

# PARIS ALIGNMENT OF EXPORT CREDIT AGENCIES

Case study #5: The United States (EXIM)

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## Perspectives Climate Research

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## Key Messages

- The Export Import Bank of the United States (EXIM)<sup>1</sup>, the official Export Credit Agency (ECA) of the US, was assessed with regards to its alignment with the Paris Agreement across five dimensions using the [methodology](#) developed by Perspectives Climate Research. Overall, EXIM was rated with **'Unaligned' and therefore urgently needs to speed up the progress towards aligning its activities with the Paris Agreement** (assessment score 0.44/3.00).
- Despite recent milestone commitments to end support for new and unabated fossil fuel projects abroad made at the 26th Conference of the Parties (COP26), President Biden's Executive Order on Tackling the Climate Crisis at Home and Abroad as well as its (non-official) implementation guidance, **concrete evidence on how EXIM complies with these commitments is lacking.**
- In the **absence of a more concrete policy framework**, EXIM's domestic financing program may revive financial support for long-lived domestic fossil fuel infrastructure, especially liquified natural gas (LNG). Despite the context of the current energy crisis, **support for new LNG infrastructure drives increased production and results in carbon lock-in** and is therefore not in line with the Paris Agreement.
- Reported project emissions significantly dropped from a peak in 2013 until today. While this trend is very positive, the **reporting approach is not up to speed with international best practices** and this trend needs further be understood in the context of a Board quorum lapse during 2015 and 2019 that inhibited EXIM from financing large projects.
- **EXIM's climate-related financial and non-financial disclosure both lack comprehensiveness**, e.g., given the absence of total exposure reporting for renewable energy finance (climate-related financial disclosure) and the absence of reporting on financed or insured emissions at the aggregate portfolio level (climate-related non-financial disclosure).
- In contrast to an emerging group of frontrunning countries and their ECAs, **EXIM has no net zero target, no standalone climate strategy and exhibits more than 60% of its total exposure to the oil and gas sector as well as aircraft** which is a significant driver for fossil fuel demand. Climate considerations are included as a sub-goal in EXIM's 2022-2026 Strategic Plan but fall short of full alignment with the Paris Agreement.
- While other ECAs – especially those associated with the Export Finance for Future (E3F) initiative – have advanced their climate agenda more thoroughly than EXIM, the political momentum since re-joining the Paris Agreement under the Biden administration should now be seized and turned into institutional practice. **Joining the E3F coalition would be an important step** towards shifting EXIM's financial support towards Paris-aligned and sustainable activities.

Assessment dimension	Weight	Description	Score
1. Transparency	0.2	Financial and non-financial disclosures	0.75/3.00
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	0.33/3.00
4. Climate finance	0.1	Positive contribution to the global climate transition	0.20/3.00
5. Engagement	0.1	Outreach and 'pro-activeness' of the ECA and its governments	0.67/3.00
<b>Assessment outcome:</b>		<b>'Unaligned'</b>	<b>0.44/3.00</b>

<sup>1</sup> The assessment boundary of this study comprises U.S. government policy as well as the portfolio and strategy of EXIM.



## Key Recommendations for the U.S. Government

**The Biden administration** should assume leadership in aligning EXIM with the objectives of the Paris Agreement and fully align the agency with its stated climate policy objectives, including by:<sup>2</sup>

- i. Providing specific **public guidance how to implement the near-term phase out of financial support for fossil fuels by the end of 2022**, consistent with the COP26 Statement on the Clean Energy Transition, the Net Zero by 2050 roadmap by the IEA (2021) and explicitly acknowledging the latest science as benchmark of what's needed to keep global warming below 1.5°C by 2100;
- ii. Reviving the American **spirit of 'mission-orientation'** of US state agencies, including EXIM, by **placing a just energy and climate transition** in the US and abroad at the centre of the agencies' mandates; This must entail considering absolute limits of fossil fuel production in the United States and globally;
- iii. **Reforming the 'non-discrimination clause' of EXIM's charter** so that the agency be legally authorized to deny applications from the fossil fuel industry or other sectors based on climate impact considerations;
- iv. **Creating an inter-departmental steering committee** to enhance the public oversight of EXIM including expertise and objectives from multiple state departments including climate and environment.
- v. **Adopting necessary complementary measures**, including domestic industrial and labour policies to mitigate the potential impacts of near-term fossil fuel phase out, e.g., by providing targeted state-financed retraining schemes and early retirement programs for affected workers;
- vi. **Contributing to the creation of a new 'level playing field'** among trade partners, such as the US and the EU, and existing 'coalitions of the willing' based on consistency with the global 1.5°C objective, e.g., by introducing additional export finance restrictions on oil and gas value chains following the ban of unabated coal-fired electricity generation as part of the OECD Arrangement.



<sup>2</sup> More detailed recommendations for the government and as well as for EXIM itself are provided in each assessment dimension. An overview of all recommendations is available in section five.

# 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 export credit agencies (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 (Oil Change International 2021). 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.<sup>3</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 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 the role of ECAs with greater scrutiny in the context of achieving the objectives of the Paris Agreement.

<sup>3</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 are guaranteed by the public sector (e.g., through ECAs) is comprised by the definition of public debt (Club de Paris 2021).

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<sup>4</sup> in April 2021**, a ‘coalition of the willing’ that consists of ten major European economies<sup>5</sup> 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 2022).
- The **agreement among participants in the OECD Arrangement to ban support for coal-fired power plants without carbon capture and storage (CCS)<sup>6</sup>**. 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<sup>7</sup>**, a UK-led initiative of 39 countries and financial institutions (as of October 2022) 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.

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 LNG infrastructure that may spur new and additional production and use of

<sup>4</sup> 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>

<sup>5</sup> The ten member states are Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Spain, Sweden and the UK.

<sup>6</sup> See: <https://www.oecd.org/newsroom/agreement-reached-at-oecd-to-end-export-credit-support-for-unabated-coal-fired-power-plants.htm>

<sup>7</sup> See: <https://ukcop26.org/statement-on-international-public-support-for-the-clean-energy-transition/>

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 variance 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), and 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 last year called for ending all new fossil fuel supply developments on the path to Net Zero, including natural gas, by the end of 2021 (IEA 2021). 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 2022, 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, Japan, the Netherlands, and the United Kingdom.

## 2. Officially supported export finance in United States

The United States is the largest economy in the world in terms of market exchange value of its gross domestic product (GDP) and the second in terms of absolute value of export goods and services, just after China (The World Bank 2022). Since 1945, the Export-Import Bank of the United

States (EXIM) supports this economic supremacy, as per its statutory charter, by financing and facilitating the exports and imports of goods and services as an independent state agency where private sector lenders are unable or unwilling to provide financing (see Text Box 2).<sup>8</sup>

### Text Box 2: Congressional mandate and legal establishment of the Export-Import Bank of the United States.

EXIM was legally established as an independent agency by the Export-Import Bank Act of 1945 which was – together with regular amendments alongside re-authorizations – taken up in the Code of Laws of the United States. Hence, the Export-Import Bank Act, EXIM’s congressional mandate, is permanent federal law of the United States.

This Act formulates the overarching objective and purpose of EXIM as:

- i. *“to aid in financing and to facilitate exports of goods and services, imports, and the exchange of commodities and services between the United States [...] and any foreign country [...] [and]*
- ii. *to contribute to the employment of United States workers”.*

Sourced from: Office of the Law Revision Counsel (2022, Title 12, Chapter 6A).

Despite a history of overall continuous bipartisan support, EXIM’s role in the US economy was controversial. Indeed, in its role as an economic instrument, the ECA received rather hostile attitudes from increasingly neoliberal or conservative powers, particularly since the Republican President Ronald Reagan.<sup>9</sup> In the 1980s, Reagan approved its re-authorization but enacted budget cuts of more than 40% that would “save billion by eliminating taxpayer subsidies to some of America’s biggest corporations” (Reagan, 1985). In this vein, the conservative segment of the Republicans reproaches EXIM ‘crony capitalism’ “[that] distorts the free market at the expense

of the larger U.S. economy” (e.g., America for Prosperity 2019). There are hence several voices that wished for the agency to disappear altogether (e.g., De Rugy 2014). One reason that this did not happen so far is likely owed to the strong political influence of large corporates that receive EXIM finance in Congress, and especially through their lobbying organizations (e.g., the American Chamber of Commerce or the Aerospace Industries Association). Moreover, it has been an unchanged bipartisan priority to not cede market shares to any other competitor like China or France, especially in strategic sectors like aircraft or nuclear power. As Klein

<sup>8</sup> EXIM has its earlier roots under the by Franklin D. Roosevelt established Export-Import Banks of Washington, both established in 1934, with the aims of extending financial instruments to the previous Soviet Union, Latin America, and Cuba.

<sup>9</sup> With the term ‘neoliberalism’ we refer to a politico-economic doctrine that contends that, put bluntly, markets work, and governments don’t (e.g., Vallier 2021; Kammass 2022).

