources like gold and timber. Residents have felt abandoned by the government for years, which has led to feelings of resentment and young men rebelling against the ruling power. This situation intensified and worsened after the discovery of large gas fields in 2010/2011 off the coast of the Cabo Delgado province. Large transnational fossil fuel corporations immediately started developing plans to exploit these gas fields. Local fishing and farming

communities faced resettlement to make space for a large, onshore liquefied natural gas (LNG) park. The prospect of large gas-related profits in a country with weak governmental institutions resulted in a corruption scandal that pushed the country into an economic crisis even before any of the gas had been exploited.

The Final Investment Decision for the Mozambique LNG project, led by the French energy giant TotalEnergies, was signed in 2019. At this time, the local situation had already deteriorated into a violent conflict with insurgent groups attacking local communities and high levels of militarisation. Government military forces and private security companies, often hired to protect the interests of the gas industry, were known to commit human rights abuses as well. This deepened the crisis even further.

Thousands of people have been killed and hundreds of thousands have fled the area, only to live in refugee camps under dire circumstances. This project is supported by ECAs from the UK, The Netherlands, US, Italy and Japan for a total amount of approximately \$11 billion. Atradius DSB approved an export credit insurance for the amount of 1 billion euros for a Dutch dredging company in March 2021. In April 2021, TotalEnergies declared *Force Majeure* due to the escalation of the conflict. The project has been at a standstill ever since.

Several Dutch NGOs filed a Freedom of Information request (WOB) to gain more insight in the decision-making and due diligence process at ADSB that preceded the approval of the insurance. Even though not all documents were shared, the information that was provided showed that the climate impact assessment

as well as the assessments of social and environmental impacts and development benefits were incomplete, unclear and inconsistent. The climate impact assessments lacks Scope 3 emission calculations and uses a 2°C scenario instead of a Paris-aligned 1.5°C scenario. The impact of the violent conflict is underestimated, despite warnings from the Dutch Embassy, and the potentially positive development impacts of the projects for the local population and the country lack substantiation. It is also worrisome that the large gas projects are likely to lock Mozambique into gas-dependence for many years, while renewables remain underdeveloped. This is particularly ironic as Mozambique has very high potential for renewables, such as solar and wind energy.

It is highly unlikely that the LNG project in Mozambique would have come to fruition without the billions of ECA support because of the high risks involved in the project. This clearly shows the influence that ECAs have in the realisation of large-scale energy projects. This influence can be redirected to scale up renewable energy and support a just transition. The Mozambique case also shows that currently ECAs are not paying enough attention to human rights, social and environmental impacts and climate change in their approval processes, despite international agreements. As ECAs make the shift towards renewable energy, it is crucially important that due diligence processes are improved to ensure that people and the environment are protected. ECAs are in the perfect position to push the processes and principles needed for a just transition.

CONCLUSION AND RECOMMENDATIONS

To have any chance of limiting global warming to 1.5°C and achieve the Paris agreement, we need to phase out the use of fossil fuels quickly and cannot afford to invest in any new fossil fuel projects. The next few years are critical to make the shift to sustainable, renewable energy solutions. Redirecting public finance such as ECA support away from fossil fuels, as agreed by 34 countries and 5 financial institutions in Glasgow in November 2021, is a crucial step in this process.

Our analysis of ADSB support for fossil and renewable energy project between 2012 and 2021, shows a clear trend towards increased support for renewable projects since 2019. However, this trend is not yet accompanied by a conclusive shift away from fossil fuels, which is still undermining climate goals. For example, the 1 billion Euro credit insurance for Mozambique LNG in 2021 is not only contributing to increased greenhouse gas emissions, but is also hindering renewable energy projects that would benefit the local population. The implementation of the Glasgow agreement by the end of this year should put an end to this contradiction.

Finally, it is key that export credit agencies ensure that projects are based on just transition processes and principles. There is a need for strong environmental and human rights due diligence and a perspective that puts local communities' interests first. This means prioritising energy ownership and equal distribution in the countries where the projects are implemented.

RECOMMENDATIONS

- Ensure that the Glasgow statement is translated into progressive and ambitious policy that does not include exceptions for gas-related projects or otherwise contribute to continued, long term fossil fuel dependence.
- Secure new signatories to the Glasgow statement, particularly focusing on the largest providers of public finance for fossil fuels.
- Expand the commitment to phase out public finance support to fossil fuels by including it in (binding) international EU and OECD policies.
- Guarantee just transition principles and processes within ECA approval processes for projects, ensuring human rights, social and environmental justice, sustainable development and equality are protected.

ANNEX 1: METHODOLOGY

For this report, we have used the same approach as in our earlier reports covering ADSB-supported projects (2012-2015 and 2012-2018). For a detailed description of our categorisation, please refer to https://www.bothends.org/uploaded_files/inlineitem/LR_Annex_research_methods_fossil_fuel_elephant.pdf.

UPDATES

Since we published our latest report in 2019, there have been significant policy developments in terms of phasing out the support for fossil fuels. Until 2020, very little publicly available guidance existed on how to interpret 'fossil-fuel related'. In late 2020, however, the United Kingdom announced that it would suspend support for the fossil fuel energy sector. In March 2021, it published its Guidance on how to

determine what falls under the 'fossil fuel energy sector'.²² As it stands, this is one of the most detailed policies that has been published so far. For purposes of congruity, we have therefore decided to bring our methodology in line with that used by the UK government as well.

In previous versions of our research, we have included polluting transport-related activities in our fossil classifications. The UK government, however, considers the transport sector as 'out of scope of the policy'. Following this, we have also decided to retroactively not classify the transport sector as 'fossil-fuel related'. This concerns instances where ECA support is given for airports or the production of trucks and buses for example. Shipbuilding is considered fossil-fuel related when a ship's explicit purpose is to support the fossil-fuel sector. This adjustment means that the proportion of fossil-fuel support of the total insured value is slightly lower than in previous versions of our research.

21 Source: Fuelling the crisis in Mozambique, How Export Credit Agencies contribute to climate change and humanitarian disaster (Friends of the Earth Europe, 2022) <https://friendsoftheearth.eu/publication/fuelling-the-crisis-in-mozambique/>

22 <https://www.gov.uk/government/publications/how-the-government-will-implement-its-policy-on-support-for-the-fossil-fuel-energy-sector-overseas>

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August 2022 • Both ENDS

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