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European countries talk climate ... but finance coal

Highlights

- While climate action is more pressing than ever, the coal context is changing fast: breakthroughs to end public support for coal overseas happened in 2013, with the commitments of three Multilateral Banks and nine governments;
- In the last seven years (2007-2013), Multilateral Banks provided an average of almost $2 billion a year for coal overseas;
- Although significant, this is dwarfed by developed countries' support for coal overseas ($5,2 billion a year), essentially through their Export Credit Agencies — public support intended to boost business in their own countries, not to address development or energy access for the poor abroad;
- For the period 2007-2013 European countries still massively financed coal overseas, with a total of $7 billion– $1 billion a year;
- Germany is by far the worst European country, with 69% of the financial volume provided by European countries;
- A scorecard scrutinizes the commitments to end public financial support for coal overseas from the 20 European donor countries: only 8 have started to take public commitments to end public support for coal overseas. They all lag behind the United States, that already committed to end coal support from its Export Credit Agency (US Ex-Im).

Key recommendations

Now is high time for consistency and exemplarity:

- European countries should immediately and publicly end their public support for coal overseas, through Multilateral Development Banks, national development finance institutions and Export Credit Agencies;
- Exemplarity requires urgent action, to ensure that by the COP21 in 2015 at the latest all developed countries have stopped their support for coal overseas – a must for taking similar action in emerging countries;
- European governments should ask Japan and other developed countries to follow suit;
- Statements should include bans on coal mining and other associate infrastructure, in addition to coal power plants.

A rapidly changing context

1. Climate action more pressing than ever

In September 2013, the Intergovernmental Panel on Climate Change (IPCC) – the most authoritative global scientific body on climate change - released its Fifth Assessment Report, providing undeniable facts on human causes of climate change and ice melting, sea level rising, etc - making the fight against climate change more pressing than ever. End March 2014 a new IPCC report was published from the Working Group II on Impacts, Adaptation and Vulnerability, supporting the urgency for action by laying out clearly the effects of global warming.

In Europe, the strategic dialogue on the future 2030 climate and energy legislation started in mid-2013. At the core of the discussion are the needed EU mandatory targets for greenhouse gas reductions, energy savings and renewable energy by 2030.

This is a key step towards the **future COP21 of the UNFCCC** (United Nations Framework Convention on Climate Change) scheduled for Paris in 2015, that has to reach a final global climate agreement.

2. Breakthroughs to end coal public support overseas

A domino effect of public financial institutions and governments ending their coal support abroad started in 2013:

- In March 2013 the French government announced an end to coal support from AFD, the French development finance institution[1];
- In June 2013, U.S. President Obama announced his Climate Action Plan that included a commitment to end US support for public financing of new coal plants overseas, with some exemptions[2]. It was notably implemented in October with a new US government policy on Multilateral Development Banks and coal-fired power generation [3];
- In July 2013, the World Bank announced a phase out of coal support except in rare circumstances;
- That advancement was followed in July as well by the European Investment Bank[4], the biggest multilateral bank worldwide, that set up an Emission Performance Standard of 550 g CO_2/kWh for fossil fuel power plants (plants beyond this threshold won't be supported anymore);
- In September 2013, the 5 Nordic governments of Denmark, Finland, Norway, Sweden and Iceland issued a joint statement with the US government committing to ending

[1] See http://www.elysee.fr/declarations/article/intervention-de-m-le-president-de-la-republique-a-la-seance-de-cloture-des-assises-du-developpement-et-de-la-solidarite-internationale/
[2] http://www.whitehouse.gov/photos-and-video/video/2013/06/25/president-obama-speaks-climate-change
[3] http://www.treasury.gov/resource-center/international/development-banks/Documents/CoalGuidance_2013.pdf
[4] http://www.eib.org/attachments/strategies/eib_energy_lending_criteria_en.pdf

public financing for new coal-fired power plants overseas, except in rare circumstances[5];

- The UK government made a similar statement in November[6], covering Multilateral Development Banks and UK Official Development Assistance including CDC (the UK's Development Finance Institution);
- In December, the European Bank for Reconstruction and Development (EBRD) ended coal support except in rare and exceptional circumstances[7];
- In December as well, implementing President Obama's statement, the U.S. Export-Import Bank became the world's first Export Credit Agency to adopt a policy curbing coal plant financing. Also in December the Overseas Private Investment Corporation (OPIC, the US government's development finance institution)[8] issued a draft policy to end financing for most coal plants abroad;
- In March 2014, the Dutch government joined the US coal ban[9], covering their bilateral development finance institution and Multilateral Development Banks.