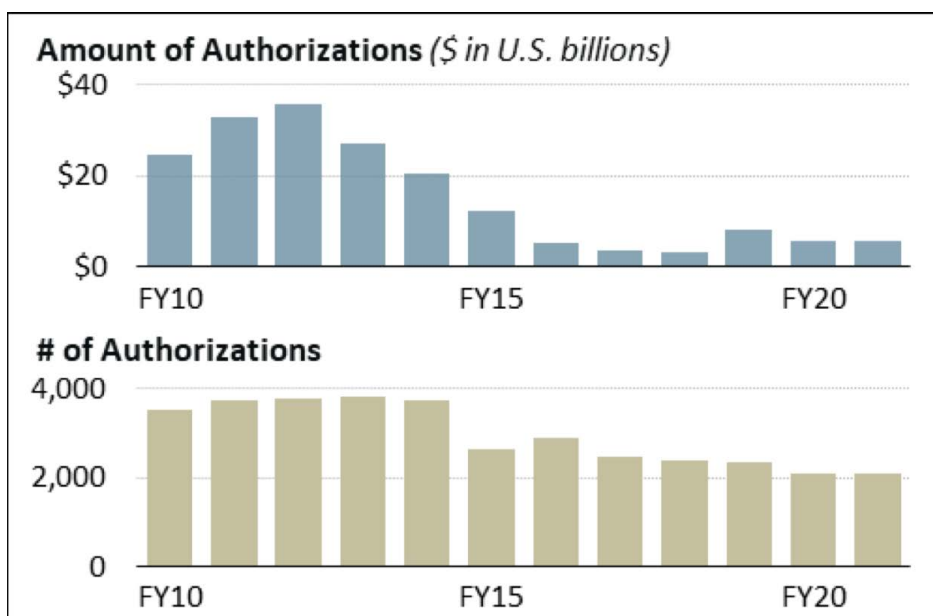


(2015) summarizes, “the political coalitions around EXIM are fluid [...] but to generalize, support traditionally comes from business-oriented Democrats and Republicans while opposition emerges from the more liberal and conservative wings of the two parties”. Yet, the agency had a clear and well documented role as a political instrument. At least for the first decades of its operation “government officials treated the Ex-Im’s support activities as an instrument of American foreign policy” (Becker and McClenaham 2003, p.3). This was reflected in EXIM’s changing strategic priorities during the periods of post-World War II reconstruction, the Cold War, the oil shocks and the end of the fixed exchange rate system under Bretton Woods in the 1970s, as well as the loss of competitiveness of Western industries upon the emergence of Asian economies thereafter (*ibid.*, Flesher 2004). More

recently, the agency received strong support for augmenting domestic policy ambitions like jobs creation, especially under President Trump’s ‘America First’ agenda (e.g., Warmbrodt 2019). Furthermore, the Biden administration seeks to instrumentalize the agency to achieve international climate finance goals (The White House 2021b, see also section 3).

Overall, the controversy of EXIM’s role and authority has indeed become an existential struggle for the ECA that peaked in a board quorum lapse between 2015 and 2019.<sup>10</sup> This implied that the agency could not authorize transactions above USD 10 million which significantly reduced overall new commitments and hampered the ECA’s ability to conduct business (Figure 1):

**Figure 1: EXIM Bank authorizations by volume and number FY 2010-2021.**



Source: Congressional Research Service (2022).

In 2020, EXIM’s total exposure (USD 46.8 billion) makes about 2.2% of the total value of goods and services exported from the US to foreign countries (EXIM 2020b; The World Bank 2022).<sup>11</sup> However, the ECA support can generally be considered as countercyclical and strategic which may have additional indirect effects on both creating long-term export value and supporting jobs.

The financial instruments EXIM offers can be grouped into:

- Support for domestic exporters (e.g., through export credit insurance and working capital loan guarantees); and
- Support for international buyers (e.g., through loans, loan guarantees, project finance etc.).

<sup>10</sup> EXIM’s board quorum requires at least three out of five board members to be present to conduct business, e.g., approve larger-scale transactions (current threshold: USD 25 million). Board members are presidentially appointed and must be confirmed by the US Senate (e.g., Congressional Research Service 2022). Despite EXIM’s re-authorization for the 2015-2019 period, conservative Republicans withheld confirmation of board members that were nominated both under the Obama and Trump administrations until an eventually favorable vote in May 2019 (e.g., Lawder 2019).

<sup>11</sup> The overall economic significance of EXIM in the entire American export finance system is difficult to estimate. We compare total exposure as a stock parameter with the annual flow parameter of total export value under the assumption that export contracts for which EXIM provides support typically involve medium- or long-term export credits (>360 days). In 2020, EXIM authorized about USD 5.4 billion new commitments (EXIM 2022a).

Like Export Development Canada (EDC) or the Korean Export-Import Bank, EXIM combines both loans, guarantee and insurance instruments in one institution, rather than separating them, as ‘pure cover’ ECAs do, e.g., such as in Germany or the Netherlands where ECAs operate alongside national development and export finance banks. In 2021, the vast majority (~86.5%) of EXIM’s total exposure in terms of volume concentrates on loans and guarantees for foreign buyers to purchase American products (EXIM 2022a). However, given the COVID-19 pandemic and other shocks for American and global supply chains, especially Russia’s invasion of Ukraine led to the unanimous decision of EXIM’s board to increase domestic financing (EXIM 2022b).

Like EDC’s domestic financing powers, the “*Make More in America Initiative*” (MMIA) is a new financing tool to support export-oriented manufacturing through existing medium-

and long-term loans, loan guarantees, and insurance products. In general, the new facilities are open to all sectors. EXIM describes the domestic support program as prioritizing “*environmentally beneficial projects, small businesses, and transformational export area transactions, including semiconductors, biotech and biomedical products, renewable energy, and energy storage*” (EXIM 2022b). This portrayal contrasts however with the likely prospect that the MMIA would support the development of natural gas infrastructure in the US, e.g., LNG export terminals (see Q2.2).

Table 1 provides an overview of EXIM’s organisation and activities.

**Table 1: Overview of the Export Import Bank of the United States.**

Key facts EXIM	
Type of ECA	Independent state agency, multi-purpose ECA
Main sectors*	Aircraft (37.6%), oil and gas (26.2%), manufacturing (19.3%), other industries (12.4%), and power projects (4.5%).
Geographic activity concentration*	Asia (18.6%), Sub-Saharan Africa (17.6%), Latin America and Caribbean (16.2%), MENA region (12.9%), Europe (12.1%), Oceania (9.3%), North America (8.5%), Other (4.8%)
Commitments outstanding <sup>12,*</sup>	USD 41.3 billion
New commitments <sup>13,*</sup>	USD 5.4 billion
Main instruments of financial support	Export credit insurance, working capital loan guarantees (support for domestic exporters); loans, loan guarantees and project finance (support for international buyers)
Category A and B projects** (Number)	Category A (2008-2013): ~4 projects per year Category A (2014-2021): Only two projects <sup>14</sup> overall due to lacking board quorum  Category B (2008-2015): ~4 projects per year Category B (2016-2021): zero until 2019 (due to board quorum); and a total of 4 since 2020

Note: (\*) = Data from 2021. (\*\*) = Average annual mean for the last three years to correct for yearly fluctuations. Source: authors calculations, based on EXIM (2022a).

<sup>12</sup> 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).

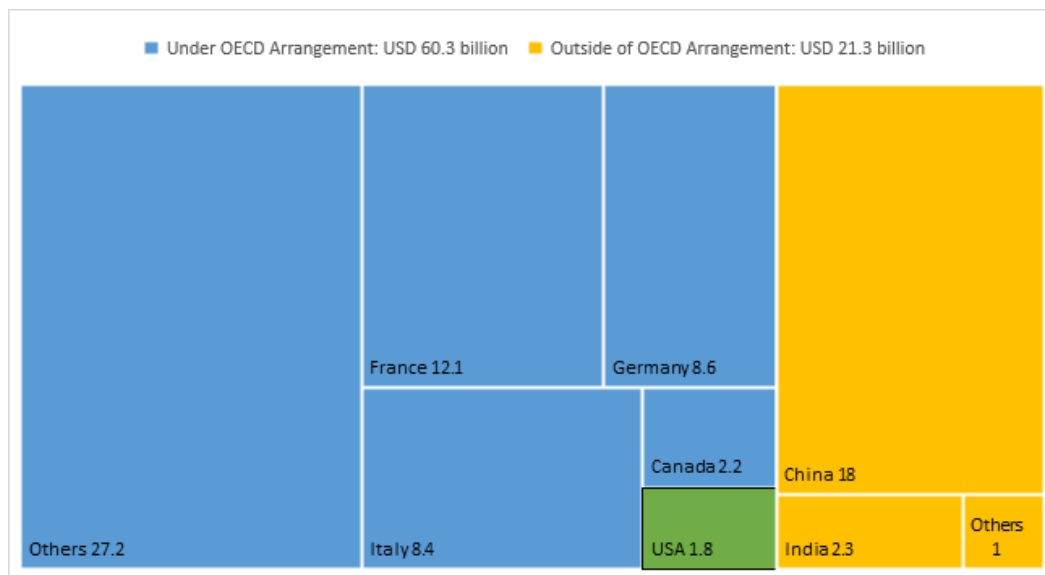
<sup>13</sup> ‘New commitment’ is a ‘flow parameter’ which refers to the total volume of new insurances, guarantees, loans or other ECA instruments at a given cut-off date (see Berne Union 2021).

<sup>14</sup> Namely the USD 69.8 million loan to support the Hokchi Block Oil and Gas Production Project in Mexico in 2021, and USD 5 billion loans for the LNG Project in Cabo Delgado, Mozambique, in 2019.

In international comparison, EXIM has a rather small total exposure, especially given the country's export volumes, population, and overall GDP. This is further illustrated by

EXIM's comparatively low new medium- and long-term official export credit financing in 2020 (Figure 2).

**Figure 2: New medium- and long-term official export credit financing<sup>15</sup> by selected ECAs in 2020, in USD billion.**



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



<sup>15</sup> Defined by the Berne Union (2021, p.10) as "Insurance, Guarantees and lending for Export/Trade-Finance Credit of which the repayment term is greater than 360 days." For short term export credit finance, the repayment term is considered less than 360 days (*ibid.*).

