PARIS ALIGNMENT OF EXPORT CREDIT AGENCIES

Case study #7: France (Bpifrance Assurance Export)

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perspectives climate research

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Perspectives Climate Research

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Key Messages

- Bpifrance Assurance Export (hereafter referred to as Bpifrance), as the official Export Credit Agency (ECA) of France, was assessed[1] with regards to its alignment with the Paris Agreement across five dimensions using the methodology developed by Perspectives Climate Research. Overall, **Bpifrance was rated with 'Some progress'** across five assessment dimensions reflecting the advances made in aligning its activities – and global export finance more broadly – with the Paris Agreement but also highlighting remaining gaps (assessment score 1.07/3.00).

- Most notably, France is among the countries having released a **fossil fuel phase out policy under the Export Finance for Future** (E3F) initiative, halting support for most transactions related to fossil fuel value chains as of January 2023. This policy is designed to implement the COP26 Statement on the Clean Energy Transition of which France is a signatory. Moreover, Bpifrance has **significantly ramped up its support to renewable energy in 2020-2021.**

- We also recognise France's efforts to create a 'level-playing field' in the global export finance system including the **co-launching of the E3F coalition** in 2021 and **leading the EU's Economic and Financial Affairs (Ecofin) Council Conclusions on export credits** in 2022, both giving a precise definition of the unabated fossil fuel energy sector and pushing all 27 EU member states to commit to phase out export financing to the fossil fuel sector.

- Bpifrance offers preferential conditions for sustainable projects via the **'Climate Bonus'** in line with the criteria of the European Taxonomy. However, the effectiveness of this **incentive scheme remains uncertain, as it allows for the support of nuclear and gas projects in line with the EU Taxonomy.**

- The main reason for not scoring 'Paris aligned' are **remaining loopholes** for Bpifrance, alongside other public finance institutions, **to keep supporting oil and gas projects under specific circumstances,** particularly oil and gas-fired power plants. Without a clear materiality threshold, it remains uncertain whether the stated exemptions will prove to be negligible.

- Other reasons lowering the score on Paris alignment include the absence of granular reporting **on project-level greenhouse gas (GHG) emissions data** and high exposure to fossil fuels compared to renewable energy-related exports in the E3F-reporting period of 2015-2021 (EUR 1.62 billion and EUR 1.96 billion respectively). Bpifrance **also potentially under-reports emissions** in carbon intensive sectors, such as aviation, shipbuilding and military which are not reported on a project-by-project base as they are not subject to the OECD's Common Approaches for Officially Supported Export Credits.

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	1.33/3.00
3. Mitigation II	0.2	Climate impact of and emission reduction targets for all activities	0.33/3.00
4. Climate finance	0.1	Positive contribution to the global climate transition	1.00/3.00
5. Engagement	0.1	Outreach and 'pro-activeness' of the ECA and its governments	1.67/3.00
Assessment outcome:		**Some progress**	1.07/3.00

[1] The assessment boundary of this study comprises French government policy as well as the portfolio and strategy of Bpifrance.

Key recommendations for the French government

The French government should continue advancing 'Paris alignment' of Bpifrance, in close collaboration with like-minded countries, to achieve transformation of the global export finance system. Key recommendations include:

(i) **Review the exemption clauses of the E3F fossil fuel phase out policy** and include a 'materiality threshold' for exemptions, e.g., that the financial support granted cannot exceed a reasonable level of materiality (e.g., 5% of total energy sector finance). Such exceptional support should be tied to strict criteria of addressing energy security for the most vulnerable, e.g., in post-war reconstruction efforts. All cases of such exemptions should be transparently and publicly communicated, ideally before they are being granted already.

(ii) **Scaling up Bpifrance's capacity to provide financial support to renewable energy and other sustainable activities,** thus strengthening the competitiveness of France's exporters in these strategic industries. This can contribute to the commitment of providing around EUR 1.2 billion annually in international climate finance until 2025. Clear definitions of what constitutes climate finance should be adopted and made publicly available.

(iii) **Setting Paris-aligned portfolio and sectoral emission reduction targets** for both the short- and medium- as well as long-term using a third-party to continuously monitor the implementation status, e.g., through the Science-Based Targets Initiative (SBTi). This should encompass all sectors including emission-intense sectors such as aviation, shipbuilding and military.

(iv) **Continue advancing the creation of a new 'level playing field' among trade partners,** especially by fostering a fundamental reform of the Organisation for Economic Cooperation and Development (OECD) Arrangement on Officially Supported Export Credits. Concretely, this should mean tabling a proposal – in liaison with like-minded governments – to introduce oil and gas restrictions and exclusions in the OECD Arrangement.

(v) **Re-assuming leadership in the E3F initiative:** this should imply more engagement with laggard partner countries in the E3F coalition, i.e., those countries with no or only partial fossil fuel phase out policies (e.g., at the time of publication Germany and Italy). Another relevant lever to introduce ambitious climate policies and principles is the new European export finance strategy.

More detailed recommendations for the government as well as for Bpifrance are provided in each assessment dimension. An overview of all recommendations is available in section five of this report.

1. Introduction

Limiting temperature increase to 1.5°C above pre-industrial levels requires massively re-directing financial flows away from carbon-intensive activities and 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 ECAs. This contributes to a global lock-in of carbon intensive infrastructures and hampers the ability of many countries in the global South to leap-frog carbon-intensive development. DeAngelis and Tucker (2021) estimated energy sector finance by major G20 ECAs at an annual average of USD 40.1 billion for fossil fuels between 2018 and 2020, while renewable energy was supported with only USD 3.5 billion annually. This implies that ECAs' financial support for fossil fuels is on average eleven times higher for fossil fuels than for renewables. Indeed, since 2019 ECAs make up the single largest group of public finance institutions (PFIs) that support fossil fuel investments (OCI 2022).

Through their financial products that include guarantees, loans and insurances, ECAs are often decisive in whether a project can materialize. This 'de-risking' of investments is crucial, especially for infrastructure projects in the global South that above climate concerns also face human rights and broader environmental issues (OHCHR 2018). However, ECAs fall far behind other public institutions in providing this support and their institutional mandates often remain narrowly confined to export promotion – disregarding the burden on climate. Several recent studies underlined the lack of climate policies for and by ECAs, vastly insufficient transparency as well as legal consequences in the absence of climate action (Shishlov et al. 2020;

Wenidoppler et al. 2017; DeAngelis and Tucker 2021; Cook and Viñuales 2021). At the same time, the emerging political momentum manifested in new climate-related commitments, collaborations and convergence among a critical mass of like-minded countries may foster the necessary reforms in the export finance system (e.g., Hale et al. 2021; Klasen et al. 2022).

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 (ibid., Shishlov et al. 2020). 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[2]. 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 infrastructure 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.*). The fact that ECAs typically support larger and riskier projects that would not have been insured otherwise underlines the rationale of examining with greater scrutiny the role of ECAs in the context of achieving the objectives of the Paris Agreement.

Over the past two years, several noteworthy commitments targeting international public finance, including export finance, were made by governments. Three milestones stand out:

- The launch of the 'Export Finance for Future (E3F)' initiative[3] in April 2021, a 'coalition of the willing' that consists of ten major European economies[4] with the aim of promoting and supporting a shift in investment patterns towards climate-neutral and climate resilient export projects and the publication of their first joint energy finance transparency report (E3F 2022a).
- The agreement among participants in the OECD Arrangement to ban support for coal-fired power plants without carbon capture and storage (CCS).[5] While the agreement marks a historic progress for integrating climate change considerations into the OECD Arrangement, it still lacks significant additional components, including other parts of coal value chains, e.g., mining and transport, as well as entire oil and gas value chains for which there are currently no restrictions at all.
- The Statement on International Public Support for the Clean Energy Transition launched at COP26 in Glasgow[6], a UK-led initiative of 39 countries and financial institutions which commits its signatories to end new direct public support for the international 'unabated' fossil fuels, except in limited and clearly defined circumstances, by the end of 2022.

[2] 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 guarantees by the public sector (e.g., through ECAs) is comprised by the definition of public debt (Club de Paris 2021).

[3] See: https://www.tresor.economie.gouv.fr/Articles/2021/04/14/seven-countries-launch-international-coalition-export-finance-for-future-e3f-to-align-export-finance-with-climate-objectives

[4] The ten member states are Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Spain, Sweden and the UK.

[5] See: https://www.oecd.org/newsroom/agreement-reached-at-oecd-to-end-export-credit-support-for-unabated-coal-fired-power-plants.htm

[6] See: https://ukcop26.org/statement-on-international-public-support-for-the-clean-energy-transition/

These commitments represent important steps on the way to achieving a global climate transition and are the fruit of intensive efforts by advocates for reform, especially from civil society and pro-active governments. In the context of the global energy crisis following Russia's invasion of Ukraine, however, governments of the G7 factored out *"publicly supported investment in the gas sector [that] can be appropriate as a temporary response [...]"* from the previous COP26 commitment (G7 Germany 2022, p.5). This is a clear backslide given the long-lived nature of liquified natural gas (LNG) infrastructure that may spur new and additional production and use of natural gas well beyond the current energy crisis, especially if 'temporary' remains a term for an undefined period. At the same time this exception allowed Japan to endorse the G7 Leaders' Communiqué.

