



January 22, 2010

Chair of the G-20
Republic of Korea
[Via Email]

RE: Export Credit Agencies and the G-20 Mandate to Phase Out Fossil Fuel Subsidies

To the G-20 Chair,

We respectfully request you to use your good offices to distribute this non-governmental letter to G-20 Finance Ministers.

ECA-Watch (www.eca-watch.org), an international coalition of NGOs committed to improving the environmental and social quality of export credit agency-backed projects, welcomes the Group of Twenty (G-20) Pittsburgh Summit commitment to phase out fossil fuel subsidies. We note that the Pittsburgh communiqué calls for the Organization for Economic Cooperation and Development (OECD) and other international institutions to “provide analysis of the scope of energy subsidies and suggestions for the implementation of this initiative and report back at the next summit.” Therefore, we are concerned to hear of efforts within the OECD to exclude export credit agency (ECA) support for the fossil sector from the scope of analysis that it and other international institutions are asked to provide to the G-20 later this year.

As you know, the G-20 fossil fuel subsidies phase out mandate applies to both production and consumption subsidies. ECA fossil fuel support, which includes, loans, guarantees, credits, insurance and other financing for the production, transport, and use of fossil fuel based modes of transportation and power generation, is financially significant and pervasive. Such support generates perverse incentives in investment decisions, including those that “encourage wasteful consumption, distort markets, impede investment in clean energy sources and undermine efforts to deal with climate change” slated for termination under the G20 mandate (see Leader’s Statement: The Pittsburgh Summit, September 24-25, 2009).

The potential exclusion of ECA support from the scope of OECD fossil fuel subsidy analysis significantly undermines the credibility of the OECD’s attempt to provide larger institutional support for the G-20. The largest G-20 economies are a frequent source of substantial support for fossil fuel promotion through ECAs. The exclusion of ECAs from the scope of the consideration risks sending a message to developing G-20 economies (many of which are not OECD members) that the OECD analysis is not properly neutral

across affected parties. The approach also risks signaling to G-77 economies that the OECD seeks to place greater burden on poorer countries by excluding production subsidies that are more prevalent in richer economies while emphasizing consumption subsidies that are more common in poorer ones.

We urge you to provide leadership to ensure that all OECD and other international institutions' activities on fossil fuel promotion are conducted in an even-handed way, and instruct these institutions to include ECA activities within the scope of all of the analysis in support of the G-20 fossil fuels phase out mandate. Representatives of our organizations would welcome the opportunity to discuss this issue in more detail. To reach us, please contact facilitator@eca-watch.org.

CC: Mr. Angel Gurría, Secretary-General, OECD