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

Despite its often-claimed independence, the topic of climate change is an example of the agency's behaviour in accordance with the political tide. Under the Obama administration, climate change was already a concern and EXIM states that "[in 2009, the Bank became the first export-credit agency [...] to adopt a carbon policy to address the climate-change concerns raised by emissions from the projects that the Bank finances]" (EXIM 2014, p.26). Conversely, the result of a simple key word search of annual reports issued during the Trump administration (2017-2020) for the term 'climate' shows no mention in a substantive context whatsoever.<sup>16</sup> For comparison, in its first annual report since Biden's presidency, the term is mentioned 20 times (EXIM 2022a). Hence, during

the Trump administration, EXIM entered a period of silent climate denialism, but it remains difficult to find evidence whether this position was shared by board members and other EXIM staff or not.

Despite the fact that public financial support for the production or use of fossil fuels – especially in early industrialized nations like the US – is no longer compatible with global climate goals (Censkowsky et al. 2021b), EXIM's congressional mandate – although focusing on expanding support to environmentally beneficial exports – does little to phase out fossil fuels and to support affected workers to transition into new opportunities (Text Box 3).

#### Text Box 3: EXIM's congressional mandate from a climate change perspective.

Since 1992, EXIM ought to increasingly support environmentally beneficial exports, including renewable energies. Since the 2019 re-authorization, this also includes energy efficiency and storage (e.g., for battery electric vehicles and related infrastructure) and EXIM ought to avail no less than 5% of its total financing authority each fiscal year for these sectors (§635 (K)). However, EXIM's charter does not define environmentally beneficial goods and services comprehensively, nor does it impose an obligation to reduce environmentally- and climate-negative support. Indeed, the charter does not explicitly refer to the term 'climate' or 'climate change'. Rather, the mandate situates climate change under its broader disclosure-oriented environmental policy with reference to public disclosure and mitigation requirements should environmental effects – including emissions – affect third countries (§635 i–5). Further, the agency is not allowed to deny an application for financing *“based solely on the industry, sector, or business that the application concerns; or promulgate or implement policies that discriminate against an application based solely on the industry, sector, or business that the application concerns”*. These prohibitions explicitly apply to the *“exploration, development, production, or export of energy sources”* (§635i (k)). This 'non-discrimination clause' serves to prevent picking winners and losers based on arbitrary judgement. However, in a context of climate urgency, both positive discrimination (i.e., incentives for climate-friendly exports) but also negative discrimination (i.e., restriction and exclusion policies) are again a necessary stage to guide exporters out of fossil fuel value chains and towards Paris-aligned and sustainable exports. Using political or normative reasons (instead of economic reasons) to prohibit certain export finance is an established practice in EXIM's mandate amendments. This was the case for instance with prohibitions to communist country groups or support for the export of defense articles. Indeed, discriminating both positively and negatively against certain sectors in the context of climate change (i.e., renewable energy equipment and fossil fuel infrastructure, respectively) would meet the old American tradition of mission-oriented policy practice and its reflection in the orientation of US agencies (see: Mazzucato et al. 2021 and recommendations).

Despite the above, EXIM's mandate permits that the Board of Directors rejects a project for environmental reasons – which per definition includes climate reasons. So far however, only one project application was rejected based on such environmental grounds, a coal-fired power plant in Vietnam (Pacific Environment 2022). This compares to a myriad of projects that were willingly accepted despite concerns (and actual consequences) for people and the planet (Oxfam US 2020).

Source: Office of the Law Revision Counsel (2022, Title 12, Chapter 6A) and authors' interpretation.



However, upon re-entry of the United States to the Paris Agreement under President Biden in 2021, also EXIM's 2022-2026 strategy and annual reporting revived the topic of climate change, although in a hesitant manner, compared

to other ECAs. Text Box 4 summarizes existing climate-related policies and commitments both from EXIM and the US administration in reverse chronological order.

#### Text Box 4: Selected climate-related commitments and practices by EXIM/for EXIM.

- Inclusion of the first recommendations of the Chair's Council on Climate into EXIM's Competitiveness Report that heralded a new era of official export finance based on climate-related policy changes in the global export finance system – June 2022
- Inclusion of climate considerations into the Strategic Plan 2022-2026 promoting US exports of renewable energy and other climate-positive goods and services to support American jobs (sub-goal 1.2) incorporating climate-related financial risks into the underwriting process (sub-goal 1.3) – April 2022
- Signature of the COP26 Statement on International Public Support for the Clean Energy Transition – November 2021
- OECD Arrangement Participants' ban on unabated coal-fired electricity generation – October 2021
- Interim international energy engagement guidance: intra-agency guidance to implement the January 2021 Executive Order applying to all US agencies and departments – leaked in December 2021
- US International Climate Finance Plan: includes EXIM as an integral element – April 2021
- Executive Order on Tackling the Climate Crisis at Home and Abroad: prescribes EXIM and other state agencies to evaluate how to end international financing of carbon-intensive fossil fuel-based energy and at the same time advance sustainable development and a green recovery – January 2021
- Change of mandate: new requirements to commit at least 5% of EXIM's financing authority each year, i.e., about USD 6.75 billion out of the maximum of USD 135 billion, for renewable energy, energy efficiency and storage exports (e.g., for battery electric vehicles and related infrastructure) – July 2019
- EXIM's Carbon and Environment Policy: EXIM was the first ECA globally to adopt a carbon policy to address climate change concerns – November 2009
- EXIM becomes the first ECA to track and disclose GHG emissions of projects it finances – October 1998
- Change of mandate: new requirements to increasingly support environmentally beneficial exports, including renewable energies – July 1992

Respective sources: EXIM (2022b), UK Government (2020), OECD (2021a), The White House (2021a; 2021b), EXIM (2009), Library of Congress (1992; 2019).

With regards to the newly established Advisory Sub-committee on Climate (or 'Chair's Council on Climate'), comprising 16 members from finance, industry and civil society organizations in 2021, the following provides a more detailed account. The Advisory Sub-committee's role is to advise "how EXIM can further support U.S. exporters and American jobs in clean energy and meet congressional mandates to support and promote environmentally beneficial, renewable-energy, energy-efficiency, and energy-storage exports" (EXIM

2022a, p.11). Most substantively, the Chair's Council on Climate has put forth recommendations, including for EXIM's climate policy, investment and partnerships (EXIM 2022c, p.8). In summary, these include:

1. Develop a climate action plan, including a net zero target
2. Develop a comprehensive definition of 'climate investment'

<sup>16</sup> The term 'climate' was only mentioned when referring to, e.g., the economic 'climate'.

3. Operationalize climate considerations for EXIM's internal procedures, including underwriting, strategy and risk management.
4. Improve metrics, monitoring and reporting on climate-related investments.
5. Refine and develop EXIM policies to enable greater climate investment.
6. Increase climate-related staffing capacity.
7. Embody a Whole-of-Government approach on climate action.
8. Deepen EXIM engagement with other financial institutions and with the OECD.

Implementing these recommendations will, if done in a serious manner consistent with international best practices and the latest science, shifting EXIM's portfolio and strategic decisions over the years and decades to come. Yet many critical bottlenecks exist, e.g., concerning the nuances of defining a genuine net zero target, comprehensively defining 'climate investment', as well as several additional key elements that ought to not be omitted on a pathway to aligning with the 1.5° C objective of the Paris Agreement.

While EXIM's efforts towards boosting 'environmentally beneficial' export support are well directed, little concrete commitments were made on how to implement the COP26 Statement on International Public Support for the Clean Energy Transition and little is known whether and to what

extent domestic financing of fossil fuel value chains will be restricted or phased out. Climate leadership in the export finance system currently takes place elsewhere, e.g., involving the ten countries that form the E3F initiative. Since 2022, these countries comprehensively report on fossil fuel energy finance and renewable energy finance (E3F 2022). Unless EXIM joins the E3F coalition or boosts the transformation of export finance in collaboration with other potential leaders like Canada or Australia elsewhere (e.g., at the level of the OECD Arrangement), involvement of the US in designing a Paris-aligned level playing field of officially supported export finance will be limited.

The following assessment of 'Paris alignment' (section 4) provides for an in-depth assessment of all pertinent dimensions of 'Paris alignment' and substantiates further both the recommendations of the Chair's Council on Climate as well as additional recommendations drawn from scientific literature and best practices in the global export finance system. Moreover, it is clear that the limits of new fossil fuel exploration compatible with 1.5° C warming are already exceeded (e.g., IEA 2021; Welsby et al. 2021; UNEP 2021). This has immediate impacts for global supply chains, including in the US, of equipment, infrastructure and services produced and exported – a fact that is recognized by the E3F that took up not only reporting and target-setting for downstream elements of the fossil fuel value chain, but also mid- and upstream (E3F 2022). This assessment is designed to guide EXIM as well as responsible authorities within Congress and the Biden administration to safely achieve net zero by 2050 that is consistent with the 1.5° C objective of the Paris Agreement.

## 4. Assessment of Export-Import Bank of the United States' (EXIM) alignment with the Paris Agreement

We assess the 'Paris alignment' of EXIM<sup>17</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 the 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 3).

<sup>17</sup> The assessment boundary of this study comprises U.S. government policy as well as the portfolio and strategy of EXIM.

