

ECAs, COVID-19 and Climate: Recommendations to Ensure that Economic Support Protects People and the Planet

I. Introduction

COVID-19 is a still-unfolding health crisis affecting every economy putting the health and livelihoods of [billions](#) at risk. Almost every government has developed response packages that attempt to use all the tools at their disposal to keep their economies afloat and make recovery from the crisis easier and faster. In the haste to respond, sufficient safeguards have not been put in place. Government responses are not sufficiently addressing income inequality nor making our societies more resilient to health and environmental crises. In fact, we are already seeing that while governments are spending massive amounts of money, much has failed to reach those people and sectors, including health care and small businesses, who are most in need. Instead, large corporations with millions in the bank and cushy executive compensation packages are receiving much of the aid.

One of the tools that governments are using to help their businesses are export credit agencies (ECAs). ECAs -- financial institutions that provide government-backed loans, credits, insurance and/or guarantees for the international operations of corporations from their home country -- have a bad track record when it comes to supporting projects rife with corruption, human rights abuses, and environmental destruction. They have also been the largest source of public finance for fossil fuels. The world's largest ECAs have been providing at least [\\$40.1 billion](#) every year to fossil fuels, which is 14 times more than they provide for clean energy. So far, ECA responses to COVID-19 do not include commitments to advance a green transition and seem likely to further prop up the fossil fuel industry and set the transition to renewables back.

That said, the recovery from this global pandemic is poised to be a long road, and ECAs still have time to ensure their support promotes equity and resilience. The authors of this report, therefore, recommend that ECAs:

- Ensure that climate in their COVID-19 responses in line with the Paris Agreement's 1.5 degree Celsius target and the Sustainable Development Goals;
- Continue progress on climate policies and protections, including explicitly excluding support for fossil fuel related projects;
- Promote transparency by providing detailed, public information on all support provided at the time the support is provided; and
- Uphold all standards on social and environmental due diligence.

II. ECA Responses to COVID-19

While the full impact of ECA responses to COVID-19 remains unclear, there are many risks posed by the large amount of money that governments are hurrying out the door. ECAs are quickly changing who and how they provide support in order to address the impact of COVID-19 on their country's exporters and

domestic industries. ECAs are providing more favorable financing terms and expanding the availability of short-term financial products. In addition, ECAs have expanded the geographic scope of the projects and companies they are supporting, including new domestic coverage that was very rare for ECAs prior to COVID-19. This change demonstrates how the market is not able to handle the crisis; as private banks become more risk averse, public money is filling the gap and taking on that additional risk. Therefore, ECAs must increase accountability and ensure that funds are not being diverted from much needed public assistance and that the public interest is at the forefront of their COVID-19 responses.

With these new products and new coverage come great concerns about decreased transparency and accountability. ECAs -- and governments more broadly -- are focused on getting money to companies supposedly affected by the pandemic. Meanwhile, it has already become evident that they are failing to ensure proper oversight of who is getting this support and how it is being used. Therefore, there is a high risk of this support not effectively contributing to recovery from the economic impacts of COVID-19 and leading to corruption, human rights abuses, and environmental destruction.

Moreover, there is a risk that the COVID-19 measures of ECAs and other public finance institutions lead to billions of dollars to fossil fuels, considering that their existing finance is heavily biased to fossil fuels. This could take the form of increased support for megaprojects like Mozambique LNG that has already received billions from ECAs, including from [UK Export Finance](#) despite its plans to develop a deadline for phasing out oil and gas financing . Alternatively, ECAs could end up providing more general aid directly to oil and gas companies as these companies struggle to stay afloat even though those economic issues preceded the COVID-19 crisis.

A. Changes in ECA Support

ECAs are responding to the COVID-19 crisis by relaxing requirements and making it easier for companies to receive support, as well as by providing types of support that they usually do not provide, including shorter-term financing. Table 1 provides a few examples of how ECAs are making the terms of their financing more favorable and providing new types of support that they rarely provided in the past.

Table 1. Examples of ECA measures in response to COVID-19

Country	Measures
Finland	Loans with subsidized interest, provides possibilities for reorganizing loans
France	Guarantee level raised to 90% for certain loans, providing direct support to increase companies' cash flow with unsecured three to five-year loans
Germany	More insurance coverage possible, as well in short term business within EU and specific OECD countries
Japan (NEXI)	Insurance coverage for losses resulting from COVID-19
Netherlands	Fast tracking of applications, relaxing of conditionalities, and issuance of working capital

UK	Support finance for overseas buyers of UK exports, working capital facilities both pre- and post-shipment
US	Temporary, short-term bridge financing; payment before export during manufacturing process; supply chain finance

In addition, some ECAs have expanded the geographic coverage of their support. ECAs are now allowing for support in a wider range of countries, as well as domestically. The expansion domestically is especially questionable considering that the stated purpose of ECAs is mainly to facilitate exports. Table 2 provides some examples of countries that are allowing their ECAs to support domestic or a wider geographic range of projects.

