

# PARIS ALIGNMENT OF EXPORT CREDIT AGENCIES

Case study #2: the Netherlands (Atradius Dutch State Business)

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## Perspectives Climate Research

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## Key Messages

- The Atradius Dutch State Business (Atradius DSB)<sup>1</sup>, the official Dutch Export Credit Agency (ECA), was assessed with regards to its alignment with the Paris Agreement across five dimensions using the [methodology](#) developed by Perspectives Climate Research. Overall, Atradius DSB was rated with **'Unaligned' towards alignment with the Paris Agreement** (assessment score 0.49/3.00) – at the upper threshold to 'Some progress'.
- Atradius DSB scored **best on the 'Transparency' and 'Engagement' dimensions and worst on the 'Ambition of fossil fuel exclusion or restriction policies' dimension.**
- The officially reported **share of fossil fuel-related activities** stood at 26% over the total portfolio (or EUR 4.81 billion) in terms of total cumulative volume insured by the end of 2020 according to Atradius DSB's own 'fossil fuel measurement' methodology. Most of this amount related to **upstream oil and gas** value chains. However, alternative estimates by independent observers and several caveats with the fossil fuel measurement methodology exist.
- The **share of 'green' activities** labelled according to its own 'Green Label' methodology was at the same time reported to stand at 49%. However, this share refers to the volume of new transactions insured in 2020 and is therefore not directly comparable to the fossil fuel estimate. Moreover, the 'Green Label' methodology does not correspond to the EU Taxonomy on Sustainable Finance.
- The Dutch government **has not formalized policies to exclude or restrict support to coal, oil and gas value chains** for Atradius DSB despite commitments made by high-level government officials. However, the Dutch government committed to assessing how to best phase out support for these sectors as part of its active participation under the Export Finance for Future (E3F) initiative and according to other official statements. The current interim government has left the decision of how and when to phase out support for fossil fuels to the next government.
- In the same year of committing to the E3F initiative objectives, Atradius DSB insured a Dutch dredging company for a maximum amount of over US\$ 1 billion supporting a **controversial offshore natural gas project in Mozambique** which epitomizes the discrepancy between increased transparency about fossil fuel and climate finance on the one side and continued climate-adversity on the other side.
- The new Dutch government should urgently **put in place concrete phase out policies for all types of fossil fuels in line with the latest climate science** for reaching net zero GHG emissions by mid-century **and fully align officially supported export finance with the Paris Agreement**. This would also help **create momentum in international fora**, such as the E3F or OECD, where the Netherlands is well positioned to show leadership.

Assessment dimension	Weight	Description	Score
1. Transparency	0.2	Financial and non-financial disclosures	1.00/3.00
2. Mitigation I	0.4	Ambition of fossil fuel exclusion or restriction policies	0.33/3.00
3. Mitigation II	0.2	Climate impact of and emission reduction targets for all activities	0.00/3.00
4. Climate finance	0.1	Positive contribution to the global climate transition	0.60/3.00
5. Engagement	0.1	Outreach and 'pro-activeness' of the ECA and its governments	1.00/3.00
<b>Assessment outcome:</b>		<b>Unaligned</b>	<b>0.49/3.00</b>

<sup>1</sup> The assessment considers Dutch government policies as well as operations under Atradius DSB's main facility *ekv*.

# 1. Introduction

Limiting temperature increase to 1.5°C above pre-industrial levels requires massively re-directing financial flows away from carbon-intensive towards low-carbon activities. However, despite commitments made under Article 2.1(c) of the Paris Agreement – in which Parties agreed to making “*finance flows consistent with a pathway towards low greenhouse gas emissions [...]*” (UNFCCC 2015) – many countries still provide significant financial support to fossil fuel value chains, among others, through their export credit agencies (ECAs). This contributes to a global lock-in of carbon intensive infrastructures and hampers leap-frogging of carbon-intensive development in countries in the global South. DeAngelis and Tucker (2020) estimated that from 2016 to 2018, ECAs of G20 countries provided an annual average of USD 40.1 billion to support fossil fuel projects, while clean energy was supported with only USD 2.9 billion annually. Since 2019, of all public finance institutions (PFIs), G20 ECAs make up the single largest group providing financial support for fossil fuels, which is even higher than (bilateral) public development banks (Oil Change International 2021). An ECA is often decisive in whether a deal can be realised, e.g., by providing risk insurance or improving lending conditions of banks which finance export transactions. Several recent studies underlined

the lack of dedicated climate policies and transparency of ECAs (e.g., Shishlov et al. 2020; Wenidoppler et al. 2017) as well as potential litigation if no action is undertaken (Cook and Viñuales 2021).

Some governments have started making explicit climate commitments for their ECAs – notably foreign ministers from the EU, the UK, and the US. However, many ECAs still lack ambition in terms of speed, scale, and scope of the reforms – for example, most of them are not in line with the latest Net Zero scenario developed by the International Energy Agency (IEA) that calls for immediate end of new fossil fuel supply developments, including natural gas (IEA 2021). Moreover, no systematic benchmarks or approaches exist to comparatively assess and guide ECAs towards Paris alignment. To help bridge these gaps and inform ongoing reform processes, Perspectives Climate Research developed a dedicated methodology to assess the alignment of ECAs with the Paris Agreement (Shishlov et al. 2021). This methodology was initially applied to Germany’s mandated ECA Euler Hermes (Darouich et al. 2021) and is currently being extended to a series of further country case studies including the one presented here.

## Text box 1: What are Export Credit Agencies?

ECAs are either private companies that act on behalf of a government or public entities themselves (OECD 2021a). Their *raison d’être* is the promotion of the trade and national export businesses competing for riskier markets abroad (Shishlov et al. 2020; OECD 2021a). ECAs provide, for example, guarantees to hedge against risks of an exporter or lender not being repaid, e.g., due to political instability, expropriation, or unexpected currency fluctuations. They can also act as direct lenders with short-, medium- or long-term loans and may provide earmarked project finance or even equity instruments. In return, they receive risk premiums or interest payments. In the case of repayment loss, ECAs compensate exporters or lenders directly whilst being in the position to draw up a debt settlement arrangement with the Paris Club<sup>2</sup>. Opting for a state-backed transaction can significantly de-risk deals for exporters and crowd in public or private co-finance, especially for large-scale, long-term or particularly risky projects. Many ECAs require exporters or banks to demonstrate that private export credit insurance would not cover the deal. This situation is reflected in the fact that among Berne Union members – the largest association for the export credit and investment insurance industry worldwide – official ECAs predominantly provide long-term commitments and political risk insurance. This represents about one third of total commitments outstanding which were estimated in 2020 at USD 2.77 trillion (Berne Union 2021). About two thirds are short-term commitments which are predominantly insured by private insurers (*ibid.*). However, the fact that ECAs typically support larger and riskier projects that would not have been insured otherwise underlines the rationale of looking into their potentially adverse effects on climate and the environment.

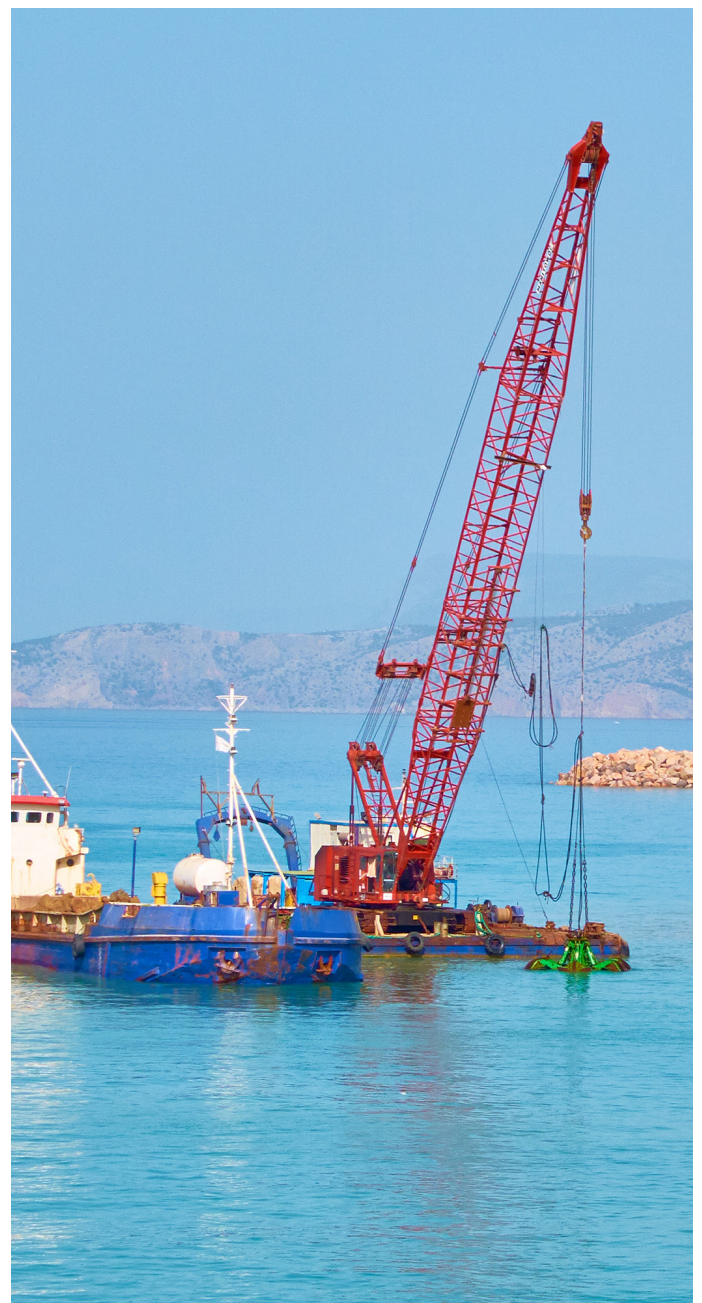
<sup>2</sup> The Paris Club is ‘an informal group of official creditors’ which collects public debt owed by governments to creditor countries. Debt owed by private entities which is guaranteed by the public sector (e.g., through ECAs) is comprised by the definition of public debt (Club de Paris 2021).