**Figure 3: Labels of Paris alignment and corresponding score ranges.**

Unaligned	0.00 - 0.50
Some Progress	0.51 - 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 more than a dozen 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. **EXIM received an overall assessment score of 0.44/3.00 and therefore received the label 'Unaligned'**, although with a clear potential of moving to 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 American export finance was rated with 'Some progress' with a sub-score of 0.75/3.00.**

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)?	Unaligned

### 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'. Although EXIM does not report on direct operational emissions ('scope 1') and indirect operational emissions ('scope 2'), it started the first ECA globally to disclose the actual (or projected) CO<sub>2</sub> project emissions. This has since 1999 been conducted according to an in-house procedure,

reporting total emissions from projects that receive EXIM support and not only financed or insured emissions based on a pro-rata approach. However, there is no publicly available information on the type of methodology used or the standard of emissions accounting adhered to. In general, emissions ought to be reported for pending and approved

projects above a threshold of at least 25,000 CO<sub>2</sub> tons per year.<sup>18</sup> For instance, in its 2021 Annual Report, EXIM states that it approved one transaction in the oil and gas sector with emissions of 0.4 million tons CO<sub>2</sub> per year (e.g., EXIM 2022a). EXIM does not report the annual total emissions of its portfolio, but only those of new authorizations which is a severe limitation with regards to assessing its overall climate impact, especially given the strongly varying number and volumes of new authorizations over time (Figure 1). This hinders both internal as well as external evaluations of the effectiveness of EXIM's own climate policies. Also, we noted that estimated CO<sub>2</sub> emissions for pending projects are only partially available on EXIM's website – despite the commitment to report them for all pending projects that likely exceed the annual emissions threshold. EXIM does further not require project developers to refer to a specific emissions accounting standard when conducting environmental and social impact assessments (ESIAs). Indeed, an anonymous interviewee for this report suggested that companies tend to significantly under-estimate their emissions knowing that no thorough examination is required.

We positively noted that EXIM itself has set various transparency goals and wants to “*improve its transparency in the tracking and reporting of CO<sub>2</sub> emissions from projects it supports*” (EXIM n.d.C). This is echoed by the Chair's Council on Climate that recommends improving metrics, monitoring and reporting on climate-related investments (see section 3). How exactly this should be done remains, however, unclear.

### 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’ since EXIM discloses its exposure to oil and gas sectors which as per its annual report accounted for 26.2% (or USD 10.83 billion) in 2021. However, this share needs to be understood with strict reservations since EXIM does not define the extent of the oil and gas sector in its publications, nor whether the agency has outstanding commitments in the coal value chain, e.g., mining. This is underscored by our own analysis that finds higher new commitments to fossil fuels than reported (Figure 4). Moreover, EXIM does not define and differentiate between ‘international’ and ‘domestic’ fossil fuel finance, despite having signed onto a commitment to phase out the support of (unabated) fossil fuel finance by

First of all, **we recommend** identifying projects for which to calculate actual or potential energy-related emissions through an activity-based approach, instead of relying on initial estimates whether or not the emissions threshold of “25,000 tons of CO<sub>2</sub> per year” is transgressed. This should include disaggregating all fossil fuel projects as identified by a whole-of-value chain approach, including upstream, midstream and downstream. One approach to disaggregate value chains in the energy sector has been pioneered by the Dutch ECA Atradius DSB as well the E3F initiative (Government of the Netherlands 2021, E3F 2022, see Q1.2). In our view, applying an emissions threshold (or ‘materiality test’) makes more sense for measuring residual emissions in sectors that include non-energy related emissions (e.g., livestock, cement, transport). Second, **we recommend** measuring the attribution of GHG emissions to EXIM's 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 EDC, have already committed to (e.g., PCAF 2022). This would further benefit EXIM since it would only be responsible for those emissions it actually financed or insured, as the emissions would be distributed across all actors involved in financially supporting a transaction or project. Third, **we recommend** EXIM to publish actual and estimated future emissions data for both its portfolio (the stock of all emissions-intensive projects) and new commitments (the flow of new authorizations) on its website which would vastly improve its transparency.

the end of 2022. One example is EXIM's traditional support for the American aircraft industry. As a major source of fossil fuel demand, aviation has been responsible for some 9% of global transport emissions in 2020 (IEA 2021). 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). Indeed, EXIM's reporting on oil and gas exposure is insufficient as it likely omits many transactions that support fossil fuel value chains (e.g., export of equipment for coal mining, transport infrastructure, etc.).

<sup>18</sup> According to the American Environmental Protection Agency (2022), this is the equivalent to the emissions of approximately 5,400 gasoline-powered passenger vehicles in one year.



First, **we recommend** that EXIM follows, at a minimum level, the value chain approach pioneered by the E3F initiative (i.e., E3F 2022) that divides the fossil fuel sector based on the ISO standard 20815. In brief, this includes the following elements (Table 2):

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

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

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

While E3F (2022) has pioneered the long-standing task to implement energy sector reporting in a relative manner, i.e., comparable to renewable energy finance, some agencies have taken an additional effort in designing even more nuanced definitions of the fossil fuel sector relevant in their country. As mentioned above, the Netherlands, for instance, considers all finance that supports end uses of fossil fuels – not only power generation) - as fossil energy finance, including in the petrochemical industry, in transport, heating systems and industrial uses (Government of the Netherlands 2021).

Hence, following the best practice of the Netherlands or at least the E3F initiative is needed to make evidence-based decisions, within EXIM but also within Congress and for greater public accountability. Second, **we recommend** basing the distinction between domestic and international support on a simple but well-defined metric examining whether the transaction concerned is limited to the domestic sphere (i.e., non-export oriented), or to the international sphere (i.e., export-oriented).

### **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’ due to EXIM’s reporting on ‘environmentally beneficial goods and services’ – of which renewable energy exports are part of. Also, the term ‘climate finance’ has gained some traction since President Biden’s call for EXIM to actively support US ambitions on international climate finance targets (e.g., The White House 2021b; EXIM 2022a). However, as per its mandate, EXIM ought to promote environmentally beneficial goods and services, which broadly includes ‘climate’ (Text Box 3). This term is referred to and broadly defined in EXIM’s 2021 annual report as follows:

- Renewable energy equipment

- Wastewater treatment projects
- ‘Air pollution technologies’ (*sic*)
- Waste management services
- Other various environmental goods and services (EXIM 2022a).

EXIM reports on the category of environmentally beneficial goods and services for new authorizations every year. We positively note that EXIM reports new authorizations of environmentally beneficial goods and services separately from renewable energy related exports. For instance, in 2021, new authorizations for environmentally beneficial exports

amounted to USD 71.9 million, of which USD 11.7 million were specifically for renewable energy. With only 0.2% of total new authorizations in 2021 for renewable energy-related exports (1.25% for environmentally beneficial exports), this type of support falls significantly short of reaching the goal as defined per EXIM's renewed charter. The latter implies supporting renewable energy, energy efficiency and storage exports with at least 5% of EXIM's total financing authority each year (see EXIM 2019; Text Box 3 and section 4.4).

Like Q1.2 above, neither environmentally beneficial goods and services nor renewable energy related exports are defined in a comprehensive manner. Indeed, it is essentially impossible to assess EXIM's portfolio exposure to both environmentally beneficial goods and services, including renewable energy, since stock values ('commitments outstanding') are not reported. Most notably, however, both terms are ill-defined and not exhaustively specified at the activity level. Finally, EXIM also refers to the vague term 'clean energy' that should not be confounded with renewable energies as it might include nuclear energy technologies or hydrogen produced from fossil fuels.

**We recommend** reporting separately on energy finance, which should in accordance with international best practices be differentiated into those value chains supporting the fossil fuel sector (see Q1.2) as well as those supporting renewable energy infrastructures (e.g., EKN 2022). While it is certainly helpful to keep the broader category of environmentally beneficial goods and services reporting, we recommend reporting separately energy finance and non-energy finance including new authorizations and total exposure. Finance for renewable energies and related infrastructure is a subset of broader climate finance that in turn encompasses cross-cutting activities including both mitigation and adaptation (Shishlov and Censkowsky 2022). **We recommend** basing the definitions of all subsectors, fossil fuels, renewable energy and environmental goods finance on exhaustive or near-to exhaustive lists of activities. For climate finance, this is 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.

#### 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 'Unaligned' as EXIM neither adheres to the recommendations of the TCFD nor voiced plans to do so. **We recommend** that EXIM initiates the process of reporting in accordance with the TCFD's recommendations and furthermore considers the emerging

Task Force on Nature-related Financial Disclosure (TNFD)<sup>19</sup> 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 'Unaligned' with a sub-score of 0.33/3.00.**

<sup>19</sup> For more information on the TNFD see: <https://tnfd.info/>

Q Nr.	Dimension 2 – 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

### 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 ‘Some progress’. The US endorsed the ban on officially supporting unabated coal-fired electricity generation with export credits that in January 2022 ultimately led to integrating into the OECD Arrangement a clause prohibiting that Participants support the “*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 2022; 2021). Furthermore, EXIM is tasked to subject any support to unabated coal and “*infrastructure directly related and dedicated to the production, transportation, or consumption of emissions-intensive fuels*” to the rules and exceptions provided by an inter-agency guidance supporting US decarbonization ambitions that leaked to the public at the end of 2021 (OCI 2021, p.4). This is a vast improvement, given that the OECD Arrangement prohibition clause only applies to coal-fired electricity generation.

Despite this progress, no ‘Paris aligned’ can be attributed since EXIM continues – also in recent years – to support mining, wholesale or manufacturing related to coal (Figure 4, (B)). This analysis shows that since 2010 EXIM provided financing or guarantees to the coal value chain of at least USD 2.9 billion. This value is even twice larger according to Oil Change International’s (2022) Energy Finance Tracker database.<sup>20</sup> According to our analysis, between 2019 and 2022 EXIM supported six coal-related projects with guarantees or working capital with a total volume of USD 78.3 million. In the context of EXIM’s mandate to boost American jobs (Text Box 2), its support for coal mining and related infrastructure in the United States can be understood given the prominence

of coal-related jobs in the past elections debates (Egli et al. 2020). However, coal extraction limits compatible with global warming below 1.5° C are extremely tight in the United States, as well as globally (see Text Box 5 in Q2.3). Hence, no support whatsoever should be allocated from publicly backed resources to the production, transportation, processing or consumption of coal.

