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European Parliament demands that Export Credit Agencies open up

The European Parliament in its plenary session, on 5 April, adopted a proposal to regulate Export Credit Agencies (ECAs) that will force them to become more transparent on where their funds come from and go to, as well as how they charge for social and environmental risks. Furthermore, the Parliament requires ECAs to comply with EU human rights objectives in their activities, and to phase out the subsidising of fossil fuel projects in line with commitments adopted by the G20 in 2009.¹

It is today up to the Council to take a position on the Parliament's report. Adopting the report would ensure that ECAs respect EU principles on democracy, human rights and sustainable development. It would also ensure that they report on their use of off-balance sheet vehicles and other financial instruments, which are currently hiding profits and losses on public accounts from public scrutiny. Adopting the Parliament's proposal by the Council would therefore be a first step to holding ECAs accountable for their practices.

ECAs are private or quasi-governmental bodies of EU member states that provide government-backed guarantees to companies covering the risk of doing business in developing countries and emerging markets. ECAs backed more than \$260 billion of business in 2008. Without ECA support, many business deals would not go forward. ECA operations are shrouded in secrecy, and their financing often leads to execution of projects with serious negative environmental or human rights abuses, and increased corruption. Taken collectively, ECAs fund twice as many extractive industry related projects as all the multilateral development banks, including the entire World Bank Group.

¹ Leader's Statement: The Pittsburgh Summit, September 24- 25, 2009

² For full story see: <http://www.thecornerhouse.org.uk/resource/bp-violating-human-rights-rules-says-uk->

Controversial projects backed by ECAs include a deep-water oil well, an underwater pipeline, and a pumping station off the coast of Brazil, for which no assessment has yet been made of the risks of a blow out. There is also the controversial Baku-Tbilisi-Ceyhan oil pipeline from Azerbaijan to Turkey, for which the UK government ruled that the BP-led consortium is breaking international rules governing the human rights responsibilities of multinational companies.²

Deborah Lambert Perez, trade campaigner for FERN, said: ***“If there is one lesson from the near collapse of the US and European banking systems in 2008, it is that the public is badly served by secretive off-balance sheet vehicles, through which some companies massage their accounts and hide their losses. We are therefore pleased with this EU Parliament report that would prevent ECAs from hiding their profits and losses”.***

Antonio Tricarico, director of CBRM, Italy said: ***“ECAs are always excluded from rules that stop subsidising fossil fuels. This proposal requires ECAs’ decision-making processes to be guided by the climate objectives of the EU, which is a good step forward”.***

Wiert Wiertsema, international finance specialist from Both ENDS, the Netherlands said: ***“ECAs charge higher interest rates than the World Bank or the IMF. While ECA support is not screened for development impacts, the cancellation of export credit debt is charged to ODA accounts. Transparent accounting of ECAs should put an end to turning private risks into public debts”.***

The adopted report represents the Parliament’s position for negotiations with the Council on new legislation to regulate ECAs. The Council is expected to discuss the report today.

ECA Watch calls upon the Council to adopt the Parliament’s report in full today.

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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.

² For full story see: <http://www.thecornerhouse.org.uk/resource/bp-violating-human-rights-rules-says-uk-government#fn005>