Table 2. Examples of how ECAs have expanded their geographic coverage

Country	Expanded geographic coverage
Canada	Expand domestic mandate of governing statute
Italy	Insure operations within Italy and not simply outside Italy
Netherlands	Insure domestic transaction as long as there is an (indirect) link to export
UK	Insurance policy has been expanded to cover transactions with the EU, Australia, Canada, Iceland, Japan, New Zealand, Norway, Switzerland and the USA

B. Potential Support for Fossil Fuels

While few ECAs have enacted specific provisions to support fossil fuels, many of the measures mentioned above could end up aiding the fossil fuel industry and projects, even if this is incompatible with limiting global warming to 1.5 degrees Celsius. Given that ECAs already provide tens of billions of dollars to fossil fuels every year and that governments have already provided handouts to fossil fuels as part of their COVID-19 responses, it is likely that ECAs will also use the pandemic as an excuse to further prop up fossil fuels, instead of using this moment to transition away from them. Table 3 provides examples of specific support, as well as potential impacts on support for and policies related to fossil fuels.

Table 3. Examples of support or potential implications for fossil fuels

Country	Policies related to fossil fuel use
Canada	Oil and gas identified as a key sector for Business Credit Ability Program support, with guarantees of 75 percent on loans of up to CAD 80 million.
	Oil and gas alone targeted for additional “reserve-based lending” with 75 percent loan guarantees of up to CAD 100 million per company.

Italy	Could insure new projects or extend cover for existing projects in the fossil fuel sector; no exclusion or no energy policy
Netherlands	No exclusion for oil and gas
	Development of decarbonisation strategy (which is focused on increasing green rather than ending support to high-carbon projects) put on hold
South Korea	\$825 million emergency loan to Doosan Heavy, which is involved in many coal projects

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III. Recommendations

A. Make Climate Change a Top Priority

Responses to the COVID-19 crisis should aim for a Paris-aligned, green recovery that reduces inequality, protects citizens’ health, and helps meet climate goals. While past support indicates that ECAs are likely to provide handouts to the fossil fuel industry as part of their response to COVID-19, the authors recommend that ECAs contribute to recovery efforts by shifting away from fossil fuels since such investments will not deliver long-term jobs or economic stability. If ECAs decide to continue on their current path, they will need to provide the public with a full account of why they are investing in high risk sectors that are contributing to further health and climate crises and holding the transition back. ECAs must stop undermining and instead integrate their governments’ green domestic policies so that they can finally contribute to projects that promote global equality and the Sustainable Development Goals.

RECOMMENDATION 1: Consider climate in all COVID-19 responses to ensure a just recovery

ECAs must consider the impacts on climate change of any support provided as a response to the COVID-19 crisis to foster a green and just recovery. The consideration of climate is essential to ensure this support is in line with the commitments made under the Paris Agreement, including the goal of limiting global warming to 1.5 degrees Celsius. ECA support for fossil fuels undermines both the Paris Agreement commitments of both the ECA countries and the project host country. In addition, ECAs should support projects that are in furtherance of the Sustainable Development Goals, including the provision of affordable and clean energy, reduced inequalities, and climate action. Supporting fossil fuels undermines climate action, often exacerbates inequalities, and fails to provide access to electricity that is clean and affordable.

RECOMMENDATION 2: Continue progress on climate policies and protections

ECAs have made some progress in restricting their support for fossil fuels, which is key to mitigate the impacts of climate change. The Export Credit Group of the Organization for Economic Cooperation and Development (OECD) has restricted coal power plant financing of its member ECAs. Unfortunately, OECD ECAs can still support coal plants in poor countries and projects using more efficient coal technology, as

well as coal mines and related coal infrastructure and all oil and gas projects. Some ECAs have made further progress. For instance, France has banned export credits for coal, shale oil and gas, and routine flaring. In addition, one of Sweden's ECAs has ended support for oil and gas exploration and extraction.