**We recommend** the US government to commit to phasing out EXIM’s entire support for coal-related value chains, including for domestic as well as international support for electricity and non-electricity related coal uses. Moreover, **we recommend** reconsidering or abolishing the threshold of 250 grams of CO<sub>2</sub> equivalents per kilowatt hour (CO<sub>2</sub> e/kWh) below which the lifecycle emissions of energy carriers are not deemed to be ‘carbon-intensive’ and hence would not be subject to the same interim guidance than those above 250 grams CO<sub>2</sub> e/kWh. As a matter of comparison, the experts at the European Commission estimate the allowed emissions in the power sector at about 100 grams CO<sub>2</sub> e/kWh a threshold which is included in the EU Taxonomy on Sustainable Finance (TEG 2020) and effectively excludes all fossil-fired electricity generation without CCS (TEG 2020; Climate Bonds Initiative 2021). We further recommend EXIM 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).

<sup>20</sup> The different estimates mostly depend on how mixed fossil transactions are attributed. While we find less exposure to coal, we find significantly higher exposure to oil and gas and related value chains than Oil Change International (2022). However,

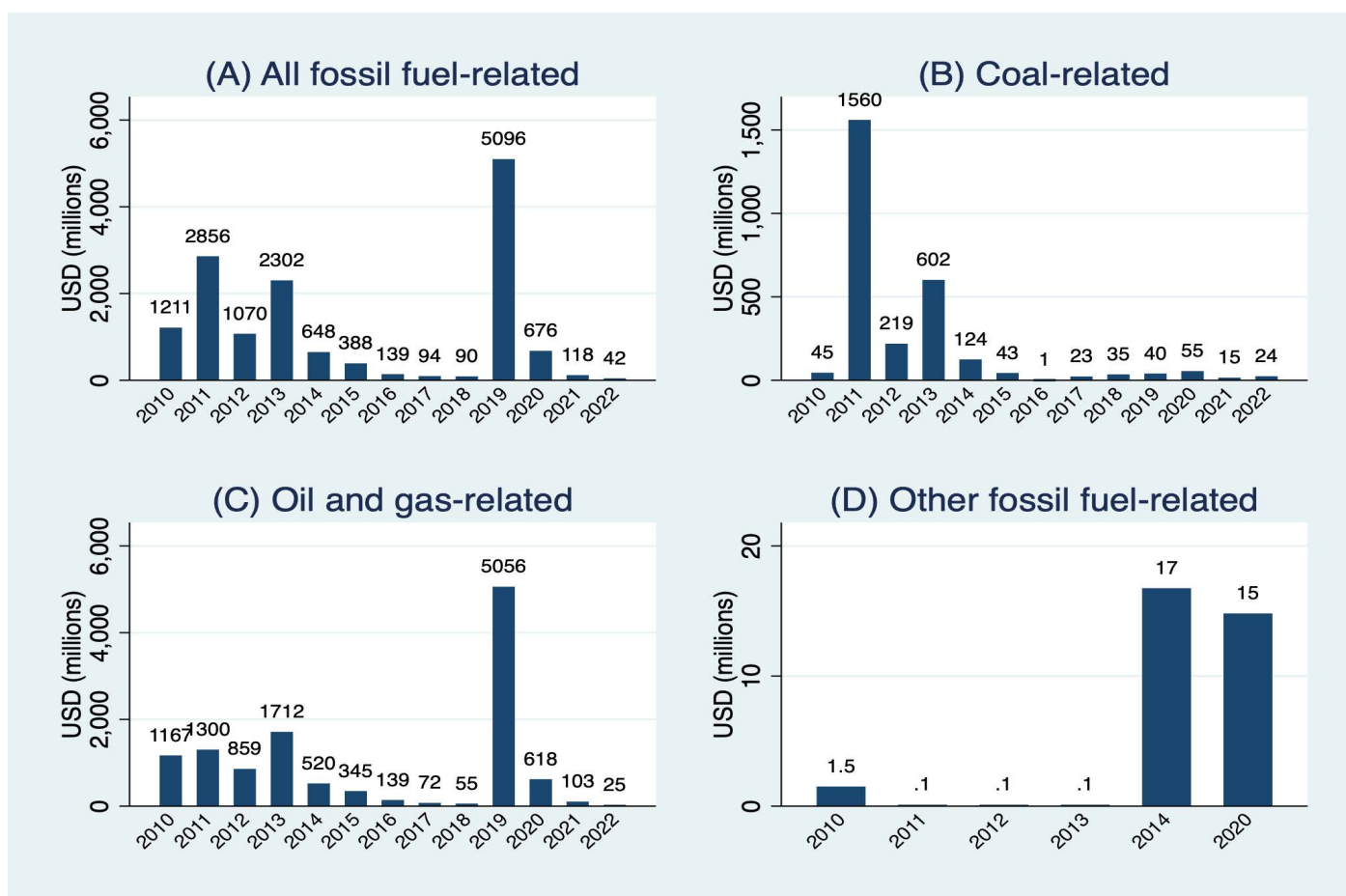
given the imprecise reporting, even according to the NAICS/SIC system, mistakes are likely. For instance, take the NAICS code ‘333611’. It describes turbine and turbine generator set units manufacturing, but this can include based on natural gas or wind.

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

This assessment question was rated as 'Unaligned'. As mentioned above, several commitments made under the Biden administration exist that restrict oil and gas finance through the signature of the COP26 Statement on International Public Support for the Clean Energy Transition (UK Government 2021), the Executive Order on Tackling the Climate Crisis at Home and Abroad and its implementation guidance (The White House 2021a; OCI 2021). However,

little is known regarding the implementation procedures and status of these commitments. EXIM's total exposure in 2021 to oil and gas accounted for more than 25% in FY 2021 and FY 2020 (EXIM 2022a). In total, according to our own analysis, EXIM supported oil (and gas) value chains<sup>21</sup> with a total of around USD 12 billion since 2010 (Figure 4). This makes an average of about one billion per year.

Figure 4: EXIM's support for fossil fuels based on an automated text analysis between 2010 and 2022.



Source: Authors elaboration based on transaction-level reporting from <https://data.exim.gov/>

Note: Graph A combines (B)-(D) and shows a total of USD 14.730 billion; Graph (B) shows a total of USD 2.784 billion; Graph (C) shows a total of USD 11.972 billion; Graph (D) shows a total of USD 33.352 million. The outlier in (C) in 2019 is due to loans extended to the natural gas extraction project in Mozambique. Other fossil-fuel related projects refer to NAICS category "Fossil Fuel Electric Power Generation". All transactions were identified based on automated keyword search in NAICS/SIC code descriptions ("Fossil Fuel", "Coal", "Oil and Gas", "Natural Gas" and "Petroleum") as well as identified by additional unambiguously fossil-fuel related transactions in selected years by the primary borrowers ("Sasan Power Limited", "Eskom Holdings", "Ojsc Bank", "West Coast Power Limited", "Downer Edi Mining", "Eqstra Corporation", "Sberbank" and "Oyu Tolgoi"). Note that this data is flow data only and does not compare to EXIM's exposure reporting.

<sup>21</sup> Oil and gas are subsumed to one category, since data does not permit to strictly analyze both categories separately.



The high outstanding commitments in the oil and gas sector are the product of supporting clients like Petróleos Mexicanos (PEMEX) that are as old as EXIM itself (EXIM 2020d). Indeed, Mexico's state-owned oil company conducts exploration, production, industrial processing and refining, logistics, and marketing of oil and natural gas and is among the top ten carbon majors, i.e., part of the highest emitting companies in the world (CDP 2017). Despite a suspension of activities associated with PEMEX during the board quorum lapse, in 2020 the board authorized two transactions of a total of USD 400 million, including the export of American oil and gas equipment to support 21 oil and gas field projects, to *“supporting an estimated 1,700 jobs [and] help counter financing competition from foreign export credit agencies, including from China [...] when commercial lenders are unable or unwilling to assume the risk”* (EXIM 2020d). This continued engagement with PEMEX has caused major climate change and safety concerns in civil society in the United States, Mexico and internationally (e.g., Friends of the Earth US 2022a; Gerretsen 2021).

In the same year, EXIM also approved a staggering USD 4.7 billion transaction supporting the controversial LNG project in Cabo Delgado off the coast in Mozambique (EXIM 2020c; BankTrack 2022). The support for this project - which is currently in the construction phase only – epitomizes the discrepancy of EXIM climate strategy and the objectives of the Paris Agreement. Given that six other ECAs support Total Energies in realizing this megaproject, it also epitomizes the state of the industry vis-à-vis its adverse climate and development impact accelerated by harsh competition and the fear to losing market shares to competitors.

The judgement ‘Unaligned’ is further supported by the prospect that – ceteris paribus – EXIM will support domestic oil and gas exports under the *“Make More in America Initiative”* (MMIA). While specifically designed to help meet the agency's Charter mandates related to environmentally beneficial exports and clean energy exports, it is currently likely that the MMIA will support American LNG exports (FoE US 2022b). Indeed, the executive director of the Center for Liquefied Natural Gas, Charlie Riedl, wrote in an email to the EnergyWire that the new domestic financing program specifically targets US LNG exports and related infrastructure

given that they would be “both environmentally beneficial and transformational” (Anchondo 2022). In the current political context, it may seem appropriate to increase exports of natural gas from non-authoritarian regimes, however, wherever it takes place, the development of new natural gas resources is incompatible with absolute planetary limits and may lead to additional carbon lock-in (see Text Box 5). **We recommend** that the US government sets much far stricter implementation expectations of current commitments. Next to coal, EXIM needs to phase out oil and gas value chains abroad as well as domestically to unequivocally align its portfolio with the objectives of the Paris Agreement. Next to upstream, this needs to include mid- and downstream phases of fossil value chains, including LNG terminals as well as any other fossil fuel transport infrastructure (e.g., see E3F 2022 or Q1.2. for a definition of value chains). Such a phase out plan should be aligned with (i) phasing out fossil fuel subsidies by 2025 as agreed on in the G7 Leaders' Declaration in 2022 (G7 Germany 2022); (ii) the Net Zero by 2050 roadmap by the IEA (2021); (iii) the absolute limits to American production of fossil fuels necessary for reaching 1.5°C globally (see Text Box 5); and (iv) the COP26 Statement on the Clean Energy Transition.