On this basis, the OECD Secretary General Angel Gurria asked "every government" to put into question domestic and overseas support for coal in October 2013[10].

He was followed by the Executive Secretary of the UN Framework Convention on Climate Change (UNFCCC) Christiana Figueres in November, asking to "close all existing subcritical plants, to implement safe CCS on all new plants, even the most efficient, and to leave most existing reserves in the ground"[11].

The statements of Multilateral Banks and governments to end public support for coal overseas have two weaknesses:

- They include exemption clauses which, in specific cases, still allow coal power plant support, and they don't include coal mining;
- More generally their credibility depends on a proper implementation:
    - It seems the US is taking the coal bans very seriously. They have already scrapped a 1,200 MW coal plant in Vietnam and a 800 MW coal plant in Ukraine. They also voted against a coal project in the Asian Development Bank for the first time;
    - An initial assessment shows that the European Investment Bank seems to walk the talk;
    - However there are big concerns with the World Bank and the European Bank for Reconstruction and Development in a potential new coal plant in Kosovo, which has become a test case for Mr. Kim's presidency at the World Bank.

Where do EU countries stand on their support for coal? Are they the exemplary climate fighters they usually claim to be? Are they walking the talk of phasing out public support for coal?

[5] http://www.whitehouse.gov/the-press-office/2013/09/04/joint-statement-kingdom-denmark-republic-finland-republic-iceland-kingdo
[6] https://www.gov.uk/government/news/uk-urges-the-world-to-prepare-for-action-on-climate-change-and-puts-brakes-on-coal-fired-power-plants
[7] http://www.ebrd.com/pages/sector/powerenergy/energy-strategy.shtml
[8] http://www.opic.gov/doing-business-us/OPIC-policies/environmental-social-policies
[9] http://www.rijksoverheid.nl/documenten-en-publicaties/convenanten/2014/03/24/joint-statement-by-the-united-states-and-the-netherlands-on-climate-change-and-financing-the-transition-to-low-carbon-investments-abroad.html
[10] http://www.oecd.org/about/secretary-general/The-climate-challenge-achieving-zero-emissions.htm
[11] http://unfccc.int/files/press/statements/application/pdf/20131811_cop19_coalassociation.pdf

European countries still massively finance coal

Note: the scope of this briefing does not include **domestic** subsidies for coal and focuses only on public finance for coal **overseas**, with data coming from databases of the National Resource Defense Council gathering figures from the financial institutions themselves (as much as they make this information available). For domestic coal subsidies, one of the most thorough assessments is provided in the OECD Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels (OECD 2012).

1. Three types of public financial institutions support coal abroad

European governments support coal abroad through three kinds of public financial institutions, two being national and one being multilateral:

1. National development finance institutions

Donor countries[12] usually have a national development finance institution managing a part of their development aid for poor countries. This includes 20 European countries: Austria / Belgium / Denmark / Finland / France / Germany / Greece / Ireland / Italy / Luxembourg / Netherlands / Norway / Poland / Portugal / Slovakia / Slovenia / Spain / Sweden / Switzerland / UK.

Policies of development finance institutions are established by each government individually (with an increasing focus on coordinating aid). Several development finance institutions now form groups with several branches, one of them traditionally supporting governments of poor countries, and another one focusing on the private sector.