Massive shifts in economies are occurring; ECAs should take advantage of this moment to rethink their past support for fossil fuels and improve their climate policies. Many fossil fuel projects -- that were already financially risky -- are now likely to be even less profitable. Rather than continuing down the same path or even doubling down on it, ECAs should shift toward a cleaner future and take part in the necessary green transition by creating climate policies that encourage the support of renewables in line with the Paris Agreement.

RECOMMENDATION 3: Explicitly exclude support for fossil fuel related projects

Fossil fuel projects and companies should not receive support as part of ECAs' responses to COVID-19. The industry was already in permanent decline prior to the current crisis. During eight of the last nine years the sector under-performed global stock markets, and last year the sector placed dead last in the Standard & Poor's 500 index. Moreover, the contention that fossil fuel development is a driver of job creation is simply false in a sector that is rapidly automating. Renewable energy now provides more jobs than the fossil fuel sector. In addition, injecting massive amounts of money into the fossil fuel sector actively undermines the green transition goals, as it promotes unfair competition with renewables, which have already been hard hit by COVID-19. Therefore, ECA support without green conditions takes away the much needed incentive for the private sector to invest in transition.

ECAs, alongside other public finance institutions, can make a formal commitment to end fossil fuel support at the Finance in Common Summit. Climate change and ways for public institutions to work together to address the impacts of climate change will be a central focus of the summit. This gathering of ECAs, development finance institutions and other public banks in November 2020 provides ECAs the opportunity to collaborate and agree to not use the COVID-19 crisis as an excuse to further keep this polluting industry in business.

B. Promote Transparency and Accountability

Even though rapidly responding to the COVID-19 crisis is necessary to ensure that impacted people receive the aid that is required during these troubled times, transparency and accountability cannot be sacrificed. Now more than ever, ECAs must disclose details on their decision making processes and the projects and companies that they are supporting at the time support is approved. This is vital to provide an opportunity for public input and to ensure that the public agencies and the recipients of support are held accountable for the negative impacts that they cause.

RECOMMENDATION 4: Provide detailed, public information on all support provided

ECAs must take the time to not only continue to provide, but improve the amount of information that they make public on the projects and companies that they support. This information should include details on how much and what type of support is being given, as well as what the expected impacts of the project are. Project impacted communities deserve to know the projects that ECAs are supporting as

it affects their livelihoods, homes, environment, and health. Moreover, projects should be required to ensure that communities provide free, prior and informed consent to any projects that ECAs are involved in. Beyond simply the provision of information, ECAs should provide countries in the Global South the opportunity to have their green transition goals supported, instead of allowing governments to take credit for green actions domestically while their ECAs continue supporting polluting industries and projects abroad.

RECOMMENDATION 5: Uphold standards on social and environmental due diligence

Now is not the time to allow project sponsors to shirk in their responsibilities to conduct thorough assessments of the environmental and social impacts of projects. If anything, it is more important than ever to conduct proper assessments of these risks. This assessment should include a thorough and publicly available examination of the impacts on air, water, biodiversity, ecosystems, labour rights, and local communities, as well as the lifetime and lifecycle emissions of the project. [Recent studies](#) have found that pollutants released from the fossil fuel projects that ECAs support exacerbate the health outcomes of COVID-19. Therefore, understanding if and how projects are going to contribute to a worsening of air quality is of the utmost importance as cases of COVID-19 continue to grow globally. If a project is shown to pollute local air and water and cleaner alternatives are available, which they almost always are, ECAs should refuse to support these dirty projects to aid a just recovery.

RECOMMENDATION 6: Do not increase the debt burden of developing countries

The COVID-19 crisis has highlighted the debt trap that many poor countries have been forced into. The [World Bank Group](#) and the [G20](#) issued statements calling for countries and all investors to take action on debt relief for the poorest countries. ECAs are responsible for a significant portion of bilateral debts of poor countries. By taking on more and higher risks, ECAs are risking increasing the debt of developing countries even further. Instead, ECAs should minimize involvement in the world's poorest countries, especially projects related to fossil fuels that create profits for multinational corporations while often leaving little for governments, to decrease their creation of debt and take action to forgive debt.

IV. Conclusion

ECAs can and should make the difference by choosing to become part of the economic transition required to close inequity gaps and tackle climate change head on. To accomplish this, ECAs must ensure that their COVID-19 responses are in line with the Paris Agreement and the Sustainable Development Goals while continuing to improve their climate policies and protections. Transparency and the upholding of strong social and environmental due diligence are also key components to ensuring a just and green recovery beginning with detailed public information on the creation of policies and provision of support.