## 2. Officially supported export finance in the Netherlands

The Netherlands is a major exporting country and was ranked the seventh largest exporter in terms of absolute export value in 2020 – after China, the US, Germany, Japan the United Kingdom and France (The World Bank 2021). At the same time, the Netherlands has by far the strongest export economy worldwide on a per capita basis, selling nearly twenty-two times the export value per capita of China, about six times that of the United States and about twice as much as Germany (own calculation, based on The World Bank (2021) and UN Population Division (2021)). This unique position as exporting economy is reflected in the pivotal role that the export of goods and services historically played for the economic development of the country. Since 1932, the Dutch ECA supports private exporters in their businesses abroad through on behalf of the Dutch State, e.g., through the provision of insurance covers or guarantees. This is relatively early when compared to other industrialized countries that only established their ECAs after World War II (Stephens 1999). In 1953, still under the name of *Nederlandsche Credietverzekering Maatschappij* (NCM), the Dutch ECA became member of the Berne Union (ibid.). In the early 2000s, NCM merged with a German credit insurer and eventually became Atradius N.V., an internationally leading credit insurer headquartered in Amsterdam but predominantly owned by the Spanish *Grupo Catalana Occidente* and listed in Spanish stock exchange markets.<sup>3</sup>

Today, the Dutch ECA, rebranded as Atradius Dutch State Business (Atradius DSB), is a wholly-owned subsidiary of Atradius N.V. and continues to operate “on behalf of and for risk of the State of the Netherlands” (Ministry of Finance 2010). Under its mandate, it continues to support exporters and banks where private export credit insurance do not take the deal, e.g., of a relatively large and/or risky transaction (Government of the Netherlands 2021a). Thus, Atradius DSB is an ‘insurer of last resort’ and project cover applicants have to demonstrate the need for official backing of their export transaction. This may occur if “private export credit insurance cannot cover the losses” which may apply for “extremely large transactions, for example, very long-term maturities, or exports to unstable countries” (ibid.). Noteworthy is that Atradius DSB is a pure cover ECA, i.e., does not issue loans, and covers both political and commercial risks. Table 1 provides an overview of Atradius DSB’s organisation and activities. The ECA issues the majority (84%) of its credit insurance policies through its main export credit insurance facility ‘*exportkredietverzekering*’ (*ekv*). This corresponds to about 112 policies issued per year (own calculation of the average issuance of policies under the *ekv* facility over the past three years, based on Atradius DSB 2020a). Other government facilities in which

Atradius DSB operates on behalf of the Dutch State include the foreign investment insurance scheme as well as insurance and financing facilities under the Dutch Good Growth Fund (DGGF) and the Dutch Trade & Investment Fund (DTIF). The responsible government counterparts are the Ministry of Finance as well as the Ministry of Foreign Affairs. In some instances, Atradius DSB collaborates closely with public development finance institutions in the Netherlands or abroad, such as the Netherlands Enterprise Agency, *Rijksdienst voor Ondernemend Nederland* (RVO), or the Dutch Entrepreneurial Development Bank, *Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden* (FMO). This may be the case if co-financing by development finance institutions is involved in a given project.



<sup>3</sup> N.V. means *Naamloze vennootschap* and corresponds to the Dutch type of publicly held (i.e., with shares tradeable on stock exchange markets) companies, similar to the French *Société Anonyme* or the German *Aktiengesellschaft*. Through its main shareholder *Grupo Catalana Occidente* Atradius N.V. is indirectly linked to the Barcelona and Madrid stock exchanges as part of the IBEX Medium Cap Index (Atradius N.V. 2020).

**Table 1: Overview of the Dutch ECA Atradius DSB main facility *ekv*.**

Key facts Atradius DSB	
Type of ECA	Mandated private, pure cover
Main sectors*	Machines and electronics (31%), oil and gas infrastructure (17%), shipbuilding (17%). Share corresponds to number of policies awarded.
Geographic activity concentration*	Asia (42%), Africa (19%) and Europe (19%). Share corresponds to commitments outstanding of world region over total commitments outstanding.
Commitments outstanding <sup>4,*</sup>	EUR 18.5 billion
New commitments <sup>5,**</sup>	EUR 6.6 billion
Main instruments of financial support	Export insurance policies which cover credit risk, i.e., risk of non-repayment by the importing entity, or manufacturing risk, i.e., risk of non-delivery of goods or services due to reasons beyond the exporters' control. Other instruments include investment insurances, export credit guarantees and several other products (see Atradius DSB 2021b).
Category A and B projects <sup>6,**</sup> (Number   volume)	4 Cat. A and 8 Cat. B projects   Cat. A EUR 523 million and Cat. B EUR 431 million p.a. of maximum liability. Note that outliers exist: In 2016 for instance, Atradius DSB issued policies for 16 Cat. A projects.

Note: (\*) = Data from 2020. (\*\*) = Average annual mean for the last three years to correct for yearly fluctuations. Table excludes core data on DGGF and DTIF financing facilities which are below a materiality threshold of 1% when compared to new commitments under the *ekv*. Source: authors based on Atradius DSB (2021a, d).

### 3. Climate-related policies in officially supported Dutch export finance

In November 2020, the Dutch State Secretary of Finance, J. A. Vijnbrief, pledged to the Dutch House of Representatives to explore scenarios of aligning officially supported Dutch export finance with the Paris Agreement (Ministry of Finance 2021a). To support this pledge, the Ministry of Finance further outlined possibilities for the prospective Dutch government to both green the Dutch export credit insurance facility *ekv* and phase out support for fossil fuels in a brief communication (Ministry of Finance 2021b). These announcements align with ambition of the Export Finance for Future (E3F) initiative, a coalition of seven leading European export

economies that states principles on confronting the climate urgency in officially supported export finance (Ministry of Economy of France 2021). This includes the commitment to limit global warming to 1.5°C above pre-industrial levels and is supported by several action-oriented announcements, including an assessment of “how to best phase out support to [fossil fuel-related] sectors [...]” as well as an engagement to “[...] shape a level playing field [at the OECD level] that would duly take the climate emergency into account” (ibid., p.2). However, both national and international commitments fell short of expectations from civil society since they do not include clear timelines and scope of action (e.g., Milieudefensie et al. 2021a and 2021b).<sup>7</sup> Indeed, civil society actors, such as Both ENDS, Friends of the Earth Netherlands/Milieudefensie or Oil Change International, have in the past years repeatedly requested the Dutch government to align its state-support in export finance with the Paris Agreement and suggested concrete steps (e.g., Both ENDS 2017; 2019;

<sup>4</sup> Commitments outstanding is a ‘stock parameter’ of the total amounts under cover of all current policies at a given cut-off date (Berne Union 2021). This parameter is reported by Atradius DSB (2021a) as the ‘net real obligo’ (netto reëel obligo) at the end of December 2020 for the *ekv* facility.

<sup>5</sup> New commitments is a ‘flow parameter’ which refers to the total volume of new insurances, guarantees, loans or other ECA instruments at a given cut-off date (Berne Union 2021). This parameter is reported by Atradius DSB (2021a) as the additional nominal risk exposure under promises and notices of cover as well as insurance policies issued in a given year.

<sup>6</sup> Category A projects are referred to those “which have significant potential adverse environmental and/or social impacts which will be felt beyond the project’s location” and Category B projects those “which have less severe potential adverse environmental and/or social impacts and for which measures can be taken to mitigate them” (Atradius DSB 2021c).

<sup>7</sup> In January 2021, the Dutch cabinet resigned due to a childcare benefits scandal which is why the Netherlands are currently governed by a ‘demissionary’ government led by incumbent Prime Minister Mark Rutte. The new members of the House of Representatives have been re-elected in March 2021 and the formation of a new cabinet is currently underway.