In addition to identifying the commitments of different clubs and coalitions like the G7, the OECD Arrangement Participants, the E3F or the signatories of the COP26 Statement, it is necessary to consider the highly concentrated nature of public support for fossil fuels in a limited number of countries among the G20. According to DeAngelis and Tucker (2021), Canada, South Korea, Japan and China alone accounted for 78% of all reported financial support through ECAs between 2018 and 2020 to the fossil energy sector (USD 93.7 billion). This is followed by Germany, Italy, the United Kingdom and the United States that together provided for another 19% of the total (USD 22.4 billion). For some countries, like Canada, most of this support is granted at the domestic level and is therefore unaffected by the COP26 Statement (Censkowsky et al. 2022). Other G20 countries including Russia, India and Saudi Arabia either use other public or private channels to support fossil fuel energy investments, or vastly under-report on their energy sector finance.

This data snapshot demonstrates the high historical support of ECAs for fossil fuels, which stands at odds with the needs of aligning with the Paris Agreement, even if commitments of emerging coalitions and clubs are taken into account, especially in the case of Canada (high share of domestic fossil fuel support), China (outside of all commitments, no Participant to the OECD Arrangement) and South Korea (no G7 member, no COP26 Statement signatory). It is hence urgent priority of working towards enlarging existing clubs and coalitions while not backsliding on their ambition. Indeed, the IEA already called for ending all new fossil fuel supply developments on the path to Net Zero, including natural gas, by the end of 2021 (IEA 2022). Conversely, Tienhaara et al. (2022) report more than 55,000 new upstream oil and gas projects in 159 countries for which a final investment decision is expected between 2022 and 2050 that would need to be cancelled in line with the IEA Net Zero pathway. Many of these projects benefit from public support, including export finance for necessary equipment and risk insurance, or multilateral investment treaties that play a major role in protecting investments in the fossil fuel industry against all kinds of risk, including transitional climate risks (OECD 2022).

In the past, ECAs *"have done little to steer their portfolios in one direction or another [...] [and] the respective portfolios to date mostly reflect the composition of the national export industry"* (E3F 2022a, p.2). This noteworthy observation was the baseline and key motivation for Perspectives Climate Research to develop a dedicated methodology to assess the alignment of ECAs with the Paris Agreement (Shishlov et al. 2021). Based on these assessments, we seek to inform ongoing reform processes through targeted policy recommendations for governments and ECAs to drive climate action in the global export finance system. In short, the methodology consists of five assessment dimensions, 18 key questions and 72 concise benchmarks against which an ECA portfolio and strategy as well as relevant government policy are assessed. Several case studies have already been conducted, including Canada, Germany, Italy, Japan, the Netherlands, and the United Kingdom and the United States[7].

[7] Find the methodology and all case study publications under: https://www.perspectives.cc/public/publications/

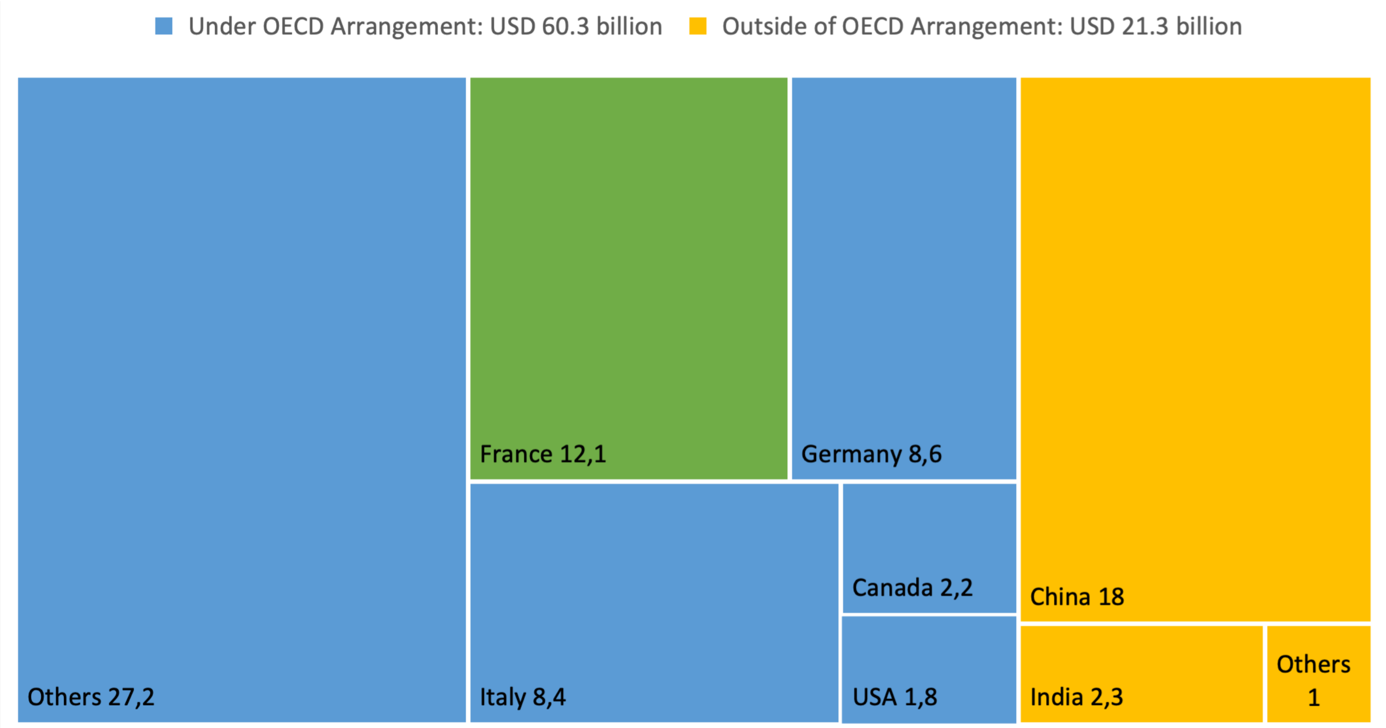
2. Officially supported export finance in France

In December 2016, Bpifrance Assurance Export became the official ECA of France assuming all the roles from the former French export credit agency, *Compagnie Française d'Assurance pour le Commerce Extérieur* (COFACE) which was founded in 1946 (COFACE 2017). Similar to the German ECA Euler Hermes and the Dutch Atradius DSB, Bpifrance Assurance Export is a 'pure cover' ECA that provides guarantees and insurance instruments and thus operates alongside national development or export finance banks. The ECA – administratively a division of the Bpifrance Group – *"acts in the name, on behalf of and under the exclusive control of the French State with regard to support for French exports"* (Bpifrance 2022). Export finance is linked to the state budget only in case of defaults on payments when the state needs to step in. Therefore, the Government of France (2021) only intervenes to compensate for any deficits of the procedure, if the compensation linked to claims is greater than the sum of insurance premiums and recoveries on previous claims.

The purpose of Bpifrance is to "*encourage, support and secure French exports financed over the medium and long term as well as French investments abroad"* (Bpifrance 2022a, p.6). Thus, the ECA acts mostly as a guarantor of export credit-insurances and as a lender of last resort (Bpifrance 2021a). This leaves some space for other organisations to support, e.g., short-term investments. In fact, France has its own 'Team France Export solutions platform' which *"brings together all public sector solutions offered by the French regional governments, central government, Business France, Chambers of Commerce and Bpifrance to extend the reach of French companies abroad"* (Bpifrance 2021, p.15). Additionally, the Agence Française de Développement (AFD) Group – the main operator of French official development aid (AFD n.d.) – provides finance and insurance solutions to French companies in emerging economies via its subsidiary Proparco (Proparco n.d.). Thus, the two institutions complement each other in providing a comprehensive range of support to French companies involved in exporting.

In international comparison, Bpifrance has a relatively large total exposure which is reflective of the country's strong port economy (see Figure 1).

Figure 1: Official export credit financing under the OECD Arrangement in selected countries (2020, USD billion).

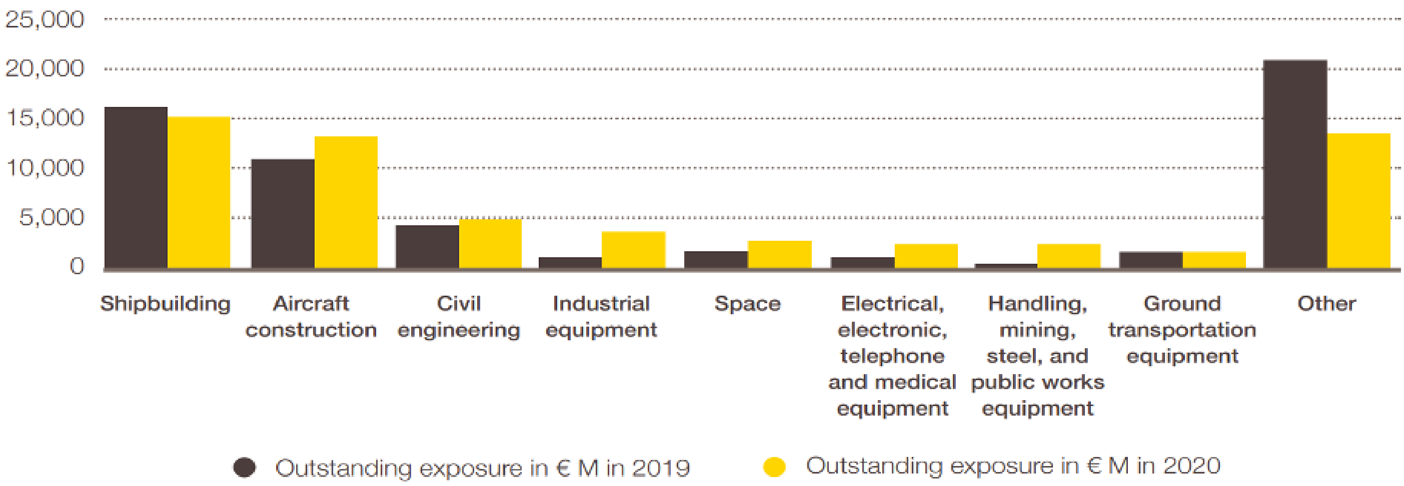


Source: Own illustration, based on Congressional Research Service (2022)

Note: This figure only includes new medium- and long-term financing, as short-term commitments (less than 730 days) are not covered by the OECD Arrangement.

