WWF

BRIEFING PAPER

MARCH 2016

OECD agreement on export credits and coal plants: Key implementation issues to address

In order to contribute to the fight against climate change, the OECD Export Credit Group adopted on the 17th of November 2015 a '*Sector Understanding on export credits for coal-fired electricity generation projects*'. This Sector Understanding will be added as Annex VI to the Arrangement on Officially Supported Export Credits[1], which itself will be amended to accommodate the new rules.

This WWF briefing provides scientific elements on whether coal is compatible with 1.5/2°C scenarios, and what this should mean in term of implementation of the OECD agreement.

Latest scientific research shows new coal plants are not compatible with 1.5/2°C

Recent research from the Postdam Institute, Ecofys, New Climate Institute and Climate Analytics ('the Climate Action Tracker') indicates that coal should be almost phased out by 2040 globally in order to keep in line with the 1.5°C warming threshold[2] (see figure below). Climate-wise, this implies that no further coal capacity is allowed to come online as from today:

- ***"Even with no new construction, emissions from coal-fired power generation in 2030 would still be 150% higher than what is consistent with scenarios limiting warming to below 2°C above pre- industrial levels (middle of the range). If the planned new coal capacity – estimated by the Global Coal Plant Tracker - were to be built, it would exceed the required levels by 400%."***
- *"The Climate Action Tracker has assessed the impact of planned new coal plants both globally, and in the eight countries that each plan to build more than 5GW of coal power capacity: China, India, Indonesia, Japan, South Africa, South Korea, the Philippines, Turkey – plus the EU28. Of these nine*

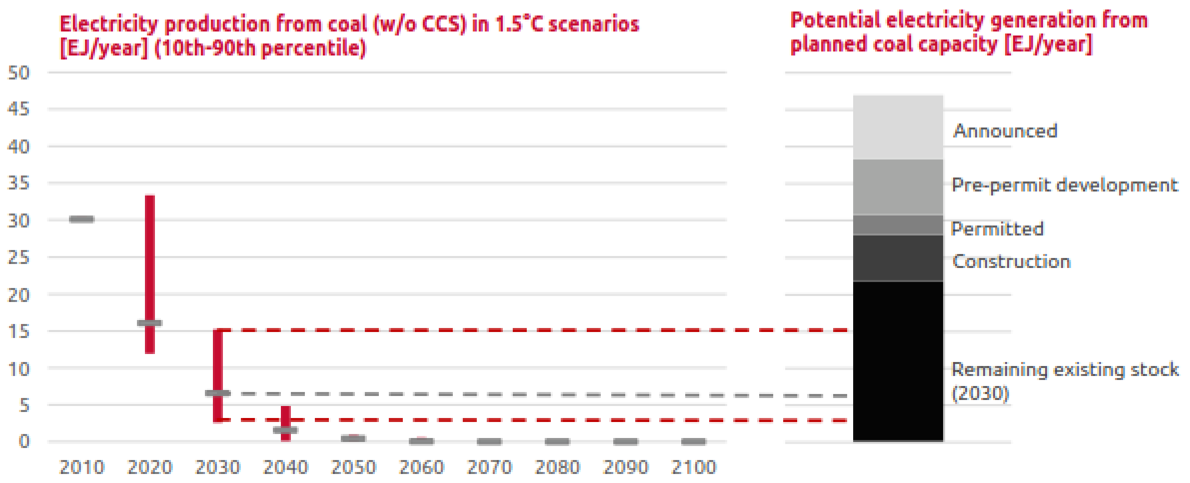
[1] http://www.oecd.org/tad/xcred/theexportcreditsarrangementtext.htm

[2] Postdam Institute, Ecofys, New Climate Institute and Climate Analytics (2015), The coal gap: planned coal-fired power plants inconsistent with 2°C and threaten achievement of INDCs, http://climateactiontracker.org/news/248/The-Coal-Gap.html

countries (incl. EU28) all have a Climate Action Tracker -rated INDC[3] of "inadequate" or "medium" (i.e. not sufficient to keep warming below 2 °C), and have "current policy pathways" that are even less ambitious. Their combined planned new coal capacity could put them in an even worse situation, adding emissions of around 1.5 GtCO2 to the Climate Action Tracker's projected currently policy levels."

- *"In seven of the nine studied countries - China, EU28, India, Japan, South Korea, the Philippines, Turkey - planned coal plants threatens the achievement of the already only medium or inadequate INDCs".*

Coal-fired power generation (without CCS[4]) in a selection of 1.5°C scenarios[5]
The red ranges indicate the 10th to 90th percentile, while the grey lines indicate median values



The need to ensure a stringent implementation of the OECD agreement

Using the Global Coal Plant tracker database[6], WWF analysed the consequences of the OECD agreement on export credits for new coal plants. **We calculate that the OECD agreement still allows public export credits for 40.3 GW of new coal-fired power capacity for which the technology is known** (89% would be ultra-supercritical coal plant technology, 3% supercritical and 9% sub-critical). In the framework of the OECD agreement, **the final coal capacity that could receive OECD export support will likely be much higher** given that more than half of the current coal plant pipeline is of unknown technology (57%), and could therefore not be integrated in the calculation above.

This makes clear that the OECD agreement is not in line with the internationally agreed commitment to limit climate change below +2°C - although it is a step forward[7]. **Since then, the UNFCCC COP21 agreement in Paris committed to "*pursue efforts to limit the temperature increase to 1.5 °C*" [8] - making the OECD agreement even more insufficient.**

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[3] Intended Nationally Determined Contributions, under the UNFCCC COP
[4] Carbon Capture and Storage
[5] Rogelj, J., G. Luderer, R. C. Pietzcker, E. Kriegler, M. Schaeffer, V. Krey and K. Riahi (2015). "Energy system transformations for limiting end-of-century warming to below 1.5°C." Nature Clim. Change 5(6): 519-527
[6] http://endcoal.org/global-coal-plant-tracker/
[7] WWF press release on the OECD agreement: http://wwf.panda.org/wwf_news/?256631/OECD-deal-nails-global-coal-plant-pipeline
[8] UNFCCC COP21 agreement: "holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 °C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change keeping global warming below 1.5°C threshold"

In such a context, WWF believes that public export support for coal plants and mining should be ended immediately, before extending the ban to all fossil fuels before 2020. As a first step, the bare minimum is to ensure a stringent implementation of the OECD agreement.

WWF has identified five areas that offer opportunities for a stringent implementation of the OECD agreement:

1. Making the prior notification public (article 4 of the Sector Understanding);
2. Ensuring clear and strict definitions for electrification rate (article 2-a note 2), geographically isolated locations (article 2-a, note 3) and energy poverty (article 4-b3);
3. Doing a thorough and public evaluation of less carbon-intensive energy alternatives (article 4-b1);
4. Securing a transparent and robust process to demonstrate that projects are compatible with the host country's national energy policy and climate mitigation policy and strategy (article 4-b2);
5. Applying the OECD agreement to all export credit finance, including non-Arrangement finance (i.e. market window export credits, untied export credit insurance, political risk guarantees/insurance).

WWF will formulate detailed recommendations for each of these implementation clauses by the next OECD Export Credit Group meeting of 6 to 10th of June 2016.

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