Milieudefensie 2020). However, to date, the scenarios on aligning Dutch officially supported export finance with the Paris Agreement have not been presented. In its 2020 Annual Report, Atradius DSB referred to the ambitious pledges of the Dutch cabinet and State Secretary Vijlbrief to align officially supported Dutch export finance with the Paris Agreement. In comparison with other ECAs, this narrative of ‘Paris alignment’ is a feature only taken up by the two official

Swedish ECAs Exportkreditnämnden (EKN) and Swedish Export Credit Corporation (SEK). In this context, Text Box 2 provides an overview of Atradius DSB’s climate-related policies and commitments. cial Swedish ECAs Exportkreditnämnden (EKN) and Swedish Export Credit Corporation (SEK). In this context, Text Box 2 provides an overview of Atradius DSB’s climate-related policies and commitments.

### Text Box 2: Atradius DSB’s climate-related commitments and practices

- Commitment to meet the Paris Climate goals (Ministry of Finance 2021a; Ministry of Economy of France 2021).
- Commitment to not support (thermal) coal-fired electricity generation and related value chains. This goes beyond the rules imposed by the OECD Arrangement on Officially Supported Export Credits (hard law in the EU) which broadly restricts ECA financing of projects with repayment terms of two years or more involving coal-fired electricity generation.
- Commitment to not support unconventional oil and gas interventions (e.g., fracking).
- Social and Environmental reviews of selected projects according to IFC Performance Standards on Social and Environmental Sustainability (e.g., Atradius DSB 2017).
- Special ‘green instruments’ since 2020 (see Subsection 4.4 for more details).
- Dedicated climate-related disclosure (see Subsection 4.1 for more details).
  - **The ‘fossil fuel measurement methodology’:** Own methodology to determine the share of fossil fuel-related support in the insurance portfolio, including a differentiation between types of fossil fuels (coal, oil and gas), related value chains (upstream, midstream and downstream) and the extent to which they should be classified as ‘fossil’ or not. The methodology is designed to determine the share of ‘fossil’ transactions on a cumulative basis, i.e., classifying the entire stock of commitments outstanding. Reporting according to this approach is ongoing since the year 2020.
  - **The ‘Green Label’:** Own methodology to label transactions as ‘dark green’, ‘medium green’ and ‘light green’ if they contribute to climate mitigation, adaptation or ‘other footprint reduction’. The classification is carried out at the activity-level based on a list of projects distinguishing between the ‘shades of green’ derived from the CICERO’s approach to labelling Green Bonds. The methodology is designed to determine the share of ‘green’ transactions in a forward-looking way, i.e., classifying the inflow of new projects in a given year. Reporting according to this approach is ongoing since the year 2019.

Note: ‘Commitment’ refers to an officially stated position which may or may not have been formalized in a policy document.

In summary, the Netherlands’ climate ambition in officially supported export finance focusses on better disclosure for both fossil-related and ‘green’ transactions. Commitments for immediate phase out of support for fossil fuels lack formalization or are absent considering all types of fossil fuels. Moreover, the different reporting modalities of ‘fossil’ and ‘green’ transactions (stock vs. flow reporting, respectively) currently obstruct reasonable comparisons between their respective shares of the total portfolio. Overall, the following assessment highlights that above improved transparency and among other important steps, concrete timelines of phasing out support for all fossil fuel-related activities are now needed to align officially supported Dutch export finance with the objectives of the Paris Agreement.





## 4. Assessment of Atradius DSB's alignment with the Paris Agreement

We assess the 'Paris alignment' of Atradius DSB<sup>8</sup> based on a methodology specifically developed to evaluate the alignment of ECAs with the Paris Agreement (Shishlov et al. 2021). This methodology conceptually and practically builds on existing approaches to 'Paris alignment' developed for other financial institutions, such as multilateral development banks (MDBs). Most notably, this includes the structure and rationale of the Public Development Banks' Climate Tracker Matrix by environmental think tank E3G, which, in turn, is based on the six building blocks of the Paris Alignment

Working Group (PAWG) by major MDBs. The assessment of ECAs differs notably from these two approaches since it transparently underpins each assessment dimension (hereafter referred to as 'dimensions') with specific key questions (3-5 questions per dimension, in total 18 questions) as well as specific benchmarks (four benchmarks per question, in total 72 benchmarks). The four benchmarks correspond to four labels of Paris alignment (Figure 1).

**Figure 1: Labels of Paris alignment and corresponding score ranges.**

Unaligned	0.00 - 0.50
Some Progress	0.50 - 1.50
Paris aligned	1.51 - 2.50
Transformational	2.51 - 3.00

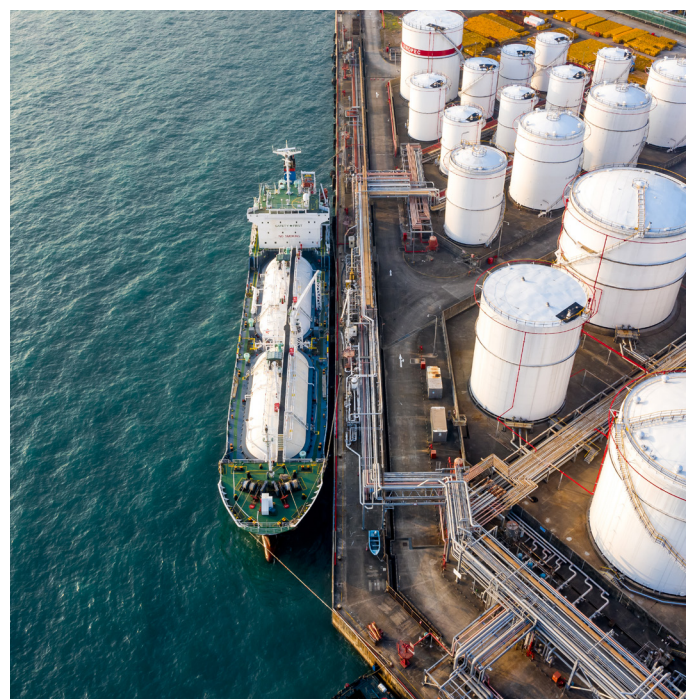
Moreover, the methodology differs from other approaches since it applies a weighting approach to the assessment dimensions. This permits to emphasize some dimensions over others which is based on the rationale that some dimensions are more immanently important to reaching the Paris cli-

mate goals (e.g., mitigation vs disclosure). The selection of weights reflects a careful consideration of priorities and is based on the expertise of more than a dozen experts from research and civil society organizations. The final scoring is carried out by evidence-based expert judgement. **Atradius DSB received an overall assessment score of 0.49 out of 3.00 and therefore received the label 'Unaligned'.** The following presents a justification for the scoring of each question per assessment dimension.

### 4.1. Dimension 1: Financial and non-financial disclosure and transparency

The first dimension is underpinned by four key questions regarding the transparency of financial and non-financial disclosure of the ECA. This dimension is a crucial prerequisite to evaluate the Paris alignment of ECAs in subsequent dimensions and to hold governments accountable for supporting businesses abroad against their commitments under international treaties, such as the Paris Agreement. Furthermore, it is especially important since ECAs were found to be particularly lacking transparency in the past (Shishlov et al. 2020). The methodology weighs this dimension with a total of 20% recognizing that disclosure cannot be an end in and of itself.

**In this assessment dimension, the Dutch ECA Atradius DSB scored best and was rated with the label 'Some progress' and a sub-score of 1.00/3.00.** We scored Atradius DSB with 'Paris aligned' only in Q1.2. With this result we want to highlight the significant progress the ECA made over the past two years in disclosing the 'fossil' shares of the portfolio. Q1.1 remains 'Unaligned' due to the absence of GHG accounting as the relevant non-financial disclosure, while Q1.3 and Q1.4 scored 'Some progress'.



<sup>8</sup> The assessment considers Dutch government policies as well as operations under Atradius DSB's main facility *ekv*.

Q Nr.	Dimension 1 – key questions	Rating
1.1	To what extent can the GHG intensity of all activities supported by the ECA be assessed based on publicly available data? (Non-financial disclosure)	Unaligned
1.2	In how far can the share of fossil fuel finance over total portfolio be assessed? (Financial disclosure)	Paris aligned
1.3	In how far can the share of climate finance over total portfolio be assessed? (Financial disclosure)	Some progress
1.4	To what extent does the institution adhere to the Recommendations and Supporting Recommended Disclosures of the Task Force on Climate-related Disclosure (TCFD)?	Some progress

### Q1.1: To what extent can the GHG intensity of all activities supported by the ECA be assessed based on publicly available data? (Non-financial disclosure)

As most ECAs (with the exception of France), Atradius DSB does not engage in GHG accounting neither at portfolio- nor at institutional level. Moreover, announcements to engage in non-financial reporting are absent in current policies or information disclosure policies (e.g., Atradius DSB, n.d.). This is why we scored Q1.1 with 'Unaligned'. Only for Category A and B projects this is different and social and environmental impact assessments are released online at least for a period of 30 days prior to insurance policy issuance (*ibid.*). These assessments can, but are not required, to contain GHG emissions reporting. Moreover, these projects only cover about 11% of total policies issued under the export credit insurance facility *ekv* (combined average of the last three years), i.e., only a fraction of the portfolio.