Figure 2: Exposure breakdown of Bpifrance for FY 2019 and FY 2020.

Bpifrance civil sectoral exposure has traditionally been dominated by shipbuilding and aircraft construction industries followed by civil engineering and 'other', the latter not further specified in Bpifrance's reports (see Figure 2).



Source: Bpifrance (2021, p.42)

Table 1 provides an overview of French export finance's organisation and activities.

Table 1: Overview of French export credit finance.

Key facts BPifrance	
Type of ECA	Division of a public investment bank, acting in the name, on behalf of and under the exclusive control of the French State; multi-purpose ECA
Main sectors*	Aircraft building, Building and Public Works, Energy, Land transportation equipment, Nuclear, Shipbuilding
Geographic activity concentration*	Asia (14.71%), Africa (9.94%), Europe and Central Asia (22.85%), Middle East (21.54%), Pacific-Oceania (0.57%), The Americas and the Caribbean (30.39%)
Commitments outstanding[8,*]	EUR 59.6 billion
New commitments[9,*]	EUR 14.99 billion (EUR 12.7 billion in offers of credit insurance cover; EUR 1 billion in offers of cover for export bond insurance and working capital insurance: EUR 0.635 billion in offers of foreign exchange cover for a coverage amount in foreign currency; EUR 0.217 billion in buyer credit and supplier credit purchase financing; 0.438 billion in international growth loans granted)
Main instruments of financial support	Export credit insurance (95% of the stock of loans), prospecting insurance, security and pre-financing guarantees, exchange risk insurance, investment insurance
Category A , B and C projects (Number and values)[10]	Category A (2017**-2021): 8 Value of export guarantees: EUR 2.77 billion Category B (2017-2021): 42 Value of export guarantees: EUR 7.01 billion Category C (2017-2021): 18 Value of export guarantees: EUR 0.45 billion No classification[11] (2017-2021): 27 Value of export guarantees: EUR 4.38 billion

Note: (*) = Data from 2020, includes domestic commitments; (**) = Average annual mean for the last three years to correct for yearly fluctuations.
Source: authors calculations, based on E3F (2022a), Bpifrance (2022a, 2022b, 2022c, 2022d, 2021) and OCI (2022).

8 Commitments outstanding is a 'stock parameter' of the total amounts under cover or for which liability is assumed at a given cut-off date (see Berne Union 2021).

9 'New commitment' 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 (see Berne Union 2021).

10 *"[P]rojects with potentially significant adverse impact. Here, an [environmental impact assessment] is required"; "projects with potentially adverse impacts, the review of which may require an EIA or additional information"; "projects with little or no environmental and social impact"* (Bpifrance 2022, p.3). According to Bpifrance (2022), six further projects do not fall within the framework of the OECD Common Approaches, due to the nature of the project. Thus, no environmental and social impact assessments were carried out. Guarantees for the financing of aircrafts are reported separately, without any monetary values stated.

11 Excluding export guarantees for aircraft building as the amounts have not been made public since 2018.

3. Climate-related policies in officially supported French export finance

Bpifrance acts on behalf of the French State and thus has to follow government policies, principally including broader French climate commitments. Most significantly, France released policies for its ECA to implement the COP26 Statement on International Public Support for the Clean Energy Transition, closely following ambitions set in the French Budget Bill. Moreover, to the best knowledge of the authors, no other ECA had passed a climate action plan that deliberately sets ambitious targets on green export finance (Ministry of the Economy 2021). Text Box 2 provides an overview in reverse chronological order of the most recent climate-related policies of the French government for Bpifrance as well as notable internal commitments and practices.

Text Box 2: Selected climate-related commitments and practices relevant for Bpifrance.

- *November 2022*: Communication to the E3F/Reinforcement of exclusion policies/phase-out plans for coal, oil and gas across their whole value chains starting January 2023, except for unabated power generation from oil and gas if they reduce the average carbon intensity of the power grid of the respective country
- *September 2022*: Release of French Budget Bill which proposes an end to support most oil and gas projects with export guarantees by the end of 2022
- *May 2022:* Establishment of a methodology to systematically assess the carbon footprint of France's public export balance sheet
- *November 2021:* Signature of the COP26 Statement on International Public Support for the Clean Energy Transition
- *April 2021:* Launch of the E3F coalition as an initiative by the French government, requiring Bpifrance to comprehensively report on renewable energy finance, fossil fuel energy finance, target-setting for downstream, mid- and upstream elements of the fossil fuel value chain
- *January 2021:* Release of the 'Climate Action Plan for Export Financing': Preferential conditions ('climate bonus') are granted for projects that contribute to national and international climate objectives in line with the criteria of the European Taxonomy
- *October 2020:* Report on the climate strategy for public export financing presented in parliament, including proposed phase-out dates of export guarantees for oil and gas projects and the introduction of new criteria to restrict cover for thermal power plant projects
- *January 2020:* Ratification of the Poseidon Principles, including the commitment to measuring and publishing the annual carbon impact of its civil ship portfolio

Respective sources: Bpifrance (2022a), Bpifrance (2021), Bpifrance (n.d.A), E3F (2022a, 2022b), Les Amis de La Terre France (2022), French Budget Bill (2022), Government of France (2020), Gondjian & Merle (2020), OECD (2021b), Reuters (2020), UNFCCC (2021).

The following assessment of 'Paris alignment' (section 4) provides for an in-depth assessment of all 'Paris alignment' dimensions and substantiates further additional recommendations drawn from scientific literature and best practices in the global export finance system. This assessment is designed to guide Bpifrance as well as responsible authorities to safely achieve net zero by 2050 that is consistent with the 1.5°C objective of the Paris Agreement.

4. Assessment of Export Development Bpifrance's alignment with the Paris Agreement

We assess the 'Paris alignment' of Bpifrance[12] 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 the environmental think tank E3G, which, in turn, is based on the six building blocks of the Paris Alignment Working Group 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 3).

Figure 3: 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

This methodology also notably differs from other approaches to assess the 'Paris alignment' of financial institutions since it applies a weighting approach to the assessment dimensions. This permits the emphasis of some dimensions over others as some dimensions are more imminently important to reaching the Paris climate goals (e.g., mitigation is more important than disclosure). The selection of weights reflects a careful consideration of priorities and is based on the expertise of experts from research and civil society organizations (Shishlov et al. 2021). The final scoring for each question is carried out by evidence-based expert judgement. **Bpifrance received an overall assessment score of 1.05/3.00 and therefore received the label 'Some progress'.** 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 disclosures 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 transparency, while important, can only be a precondition for decarbonization itself.

In this assessment dimension, officially supported Bpifrance was rated with 'Some progress' with a sub-score of 1.00/3.00.

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)	**Some progress**
1.2	In how far can the share of fossil fuel finance over total portfolio be assessed? (Financial disclosure)	**Some progress**
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**

[12] The assessment boundary of this study comprises French government policy as well as the portfolio and strategy of Bpifrance.

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)

The assessment question Q1.1 was rated with 'Some progress'. The joint 'Climate Plan' of the French *Banque des Territoires* and Bpifrance (*Caisse des Dépôts* 2020) includes the announcement of a carbon footprint measurement of the ECA's portfolio, making France the first country to systematically assess the carbon footprint of its public export balance sheet (Gondjian & Merle, 2020). The ECA first calculates the carbon intensity (not GHG intensity) of each project before attributing a share of this carbon impact according to the share of total equity and debt raised that is guaranteed (ibid.). In 2020, the assessment was undertaken for Bpifrance's civil portfolio, but the result has not been made public. However, based on available data, Natixis Corporate & Investment Banking estimates that overall, a total of 3 million tCO_2 of scope 1 and 2 emissions as well as 50 million tCO_2 of scope 3 emissions can be attributed to the portfolio of EUR 40 billion of credit insurance under guarantee (Gondjian & Merle, 2020). This is significant, corresponding to about 18% of French territorial carbon emissions of 295 million tCO_2 in 2020 or 12% of France's total GHG emissions of 400 million t in the same year (UNFCCC n.d.; own calculation). Of these emissions, naval construction and cruises represented 39%, civil aviation 25%, oil and petrochemical installations 5% and thermic plants 3% (Gondjian & Merle, 2020). A much lower share has been calculated by the French *Conseil Général de l'Economie* (2020): direct CO_2 emissions from projects that have benefited from an export guarantee from Bpifrance are estimated at approximately 0.8% of the country's annual GHG emissions[13].