2. Multilateral Banks

All 28 EU countries, Norway and Switzerland are shareholders (thus Board members) of:
- The World Bank;
- The European Bank for Reconstruction and Development (EBRD);
- In addition the 28 EU Member States are also the Board members of the European Investment Bank.

Many European countries are also Board members of the Asian Development Bank, the African Development Bank and the Inter-American Development Bank:

- **Asian Development Bank[13]:**
  Out of 67 Board members, 16 are European countries: Austria / Belgium / Denmark / Finland / France / Germany / Ireland / Italy / Luxembourg / Netherlands / Norway / Portugal / Spain / Sweden / Switzerland / UK. Would they be speaking with one voice, they would have a significant impact.

[12] Donor countries are part of the OECD Development Co-operation Directorate (DAC), and are usually referenced as “DAC countries”. See http://www.oecd.org/dac/dacmembers.htm
[13] http://www.adb.org/about/board-governors

- **African Development Bank[14]:**
  Out of 78 Board members, 14 are European countries: Austria / Belgium / Denmark / Finland / France / Germany / Italy / Netherlands / Norway / Portugal / Spain / Sweden / Switzerland / UK.

- **Inter-American Development Bank[15]:**
  Out of 48 Board members, 15 are European countries: Austria / Belgium / Denmark / Finland / France / Germany / Italy / Netherlands / Norway / Portugal / Slovenia / Spain / Sweden / Switzerland / UK.

Multilateral Banks set their own policies and priorities with regards to their financing and investment operations, that are then adopted by their Board, which is composed of all their Member countries.

3. National Export Credit Agencies

Official Export Credit Agencies (ECAs) are by far the least well known, rather opaque and the biggest providers of public financial support globally: conservatively they have a $200-billion range of new business each year[16], compared to World Bank lending of $35,3 billion in 2012[17].

They provide government-backed guarantees, insurance and loans to private corporations from their home country, helping them to do business abroad, particularly in financially and politically risky countries but also in other European countries, and to export to all sorts of projects including risky ones that might never otherwise get off the ground. Most industrialized and emerging countries have at least one ECA[18].

Policies of national ECAs are decided by each government individually, within the parameters of the OECD Arrangement on Guidelines for Officially Supported Export Credits, the EU ECA Regulation of December 2011[19] and the OECD Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence.

[14] http://www.afdb.org/en/documents/board-documents/board-of-directors-documents/afdb-voting-powers/
[15] http://www.iadb.org/en/about-us/board-of-governors,1325.html
[16] http://www.fern.org/campaign/trade-and-investment/export-credit-agencies
[17] http://siteresources.worldbank.org/EXTANNREP2012/Resources/8784408-1346247445238/AnnualReport2012_En.pdf
[18] For more information on ECAs see http://www.eca-watch.org/
[19] http://www.fern.org/sites/fern.org/files/shadow%20report.pdf

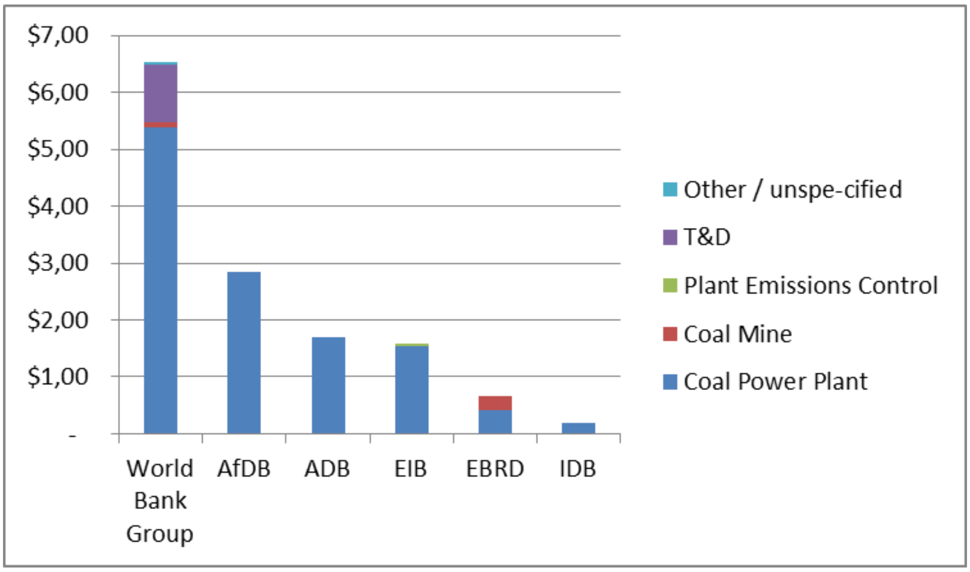
2. Coal support provided by Multilateral Banks