One example for GHG accounting at portfolio level comes from the French ECA Bpifrance which attempted to attribute

GHG emissions to six asset classes of its portfolio (Gondjian and Merle 2020 or Bpifrance 2020; for a general approach to the attribution of emissions to finance actors see the Partnership for Carbon Accounting Financials (PCAF) 2020). In fact, PCAF now collaborates with the UN-convened Net Zero Insurance Alliance<sup>9</sup> with the objective of developing a standard to measure insured emissions, which highlights the feasibility of introducing GHG accounting in ECAs (PCAF 2021).

**We recommend** following the latest developments and pursuing pioneering efforts to measuring and attributing GHG emissions linked to the export of officially supported Dutch goods or services with a view of establishing a robust and first-best decision-making basis for climate-related policies in officially supported Dutch export finance.

### Q1.2: In how far can the share of fossil fuel finance over total portfolio be assessed? (Financial disclosure)

On behalf of the Dutch government, Atradius DSB commissioned the development of a methodology to measure the share of fossil fuel-related activities (including their value chains) over the total portfolio. The results as well as the underlying methodology were disclosed in Atradius DSB 2020 Annual Report (Atradius DSB 2021a). The Dutch government furthermore included the findings in their Annual Monitor Report from 2020 (Government of the Netherlands 2021b). The purpose of determining the share of fossil fuel-related activities should be seen in the context of potential phase out of support for fossil fuels. Against this background, and given the novelty and transparency of the approach, we rated Q1.2 as 'Paris aligned' - while at the same time pointing to some important caveats discussed below.

We positively note that the methodology includes different stages of fossil fuel value chains, including the extraction phase (upstream), processing phase (midstream) and the

use phase (downstream). According to Atradius DSB (2021a), most of its support (~67%) goes to projects which take place in the upstream phase. This is notably due to the fact that Dutch companies provide internationally leading ship and dredging technologies which are used in the extraction and transport phases of oil and gas. Moreover, we positively evaluated the fact that the share of fossil fuel-related transactions is provided for the total stock of commitments outstanding, i.e., as a share of the EUR18.5 billion maximum liability amount for which the Dutch State assumes risk ('net real obligo'). This is highly important with regards to capturing the full magnitude of current involvement in fossil fuel value chains, including for past commitments which may have insurance terms of ten years or more. This methodological approach can therefore, in principle, be deemed a best practice for other ECAs.

<sup>9</sup> For more information see: <https://www.unepfi.org/net-zero-insurance/>

The main reason why we do not rate this methodology with the highest score ('Transformational') is that it is still impossible for third parties to verify the presented numbers since project-level information is unavailable for the cumulated stock of commitments outstanding (also referred to as 'total portfolio' or 'total obligo', for pure cover ECAs). This is especially problematic when indirect support of fossil fuel value chains is concerned, e.g., the exports of products or services which can serve more than one sector, such as the construction of a harbor or the export of a ship. These details can lead to substantive variation in the level of fossil fuel-related shares over the portfolio, which becomes evident when comparing the numbers reported by the Government of the Netherlands (2021c) and Atradius DSB (2021a) with previous estimates from civil society which estimated the fossil share of all insurance policies issued between 2012 and 2018 to be more than twice as much (Both ENDS 2019, see more details under Q3.2). The difference of the two estimates is stark - which underpins the necessity to clarify the remaining gaps in the exact measurement of the share of fossil fuel-related activities, especially the classification of activities which are indirectly or through intermediaries (such as subcontractors) linked to the defined fossil fuel-related value chains, which is not fully clarified in the methodology (see also Q3.2). Lastly, we consider it misleading to classify different types of fossil fuels into the vague categories of "heavy potential contributor to climate change" (for coal), "medium potential contributor to climate change" (for oil) and "moderate potential contributor to climate change" (for natural gas). The Dutch ECA justifies its approach with the varying emission intensities (CO<sub>2</sub>e/kWh) of the individual fossil fuels. This reasoning is,

however, oversimplified. For one thing, the effect on climate change depends not only on the fuel but also crucially on the technology used. For example, this ranking would not apply if one compared an ultra-supercritical coal-fired power plant with an old natural gas power plant. Furthermore, oil is difficult to compare with the other two fuels in terms of power generation, as oil is mainly used in the transport sector and rarely for power generation, and even for the latter its carbon intensity is close the level of coal. Finally, the most decisive counterargument here is that in the post-Paris world with Net Zero Targets, one can no longer choose the "lesser evil" when it comes to energy sources. The IEA report (IEA 2021) clearly shows that the use of all fossil fuels has to decline in the coming years if the declared Net Zero targets are to be achieved. For this reason alone, the classification is neither appropriate nor justifiable. On the grounds of the most recent Net Zero pathway released by the IEA (2021) or the IPCC (2018) P1 illustrative scenarios this differentiation falsely conveys the impression that support for natural gas value chains would today be more tenable than for other types of fossil fuels. Against this background, it appears negligent and misleading to continue differentiating by type of fossil fuel when an immediate cease of support for all new fossil supply infrastructure is needed to increase chances to meet the Paris climate goals, especially given the special responsibility of public finance actors from early industrialized countries.

**We recommend** addressing these caveats in future revisions so that the fossil fuel measurement methodology can represent an unreserved best practice example.

### Q1.3: In how far can the share of climate finance over total portfolio be assessed? (Financial disclosure)

The disclosure on climate finance (Q1.3) was rated as 'Some progress', but with clear potential to becoming 'Paris-aligned'. This assessment is provided on the grounds of Atradius DSB's own 'Green Label' methodology based on a list of 'light green', 'medium green' or 'dark green' activities which was introduced into the reporting since 2019 (Atradius DSB 2020; Atradius DSB 2021a). We positively evaluated that Atradius DSB's is taking a broad scope to 'green' activities and attempts to "generally align [...] with the EU Taxonomy" (Atradius DSB 2020, p.7). Yet several important caveats persist:

1. The extensiveness of the 'green' list in the areas of low carbon and energy efficiency in energy generation and other processes. This is in principle not in line with the EU Taxonomy on Sustainable Finance. At the moment, the EU Taxonomy only counts retrofits of gas transmission and distribution networks as potentially 'sustainable' if the activity aims at reducing gas leakage and increases the volume of low carbon gases, such as hydrogen (TEG 2020a). Retrofits or efficiency improvements of fossil fuel-fired power plants are *per se* excluded (for solid fossil fuels) or subject to an absolute (and declining) threshold of <100 g CO<sub>2</sub>e/ kWh reducing in five-year increments to 0 g CO<sub>2</sub>e/kWh by 2050 for liquid and gaseous fossil fuels (TEG 2020b). Against this background, we also deem the currently proposed relative thresholds of emission reductions to attain 'green' eligibility (e.g., 20%) as highly insufficient. Moreover, the three 'shades of green' (light, medium and dark) are also not in line with the approach taken by the EU Taxonomy but rather corresponding to the private and distinctive approach by CICERO (n.d.). Lastly, the EU taxonomy itself as per its most recent publication is not fully in line with the latest climate science as it will potentially allow for fossil gas and nuclear energy to count as 'sustainable'.
2. The possibility of labelling activities as 'green' in all sectors, including fossil fuel value chains which may contribute to a carbon lock-in (TEG 2020b; Seto et al. 2016) rather than promoting the early retirements of fossil fuel infrastructure and their replacement by clean alternatives.
3. The ensuing possibility of double counting of fossil fuel-related activities as both 'green' and 'fossil'.
4. The exclusively forward-looking nature of the approach which means that only *new* projects are classified as 'green' (project flow) rather than the entire portfolio as

the fossil fuel methodology does (project stock). While this is understandable from a pragmatic point of view, this approach significantly reduces the comparability between the ‘fossil’ and ‘green’ shares of the portfolio.

5. The absence of granular reporting on official climate finance channelled through Atradius DSB, if applica-

ble, reported to the UNFCCC (see Ministry of Economic Affairs and Climate Policy 2019) and the OECD (2020).

**We recommend** Atradius DSB to address these caveats in future revisions of the ‘Green Label’ methodology to achieve the ‘Paris-aligned’ score.

#### Q1.4: To what extent does the institution adhere to the Recommendations and Supporting Recommended Disclosures of the Task Force on Climate-related Financial Disclosure (TCFD)?

Q1.4 was rated with ‘Some progress’ despite the absence of an explicit adherence to the recommendations provided by the Task Force on Climate-related Financial Disclosures (TCFD). This choice is made based on announcements to explore the design of a 1.5°C scenario for officially supported Dutch export finance (Ministry of Finance 2021a and b) – one of the core recommendations of the TCFD (2017) regarding an institution’s climate-related strategy. The frontrunners in this respect are the United Kingdom’s UKEF and the Swedish

ECAs SEK and EKN which committed to report according to the TCFD as of 2022 at the latest (see UKEF 2021 and EKN 2020, respectively).

**We recommend** following these best practices regarding the TCFD and also consider reporting according to the Task Force on Nature-related Financial Disclosure (TNFD)<sup>10</sup> once these recommendations are launched.

