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Hope that G-20 will close loophole and end all fossil fuel subsidies

Export Credit Agency support for fossil fuels may be outlawed by G-20 statement

SEOUL, 10 November 2010: A leaked version of documents for discussion at the G-20 meeting in Seoul tomorrow (11 November) shows that the leaders are considering closing the loopholes in their 2009 promise to phase out subsidies for fossil fuels.

At the September 2009 G-20 Pittsburgh Summit, the heads of government pledged to phase out economically wasteful and damaging subsidies for fossil fuels. This was cautiously welcomed by many, including ECA-Watch, although they voiced concern that it would not have the intended impact unless Export Credit Agencies (ECA) were included in the phase out.

ECA support for fossil fuel includes, loans, guarantees, credits, insurance and other financing for the production, transport, and use of fossil fuel based modes of transportation and power generation. Antonio Tricario of ECA-Watch stated “ECA support for fossil fuels generates perverse incentives in investment decisions, including those that, in the words of the G-20 statement “encourage wasteful consumption, distort markets, impede investment in clean energy sources and undermine efforts to deal with climate change.”

He went on to state “we were delighted to see that the leaked G-20 Seoul declaration on climate, energy and marine includes language on the importance of policy coherence between G-20 countries with respect to official export credit terms for energy projects.”

ECA financing for the exploration, processing and combustion of fossil fuels has grown tremendously over the last 15 years, and exceeds financing for these activities by all multilateral finance institutions combined. In 2009, the American ECA Ex-Im Bank’s fossil fuel financing was US \$2,560 million alone, dwarfing the \$101 million spent on large renewable energy projects.

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1. See Leader’s Statement: The Pittsburgh Summit, September 24- 25, 2009
 2. ECA-Watch (www.eca-watch.org) is an international coalition of NGOs committed to improving the environmental and social quality of export credit agency-backed projects.
 3. [We support seeking policy coherence among G20 countries with respect to our official export credit terms for energy projects, balancing the use of more generous export credit terms for clean energy, renewable, and high efficiency projects with less generous terms for fossil fuel projects with higher emission intensities. We ask finance Ministers to develop a common approach on financing terms to meet this goal, taking into account the need to promote sustainable growth, especially for the least develop countries, and report back at the next summit.]