The science is clear that de facto no new fossil fuel supply may be developed for attaining net zero by 2050 and 1.5°C consistency. This includes natural gas and should furthermore include indirect support for fossil fuel value chains as it spurs demand. This is a necessary step considering the world's climate emergency and the responsibility of early industrialized countries for leading the transition (IPCC 2018; UNEP 2021; Censkowsky et al. 2021b). The fact that peer countries have adopted significantly more far-reaching measures puts the United States on the spot for action (e.g., compare UK Government 2020). Lastly, **it is paramount to focus on complementary policies** that facilitate EXIM's involvement in co-creating an emerging project pipeline and hence demand for EXIM financial products to support sustainable export fields. Such pro-active support for economic diversification has shown extremely beneficial elsewhere (e.g., see Vivid Economics (2020) and Cambridge Econometrics (2022) that show positive employment effects of fully shifting export finance support to renewable energies in the UK and the Netherlands, respectively).

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

This assessment question is rated as 'Unaligned', and the above justification applies (see Q2.2).

#### Text Box 5: Implications of production limits of fossil fuels in the United States under a 1.5° C scenario.

Limiting global warming to 1.5°C compared to pre-industrial levels implies absolute limits to fossil fuel production globally, and in the US in particular. Based on the TIMES Integrated Assessment Model at University College London (TIAM-UCL), maintaining a 50% chance of 1.5°C implies that the global carbon budget is limited to 580 gigatons CO<sub>2</sub> from 2018 to 2100 (Welsby et al. 2021). This model projects the maximum extraction limits of currently proven reserves by type of fossil fuel specifically for the US as per the following:<sup>22</sup>

- **3% of coal reserves (or 7.2 billion tons)**
  - This means future production of coal (including metallurgical coal) should not exceed an average of 257 million short tons per year between 2022 and 2050.
  - The above implies that only half of the current (2020) average annual coal production levels (534.5 million short tons; U.S. Energy Information Administration 2021) can be maintained until 2050 to remain consistent with 1.5° C.
- **69% of oil reserves (or 48.3 billion barrels)**
  - Hence future production of oil should be curbed to an average level of 1.725 billion barrels per year between 2022 and 2050.
  - Rather than allowing a production growth with peak in 2025 (6.168 billion barrels per year or 981 billion m<sup>3</sup> per year), this would imply to decrease annual production levels to approximately 42% of the annual production in 2021 (4.108 billion barrels; U.S. Energy Information Administration 2022a).
- **48% of natural gas reserves (or 5.45 trillion m<sup>3</sup>)**
  - For natural gas, this would require curbing average production levels to about 19.46 billion m<sup>3</sup> per year between 2022 and 2050. Respecting this budget would imply reducing annual production levels to approximately 2% of the annual production in 2021 (967 billion m<sup>3</sup> or 34.15 trillion cubic feet; U.S. Energy Information Administration 2022b).

<sup>22</sup> Note that this model relies on a carbon budget allocation mechanism based on a least cost of production, leaving aside the principle of common but differentiated responsibilities, which would reduce the US' 'fair share' even more (e.g., Holz 2019). Reserves are defined as both technically and economically proven given current market conditions and estimated to stand at 240 billion tons for coal (including metallurgical coal), 70 billion barrels for oil and 11.346 trillion m<sup>3</sup> of natural methane gas (Welsby et al. 2021). Note that official data estimates of reserves are significantly larger since Welsby et al. (2021) use more conservative estimates (see Supplementary Material in Welsby et al. (2021)). The reserve estimates are indicated for a 2050-time horizon, projections vary slightly if a time horizon of 2100 is considered. Estimates include the use of negative emission technologies and sensitivity checks are available. For all three fossil fuels, own calculations are based on a comparison between Welsby et al. (2021) and the U.S. Energy Information Administration (2021, 2022a, 2022b). Note that we use a linear decline of production for illustrative purposes only. See Censkowsky et al. (2022) for a cursory discussion of the role of CCS and CDR in this context.



### 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 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, EXIM 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 <sub>2</sub> e/US\$, Scope 1-3 emissions)	Some progress
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)

In this assessment question, EXIM was rated with ‘Some Progress’. Although we find emissions intensity of reported emissions to decline significantly over the past three years (see Table 3), we cannot attribute the label ‘Paris aligned’ due to insufficient reporting on financed or insured GHG emissions (see Q1.1). Currently, no underlying methodologies

are 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 (new projects only).

**Table 3: Annual emission levels of new projects and number of high-emitting projects between 2011-2021.**

Year	2012	2013	2014	2015	2016 – 2018*	2012	2019	2020	2021
Annual emissions from new projects (Mio. tons of CO <sub>2</sub> p/a)	2	22.9	31.5	6.3	5.4	0	5.2	0.72	0.4
Number of approved projects with > 25,000 tons of CO <sub>2</sub> p/a	2	2	3	3	2	0	1	1	1

Note: This overview cannot be equalized with a directly decreasing emission trend of EXIM's portfolio as emission-intensive projects are typically long-lived infrastructure with lifetime of >20 years. This would only be possible to assess if EXIM provided emission reporting for its entire portfolio exposure; (\*) = Period of Board quorum lapse (see section 2). Source: EXIM annual reports 2011-2021.

We recommend that EXIM signs up to 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.,

EXIM's North American neighbour ECA Export Development Canada. Such disclosure will enable the ECA and its guardian authorities to have a first-best decision-making basis to set EXIM's 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)

EXIM was rated with ‘Unaligned’ in this assessment question given that the share of fossil-fuel related energy finance – likely by an order of magnitude – exceeds renewable energy

finance. Table 4 provides an overview of different estimates of EXIM's fossil fuel finance relative to the entire energy portfolio.

**Table 4: Estimates of fossil-to-renewable energy finance ratios.****Reported energy finance estimates in annual reports and competitiveness reports 2019-2021**

- a. **Portfolio exposure to oil & gas sectors:** On average, EXIM's exposure to oil & gas amounts to 25.2% over the past three years (USD 12.7 billion). However, from 2018 to 2019 this share increased significantly, from 15.7% (USD 9.5 billion) to 23.9% (USD 13.1 billion), given the support of the LNG project in Cabo Delgado in Mozambique (see also c)).
- b. **Portfolio exposure to environmentally beneficial goods and services, including renewables:** N/A
- c. **New commitments oil and gas:** On average, EXIM committed USD 254.33 million per year to the oil and gas (and mining)<sup>23</sup> sector (EXIM 2022c). However, whilst in 2019 USD 4.7 billion were committed to the large-scale LNG project in Mozambique, EXIM reports only USD 105 million and USD 71 million for 2020 and 2021 respectively.
- d. **New commitments to environmentally beneficial goods and services, including renewables:** On average, EXIM supported environmentally beneficial goods and services with approximately USD 90.7 million per year (or 1.2% of total new commitments in 2021). Of those, only USD 20 million (or 22%) went to renewable energies (2019: USD 18.9 million; 2020: USD 29.5 million; 2021: USD 11.7 million). Hence, in 2021 EXIM committed only 0.2% of its total new commitments to renewable energies.

EXIM's oil and gas reporting is partial only given that no value chain-based approach is used (see Q1.2). This means that significant parts of the fossil fuel value chain are omitted and categorized as 'mining' (e.g., coal), aircraft or other downstream uses of fossil fuels that can be categorized as 'fossil fuel' (e.g., Government of the Netherlands (2021); E3F 2022). Despite this, based on (c) and (d) the estimated fossil-to-renewable energy finance ratio is at least 13:1.

**Civil society estimates 2018-2020 (Source: Oil Change International 2022)**

The Public Finance for Energy Finance database only reports new commitments, and no total exposure data. New commitments in the energy sector between 2018 and 2020 were:

- a. **New commitments to fossil fuels (incl. coal, oil, gas and 'mixed'):** USD 6.1 billion
- b. **New commitments to renewables (incl. renewable energy infrastructure, including batteries and biofuels):** USD 95.7 million

Based on OCI's longstanding energy finance tracking it is possible to compare – to a relatively comprehensive extent – financing support for fossil fuel versus renewable energy related value chains. Based on (a) and (b), the **estimated ratio is 64:1 (fossil versus renewable energy finance)**. Note that, due to lacking data, Oil Change International (2022) cannot estimate commitments outstanding.

Our analysis on fossil fuel support between 2010 and 2022 (Figure 4) confirms OCI's estimate (a) but finds significantly higher values for new commitments in the oil and gas sector than reported by EXIM itself (see (c) above). We find USD 618 million to be classifiable as oil and gas in 2020, as well as USD 103 million in 2021. This discrepancy supports the hypothesis that EXIM's oil and gas reporting is only partial as it omits several parts of the fossil fuel value chain (see (e) above).