## 4.2. Dimension 2: Ambition of fossil fuel exclusion or restriction policies

The second assessment dimension is underpinned by three key questions covering the ambition of fossil fuel exclusions and/or restriction policies by type of fossil fuel. Very few countries currently have explicit policies in place to transform ECA portfolios, and especially their energy sector portfolios, to the degree necessary to align with the Paris Agreement (Shishlov et al. 2020). One leading example is the UK – which since early 2021 ceased support for all types of fossil fuels in officially supported export finance following an announcement by Prime Minister Johnson (The Prime Minister’s Office 2020). The majority of G20 ECAs only make broad statements and commitments related to social and environmental sustainability, e.g., as communicated through their corporate social responsibility (CSR) strategies and reports. Due to the pre-eminent importance – with regards to achieving the Paris climate goals – of rapid phase out of support for fossil fuel value chains, the methodology weighs this assessment dimension with 40% (Shishlov et al. 2021). Phasing out support for all fossil fuels was already advised to the Dutch government by several civil society actors (e.g., Both ENDS 2017; 2019; Milieudefensie 2021b) as well as the Advisory Council on International Affairs (AIV 2019).

**In this assessment dimension, officially supported Dutch export finance was rated as ‘Unaligned’ with an assessment dimension sub-score of 0.33/3.00.** While important announcements on the exclusion of thermal coal have been made and several options for foreseeable fossil fuel phase out exist (see Ministry of Finance 2021b), these commitments currently lack formalization and concreteness. We scored Q2.1 with ‘Some progress’ due to the minuscule share of projects supported alongside coal-related value chains and the explicitness of the E3F initiative, of which the Netherlands is part of, with regards to ending export finance for significant parts of thermal coal-related value chains. Q2.2 and Q2.3 were rated ‘Unaligned’ due to the absence of formalized exclusion or restriction policies as well as the absence of formalized phase out plans for all types of fossil fuels and related value chains. We positively noted the stop of support for activities involving unconventional extraction methods and routine flaring of gas, which however was not sufficient to improve the score.

Q Nr.	Dimension 3 – key questions	Rating
2.1	<b>Coal:</b> How ambitious is the ECA regarding exclusions or restrictions for support of coal and related value chain?	Some progress
2.2	<b>Oil:</b> How ambitious is the ECA regarding exclusions or restrictions for support of oil and related value chain?	Unaligned
2.3	<b>Natural gas:</b> How ambitious is the ECA regarding exclusions or restrictions for support of gas and related value chain?	Unaligned

<sup>10</sup> For more information on the TNFD see: <https://tnfd.info/>

## Q2.1: How ambitious is the ECA regarding exclusions or restrictions for support of coal and related value chain?

Q2.1 was rated with ‘Some progress’, with the potential of becoming ‘Paris-aligned’. While no formalized exclusion or restriction policy for coal and related value chains exists for Atradius DSB, the promise of no longer supporting (thermal) coal stands since 2014 (see Government of the Netherlands 2014; and E3G and Oil Change International 2021). This is reflected in the minuscule share of projects along the coal-related value chain in the total portfolio which has been reported with one outstanding commitment “*of limited size*” related to the coal value chain (Atradius DSB 2021a, p.31). Which transaction that involves and what maturity it has is, however, unclear from the report. It possibly refers to the cover of a Dutch dredging company which has received credit insurance in 2019 for deepening and widening a Polish canal connecting the major coal terminals in Swinoujscie and Szczecin in Poland (Atradius DSB 2021d).

Coal is generally distinguished between thermal coal and metallurgical coal. The Government of the Netherlands (2014; 2021c), alongside the E3F coalition, promise to end support for thermal coal-related projects only in officially

supported export finance (e.g., such as used for electricity generation). Next to ending support for unabated coal power generation, the E3F coalition also stated the end of officially supported export finance for coal mining, storage and transport (Ministry of Economy of France 2021). This goes significantly beyond the very lenient restrictions imposed by the OECD Coal-Fired Electricity Generation Sector Understanding (CFSU) but excludes significant other GHG intensive applications of coal in industrial processes. Moreover, the commitment to phasing out support for all types of fossil fuels lack concrete timelines for members of the E3F (Both ENDS et al. 2021a).

**We emphasize the partial nature of these commitments and recommend** a comprehensive and formalized phase out policy for coal (including metallurgical coal as well as all stages of the value chain), building on the example of the United Kingdom’s Prime Minister’s Office (2020). Once such policy is formalized the Dutch ECA will be rated “Paris aligned” on this assessment question.

## Q2.2: How ambitious is the ECA regarding exclusions or restrictions for support of oil and related value chain?

Q2.2 was rated ‘Unaligned’. This is mainly due to the fact that, to date, the Dutch government has not issued a formalized exclusion or restriction policy to end support for oil-related value chains for Atradius DSB to implement. Moreover, Dutch exporters are still strongly engaged in the sector, e.g., through the export of equipment used for transport of oil, which may explain (but not justify) reluctance to such exclusions. Of the total maximum liability amount of fossil fuel-related transactions insured by the end of 2020, oil value chains represented about 47% according to the official estimate (Government of the Netherlands 2021b). We positively note that the House of Representatives was promised by State Secretary of Finance J.A. Vrijlbrief that no further ECA support would be directed toward projects involving unconventional extraction methods such as fracking (Government of the Netherlands 2021c). At the same time, the Government of the Netherlands (2021c) acknowledges that in the downstream value chain it is no longer possible to distinguish between conventional and unconventional extraction methods. This is however not reflected in current commitments. Lastly, oil projects involving routinely flaring of gas have un-

der Atradius DSB’s current CSR policy not been underwritten anymore (*ibid.*). This practice however also lacks formalization. Taken together, we note that the Dutch government is increasingly aware of the risks and uncertainties involved by supporting oil-related value chains. At the same time, concrete proposals and formalized commitments to transform this significant industry branch over the short term are absent. This is why we rate this indicator with ‘Unaligned’ noting that the Government of the Netherlands indicated options which could achieve a higher scoring in the future.

**We strongly recommend** to deploy the fossil fuel measurement methodology to identify oil-related value chains and thereupon base decisions to exclude oil-related project applications with immediacy. Further deepening and formalizing their commitments can help the Netherlands to make their contribution to achieving the Paris climate goals and also establish clarity for Dutch exporters. The government could, for instance, build on the announcement by the United Kingdom’s Prime Minister’s Office (2020).

## Q2.3: How ambitious is the ECA regarding exclusions or restrictions for support of gas and related value chain?

Q2.3 was similarly rated with ‘Unaligned’. As for the case of oil, the Dutch government has not issued any formalized exclusion or restriction policy to end support for gas-related value chains through Atradius DSB. The gas sector also continues to be an important market segment for Dutch exporters, e.g.,

for the export of pipelines or dredging services. Of the total maximum liability amount of fossil fuel-related transactions insured by the end of 2020, gas value chains represent about 51% (Government of the Netherlands 2021b). The underwriting of a contract between the Dutch dredging company Van

Oord and energy giant Total involving the construction of an offshore infrastructure to transport natural gas from the seabed to an onshore plant in conflict-afflicted Mozambique (Atradius DSB 2021d) provides an epitomizing example of the continued involvement of officially supported export finance in controversial large-scale and risky fossil fuel projects abroad. The Dutch State assumed liability of more than EUR 900 million at a time when the violence in the region escalated (Both ENDS 2021b). According to Atradius DSB (2021a), natural gas is a fossil fuel with 'moderate potential' to contribute to climate change. Against the findings of the latest IEA (2021) report on Net Zero pathways, this view is no longer tenable – at least for support to the upstream development of new and currently unapproved supply fields. Moreover, emissions from natural gas have long been un-

derestimated due to insufficient considerations of methane leakages (e.g., see NDRC 2020; Alvarez et al. 2018). Lastly, ECAs are public finance institutions and therefore need to do justice to their special responsibilities and lead the way much faster than any other finance actor to meet Net Zero targets by mid-century and increase chances of meeting the Paris climate goals.

**We therefore recommend** acknowledging the carbon lock-in potential of natural gas and elevate the ambition to phase out support to this fossil fuel with the same immediacy and scope as for coal and oil.

### 4.3. Dimension 3: Climate impact of and emission reduction targets for all activities

The third assessment dimension is underpinned by three key questions regarding the climate impact and GHG emissions reduction targets for all ECA activities. To achieve the objectives of the Paris Agreement, not only rapid fossil fuel phase out is required, but other sectors also need to drastically reduce absolute emissions levels (IEA 2021). In the absence of comprehensive GHG accounting the assessment of this dimension is difficult – however, where possible, we look at second-best indicators to proxy the emission intensity of an ECA portfolio (e.g., fossil fuel-related energy sector finance). The methodology assigns this dimension an overall weight of 20%.

**In this assessment dimension, Atradius DSB is rated 'Unaligned' with a sub-score of 0.00/3.00.** The lack of relevant information is the main reason for this negative result, including on climate-related non-financial disclosure, granular financing data in the energy sector and lack of GHG reduction targets in line with an ambitious 1.5°C scenario in all relevant sectors. Such information is needed to improve the scoring in this dimension.