Coal finance by Multilateral Banks 2007-2013

(in billion $)	**Total Coal Approved**	Coal Power Plant	Coal Mine	Plant Emissions Control	T&D	Other / unspe-cified
Total Multilateral Banks	**13,51**	12,07	0,35	0,04	1,00	0,06
World Bank Group	**6,54**	5,39	0,09	-	1,00	0,06
IBRD	*4,66*	*3,60*	*0,06*		*1,00*	
IDA	*0,05*	*0,01*	*0,02*			*0,02*
IFC	*1,83*	*1,78*	*0,02*			*0,04*
African Development Bank	**2,84**	2,84	-	-	-	-
Asian Development Bank	**1,69**	1,69	-	-	-	-
European Investment Bank	**1,58**	1,54	-	0,04	-	-
European Bank for Reconstruction and Development	**0,66**	0,41	0,26	-	-	-
Inter-American Development Bank	**0,20**	0,20	-	-	-	-

Source: Natural Resources Defense Council forthcoming

Coal activities supported by Multilateral Banks 2007-2013



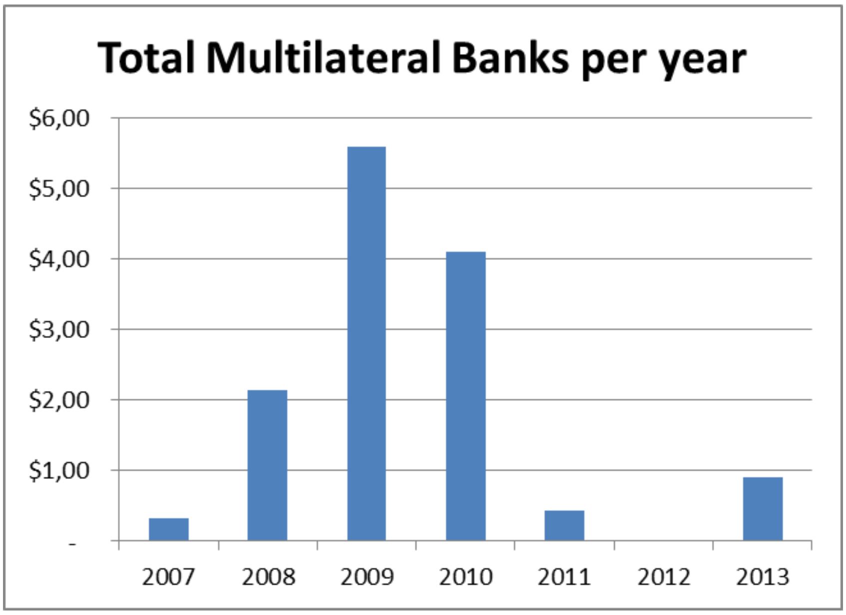
The analysis shows that:

- **Multilateral Development Banks collectively provided $13,5 billion for coal in the last seven years, 89% of which for coal power plants** and 7% for coal mines. It represents an average of almost $2 billion a year. All Multilateral Banks supported coal power plants, while 74% of coal mining support was provided by the European Bank for Reconstruction and Development alone;
- The World Bank Group provided almost half of the total (48%), followed by the African Development Bank (21%), the Asian Development Bank (13%), the European

Investment Bank (12%) and the European Bank for Reconstruction and Development (5%);

- The European Bank for Reconstruction and Development is the only one where coal mining received a significant share of its overall coal support (64%).