No higher rating could be given as these reporting practices are still not according to international standards of finance or insured emissions and their attribution (e.g., GHG Protocol, PCAF). In its annual overview, Bpifrance does not report on Scope 1-3 emissions. Furthermore, the above-mentioned carbon assessment and its methodology from 2020 is not publicly available. Like other ECAs who adhere to the OECD's Common Approaches on the Environment and Official Support for Export Credits, Bpifrance reports estimated GHG emissions for category A projects prior to authorizing support as part of environmental impact assessments (Bpifrance 2022b, 2022c, 2022d). However, these assessments are not publicly available and project level information cannot be accessed due to dysfunctional links (e.g., see Bpifrance n.d.B). Similarly, assessing the GHG intensity of Bpifrance's activities is exacerbated by the lack of quantified GHG emissions in its 'ex-post transparency' reporting on export contracts over EUR 10 million and/or with environmental and social ratings (e.g., Bpifrance 2022b).

We recommend Bpifrance to start publishing both the annual total GHG (not just carbon) emissions of its portfolio, as well as those of new authorizations, to be aligned with this practice common to other ECAs such as US-EXIM. This would ideally be accompanied by publishing the internal methodology of how carbon emissions have been calculated so far and adhere to standards that project developers need to refer to when conducting environmental and social impact assessments. Second, **we recommend** measuring the attribution of all GHG emissions to Bpifrance financing and insurance portfolio based on international best practices. To date this is the Partnership for Carbon Accounting Financials (PCAF) to which other ECAs, such as Export Development Canada (EDC), have already committed (e.g., PCAF 2022). Third, **we recommend** Bpifrance to publish actual and estimated future GHG emissions data for both its portfolio (the stock of all emissions-intensive projects) and new commitments (the flow of new authorizations) which would vastly improve its transparency.

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

This assessment question was rated with 'Some progress'. Data on the share of fossil fuel finance is available as per the E3F joint transparency reporting (see Table 2). However, the lack of more granularity of the publicly available data does not allow for a higher score. More precisely, while general project level information is available for projects valued at more than EUR 10 million, no definitions for 'fossil fuel finance' are available in internal reports. In fact, across its annual overviews (Bpifrance 2019-2021), references to the energy sector and fossil fuels are highly incoherent in their usage and categorisation. For this reason, it is difficult to establish a clear trend.

[13] The Conseil Général de l'Economie (2020) assumes that Bpifrance has no decisive effect on the corresponding GHG emissions since the projects it supports will take place anyway, with or without French service providers.

Table 2: Disaggregation of the fossil fuel energy sector into value chain elements.

	Upstream	Mid-stream	Downstream
Coal	Mining	Transport and storage	Power generation (combustion)
Oil	Exploration, field development, production operations	Transportation, processing, storage (crude oil)	Refining, distribution and marketing
Natural gas	Exploration, field development, production operations	Processing, liquefaction, transportation	Distribution and marketing

Source: E3F (2022a), based on ISO (2022)

From 2019 to 2020, Bpifrance's total energy sector exposure (excluding nuclear as its own reporting category) decreased by 57% to EUR 1.4 billion (Bpifrance 2021), but for previous years no absolute numbers on energy sector support are publicly available (Bpifrance 2020, 2019). It should be stressed that Bpifrance – similar to US-EXIM – has traditionally supported the French aircraft industry. As a major source of fossil fuel demand, aviation has been responsible for some 9% of global transport-related emissions in 2020 (Michaelowa et al., 2022; IEA 2022). Following this reasoning, Atradius DSB, for example, considers fossil-fuelled aviation (and other transport-related emissions) as an element of the downstream fossil fuel value chain (Government of the Netherlands 2021). This – alongside other downstream uses, such as the petrochemical industry, heating systems and industrial applications of fossil fuels or feedstocks – should be similarly taken up in fossil fuel reporting to refine and extend the E3F transparency reporting.

Overall, we recommend refining and extending the E3F transparency reporting, including downstream fossil fuel value chains, and disclose granular project-level information on transactions that continue to be within the extensive value chains of fossil fuel-related infrastructure. We further recommend reflecting the E3F reporting modalities in all Bpifrance's internal reporting, e.g., annual reports. This would allow to make evidence-based decisions for aligning Bpifrance with the Paris Agreement and ensure greater public accountability.

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

This assessment question was rated as 'Some progress', for the same reasons stated in Q1.2 regarding the E3F joint transparency reporting. However, while Bpifrance provided data on the supported renewable energy activities to the E3F, this alone is not sufficient to assess the share of broader climate finance. Further – similar to Q1.2 – the lack of more granularity of the publicly available data and of a clear definition of 'climate finance' do not allow for a higher rating.

We recommend reporting climate finance both for new authorizations and total exposure as a broader category that includes finance for renewable energies and related infrastructure. Climate finance encompasses cross-cutting activities including both mitigation and adaptation activities (Shishlov and Censkowsky 2022). Such an approach should be based on sound definitions of all subsectors on exhaustive or near-to exhaustive lists of activities. For instance, an established practice for multilateral development banks (e.g., MIGA 2021) and the OECD (2022a) provides guidance when support may be deemed eligible under international climate finance commitments and when not. Lastly, we recommend that Bpifrance and the French government consider how the ECA can contribute to attaining international climate finance commitments under the UNFCCC and the Paris Agreement (Shishlov and Censkowsky 2022; OECD n.d.).

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

This assessment question was rated as 'Some progress' as the French state (and thus Bpifrance) formally adheres to the recommendations of the TFCD which have been made compulsory in June 2021 (Thomas 2021). However, at the time of publication, no full disclosure in line with the TCFD has been undertaken for at least one FY - thus not allowing for a higher rating. A more in-depth analysis of Bpifrance's alignment with the TCFD's recommendations for previous FYs is not possible, since the ECA has not been among the ten French (financial) institutions assessed by the first report of the French financial market authority, *Autorité Marché des Financiers* (AMF 2020).

We recommend that Bpifrance ensures in its forthcoming annual overviews a transparent reporting in accordance with the TCFD's recommendations and furthermore considers the emerging Task Force on Nature-related Financial Disclosure (TNFD)[15] that promises a more holistic approach to disclosures on environmental risks and opportunities.

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. Today, the most notable supranational fossil-fuel related policies that apply to G20 ECAs emerge from the various club or coalition settings, including the OECD Arrangement, the COP26 Statement on International Public Support for the Clean Energy Transition and the E3F coalition. Given the pre-eminent importance of scaling down of fossil fuel production and use, rapidly phasing out of public support for fossil fuel value chains is crucial. This assessment dimension is hence weighted with 40%.

In this assessment dimension, officially supported American export finance was rated as 'Some progress' with a sub-score of 1.33/3.00.

Q Nr.	Dimension 2 – key questions	Rating
2.1	**Coal:** How ambitious is the ECA regarding exclusions or restrictions for support of coal and related value chain?	**Paris aligned**
2.2	**Oil:** How ambitious is the ECA regarding exclusions or restrictions for support of oil and related value chain?	**Some progress**
2.3	**Natural gas:** How ambitious is the ECA regarding exclusions or restrictions for support of gas and related value chain?	**Some progress**

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

This assessment question was rated as 'Paris aligned'. Since COP21 that took place in 2015 in Paris, France has pledged excluding support for coal various times, including at the OECD where, in October 2021, France endorsed the ban on officially supporting unabated coal-fired electricity generation with export credits. This ultimately led to integrating a prohibition clause into the OECD Arrangement prescribing support for "export of new coal-fired electricity generation plants or parts thereof,comprising all components, equipment, materials and services (including the training of personnel) directly required for the construction and commissioning of such power stations" (OECD 2022b, p.7). Following the COP26 and E3F (2022b) commitments, as of 2023 ceasing support for coal should now cover the whole coal value chain, including extraction, transport and processing (Table 2).

As for oil (see Q2.2.) and gas (see Q2.3),the following exception clause has been included: "Exceptions for operations having the effect of reducing the negative environmental impact,

[15] For more information on the TNFD see: https://tnfd.info/.

improving the safety of existing installations or their impact on health without increasing their lifespan or production capacity, or aiming at the dismantling or conversion of these installations" (E3F 2022b). Though this exception clause is not likely risking to lock in countries into new fossil fuel dependencies, no 'Transformational' rating could be given since this exclusion policy has no complementary policies or programmes aiming for a just transition in project host countries, e.g., through early retirement plans, early decommissioning of previously financed or insured coal infrastructure or additional policies or programmes to compensate job-losses or other socially adverse transition risks.

We recommend Bpifrance to engage in stepping up targeted transition support facilities and the development of new export technologies, e.g., for alternative energy carriers, sustainable construction materials and the production of green hydrogen-based steel (e.g., LeadIT 2021). These measures should be coupled with increasing support to alternative technologies that can contribute to phasing out coal in industries worldwide where it is still commonly used (e.g., metallurgical coal for steel production).