Q Nr.	Dimension 3 – key questions	Rating
3.1	Can a declining trend in GHG intensity of the total portfolio be observed? (tCO <sub>2</sub> e/USD, Scope 1-3 emissions)	Unaligned
3.2	How significant is the fossil fuel financing relative to total energy-related portfolio? (average of the last three years of available data, where available)	Unaligned
3.3	To what extent do all emission-relevant sectors have targeted GHG reduction targets and in how far are GHG reduction targets in line with benchmarks of acceptable 1.5°C pathways?	Unaligned

#### Q3.1: Can a declining trend in GHG intensity of the total portfolio be observed? (tCO<sub>2</sub>e/USD, scope 1-3 emissions)

Atradius DSB does not operate a GHG accounting system, therefore no trend in the GHG intensity of the entire portfolio could be determined leading to the assessment result of 'Unaligned'.

**We recommend** pursuing pioneering efforts establishing the GHG intensity of the total portfolio as first-best data source to observe trends of declining emissions-intensity (both relative to total commitments outstanding and in absolute terms) of officially supported Dutch export finance.

### Q3.2: How significant is the fossil fuel financing relative to total energy-related portfolio? (average of new commitments from the last three years where data is available)

Due to the absence of explicit data on energy sector finance, Q3.2 was rated with 'Unaligned'. Atradius DSB does not operate a comprehensive definition of 'energy sector finance' based on which the share of fossil fuel-related support (or clean energy-related support) to value chains in the energy sector could be dissected. However, the total share of fossil fuel-related commitments over total commitments outstanding as of December 31, 2020 was reported with 26% in terms of volume and 17% in terms of number of policies across all sectors (Atradius DSB 2021a). This share needs to be seen in context with a previous estimate by Both ENDS (2019) which looked at the total of 524 transactions insured by Atradius DSB between 2012 and 2018 (corresponding to a maximum insured amount of EUR 17.7 billion) and classified 154 comparatively large transactions in the energy sector (corresponding to a maximum insured amount of EUR 11.1 billion). The Dutch NGO finds that in that period of time almost all (98%) of these policies are related to fossil fuel value chains, which corresponds to 36 times more financial support than provided for clean energy projects. Next to transactions related to fossil fuel value chains, the NGO also classified projects that indirectly service the fossil fuel industry as 'fossil', such as the delivery of a dredger used in the first place to construct a harbour, which among other things, services the oil and gas industry. According to this approach, the estimated share of projects classified as 'fossil' compared to the total volume committed to over this period is 61.46% and thus more than twice as much as the 26% reported by

Atradius DSB (2021a) and Government of the Netherlands (2021b) for commitments outstanding by the end of 2020. Certainly, the two measurement methodologies qualitatively differ. Moreover, there is a two-year gap between the data coverage. Yet we deem it as unlikely that within two years this share has dropped thus significantly or that outstanding commitments predating 2012 were comparatively less associated with fossil fuel value chains. While the problematic of measuring 'indirect' support for fossil fuel value chains is acknowledged in the methodology (Government of the Netherlands 2021c), it remains unclear and non-verifiable how this was dealt with this on a case-by-case basis in the official estimate.

**We recommend** to separately disclose financial information of commitments outstanding (both project stock and flow) in energy-related value chains and provide clarity on the above discussed details in future revisions of the fossil fuel measurement methodology. More specifically, we suggest defining the energy sector based on a value chain approach distinguishing into (i) fossil fuel-related value chains; (ii) clean (or more narrowly, renewable) energy-related value chains; and (iii) other primary energy sources (e.g., such as nuclear). Relevant types of fuels used to generate total primary energy supply (TPES) and related value chains should be from standard setting authorities, e.g., the International Energy Agency and the OECD (e.g., IEA 2020 and OECD 2021b).

### Q3.3: To what extent do all emission-relevant sectors have targeted GHG reduction targets and in how far are GHG reduction targets in line with benchmarks of acceptable 1.5°C pathways?

Q3.3 was rated with 'Unaligned' as the Dutch government does not instruct its ECA to formulate GHG reduction targets in relevant sectors in line with global warming trajectories still permitting higher chances to safely achieve 1.5°C warming compared to pre-industrial levels, such as the IEA (2021) Net Zero pathway or the IPCC (2018) P1 illustrative scenarios. Such an instruction would imply the need to undertake the above-mentioned efforts to better understand, measure and attribute incurred emissions among all transaction participants.

**We recommend** that Atradius DSB starts by ceasing to provide support to incontrovertibly emissions-intensive or

-enabling sectors in the first place (i.e., fossil fuel-related), and develops GHG reduction targets for other – especially carbon intensive – sectors in a second step. Furthermore, we recommend to design 1.5°C scenarios for Atradius DSB on a conservative and precautionary basis. On a sector-agnostic level this means that only the IPCC P1 illustrative pathways should be used as reference scenario or the IEA (2021) Net Zero pathway. We recommend the ECA to furthermore engage with the Science-Based Targets initiative (SBTi) and set specific sectoral GHG reduction targets for its portfolio as well as incentivize setting SBTs for Dutch exporters.

## 4.4. Dimension 4: Climate finance: Positive contribution to the global climate transition

The fourth assessment dimension is underpinned by five key questions regarding an ECA's contribution to a just climate transition and sustainable development. Rapidly ramping up and improving climate finance is crucial to achieve the objectives of the Paris Agreement and contribute to a green

and just post-COVID recovery. If ECAs shifted their support from fossil fuel to clean energy activities, their contribution to green finance could be "very substantial" according to the independent expert group on climate finance (Averchenkova et al. 2020). This dimension is weighted with 10%.

In this assessment dimension, Atradius DSB is rated as ‘Some progress’ with a sub-score of 0.60/3.00. All key questions are rated with ‘Some progress’, except Q4.3 and Q4.5 which are rated ‘Unaligned’. Note that we consider ‘climate’ finance as a sub-category of ‘green’ finance, which in turn, is subordi-

nate to ‘sustainable’ finance. Since Atradius DSB only reports ‘green’ finance, this is what we assessed in this dimension.

Q Nr.	Dimension 4 – key questions	Rating
4.1	What is the reported share of climate finance over total portfolio?	Some progress
4.2	How can the quality/appropriateness of climate finance earmarks be assessed?	Some progress
4.3	What is the share of clean energy financing over total energy-related financing?	Unaligned
4.4	To what extent does the pricing structure take into account climate impacts of activities?	Some progress
4.5	In how far does the institution ensure positive sustainable development contributions of its activities?	Unaligned

#### Q4.1: What is the reported share of climate finance over total portfolio?

Q4.1 was rated with ‘Some progress’ – with a clear potential of becoming ‘Paris aligned’. The assessment is based on the reported high level of the share of ‘green’ activities based on the ‘Green Label’ methodology and the significant increase of the volume of additional activities insured which were classified as ‘green’ between 2019 and 2020 (Atradius DSB 2020). Notwithstanding the caveats of the ‘Green Label’ methodology noted under Q1.3, this share is reported as rising from 19.7% in 2019 to 49% in 2020 (Government of the Netherlands 2020; 2021b). This level exceeds the average share of activities classified as ‘climate finance’ of nine major MDBs which stood at 29% over total MDB operations in 2020, excluding climate co-finance (MDB Joint Report 2021). However, this comparison needs to be taken with a grain of salt due to different definitions of ‘green’ or ‘climate-related’ activities

as well as the different nature of financial instruments. Note that ‘green’ reporting is currently only available for 2019 and 2020 and a three-year average to correct for outliers could not yet be calculated. In fact, the jump between 2019 and 2020 was explained by “a number of very large projects” (namely 14) that were classified as ‘green’ in 2020 (Government of the Netherlands (2021b, p.20). This strengthens the case for the need to look at multiple-year averages.

In general, **we recommend** to report ‘green’ activities as both the share of total portfolio (project stock) and as new commitments in an additional year (project flow) to achieve a more comprehensive and comparable picture.

#### Q4.2: How can the quality/appropriateness of climate finance earmarks be assessed?

Q4.2 was rated as ‘Some progress’. This assessment is based on the rationale behind the ‘Green Label’ methodology which was developed according to the standard approach suggested by the International Finance Corporation (IFC) (Atradius DSB 2020). While transparent and pragmatic, we cannot provide better scoring for this approach since the methodology still allows for retrofits of existing fossil fuel power plants or other improvements of activities in fossil fuel value chains if certain conditions are met. This runs the risk of contributing to an infrastructural and technological carbon lock-in (e.g., Seto et al. 2016). Moreover, the current approach goes against the logic of the EU Taxonomy on Sustainable Finance, which, as mentioned above, only includes retrofits of gas transmission and distribution networks if the activity aims at reducing gas leakage and promotes the use of low carbon gases like hydrogen (TEG 2020a). Moreover, Atradius DSB (2020, p.7) states that the EU Taxonomy would apply to transactions within the European Union which therefore only partially covers their international portfolio. However,

absolute sustainability benchmarks of quality are by nature applicable internationally since it does not matter where in the world the emission of one tonne of CO<sub>2</sub>e is caused or enabled. European companies, investors and insurers should therefore stick to European standards globally if they want to take climate and sustainability problems seriously. Escaping stricter environmental regulation by the principle of following only host country regulation needs to be resolved collectively by strengthening international regulation, such as the OECD Arrangement.