Energy financing support for fossil fuel value chains is significantly higher than energy finance support for renewable energies and related infrastructure. This occurs from internal reporting and is even starker if alternative external estimates are considered. We recommend adopting targeted policies aimed at shifting support over the near-term towards renewable energy or other sustainable export goods and services. Given the comparatively small volumes of project applications from and approved support to

renewable energy exporters, this will require substantial work in supporting alternative project pipelines in the US. Longstanding customer relationships with fossil fuel-related actors may inhibit this shift referring to the non-discrimination clause (see Text Box 6). Hence, changes in mandates and additional incentives (e.g., that nudge customers to adopt science-based targets) are warranted to move into sustainable export fields.

<sup>23</sup> EXIM's annual Competitiveness Report as the only publicly available source with this information only reports this number for both sectors (oil and gas, mining) combined.



### 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'. EXIM does not have any targets in emission-relevant sectors, nor are its current policies in line with acceptable 1.5° C pathways. EXIM has not committed to the science-based targets initiative (SBTi) verified and approved by an independent third party.

**We recommend** EXIM to become part of the Science-Based Targets initiative (SBTi) which is currently developing a net zero standard fit for the financial industry (SBTi 2022). EXIM should then set Paris-aligned sectoral targets once they are approved through the SBTi. SBTi's credibility as a third-party entity is underpinned by an integrated and continuous

peer-review process (SBTi 2022). 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 assumptions taken to construct reference scenarios, e.g., regarding the use of CCS or CDR. 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 (2021) 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, EXIM is rated as 'Unaligned' with a sub-score of 0.20/3.00.**

Q Nr.	Dimension 4 – key questions	Rating
4.1	What is the reported share of climate finance over total portfolio?	Unaligned
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? (Average of new commitments from the last three years where data is available)	Unaligned
4.4	To what extent does the pricing structure take into account climate impacts of activities?	Unaligned
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 rated as 'Unaligned'. EXIM reports on renewable energy as part of its environmentally beneficial goods and services as one of its three 'strategic statutory priorities' (e.g., EXIM 2022a, p.13). Renewable energy support can be understood as part of 'climate finance'. As per its mandate (see Text Box 3), EXIM shall "promote the export

of goods and services related to renewable-energy sources with a goal to ensure that not less than 5 percent of the applicable amount is made available each fiscal year for the financing of renewable energy." (EXIM 2022d, p.44). EXIM's charter clarifies two crucial aspects, namely that (i) the applicable amount is defined with USD 135 billion between 2020 and 2027;

and (ii) that 'renewable energy' includes energy efficiency, battery electric vehicles and charging infrastructure, as well as energy storage technology exports (EXIM 2019b). Against the background of its mandate, EXIM's goal should hence maintain commitments outstanding of approximately USD

6.75 billion each year which is about as much as EXIM authorizes on average across all sectors per year (Table 5). Hence, clearly EXIM's is far away from reaching this goal.

**Table 5: Share of environmentally beneficial goods and services and renewable energy finance over total new authorizations.**

Fiscal year	Total new authorizations (USD million)	Environmentally beneficial goods and services (USD million)	Share of total new authorizations	Of which renewable energy (USD million)	Share of total new authorizations
FY 2019	8.214,2	107.5	1.30%	18.9	0.23%
FY 2020	5.395,2	92.6	1.70%	29.5	0.55%
FY 2021	5.765,3	71.9	1.25%	11.7	0.20%

Source: Own calculations, based on annual reports 2019-2021 (EXIM 2019a, 2020b, 2022c).

**We recommend** that (i) EXIM invests efforts into designing a roadmap to reaching the 5% goal in financial terms; and (ii) strengthens its monitoring and reporting modalities so that Congress (and the general public) can duly evaluate its progress on ramping up renewable energy finance (see Q1.3). Indeed, reaching the 5% goal not only requires to massively upscale the renewable energy pipeline as already envisaged in EXIM's strategic plan framework (EXIM 2022a; goal 1, objective 1.2), but also requires scaling up overall

operations on the way of becoming a major ECA in terms of overall financial support volumes. Ultimately, it is necessary to recognize that 5% overall renewable energy and related infrastructure financing is still a relatively small target. Transforming EXIM's portfolio with regards to actively contributing to achieving the Paris Agreement would mean allocating far more space to renewable energy finance, as well as climate and sustainable finance more broadly.

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

This assessment question is scored with 'Unaligned', since EXIM does not define climate finance in a meaningful way, e.g., with activity-specific components (also see Q1.3). EXIM does not publish in-house earmarks of climate finance nor refers to existing ones (e.g., MIGA 2021; OECD n.d., Shishlov and Censkowsky 2022). **We recommend addressing this gap** and contribute to streamlining efforts towards a

common definition of climate finance in the global export finance system. Defining climate finance and climate-related investments has also been one major recommendation by the Chair's Council on Climate (EXIM 2022c). This is urgently needed, especially with regards to target-setting in EXIM's new and far more pro-active role as an agent driving US climate ambitions (e.g., The White House 2021a).

### 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 'Unaligned' given the relatively small – though increasing – levels of EXIM's overall support for renewable energy financing and related infrastructure (Table 6). The assessment of this

question is however inhibited since EXIM currently does not report on 'energy finance' in a comprehensive manner (see Q1.2 and Q1.3). A best estimate has been calculated based on data compiled by OCI (2021) (EXIM, 2022d).

**Table 6: Estimate of EXIM's share of renewable energy finance over total energy finance, 2018-2021.**

Source	Proxy renewable energy finance	Proxy energy finance	Estimated share renewable over total energy finance
Annual reports	USD 17.9 million (Reported annual average value of authorisations to renewable energies)	USD 2.04 billion (Reported annual average value of authorisations to the energy sector)	= 0.88%

Source: (EXIM 2019c, 2020a, 2022b, The White House 2021c; Oil Change International 2021).

We positively note the initiatives EXIM is taking to accelerate the energy transition in emerging markets, e.g., as part of the the Partnership for Global Infrastructure and Investment (PGII). This partnership is aimed at closing the 'infrastructure gap' in the Global South and several flagship clean energy projects involve EXIM, including in Angola, Honduras and Albania (The White House 2022; for a useful perspective

on closing the 'infrastructure gap' from a human rights and environmental point of view see also OHCHR (2018)). **We underline** the importance of drastically scaling up initiatives that support the dissemination of renewable energy technologies around the world while safeguarding human rights and broader environmental concerns and ending all support for fossil fuel value chains.

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

EXIM scored 'Unaligned' on this assessment question based on the absence of an incentive structure system that directly prices in the climate impact of the activity supported. For instance, EXIM operates no shadow carbon price as several major MDBs do (e.g., see WWF et al. 2019). EXIM does encourage 'climate-friendly' and 'climate-positive' transactions and is in the process of establishing a USD 250 million renewable energy financing facility as part of its Carbon Policy (EXIM 2022e.). Indeed, EXIM does speak of 'financing incentives' for environmentally beneficial goods and services, including renewable energy exports, e.g.,

through longer (not further specified) repayment terms (*ibid.*). However, transforming a portfolio requires stricter incentives, including dis-incentives for highly emitting industries from the fossil fuel sector. One concrete way forward could be to offer interest or premium-based incentives for customers who have approved corporate science-based targets under the SBTi. Note, however that in the current climate crisis a near-term exclusion mechanism with very limited exceptions is more appropriate for fossil fuel value chains than an (dis-)incentivization system (see Q2.1-Q2.3).

#### 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 EXIM attempts to ensure sustainable development contributions from its activities. First, EXIM adheres to the requirements of the OECD's Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (OECD 2022b). As part of the OECD's requirements, EXIM 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 15 million, as well as on pending applications and approved Category A and Category B transactions (*ibid.*; EXIM n.d.D). Second, EXIM also collaborates with commercial banks to streamline its environmental reviews, as it is a signatory to the Equator Principles (n.d.), a financial industry benchmarking for determining and assessing different (social and environmental) risks in projects. Customers and stakeholders can also access an 'information and concerns' web page and request specific information such as project-specific complaints (EXIM n.d.B). Lastly, EXIM was the first ECA to adopt environmental procedures and guidelines

to assess the environmental impacts of projects in 1992. However, no higher score can be given at this point since the ECA does not explicitly contribute to a just climate transition or the 2030 Sustainable Development Agenda of the United Nations (UN). 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 EXIM aligns its operations much more with the UN's 2030 Sustainable Development Agenda and places concerns regarding a just climate transition at the heart of its institutional identity. Focusing on a just climate transition can help EXIM to maintain its traditional contribution to American (and international) jobs that has been held high in regard since its inception.

### 4.5. Dimension 5: Engagement - Outreach and 'pro-activeness' of the ECA and its government

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, EXIM is rated as 'Some progress' with a sub-score of 0.67/3.00.**

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?	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?	Unaligned
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 ‘Some progress’ based on the US’ transparent reporting on and active participation in the OECD Export Credits Group (ECG) and the OECD Participants Group that maintains deliberations for reform of the OECD Arrangement (U.S. Mission to the OECD n.d). Moreover, to the best knowledge of the authors, no evidence exists that EXIM pro-actively exerted peer pressure against climate-related policy reform which we evaluate positively. In contrast: Under President Biden, EXIM is considered a key player in doubling American international climate finance by 2024 when compared to the average under President Obama (ECA Watch 2022). Also, EXIM stands at the forefront of negotiating a revision of the Climate Change Sector Understanding in the OECD Arrangement which is aimed to provide better terms and conditions supporting climate-related exports. While supporting climate-friendly exports is important, the OECD Arrangement Participants should introduce further prohibitions for coal mining and transport, as well as the oil and gas value chains. With regards to tabling such proposals, EXIM could assume leadership, especially given its comparatively small new authorizations for oil and gas after 2019 which makes it relatively easier for the country to introduce such urgent policy reform. Finally, the US is in strong competition with China and other non-OECD Arrangement Participants and - in the current export finance system - no signs of effectively changing the countries’ relationships towards one based on climate co-operation are observable. Indeed, the international working group (IWG) on export credits remains temporarily suspended since 2020 (Department of the Treasury 2020).