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

This assessment question was rated as 'Some progress' but is very close to be 'Paris aligned'. As mentioned in section 3, several important commitments were made to restrict oil and gas finance. Most importantly, with notable exemptions discussed below, France implemented exclusions across the entirety of oil (and gas) value chains as of January 2023 in line with its previous commitments under the COP26 Statement on the Clean Energy Transition Partnership (UK Presidency 2021). Of the sixteen Glasgow Statement signatory countries that have released implementation policies of the Glasgow Statement, France is particularly important given its relative size and the relative robustness of its policy (McGibbon 2023; OCI 2022; Wragg 2022). Total finance provided to oil value chains reached EUR 55 million in the period 2015-2021, supporting ten projects (E3F 2022b). Given the implementation policy of the Glasgow Statement, this financial support should fully be discontinued, yet the listed exemptions provide concerns that this may not – or only partially – be the case.

1. *First, the phase out policy excludes all support for exploration, production, transportation, storage, refining and distribution of oil (E3F 2022b). Regarding unabated power generation from oil, only those projects that reduce "the average carbon footprint of the electricity mix of the recipient country" (E3F 2022b., p.1) are excluded. Further exemptions include the following three situations:*

2. *If the plant is necessary for the stability of the country's grid and less carbon-intensive controllable alternatives are not available or are excessively costly;*

3. *If the use of less carbon-intensive resources is not feasible, e.g., where the potential for renewable energy is insufficient or not very exploitable (for geographical reasons in particular);*

If the country has a low-carbon transition strategy covering the electricity sector, and the project is consistent with this strategy (E3F 2022b).

Lastly, the same exemption clause than for coal (see Q2.1) applies, which exempts operations that aim to reduce the negative environmental impact, improve the safety of existing installations or their impact on health without increasing their lifespan or production capacity, or aim at the dismantling or conversion of installations (ibid.). The policy does further highlight that since 2020 no new fossil-fired power plants have been financed, suggesting that this trend would likely continue. However, taken all elements together, these exemptions provide significant grounds which may justify continued direct support for oil, alongside other fossil fuels. For example, some countries include gas power plants as part of their NDCs as they replace coal-fired power generation, which may thus be eligible for Bpifrance's support, although these new fossil fuel investments are not compatible with the IEA's Net Zero pathway (IEA 2022). There is furthermore no 'materiality threshold' set under which the exemptions shall apply. Such thresholds can help setting up exemptions, but within reasonable limits, thus preventing that the 'exemption becomes the rule'.

We recommend setting such a materiality threshold at a reasonable level (e.g., max. 5% of new commitment in the energy sector). Furthermore, **we strongly recommend**

re-defining the exemption clauses to more limited circumstances to close loopholes that may cause proliferation or situations of interpretative ambiguity of the policy. This notably concerns the rationale of when to apply an exemption regarding all elements of the fossil fuel value chains. **We further recommend** tying the provision of public export finance to situations of real energy poverty, e.g., in post-war reconstruction efforts or humanitarian crises. Also, we would consider it a best practice if Bpifrance started to clearly report on when and where it made use of any of the listed exemptions.

Finally, the effort of tightening rules on fossil fuel phase out through export financing should be linked and understood in the context of phasing out fossil fuel subsidies more broadly. ECA support – even under competitive conditions – can be understood as subsidies following the WTO (1994) Agreement on Subsidies and Countervailing Measures (e.g., see Censkowsky et al. 2022). Subsidies to fossil fuels in France have doubled since 2014 to EUR 8 billion in 2019 (of which the vast majority went to petroleum) (OECD 2020). Thus, tighter rules on direct and indirect support to oil and other fossil fuel-related activities through Bpifrance can help achieving targets set by the French government to decrease fossil fuel subsidies, e.g., as part of the G7.

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

This assessment question was rated as 'Some progress' for the same reasons stated in Q2.2. The overall volume of finance provided by Bpifrance to gas and related value chains in the period 2015-2021 reached EUR 1.56 billion and is thus far higher than for oil.

We recommend that the French government follows the same proposals made for oil (see Q2.2). In addition, the assumption that "the average carbon footprint of the electricity mix of [a] recipient country" (E3F 2022b) can be improved via gas and oil investments rests on a false premise: Methane has a much higher global warming potential than CO_2 in the short-term, and considering the existence of the recently revealed methane leakage by more than 1,000 global 'methane bombs' (Carrington 2023), 'improving' one country's electricity mix comes at the cost of increasing the global risk of triggering climate tipping points. Against this background, and considering the current energy situation at global level, with fossil fuel prices increasing steadily, Bpifrance should better provide stronger support to activities targeting energy efficiency and renewable energy generation. This would allow achieving a positive contribution to reducing emissions, as well as diversifying the energy mix and reducing dependency from costly imported fossil fuels.

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 2022). In 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 dimension is assigned an overall weight of 20%. In this assessment dimension, Bpifrance scored 'Unaligned' with a sub-score of 0.33/3.00.

Q Nr.	Dimension 3 – key questions	Rating
3.1	Can a declining trend in GHG intensity of the total portfolio be observed? (tCO_2e/US$, 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)	Some progress
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? (tCO2e/USD, scope 1-3 emissions)

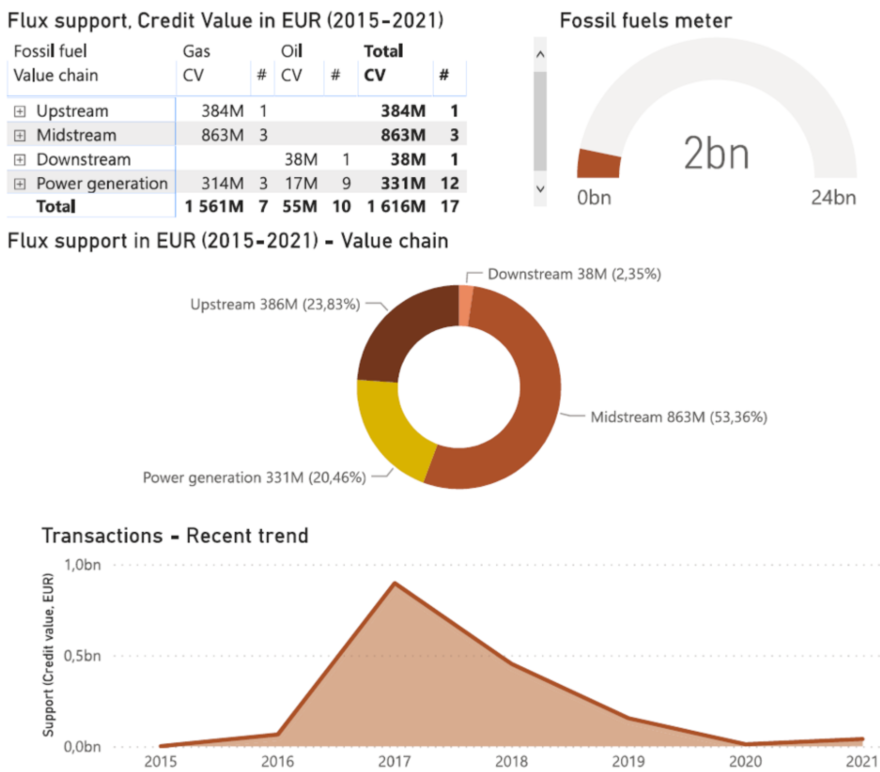
In this assessment question, Bpifrance was rated with 'Unaligned'. Currently, the underlying GHG emissions calculation methodology used is not publicly available and with the available data it remains virtually impossible to determine the overall climate impact of the portfolio. This is notably because no aggregate of financed and insured annual emissions is reported (including for new projects), but only Bpifrance's share of the attributable carbon footprint (Bpifrance 2022a).

We recommend that Bpifrance signs up to the Partnership for Carbon Accounting Financials PCAF and commits to tracking and disclosing its portfolio-related emissions in the near-term, i.e., within the next three years. Upon supporting the downward trend of emission intensity of newly approved projects with aggregate emission reporting for the total portfolio (scope 1 to 3 emissions) the assessment outcome may change. Other ECAs have long committed to PCAF, e.g., EDC. Such disclosure will enable Bpifrance and the French government to have a first-best decision-making basis to set future climate targets (and track progress towards GHG emissions reduction targets; see Q.1.1 for recommendations for disclosure under PCAF).

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

Bpifrance was rated with 'Some progress' in this assessment question. As per E3F transparency reporting, the value of the fossil-fuel related energy finance of the ECA has been continually decreasing over the past three years (Figure 4). Indeed, while Bpifrance aims to reduce this share further, it is not likely to reach zero over the short-term considering the exceptions for oil- and gas-fired power plants (see Q4.2). According to the E3F (2022a) transparency reporting, Bpifrance is somewhere in the midfield among the ten member countries of the E3F initiative regarding both the share and absolute amounts of fossil fuel finance: EUR 1.62 billion were committed to fossil fuels during the reporting period 2015-2021, compared to a total portfolio exposure of EUR 59.6 billion today. In comparison to that, EUR 1.96 billion were provided to renewables in the same period. Nevertheless, since the absolute value of fossil finance is not zero yet and has slightly increased in 2021, this assessment question cannot be rated with 'Paris aligned'.

Figure 4: Fossil fuel transactions 2015-2021.



Fossil fuel Value chain	Gas CV	Gas #	Oil CV	Oil #	Total CV	Total #
Upstream	384M	1			**384M**	**1**
Midstream	863M	3			**863M**	**3**
Downstream			38M	1	**38M**	**1**
Power generation	314M	3	17M	9	**331M**	**12**
Total	**1 561M**	**7**	**55M**	**10**	**1 616M**	**17**

Source: E3F (2022a, p.7).