**We therefore recommend** revising the ‘Green List’ to fully align it with the EU taxonomy on Sustainable Finance. At the same time, the Dutch government needs to ensure that this alignment of Atradius DSB with the EU Taxonomy is based on the latest climate science, meaning that it needs to exclude all types of fossil fuels, also in the controversial cases such as the production of hydrogen (e.g., CEE Bankwatch et al. 2021).



### Q4.3: What is the share of clean energy financing over total energy-related financing? (average of new commitments from the last three years where data is available)

Q4.3 was scored with 'Unaligned'. This assessment is based on the relatively small share of policies issued in 2020 which are labelled as belonging to the 'renewable energy sector' (*duurzame energie*). This share is reported to stand at 7% of all new policies issued, referring to an estimated nine projects (Atradius DSB 2021a). In previous annual reports, the renewable energy sector did not figure at all among the main sectors which received Atradius DSB's support – which is in line with Both ENDS' (2019) assessment that found the vast majority of support in the energy sector going to fossil fuel value chains. These nine renewable energy sector projects figure among the 14 projects classified as 'green' in 2020 which, taken together, represent 49% of the total new insured value (more than four billion euros). In terms of volume, these projects are disproportionately large com-

pared to other projects insured in 2020. However, due to the lacking definitions and granularity of reporting in the energy sector we cannot establish the exact amount insured of renewable energy financing, neither per year, nor as a share over the total portfolio, without tediously re-classifying each insurance on an individual basis.

This is why **we recommend** reporting the number of policies per sector, the corresponding financial volumes per sector as well as the corresponding information in the ex-post classification system at project-level basis (i.e., see Atradius DSB 2021d). We suggest defining the energy sector for both fossil- and clean-related value chains based on common approaches as outlined under Q3.2.

### Q4.4: To what extent does the pricing structure take into account climate impacts of activities?

Q4.4 was rated with 'Some progress'. This evaluation is based on several special instruments introduced to make green exports more attractive (Atradius DSB 2021b). These instruments are designed for exports which can be classified as 'green' according to the 'Green Label' and include the following (*ibid.*):

1. Broader Dutch content policy for green project finance: This means that green projects can obtain higher maximum insured amounts (up to 95% compared to the standard 70-90% coverage).
2. Relaxed underwriting criteria for small green transactions: This means that project applications up to EUR 5 million can also be accepted that otherwise would be assessed as 'risky' according to regular criteria and relaxed terms can be applied, such as longer repayment periods.
3. Broader definition of 'exports': This means that green transactions can become eligible for coverage if the transaction takes place between Dutch companies and domestic buyers that can demonstrate the export potential of the capital good involved.

However, Atradius DSB applies no price discrimination for premiums paid by exporters or banks based on the actual or proxied emission intensity of maximum insured values is implemented or envisioned. While such an approach would ideally require information about the actual emissions of an activity across all scopes, in a less ideal world this can be proxied at the sectoral- or activity-level. In a letter to Parliament in November 2020, a green incentive structure was proposed, which aims to extend the scope of the regular *ekv* instruments for green export transactions through, among other things, more favourable premium conditions (Ministry of Finance 2020). Depending on its ambition, the implementation of such an incentive system would result in a 'Paris-aligned' rating of Atradius DSB. Note, however, that in the case of fossil fuel value chains we recommend the use of an immediate exclusion rather than an (dis-)incentivization system.

### Q4.5: In how far does the institution ensure sustainable development contributions from its activities?

Q4.5 was scored with 'Unaligned'. Atradius DSB adheres to a number of social and environmental principles and codes of conduct, including the OECD Common Approaches, the IFC Performance Standards, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises (Atradius DSB 2021c). We also positively evaluate that Atradius DSB also conducts environmental and social due diligence for smaller transactions (below EUR 10 million) if they take place in sensitive areas or sectors (e.g., oil- and gas related) or if the likelihood of project-related human rights violations is high (*ibid.*). For smaller sized projects this goes beyond for what the Common Approaches (OECD

2016) require. Despite this progress, there is no comprehensive announcement of aligning its activities with sustainable development goals. Moreover, we cannot provide better scoring due to repeated bad press or NGO communications on socially and environmentally harmful consequences in the context of officially supported projects in Dutch export finance (e.g., Both ENDS 2021b; Milieudefensie 2020). This is frequently the case in large-scale infrastructure projects in the oil and gas sectors in which Dutch exporters are active, such as the example of support for infrastructure for a controversial natural gas project in Mozambique discussed under Q2.3. Moreover, the Dutch ECA currently issues 'prom-

ises of cover' before a decision on the need for social and environmental due diligence has been reached. 'Promises of cover' are a formalized instrument which anticipates the issuance of official support through one of Atradius DSB's instruments – albeit contingent on a positive decision on the social and environmental due diligence. Repeated communications from local stakeholders and international NGOs have criticized this practice and emphasized the need to disclose decisions of 'promises of cover' *ex ante*, at least for all Category A, B and C projects, to enable and prepare meaningful and informed local stakeholder dialogues.

In the first place, we recommend taking a more precautionary approach to avoiding adverse social and environmental consequences by phasing out support to fossil fuel value chains. These activity types tend to more frequently stand in conflict with broader sustainable development goals and essentially undermine climate objectives.

Moreover, **we recommend** deciding on the need for social and environmental due diligence before the issuance of a 'promise of cover' and transparently disclose the reasoning behind deciding in favour or against a project application.

## 4.5. Dimension 5: Engagement - Outreach and 'pro-activeness' of ECAs and their governments

The fifth assessment dimension is underpinned by three key questions aimed at capturing the engagement and ambition of climate and sustainability policies of the government and its ECA in international fora as well as with national exporters and banks. This dimension is weighted with 10%. **In this assessment dimension, Atradius DSB is rated with 'Some progress' with a sub-score of 1.00/3.0.**

All key questions were ranked with 'Some progress'. This reflects the Dutch presence of government representatives on climate and sustainability issues in international fora as well as the deliberations of the government to strategically tackle the issue at supranational policy fora.

Q Nr.	Dimension 5 – key questions	Rating
5.1	To what extent does the institution itself or its government actively engage in relevant international fora (e.g., E3F, OECD, the Berne Union, WTO, or the World Economic Forum) to liaise with like-minded for ambitious climate policies in the export finance system?	Some progress
5.2	To what extent does the institution itself or its government actively engage in relevant national fora with view to implementing ambitious climate policies in the (national) export finance system?	Some progress
5.3	To what extent does the institution or its government actively engage with national companies to transform fossil fuel-related value chains and incentivize low GHG exports?	Some progress

### Q5.1: To what extent does the institution itself or its government actively engage in relevant international fora (e.g., OECD, the Berne Union, WTO, E3F or the World Economic Forum) to liaise with like-minded for ambitious climate policies in the export finance system?

Q5.1 was scored with 'Some progress' regarding Dutch engagement in the E3F initiative as well as with regards to its deliberations to push climate-related ambition at the OECD level (Government of the Netherlands 2021b; Ministry of Finance 2021b). For instance, the Dutch government will host the November meeting of the E3F and therefore takes a proactive role with the potential to demonstrate leadership in the initiative. Atradius DSB contributed to the Berne Union 'Illuminating Climate' bulletin by highlighting their approach to 'greening' the Dutch officially supported export finance and the ensuing innovation potential (Walbroek 2021). Moreover, the Dutch government stated its readiness to share the 'Green Label' and 'Fossil fuel measurement' methodology with other countries (ibid.). It openly criticized the OECD Arrangement Sector Understanding on Renewable Energy, Climate Change Mitigation and Adaptation and Wa-

ter Projects (CCSU) as being too limited, highlighting that the CCSU should cover more sectors and relax its requirements for adaptation activities. Additionally, the Netherlands are in favour of the EU proposal aiming at expansion the CFSU to all types of coal fired power plants as well as inclusion of mining and coal-related projects (ibid.). Lastly, there is no public information available on the Dutch stance on taking up negotiations at the International Working Group on Export Credits (IWG) which has been suspended last year due to overly divergent positions (European Commission 2020).