**We recommend** that the US government further strengthens its potential to lead the way for climate-related reform in

the export finance system. More specifically, we recommend actively:

1. Considering participation in and alignment with the ambition set forth by ‘coalitions of the willing’, such as the E3F initiative.
2. Further deepening and publicly reporting on negotiations at the OECD and IWG level, especially with China, Japan and the EU.
3. Strategizing with like-minded OECD Arrangement participants about how to achieve a transformative climate-related policy reform of the Arrangement, e.g., through adopting exclusions/restrictions for oil and gas export finance.
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 US 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 ‘Unaligned’. While EXIM does formally recognize the importance of regular and open exchange with stakeholders, domestically, both the ECA itself and the American government have not held, to our knowledge, 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 Native Americans

and impacted communities in project host countries, NGOs, labour unions, American exporters as well as research institutions. Since 2021, the Chair’s Council on Climate advises EXIM on how to support US exporters and American jobs in renewable energy and meet related congressional mandates. However, as of October 2022 and ahead of COP27, suggestions by the Advisory Committee on Climate have not yet been reflected in more ambitious climate policies by or for EXIM.



**We recommend** that the US government and EXIM strengthen and regularize such type of outreach activities specifically with regards to the ‘Paris alignment’ of officially supported export finance through EXIM, but also with regards to the ‘Paris alignment’ of the entire American economy in the context of the long-term strategy to net-zero GHG emissions by 2050 (The White House 2021a). Last but not least, the powers of the Chair’s Council on Climate seem disproportionate given its much needed role in advising how to align EXIM with the Paris Agreement. Indeed, we suggest creating a formalized inter-departmental steering committee for EXIM. This would permit creating better public oversight and alignment of EXIM’s operations with development and climate priorities by consolidating stakes from across different departments

including Treasury, Commerce and the Department of State which is formally responsible for climate and environment. Moreover, **we recommend** employing more dedicated staff at EXIM. This has already partially been attempted by appointing a Climate Outreach Director and the inauguration of the Global Business Development office that can help to absorb and put into practice the recommendations of the Chair’s Council on Climate. Promoting the transformation to a Paris-aligned agency, however, will require adopting more dedicated efforts to filling key positions with climate experts. We would also recommend strengthening the Climate Council’s composition with more representation of transdisciplinary climate scientists.

### 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’, though EXIM demonstrates a much more ‘reactive’ than ‘active’ approach to transforming fossil fuel-related value chains. Under the Biden administration, EXIM repeatedly engaged with national companies to both increase international climate finance to developing countries (see also Q5.1) and incentivize low GHG exports. For example, EXIM plays a crucial role in the newly launched Partnership for Global Infrastructure and Investment, in which climate and energy security is one of four key sectors: *“The United States aims to bring \$200 billion forward over five years through leveraged private sector investments, federal financing through agencies like [EXIM], and grants.”* (EXIM 2022f) Most recently, climate-friendly exports have been incentivized once more by President Biden’s Executive Order on Tackling the Climate Crisis at Home and Abroad (for other executive orders, mandates, policies and agreements see Text Box 4).

**We recommend** to the American government to conduct national-level surveying with regards to (i) understanding the public attitude towards continuing EXIM support to fossil fuels; and (ii) among exporters to identify the opinions, needs and opportunities that a phase out of support for fossil fuel value chains would give rise to. Such surveying has for instance already been conducted in a study by 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 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, e.g., as part of the national long-term strategy towards net zero GHG emissions by 2050 (The White House 2021a).

## 5. Conclusions and recommendations

In this study we applied a multidimensional methodology to assess the ‘Paris alignment’ of the Export-Import Bank of the United States (EXIM), the official ECA of the US government. Officially supported export finance system in the US, comprising both government policy for EXIM as well as EXIM’s own portfolio, was found to remain ‘Unaligned’ with the objectives of the Paris Agreement. This aggregate assessment outcome is based on evidence we found in five dimensions, including EXIM’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 the US has – as a leading economy and political power worldwide – the

potential and historic responsibility to lead by the example. This is not only imperative from a moral and legal points of view, but also from a pragmatic economic perspective. Despite this, EXIM is lagging behind while other ECAs, especially within the E3F coalition, are taking the lead to align export finance with the Paris Agreement. EXIM voiced strong commitment for doing everything within its statutory authority to drive the global energy transition using American exports. Doing so will require nothing less than taking up the global energy (and climate) transition as the guiding principle of EXIM's strategy in the future. This implies on the one hand terminating or scaling down support for climate-adverse sectors that involve traditional fuel sources (incl. fossil-fired aircraft) and, on the other hand, massively scaling up renewable energy exports and related infrastructure. For EXIM's agency strategy, this could mean updating the current 2022-2026 Strategic Plan and giving a far more prominent role to climate objectives and the global energy transition as a guiding principle. Certainly, political struggles about EXIM's role and mandate for the American economy have be-ridden the ECA's history since its inception after World War II – perhaps deeper and in a more politicized manner than in other national export finance systems around the globe. EXIM's historic entrenchment with industries like aircraft and oil and gas must however not define the agencies future.

In this study we outlined recommendations for EXIM to shift this support and become an international leader on climate – tackling the climate crisis both at home and abroad. Indeed, perhaps the Biden administration's climate agenda – which sees a key role for EXIM in incrementing contributions to international climate finance – can rally sufficient bipartisan support around a new mission for EXIM in the future: contributing to the global climate transition while at the same time supporting jobs, fairness and sustainability. The influence of political forces that take climate change seriously, however, depends on the upcoming mid-term elections in November 2022 where all 435 seats in the House of Representatives and 34 of the 100 seats in Senate will be contested. This, in turn, may influence in the future the nominations of EXIM Board members, re-authorizations of the Bank, as well as amendments to its mandate. Against the background of its traditional mission-orientation, the US government should fundamentally re-shape EXIM's mandate: placing a just energy and climate transition at the center of the agency's congressional mandate, boost sustainable exports and jobs and thus contribute to a flourishing economy within planetary boundaries.



**Table 7: Summary of key recommendations per assessment dimension**

Key recommendations for aligning EXIM with the Paris Agreement	
Financial and non-financial disclosure and transparency <i>(Dimension 1)</i>	<ul style="list-style-type: none"> <li>• Calculate actual or potential project emissions through an activity-based approach in the fossil energy sector.</li> <li>• Track and disclose GHG emission reporting in accordance with the international best practices, e.g., PCAF.</li> <li>• Report both renewable and fossil fuel energy finance in a separate industry category (energy sector reporting) based on a value chain approach, following the pioneering work of the E3F initiative.</li> <li>• Report both exposure (i.e., cumulative commitments outstanding) and new authorizations (i.e., new commitments in the given financial year) for all sectors, including fossil and renewable energy finance.</li> <li>• Base the definition of climate finance on unambiguous lists of activities following international best practices.</li> </ul>
Ambition of fossil fuel exclusion or restriction policies <i>(Dimension 2)</i>	<ul style="list-style-type: none"> <li>• Expand the coal exclusion policies to include metallurgical coal, mining, transport and related infrastructure.</li> <li>• Immediately cease support for oil and gas and related upstream, midstream and downstream value chains, including LNG.</li> <li>• Focus on complementary policies that facilitate EXIM's involvement in co-creating an emerging sustainable project pipeline.</li> <li>• Reform EXIM's charter by reforming the 'non-discrimination clause' so that EXIM can deny applications from the fossil fuel industry as well as other polluting sectors based on climate considerations.</li> </ul>
Climate impact of and emission reduction targets for all activities <i>(Dimension 3)</i>	<ul style="list-style-type: none"> <li>• Align EXIM's entire portfolio with the 1.5° C target, using a precautionary approach.</li> <li>• Align the definitions of climate/renewable/environmentally beneficial finance with list-based approaches, e.g., based on common taxonomies of sustainable finance ('positive list') and exclude activities in fossil fuel value chains ('negative list').</li> <li>• Set science-based sectoral targets through established third-party entities, e.g., the Science-Based Targets initiative (SBTi).</li> </ul>
Positive contribution to the global climate transition <i>(Dimension 4)</i>	<ul style="list-style-type: none"> <li>• Set a just global climate transition as overarching objective and guiding principle by updating the current 2022-2026 Strategic Plan.</li> <li>• Converge with global climate and sustainability benchmarks (e.g., the EU Taxonomy for Sustainable Finance).</li> <li>• Do not label negative emission technologies in fossil fuel value chains (like CCS) as 'climate finance' as it can lead to prolonging the lifetime of fossil fuel infrastructure and spur fossil fuel demand (unless used for residual emissions).</li> <li>• Promote renewable energy-related and environmentally beneficial project pipelines in a proactive manner.</li> <li>• Incentivize clients that have committed to emission reduction targets under the SBTi.</li> <li>• Commit to contributing to the United Nations Sustainable Development Goals.</li> </ul>
Outreach and 'pro-activeness' of the ECA and its governments <i>(Dimension 5)</i>	<ul style="list-style-type: none"> <li>• Create an inter-departmental steering committee to enhance the public oversight and governance structure for EXIM.</li> <li>• Lead on the global climate transition, especially at OECD level and among the G7 Heads of ECAs.</li> <li>• Step up complementary policies to cope with short-term economic losses incurred by timely phase out of public support for fossil fuels, e.g., retraining or compensation schemes for affected workers.</li> </ul>

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



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