Yearly support for coal by Multilateral Banks 2007-2013 (in billion $)



Source: Natural Resources Defense Council forthcoming

It remains unclear whether coal support has been decreasing or not over the last seven years: there was a huge peak in 2009 and 2010 (largely driven by the South African mega-projects of Medupi and Kusile and to a lesser extent Tata Mundra in India), but much lower levels of support the other years.

As Board members, European countries have both a key responsibility and opportunity to ensure that all Multilateral Banks end their support for coal, using the precedents set by the World Bank, EIB and EBRD.

3. Coal support overseas provided by national development finance institutions and Export Credit Agencies of European countries

National support for coal overseas 2007-2013

(in billion US $)	**Total Coal Approved**	National Export Credit Agency	Development Finance Institution (overseas' support)	National Development Bank (domestic support)
Japan	$16,80	JBIC $9,79 NEXI $5,28	JICA $1,73	
United States of America	$7,24	US Ex-Im $7,24		
Germany	$4,84	Hermes 2,91 (1)	KfW $1,93 (2)	
South Korea	$4,66	Kexim $3,32 K-sure $1,34		
France	$1,64	Coface $1,64		
Italy	$0,34	SACE $0,34		
Canada	$0,32	EDC $0,32		
Netherlands	$0,12		FMO $0,12	
United Kingdom	$0,10	UKEF $0,10		
Total EU countries	**$7,04**	**$4,99**	**$2,05**	
Total developed countries	**$36,06**	**$32,28**	**$3,78**	
Russia (3)	$2,50			VEB $2,50
China (3)	$6,08	China Exim Bank $1,89		CDB $2,61 BoC $1,23 ICBC $0,35

Source: Natural Resources Defense Council forthcoming

(1) There is uncertainty on the figure given the intransparency and opaqueness of Hermes

(2) KfW is both a development finance institution and a bank for export promotion (its subsidiary IPEX organizes credit risk guarantee)

(3) For Russia and China, coal support provided by National Development Banks is domestic not overseas

National support provided by developed countries for coal overseas is quite different from what could be expected:

- **A huge 90% of coal support by national public financial institutions of developed countries is provided by Export Credit Agencies, for the mere purpose of supporting national business' exports** – Export Credit Agencies have no development mandate nor do they seek to have one. Develpped countries have supported the coal sector essentially to boost their own business, not for the purpose of development or access to energy for poor people;
- **Collectively developed countries listed above have provided a massive $4,6 billion a year to coal through their national Export Credit Agencies. That is 2,4 times more than Multilateral Banks** ($32,3 billion vs $13,5 billion). Again, this means that development issues are dwarfed by national export considerations. What's more, with the World Bank, European Investment Bank and

European Bank for Reconstruction and Development curbs on coal financing in 2013, the remaining public financing for coal abroad will be even more heavily skewed towards Export Credit Agencies;

- **In the period 2007-2013 Export Credit Agencies represented 65% of the overall public financial support for coal from developed countries listed above and Multilateral Banks alltogether**, compared to 27% for Multilateral Banks and 8% for national Development Finance Institutions.
- **Collectively European countries supported $7 billion of coal abroad** in the period 2007-2013 (1 billion a year), despite numerous pledges to be climate leaders. This is as much as the US coal support (but the latter phased out its coal support);
- **Germany is by far the worst European country**, with 69% of the financial volume provided by European countries, with France being also significantly involved with $1,6 billion provided;
- At the global level, **Japan** is by far the main single provider of public finance for coal abroad;
- In terms of reporting, Chinese data is preliminary and potentially understated as access to information is extremely difficult; but this has also been the case for German data until very recently, given the intransparency of both Hermes and the KfW banking group as a whole on their coal support.