**We recommend** that the Dutch government further follows and strengthens its potential to lead the way for climate-related reform in the export finance system. More specifically, we recommend the Dutch government to actively:

1. Seek support from other more ambitious members of the E3F initiative (e.g., the UK) and raise its ambition rather than advocate for more extensive membership, which may potentially lead to watering down the ambition using the ‘lowest common denominator’.
2. Further deepen and publicly report on negotiations at the OECD level, especially with the US and Japan; and particularly against the background that China phased out all support for coal-fired electricity generation in overseas markets (e.g., see Carbon Pulse 2021).
3. Strategize with like-minded OECD Arrangement participants about how to leapfrog gradual changes and achieve a transformative climate-related policy reform of the Arrangement including through adoption of restrictions for oil and gas export finance at the OECD (to complement the CFSU) – in a way that prevents loopholes that allowed continued coal power finance despite CFSU.
4. Enhance and publicly report on progress on climate- and environmental diplomacy between the OECD and non-OECD members of the export finance system, through the IWG with China.
5. Deliberate with like-minded countries about forming a new ‘level playing field’ outside the OECD Arrangement to accelerate progress and typify the design of a Paris-aligned and sustainable international export finance regulation.
6. Promote ambitious climate-related reforms for European competition policy with the Directorates-General for Trade and Climate at the European Commission.

### Q5.2: To what extent does the institution itself or its government actively engage in relevant national fora with view to implementing ambitious climate policies in the (national) export finance system?

Q5.2 was rated with ‘Some progress’. This assessment is based on the policies put in place to improve the financing terms and conditions for green exports, especially supporting innovation from small and medium-sized enterprises (Atradius DSB 2020). There is no evidence that the Dutch government would obstruct such reforms at national level; but rather promote innovation in climate-related fields as long as it does not put domestic employment at risk. Moreover, the Ministry of Finance and Atradius DSB have organised a national-level workshop on aligning Atradius DSB with the Paris Agreement, including the participation of NGOs, banks, exporters and climate scientists.

**We recommend** that the Dutch government further strengthens and regularizes such type of outreach activities and

ensures the participation of civil society actors, including NGOs and research institutions. Moreover, we recommend that it elaborates a broader national-level and government-wide strategy to fully align its entire export sector with the Paris Agreement, including – but not limited to – officially supported export finance. Atradius DSB should also more closely collaborate with other relevant actors, such as the Dutch Entrepreneurial Development Bank (FMO) which is in several aspects more advanced as far as phasing out support for fossil fuels in its direct investment portfolio is concerned (e.g., see FMO 2021).

### Q5.3: To what extent does the institution or its government actively engage with national companies to transform fossil fuel-related value chains and incentivize low GHG exports?

Q5.3 was rated with ‘Some progress’. Atradius DSB is in close contact with its clients, both exporters and banks from the Netherlands, and their ‘green’ incentive schemes, discussed under Q4.3, can be seen as a first stepping stone to play a proactive role in enabling innovation and marketing of goods and services in low GHG emitting sectors in export markets. ECAs are typically perceived as only demand-driven. However, this is no ‘given’ and we recommend that both Atradius DSB and the Dutch government to deepen their engagement with their clients, in particular in the oil and gas sector, to identify ways and means of transforming their export businesses and putting in place complementary policy measures to compensate for short-term economic losses, such as employment transition or compensation management. The government will have to strike a balance between getting companies to pay for the transition – e.g., for the retraining of workers – and public expenditure covering these costs.

More specifically, **we urge the Dutch government** to conduct national-level surveying among exporters with regards to identifying the opinions, needs and opportunities in the private export sector about ambitious plans to phase out support for fossil fuel value chains. This should include, for instance, general questions about the attitude of Dutch exporters towards taking part in the transition (for an example see a study by Bright Blue (2021) on the UK) as well as specific questions regarding anticipated job or sales losses (e.g., see the Swedish ECA EKN (2020) which has conducted similar assessments with major exporters). Moreover, next to liaison with companies, **we recommend** to engage with national and international research institutions and establish a scientific advisory council on climate change and export finance also following the Swedish example (*ibid.*). This is highly relevant to take the most recent developments at the frontier of climate science into account in the ambition of Dutch policies in officially supported export finance.

## 5. Conclusions and recommendations

In this study we applied a multidimensional methodology to assess the ‘Paris alignment’ of Atradius DSB (mainly focused on the Dutch export credit facility), the ECA operating on behalf of the Dutch State. We found that while the Dutch ECA shows some progress to aligning its activities with the Paris Agreement, in many dimensions more ambitious and faster action needs to be undertaken. Most laudable is the development of a fossil fuel measurement methodology through which the share of fossil fuels over the entire portfolio is being disclosed, in other words, all commitments outstanding for which the Dutch State currently assumes liability. This makes the Dutch ECA comparatively advanced in terms of transparency and indications of the likely climate impact of its activities.

However, transparency is no more than a prerequisite for ambitious climate action and the carefully selected weights of the underlying methodology clearly reflect this. We underline the importance of the insights into the fossil share of Atradius DSB’s portfolio as a wake-up call for ambitious plans to phasing out support for all types of fossil fuels and related value chains. This can serve as a stepping stone for aligning officially supported Dutch export finance with the Paris Agreement. The Dutch government already shows strong presence in international fora and proposed tangible options for its own ECA as well as other like-minded ECAs and governments to advance the transformation of their export finance systems. The prospective government should

now build on these important first steps and undertake the climate action necessary to align its export system with the Paris Agreement. Only then the Netherlands can drive truly transformational progress at the international level.

In view of several options laid out in the short study accompanying State Secretary’s Vijlbrief’s pledge of aligning officially supported Dutch export finance with the Paris Agreement (Ministry of Finance (2021a, b), we recommend the Dutch government and Atradius DSB to establish and formalize a concrete roadmap to phase out support for fossil fuel value chains immediately and without differentiating between the types of fossil fuels. Moreover, a non-differentiation of scope should be warranted, i.e., this policy needs to include all phases of the fossil fuel value chain into the commitment, including mid- and downstream. This would also be required to meet customary law, climate law and human rights law obligations (Cook and Viñuales 2021). Lastly, we recommend to both disseminate and follow best practices in the export finance system mentioned in this study and to regularly update policies as scientific evidence evolves. Notably, this refers to the leading example of the United Kingdom and its ECA UKEF which have since earlier this year phased out support for all types of fossil fuels.

All specific recommendations per assessment dimension are summarized in Table 2.



**Table 2: Summary of key recommendations per assessment dimension**

Key recommendations for the 'Paris alignment' of officially supported Dutch export finance	
Financial and non-financial disclosure and transparency ( <i>Dimension 1</i> )	<ul style="list-style-type: none"> <li>• Pursue pioneering efforts to measuring and attributing GHG emissions linked to the export of officially supported Dutch goods or services.</li> <li>• Provide the possibility for the general public to verify the 'fossil' classification for all commitments outstanding on a granular project-to-project basis.</li> <li>• Fully align the list of 'green' activities with the EU taxonomy on Sustainable Finance and ensure overall alignment with latest climate science, i.e., not classifying coal-to-gas switch as 'green'.</li> <li>• Fully support and report according to the recommendations made by the TCFD or, prospectively, the TCND.</li> </ul>
Ambition of fossil fuel exclusion or restriction policies ( <i>Dimension 2</i> )	<ul style="list-style-type: none"> <li>• Immediately cease officially supported export finance for all types of fossil fuels and related value chains</li> <li>• Formalize the Dutch coal exclusion policy and ensure an immediate halt to any continuing and new support to coal or the coal-related value chain.</li> <li>• Formalize and deepen commitments for exclusions of oil-related value chains in line with the above recommendations.</li> <li>• Formalize the phase-out policy for natural gas and related value chains with the same immediacy and scope as for coal and oil.</li> </ul>
Climate impact of and emission reduction targets for all activities ( <i>Dimension 3</i> )	<ul style="list-style-type: none"> <li>• Clarify the accounting of support for Dutch exports indirectly used in fossil fuel value chains.</li> <li>• Design a 1.5°C scenarios for Atradius DSB on a conservative and precautionary basis with reference scenarios from the IEA Net Zero or IPCC P1 pathways.</li> </ul>
Contribution to a just climate transition and sustainable development ( <i>Dimension 4</i> )	<ul style="list-style-type: none"> <li>• Report 'green' activities as a share of total portfolio (project stock) and new activities per year (project flow).</li> <li>• Deploy a common definition of energy finance which can be disaggregated into support for value chains in both the fossil and clean energy sector.</li> <li>• Consider incentivizing climate-friendly exports through price-based discrimination of exporters' premium payments.</li> <li>• Take a more precautionary approach to contributions to a just climate transition and broader sustainable development by ceasing support to fossil fuel value chains.</li> </ul>
Outreach and 'pro-activeness' of the ECA and its governments ( <i>Dimension 5</i> )	<ul style="list-style-type: none"> <li>• Raise ambition within the E3F rather than advocating for more extensive membership.</li> <li>• Further strengthen Dutch engagement at various international policy levels for ambitious climate-related reforms, especially the OECD Arrangement.</li> <li>• Elaborate a broader strategy to fully align the entire export sector, including officially supported export finance, with the Paris Agreement.</li> <li>• Work in tandem with export businesses and design complementary policies to cope with potential short-term economic challenges ensuing rapid fossil fuel phase out, such as employment transition or compensation management.</li> <li>• Establish a scientific advisory council on climate change.</li> </ul>

Note: Please refer to the respective sections above for fully detailed recommendations.

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