We recommend to the French government to continue fulfilling their commitment to phase out support for all fossil fuel by further tightening the potential exceptions (see discussion in the assessment dimension 2 above), and to adopt more targeted policies aimed at shifting support over the near-term towards renewable energy and other sustainable export goods and services. Longstanding customer relationships with fossil fuel-related actors may inhibit this shift, hence additional incentives beyond the 'climate bonus' are warranted to move into sustainable export fields, e.g., to nudge customers to adopt science-based targets. We further recommend – as mentioned above – a more granular reporting at transaction level, and clear information on the commitments outstanding (both project stock and flow), clearly highlighting those supporting renewables or mitigation actions as well as those supporting fossil fuels, would contribute to setting targets and monitoring progress over time towards the achievement of the mitigation goals.

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 scored as 'Unaligned'. Beyond the restrictions set by the French government for coal, oil and gas which have Paris-aligned implicit GHG reduction targets (see section 3), Bpifrance has no GHG reduction targets as such for all emissions-relevant sectors. Bpifrance is a signatory to the Poseidon Principles and thus publishes data on the annual carbon impact of its civil ship portfolio, but this does not come with sectoral GHG reduction targets in line with 1.5°C pathways (Bpifrance 2021). In fact, signatories only adhere to the GHG emission reduction pathway for global shipping set by the International Maritime Organisation (IMO) – which is far less ambitious than for example the Net Zero-Scenario by the IEA (2022), aiming only for 50% GHG emissions reductions by 2050 compared to 2008 (IMO n.d.). Further, neither for aircraft construction nor military support does Bpifrance have emission reduction targets, though both are widely known to be significant contributors to the climate crisis. In fact, direct annual emissions of militaries alone can reach over 1% of national emissions in large countries like the UK or the US – excluding emissions caused by conflicts themselves (Michaelowa et al. 2022).

We recommend Bpifrance to become part of the Science Based Targets Initiative (SBTi) that launched its Financial Institution Net Zero Standard in April 2022 (SBTi 2022). Bpifrance should then set Paris-aligned sectoral targets for both the short- and medium- as well as long-term once they are approved through the SBTi, including for emission-intensive sectors like aviation, shipbuilding and military. When designing transition scenarios leading to net zero by 2050 and 1.5°C by the end of the century it is paramount to follow the precautionary principle (e.g., Shishlov et al. 2021). This notably influences the choice of assumptions taken to construct reference scenarios, e.g., regarding the use of CCS or carbon dioxide removal. Public finance institutions that represent governments which have signed the Paris Agreement should solely choose reference scenarios with moderate risk of temperature overshoot (ibid.). At sector-agnostic level this is only the case for the IPCC (2018) P1 illustrative pathways, as well as the IEA´s (2022) Net Zero pathway in the global energy sector.

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 (Averchenkova et al. 2020). This dimension is weighted with 10%.

In this assessment dimension, Bpifrance is rated with 'Some progress' with a sub-score of 1.00/3.00.

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?	Unaligned
4.3	What is the share of clean energy financing over total energy-related financing?	Some progress
4.4	To what extent does the pricing structure take into account climate impacts of activities?	Paris aligned
4.5	In how far does the institution ensure positive sustainable development contributions of its activities?	Some progress

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

This assessment question is scored with 'Some progress' based on the upward trend in renewable energy finance, which we use as a proxy for climate finance in the absence of a clear definition of 'climate finance' and absent granular reporting of it (see also Q1.3).

We recommend that Bpifrance strengthens its monitoring and reporting modalities so that researchers and the general public can duly evaluate its progress on ramping up renewable energy and broader climate finance (see Q1.3). We further recommend that the ECA seizes the vast opportunities that greening export finance offers (e.g., Klasen et al. 2022). Ultimately, aligning Bpifrance with the Paris Agreement means allocating far more resources to climate-related activities, all of which can boost domestic jobs under the right enabling environment.

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

This assessment question is scored with 'Unaligned'. Bpifrance does not define climate finance in a meaningful way, e.g., with activity-specific components (see also Q1.3). The ECA does not publish the results of assessments of the activities it supports to verify their consistency with the EU Taxonomy for certain segments of its portfolio in non-financial communication. Further, Bpifrance does not publish in-house earmarks of climate finance nor does the ECA refer to existing ones, like those of MDBs or Rio markers (e.g., MIGA 2021; OECD n.d., also see Shishlov and Censkowsky 2022).

We recommend addressing this gap by clearly defining climate finance earmarks and provide granular reporting accordingly (see more recommendations in Q1.3). We further recommend the French government to contribute to streamlining efforts towards a common definition of climate finance in the global export finance system.

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

This assessment question was scored with the label 'Some progress'. The E3F (2022a) estimate shows that France provided around EUR 1.96 billion in support to renewables in the period 2015-2021 (Figure 5). As mentioned above, this compares to about EUR 1.62 billion for fossil fuels (see further Table 3).

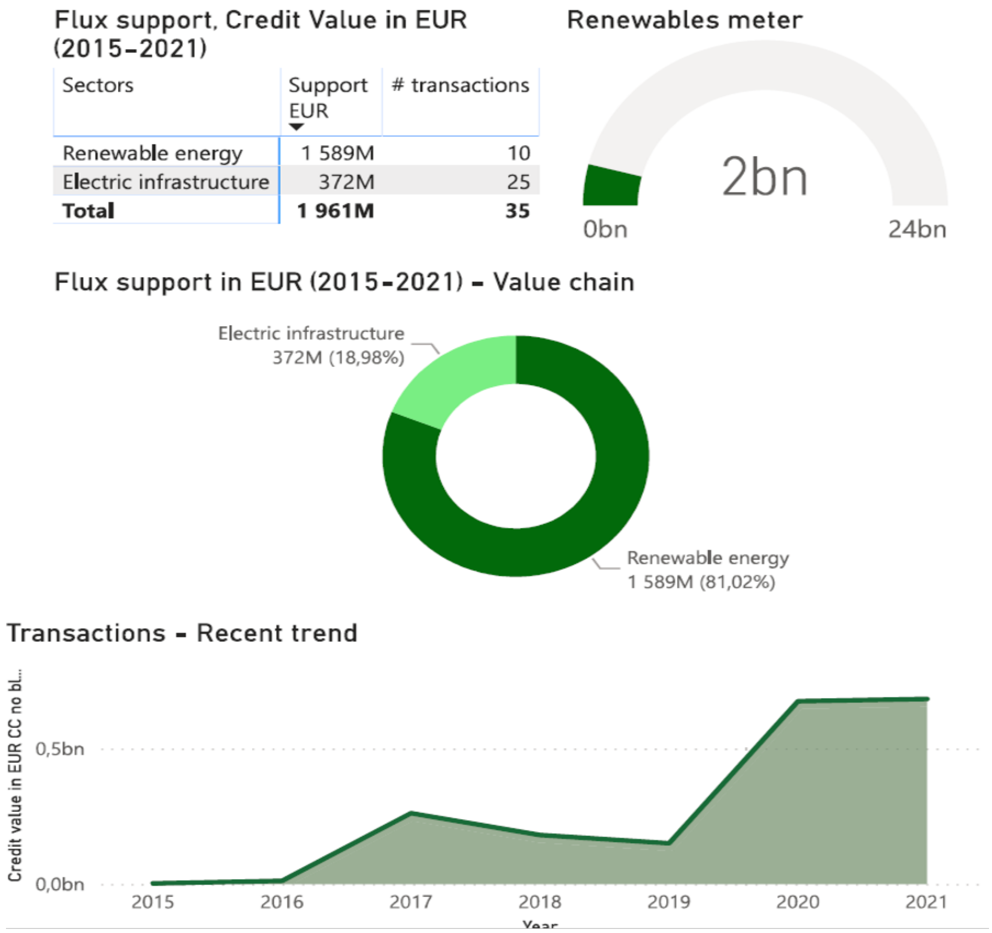
Table 3: Estimate of Bpifrance's share of renewable energy finance over total energy finance, 2015-2021.

Source	Renewable energy finance	Fossil fuel finance	Total energy finance	Share renewable over total energy finance
E3F transparency reporting 2015-2021	**EUR 1.96 billion** (Reported value of authorisations to renewable energies)	**EUR 1.62 billion** (Reported value of authorisations to fossil fuels)	**EUR 3.58 billion** (Reported value of authorisations to the energy sector)	**= 54.8%**

Source: E3F (2022a).

No higher rating can be given since there was no strong continuous upward trend of the share of renewable energy financing over the last three FYs for which E3F-data is available (see Figure 5). Not only did renewable energy finance stagnate in 2021, but more fossil fuel finance was also committed than in 2020 as well (see Figure 4).

Figure 5: Renewable energy and related infrastructure financing 2015-2021.



Source: E3F (2022a, p.7).

Similar to the recommendations above, we recommend further scaling up renewable energy-related support while at the same time scaling down support for fossil fuel value chains.