Coal activities overseas supported by national development finance institutions and Export Credit Agencies 2007-2013

(in billion $)	**Total Coal approved**	Coal Power Plant	Coal Mine	Plant Emissions Control	T&D	Other/ unspecified
Japan	**$16,80**	$11,87	$4,42	-	$0,21	$0,30
United States	**$7,24**	$2,22	$5,02	-	-	-
China	**$6,08**	$5,42	-	-	-	-
Germany	**$4,84**	$3,94	$0,48	$0,32	-	$0,10
South Korea	**$4,66**	$3,62	-	-	-	-
Russia	**$2,50**	-	$2,50	-	-	-
France	**$1,64**	$1,64	-	-	-	-
Italy	**$0,34**	-	$0,34	-	-	-
Canada	**$0,32**		$0,32	-	-	-
Netherlands	**$0,12**	$0,02	-	-	-	$0,10
United Kingdom	**$0,10**					

Source: Natural Resources Defense Council forthcoming

The type of support provided by countries to the coal sector can be grouped in two main categories:

- Russia, Canada, Italy only support coal mining, and the US to a lesser extent (69% of their coal support);
- In contrast, the other countries mainly support coal power plants: France (100% of its coal support), China (89%), Germany (81%), South Korea (78%) and Japan (71%).

Number of coal projects supported by European countries overseas 2007-2013

	Coal plants	Coal mines	Plants emission control	Unspecified	Total
Germany	15	13	2	6	36
France	2				2
Italy		2			2
Netherlands	2				2
UK		3			3

Source: Natural Resources Defense Council forthcoming

Two elements are worth noting:

- Out of 45 coal projects supported in the period 2007-2013, 36 were supported by Germany (80%). Germany supported coal projects in several emerging and developing countries (e.g. India, South Africa), central Europe and Asia (e.g. Russia, Serbia, Kazakhstan) but also 10 projects in developed countries including Germany (3), Australia (3), Netherlands (2), Greece (1) and Israel (1). The rationale of German public support for coal projects in developed countries that committed to cut their emissions can obviously be questioned;
- France supported the two mega-coal power plants of Medupi and Kusile in South Africa with huge guaranties from the French export credit agency Coface for Alstom's exports. Alstom benefitted 100% of French public support for coal overseas.

Emissions of coal plants supported by Germany and France overseas 2007-2013

	Capacity of coal plants supported overseas (GW)	Annual emissions of coal plants supported overseas (Mt CO2)	Domestic emissions 2011 (Mt Co2 eq)	% emissions of plants supported overseas / domestic emissions
France	9,6	68,8	486	14%
Germany low estimate	15,3	102	917	11%
Germany high estimate	20,7	138	917	15%

Source: EEA, Citepa, Natural Resources Defense Council forthcoming, Environmental Impact Assessments of the Medupi and Kusile coal power plants (South Africa)

- The two coal power plants of Medupi and Kusile (South Africa) supported by France represent 9,6 GW and will emit 68,8 Mt CO2 a year according to their Environmental Impact Assessments. This represents an equivalent of 14% of total French domestic emissions;
- Emissions of coal plants supported by Germany overseas are more difficult to assess given the opacity of KfW and Hermes and related lack of data. The low estimate only includes 8 plants with known capacity; the high estimate adds 7 coal plants where the capacity was not made public and 3 unspecified projects, with the conservative assumption that each project has a capacity of 600 MW. In both estimates it is assumed that all the plants use supercritical technology (high efficiency), with annual emissions per MW equivalent to those of the supercritical plant of Medupi (South Africa). As a result, Germany supported between 15,3 and 20,7 GW of coal capacity abroad, emitting 102 to 138 Mt Co2 a year – an equivalent of 11% to 15% of total German domestic emissions.

No-coal policy scorecard of European countries

All 20 European donor countries are listed here. This chart summarises the public commitments taken or not by governments to phase out their coal support overseas (these commitments are listed chronologically in the first chapter).

	WB, EIB, EBRD (1)	AfDB, IDB (2)	ADB (2)	National Developement Finance Institution	National Export Credit Agency
Austria	✔	✖	◆	✖	✖
Belgium	✔	✖	✖	✖	✖
Denmark	✔	✔	✔	✔	✖ (3)
Finland	✔	✔	✔	✔	✖
France	✔	✖	✖	✔	✖
Germany	✔	✖	◆	✖	✖
Greece	✔	Not member	Not member	✖	✖
Ireland	✔	Not member	✖	✖	✖
Italy	✔	✖	✖	✖	✖
Luxembourg	✔	Not member	◆	✖	✖
Netherlands	✔	✔	✔	✔	✖ (3)
Norway	✔	✔	✔	✔	✖
Poland	✔	Not member	Not member	✖	✖
Portugal	✔	✖	✖	✖	✖
Slovakia	✔	Not member	Not member	✖	✖
Slovenia	✔	✖	Not member	✖	✖
Spain	✔	✖	✖	✖	✖
Sweden	✔	✔	✔	✔	✖
Switzerland	✔	✖	◆	✖	✖
UK	✔	✔	✔	✔	✖
United States	✔	✔	✔	✔	✔

✔ : Committed to end support for coal overseas

✖ : Did not commit to end support for coal overseas

◆ : Did not commit to end coal support but in the Board of the Asian Development Bank, abstained or voted against the Jamshoro coal power plant (Pakistan) in December 2013

1. The World Bank, the European Investment Bank and the European Bank for Reconstruction and Development adopted new policies in 2013 to phase out coal support (with exemptions). The US are not member of the European Investment Bank
2. The African Development Bank, the Inter-American Development Bank and the Asian Development Bank have not adopted any policy to phase out coal support
3. The Danish and Dutch governments committed to promote a technology-neutral standard in the OECD Export Credit Group that limits support for high carbon intensity power plants by official export credit agencies.

The analysis shows that:

- **The United States are the only country globally that has committed to end all types of public financial support for coal overseas[20]. All European countries are lagging behind, despite their repeated claims to be climate leaders;**
- Only seven European countries so far have commited to phase out their public support for coal through Multilateral Banks and public aid; in addition, France only focused on its national development finance institution;
- No European country committed to end coal support through its Export Credit Agency. The UK explicitly excluded it in its statement. Netherlands and the five Scandinavian countries (Denmark, Finland, Norway, Sweden, Iceland) committed to promote a standard limiting high carbon intensity power plants support at the OECD level (Export Credit Group).

Now is high time to end European public support for coal

Exemplarity and consistency are required for European countries on the way to the crucial COP21 in 2015, that has to reach a final global climate agreement. Indeed, it is hard to expect emerging countries like China to end their public support for coal before developed European countries do so. As soon as European countries commit to end support for coal overseas, they should also ask other developed countries to follow up, including Canada and Japan, which is by far the biggest single provider of public funds for coal overseas.

Exemplarity requires urgent action of European countries, to ensure that by the COP21 in 2015 at the latest all developed countries have stopped their support for coal overseas – a must for taking similar action in emerging countries, notably China, India and Indonesia.

[20] With exemptions in exceptional circumstances

WWF recommendations:

European countries should immediately and publicly commit to phase out their public financial support for coal overseas:

- ➔ **UK, Netherlands and the five Scandinavian countries should issue a complementary statement ending the coal support provided via their Export Credit Agency;**
- ➔ **France should issue a complementary statement ending public support for coal through all Multilateral Development Banks and its Export Credit Agency Coface;**
- ➔ **All European countries except the above mentioned should issue a statement ending their public support for coal overseas, including Multilateral Development Banks, their national development finance institution and their Export Credit Agency;**

European countries should also demand that:

- ➔ **The remaining Multilateral Banks that they are part of, and that still finance coal, issue policies to end their support for coal;**
- ➔ **Other developed countries also end their public support for coal overseas, especially Japan, by the COP21 in 2015 at the latest;**
- ➔ **The OECD Export Credit Group adopts standards to end coal support of OECD Export Credit Agencies.**

Public support to coal mining and other associate infrastructure should also be addressed in all statements, in addition to coal power plants.

These steps are required before potential action can be effective with emerging countries like China.

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