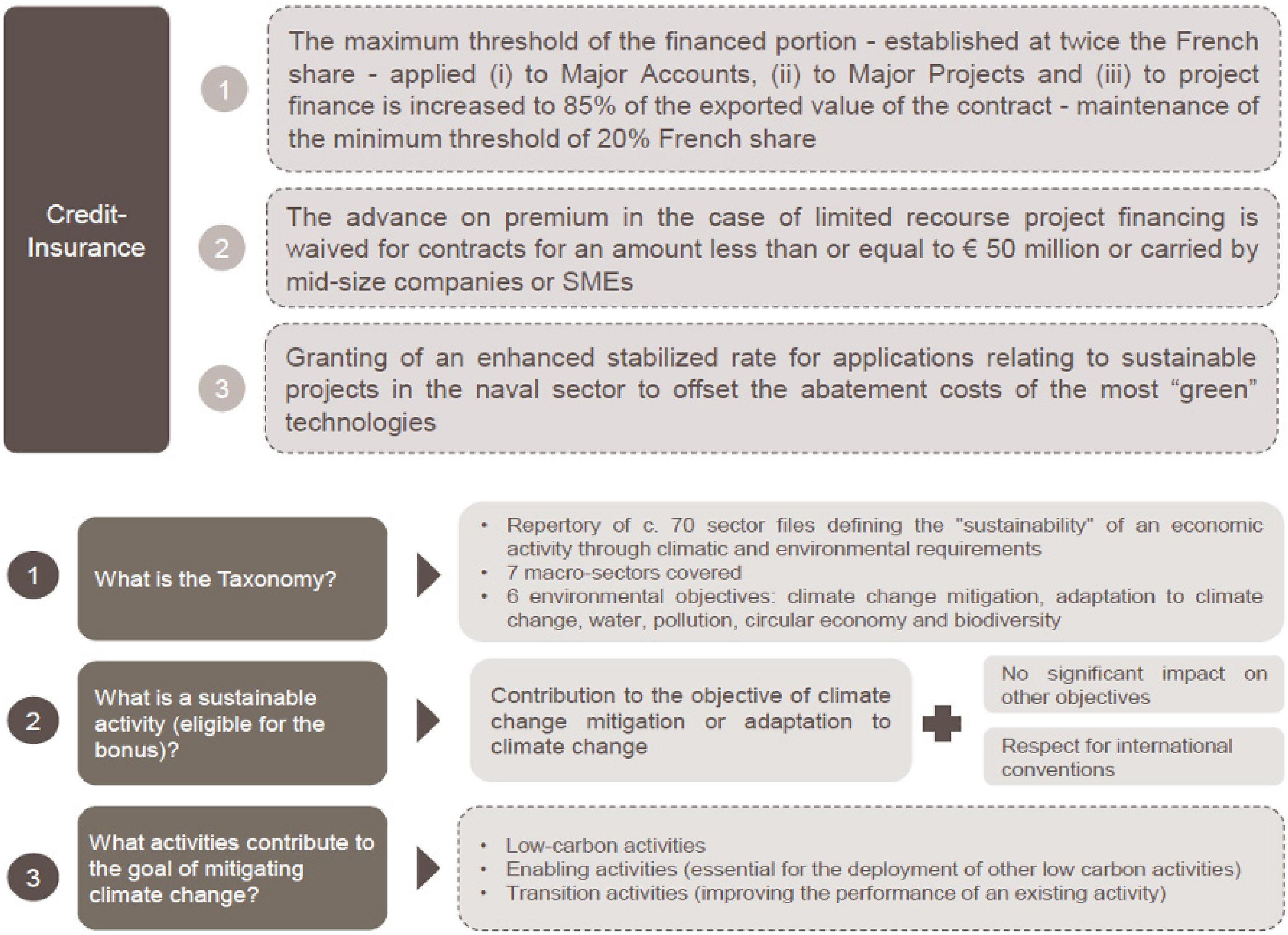
Q4.4: To what extent does the pricing structure take into account climate impacts of activities?

Bpifrance scored 'Paris aligned' on this assessment question. As listed in Table 1, in January 2021 France's Climate Action Plan for Export Financing entered into force and started granting preferential conditions for 'climate-sustainable' projects. According to Bpifrance (n.d.C), the 'Climate Bonus' is a cross-sectoral incentive scheme *"to strengthen public support for companies and projects contributing to national and international climate objectives in line with the criteria of the European Taxonomy."* Before the French Treasury allows this reward on a project-by-project-base, Bpifrance has to conduct the eligibility assessment and inform Treasury (Bpifrance 2021).

As the advantages of the 'climate bonus', Bpifrance (n.d.D) stresses that it allows for the maximization of the insured financed portion and that no working fees are charged for project finance transactions of small- and medium-sized enterprises or on such whose covered credit amount is less than EUR 50 million. However, only projects are eligible that contribute significantly to climate change mitigation and/or adaptation while not negatively undermining the other four environmental objectives of the European Taxonomy. The details of this climate support mechanism are summarised in Figure 6 (Bpifrance n.d.D).

No higher rating could be given since no data or study has been released so far that proves the effectiveness of the climate bonus system at the time of publication. Moreover, though this was not initially intended by Bpifrance (n.d.D, n.d.E), nuclear as well as gas projects could now qualify to be supported by the climate bonus system, as they are classified as 'sustainable' by the European Taxonomy (European Commission 2022), and since loopholes remain in France export restrictions to support gas projects (see section 3).

Figure 6: 'Climate Bonus' for French export insurance and defining the sustainability of an economic activity.



Source: Bpifrance (n.d.F, p.10f.).

We recommend Bpifrance to publish transparently and comprehensively data on the demand for the climate bonus system, the average and total amount of bonus per year as well as on its effectiveness, both for projects within the EU and outside. We further recommend Bpifrance to start offering interest or premium-based incentives for customers who have approved corporate science-based targets under the SBTi, as soon as this becomes possible under a further reformed OECD Arrangement that France is pushing for (e.g., Council of the European Union 2022).

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

'Some progress' was assigned to this question since there is some evidence that Bpifrance attempts to ensure sustainable development contributions from its activities. First, the ECA adheres to the requirements of the OECD's Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (OECD 2022c). As part of the OECD's requirements, Bpifrance reports on all transactions where a credit period of more than two years has been agreed and the contract value amounts to at least EUR 10 million, as well as on pending applications and approved Category A and Category B transactions (ibid.). Further, in January 2020, Bpifrance became the first-ever ECA to ratify the Poseidon Principles. This is an initiative under which signatories commit to measure and publish the annual carbon impact of their civil ship portfolio with respect to the GHG reduction pathway for global shipping set by the IMO, using a shared methodology. As part of this commitment, the French government and Bpifrance seek to encourage players in the cruise industry to promote the greenest technologies for the future ships to be built in France. In fact, in 2020, Bpifrance was one of only three institutions that were found to be aligned with the IMO's decarbonisation targets (Bpifrance 2021). However, no higher rating can be given since there is only limited evidence for strong synergies with national development agencies, and Bpifrance's (n.d.G) mandate does not explicitly include contributions to sustainable development goals or safeguards against negative impacts. Frontrunning ECAs in this domain are the Swedish, Dutch, and British export finance institutions, which support a transformation of the export finance system towards much stronger contribution to the low carbon and climate resilient transition, e.g., through assuming larger financial risk in climate-related projects, risk premium incentive structures for sustainable projects or issuing green bonds.

We recommend that Bpifrance aligns its operations closer with the United Nations' 2030 Sustainable Development Agenda and the Paris Agreement's 1.5°C temperature limit, placing concerns regarding a just climate transition at the heart of its institutional identity. **We further recommend** that Bpifrance should design new instruments additional to its 'Climate Bonus' that can be used to support exports that expressly contribute to the Sustainable Development Goals.

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, Bpifrance is rated as 'Paris aligned' with a sub-score of 1.67/3.00.

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?	Paris aligned
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?	Paris aligned
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?

This assessment question was scored with 'Paris aligned'. For years, France has assumed institutional leadership and responsibility for revisions and additions of the coal sector understanding within the OECD Arrangement and demonstrated policy pushes outside the OECD Arrangement. This includes, among others, that France co-launched the E3F-coalition in 2021, and led the EU's Economic and Financial Affairs (Ecofin) Council Conclusions on export credits in March 2022, both giving a precise definition of the unabated fossil fuel energy sector and pushing all 27 EU member states to commit to phase out export financing to the fossil fuel sector. France already played a key role in the negotiations that led to the adoption of the 2019 revision of the OECD Arrangement which aimed at ensuring that export credit financing is consistent with global environmental and social standards (OECD 2019). Bpifrance, together with AFD, is one of the institutions leading the work of the newly founded Climate Working Group of the Berne Union (Berne Union 2022b).

We recommend that France takes more diplomatic action on a global scale to establish stricter rules governing export guarantees for fossil fuels (e.g., under the OECD Arrangement Reform). Only then can scenarios be avoided in which French-only or European-only ECA support for fossil fuels stops, whilst those from other (generally less climate-concerned) countries continue their business-as-usual (Conseil Général de l'Economie 2020). More precisely, we recommend that the French government actively:

1. Continues pushing to extend the exclusion of support to coal-related transaction beyond the new Article 6 of the January 2022 version of the Arrangement, as per the EU Ecofin's Council Conclusions of March 2022 (Council of the European Union 2022) – to exclude support for all coal-fired power plants as well as the entirety of coal value chains, including mining and transport;

2. Strategizing with like-minded OECD Arrangement participants about how to achieve a transformative climate-related policy reform of the Arrangement, e.g., through adopting full exclusions/restrictions for oil and gas export finance;

3. Further deepening and publicly reporting on negotiations at the OECD and its international Infrastructure Working Group (IWG), especially with China, Japan and the US;

4. Deliberating 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;

5. Enhancing and publicly reporting on the French position in international climate-related negotiations involving policies in the export finance system;

6. Enhancing and publicly reporting on progress on climate- and environmental diplomacy between the OECD and non-OECD members of the export finance system, through the IWG with China, the G7 and G12 Heads of ECA meetings as well as through the Berne Union.

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 scored with 'Paris aligned' since the French government assumes institutional leadership and responsibility for national reform of competition law in the context of the climate urgency. Though not a national forum in its own right, in 2018 the French government set up 'Team France Export' as a one-stop shop dedicated to exporters, to increase the number of French exporters in line with the industrial targets of the France 2030 investment plan (Bpifrance 2022e, Government of France 2022). Further, the French Climate Action Plan for Export Financing (Government of France 2021) covers all sectors and has been passed after extensive consultation. As it was the first such plan of its kind, France also set an example for other E3F-members and beyond.

We recommend to the French government to facilitate the network built before setting up 'Team France Export' and via the same to hold comprehensive stakeholder dialogues about the question of alignment of the national export finance system with the objectives of the Paris Agreement. Suggestive formats for such an exchange are roundtables concerning this specific question, including the participation of impacted communities and indigenous people in project host countries, NGOs, labour unions, French exporters as well as research institutions. **We further recommend** that the French government strengthens and regularizes such types of outreach activities specifically with regards to the 'Paris alignment' of officially supported export finance through Bpifrance, but also with regards to the 'Paris alignment' of the entire French economy in the context of the long-term strategy to net-zero GHG emissions by 2050.

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?

This assessment question was scored with 'Some progress' since the French government has made several announcements over the last years to incentivize low GHG exports and restrict high GHG exports (see section3). This has likely contributed to an increase in export finance for renewable energy finance (see. Q4.3). However, as of the time of publication, we are not aware of Bpifrance's engagement with national companies on climate. Besides, a clear proactive role of Bpifrance and the French government that goes beyond the 'climate bonus' is still missing for enabling innovation and the marketization of goods and services in low GHG sectors in export markets.

We recommend to Bpifrance to actively engage with national companies with a view of ramping up 'green export finance' and phasing out all forms of 'brown export finance' as soon as possible. **We further recommend** to the French government to conduct national-level surveying with regards to (i) understanding the attitudes of stakeholders towards ceasing support from Bpifrance to fossil fuel value chains; and (ii) among exporters to identify the opinions, needs and opportunities that a complete phase out of support for fossil fuel value chains would give rise to. Such surveying has for instance already been conducted in a study on UK Export Finance (Bright Blue 2021, Shishlov et al. 2022). Other ECAs have held conversations to better understand the likely impacts on job and sales losses of fossil fuel phase out policies (e.g., see the Swedish ECA EKN 2020). This is highly relevant for designing the appropriate complementary policies to soften potential short-term economic impacts from fossil fuel phase out policies and turn them into opportunities.

5. Conclusions and recommendations

In this study we applied a multidimensional methodology to assess the 'Paris alignment' of Bpifrance, the official ECA of the French government. The study finds that the officially supported export finance system in France, comprising both government policy for Bpifrance as well as the ECA's own portfolio, only scores 'Some progress' towards the alignment with the Paris Agreement. This aggregate assessment outcome is based on evidence we found in five dimensions, including Bpifrance's transparency, fossil fuel exclusion and restriction policies, GHG emissions and targets for the whole portfolio, its contribution to climate finance as well as climate-related engagement. Each assessment dimension is underpinned by precise benchmarks of 'Paris alignment' that are informed by best practices in the global export finance system, peer-reviewed literature as well as experts that contributed to the methodology development (Shishlov et al. 2021).

With regards to fighting the climate emergency France has – as a leading economy and political power worldwide – the potential and historic responsibility to lead by example. This is not only imperative from a moral and legal point of view, but also from a pragmatic economic perspective. Despite this, Bpifrance is only in the midfield of the E3F coalition regarding both the share and absolute amounts of fossil fuel finance compared to support for renewable energy (E3F 2022a). In fact, for the period 2015-2021 support to renewables (USD 1.96 billion) was only USD 345 million bigger than to fossil fuels. This stands at odds with the national and international commitments by the French government. That said, we acknowledge a significant shift from 2019 onwards whereby much more support was provided to renewable energy than to fossil fuels. If this trend continues, Bpifrance will have good prospects of becoming Paris-aligned provided that it also improves on transparency and some other gaps identified in this study.

Bpifrance's historic entrenchment with the carbon-intensive sectors such as aviation, shipbuilding and military but also oil and gas must not define the future focus of the agency. In this study we outlined recommendations for Bpifrance to shift this support and become an international leader on climate. Among others, to facilitate transparency towards the general public, more granular reporting would be needed, including implementing a system to quantify the carbon (and GHG more broadly) intensity of its portfolio and making the results public.

The budget of Bpifrance's 'climate bonus' – since 2020 a dedicated instrument that targets green and sustainable projects – should be expanded, and Bpifrance should clearly define and report on what the ECA understands to be 'climate finance' in its portfolio. More generally, the ECA should give priority to emission reduction activities, in parallel with the phasing out of support to any fossil fuel activity. Best practices exist, like UKEF (the ECA in the United Kingdom) that recently phased out nearly all financial support to fossil fuels (Shishlov et al. 2022). Moreover, it has been projected that the transition of UKEF will entail positive employment effects since other industries are far more labor-intensive (e.g., Vivid Economics 2020; Molnár et al. 2022). We would suggest conducting a similar study in France to further legitimize the shift of export finance support to renewable energy.

Further, France is a member of the G7 and G20 groups. In this context, it is important to ensure oversight over potential new regulatory developments that may affect the French government's policies on support to fossil fuels and more broadly on climate change. For example, it remains to be seen how France will tackle existing and exacerbating economic impacts due to the war in Ukraine that has been leading to a massive increase in the energy bills for companies and households, and what instruments it will use. Bpifrance can be in the firing line for countering these adverse impacts, but it remains to be seen whether this will result in an increased support to fossil fuels (e.g., to diversify the sources of natural gas imports) or in stronger support to renewable energy development (e.g., supporting domestic companies in scaling up installation of wind and solar capacity or in the import of specific required technologies/devices). While the increasing energy costs are rightly capturing media coverage and the public's interest, the risk is that environmental impacts of the decisions made to counter the economic impacts will be underestimated.

All recommendations for the French government and Bpifrance are summarized per assessment dimension in Table 4 below.

Table 4: Summary of key recommendations per assessment dimension

Key recommendations for aligning Bpifrance with the Paris Agreement	
Financial and non-financial disclosure and transparency (***Dimension 1***)	• Track and disclose GHG emissions in accordance with the international best practices, e.g., PCAF. • Reflect the E3F reporting modalities in all of Bpifrance's internal reporting. • Define climate finance using unambiguous lists of activities following international best practices.
Ambition of fossil fuel exclusion or restriction policies (***Dimension 2***)	• Set a 'materiality threshold' at a reasonable level under which the exemptions for coal, oil and gas support shall apply (e.g., max. 5% of annual new commitments in the energy sector). • Re-define the exemption clauses to more limited circumstances to close loopholes that may cause proliferation or situations of interpretative ambiguity of the policy.
Climate impact of and emission reduction targets for all activities (***Dimension 3***)	• Rapidly phase out the financial support to fossil fuel transactions, consistent with France's commitment to halt fossil fuel subsidies. • Adopt more targeted policies aimed at shifting support over the near-term towards renewable energy and other sustainable export goods and services. • Utilize a third-party to set science-based mitigation targets consistent with Paris Agreement's long-term goals and to continuously monitor the implementation status, e.g., through the SBTi. • Set Paris-aligned sectoral targets for both the short- and medium- as well as long-term once they are approved through the SBTi, including for the emission-intense sectors such as aviation, shipbuilding and military.
Contribution to a just climate transition and sustainable development (***Dimension 4***)	• Allocate far more resources to renewable energy-related activities as well as climate and sustainable finance more broadly to boost domestic jobs, while at the same time scaling down support for fossil fuel value chains. • Contribute to streamlining efforts towards a common definition of climate finance in the global export finance system. • Start offering interest or premium-based incentives for customers who have approved corporate science-based targets under the SBTi. • Publish transparently and comprehensively data on the demand for the climate bonus, the average and total amount of bonus per year as well as on its effectiveness. • Place concerns regarding a just climate transition at the heart of Bpifrance's institutional identity.
Outreach and 'pro-activeness' of the ECA and its governments (***Dimension 5***)	• Take more diplomatic action on the multilateral level to establish stricter rules governing export guarantees for fossil fuels (e.g., under the OECD Arrangement Reform). • 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. • Enhance and publicly report on the French position in international climate-related negotiations involving policies in the export finance system. • 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, the G7 and G12 Heads of ECA meetings as well as through the Berne Union. • Strengthen and regularize outreach activities specifically with regards to the 'Paris alignment' of officially supported export finance through Bpifrance, and with regards to the 'Paris alignment' of the entire French economy in the context of the long-term strategy to net-zero GHG emissions by 2050.

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

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