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October 6, 2014

OECD Member Export Credit Agencies
OECD Member Finance Ministries

CC: OECD Secretary General Angel Gurría

To the Finance Ministries and Export Credit Agencies:

We write concerning your upcoming discussions around coal financing through export credit agencies. We understand that you may be considering proposals to perpetuate coal financing and even extend preferential terms to certain coal plant technologies. **We urge you to reject this proposal, which would pervert the original idea of curbing export credit agency support for coal.**

According to the Intergovernmental Panel on Climate Change (IPCC), if planetary warming is to be kept under 2 degrees Celsius above preindustrial levels (the level deemed "dangerous" by world leaders), the majority of proven fossil fuel reserves will have to be left in the ground.[1,2] The International Energy Agency has stated that to have about a 50% chance of staying within a 2°C global temperature rise, only zero-carbon utilities and infrastructure should be developed beyond 2017, since 80% of cumulative emissions allowable between 2010 and 2035 are already locked into existing power plants, factories, buildings and services (unless existing infrastructure is scrapped before the end of its economic lifespan, which is highly unlikely).[3] The IPCC has also found that, in order to limit temperature rise to 2°, annual investments in conventional fossil fuel power plants over the next two decades (2010 to 2029) have to decline by an average US$ 30 billion, and annual investments in extraction of fossil fuels have to decline by an average US$ 110 billion.[4]

Given these stark facts, **it is absolutely critical for ECAs to end all coal financing, including for power plants, mining and related infrastructure (transport, exports, etc.).** In May 2014 ECA-Watch and 51 groups from 17 countries called for such an expansion of existing ECA coal financing restrictions.[5]

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1 IPCC 5th Assessment Report (AR5), http://www.ipcc.ch/report/ar5/index.shtml
2 Fossil Fuels Need to Stay Unburned to Meet Climate Target, Bloomberg, September 27, 2013, http://www.bloomberg.com/news/2013-09-27/fossil-fuels-need-to-stay-unburned-to-meet-climate-target.html
3 International Energy Agency World Energy Outlook 2011
4 IPCC Working Group III – AR 5, Summary for Policymakers, Mitigation policies and institutions, Changes in annual investment flows 2010-2029, March 2014
5 http://www.eca-watch.org/publications/ngo-statement-ending-fossil-fuel-support

The call for less coal use is increasingly being heeded: In October 2013 OECD Secretary General Angel Gurría asked "every government" to consider curbing domestic and overseas support for coal plants,[6] and at the January 2014 World Economic Forum in Davos, the Secretary called for governments to reform fossil fuel subsidies and to address incoherent and inconsistent policies, both of which encourage harmful fossil fuel production and consumption.[7] Last year, several governments and international institutions began to restrict financing for coal plants abroad. And recently, institutional investors like Storebrand[8], AP4[9] and SWIP[10] are increasingly divesting from coal. Latest developments show that the coal boom is over; it should not be kept on artificial life support through public subsidies.

In light of such developments, it is shocking that some governments would advance irresponsible proposals to allow *even more preferential financing* for certain types of coal, including financing terms similar to those provided to renewable energy. Such terms could decrease the competitiveness of renewable alternatives and undermine greenhouse gas mitigation efforts, as the most efficient coal plants are twice as polluting as modern gas plants and 15 times more polluting than renewable energies.

Finally, we note that while some coal plants will unfortunately continue to be built, the notion that ECA financing is needed to help these plants be more efficient is preposterous. Supercritical technology is already "business as usual" for power plants in India, and China now builds ultra-supercritical plants.

For these reasons we urge ECAs to act in accordance with the growing international consensus on the severity of the climate crisis, on the need to keep the vast majority of proven fossil fuel reserves in the ground, and—accordingly—to end destructive financing for coal and other fossil fuel projects.

Sincerely,

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[6] http://www.oecd.org/about/secretary-general/The-climate-challenge-achieving-zero-emissions.htm
[7] World Economic Forum Blog, January 24, 2014, http://forumblog.org/2014/01/call-zero-emissions-climate-bailout-ooption/
[8] In June 2013, the major $121 billion Norwegian pension fund and life insurance firm Storebrand divested from coal and tar sand companies, http://www.storebrand.no/site/stb.nsf/Pages/newsdesk.html#/news/storebrand-reduces-carbon-exposure-in-investments-19-companies-excluded-62954
[9] The fourth biggest Swedish state-backed pension fund, AP4, worth $38 billion, announced plans to reduce its holdings in carbon intensive assets in October 2013, http://treealerts.org/type/2013/10/major-funds-back-away-from-dirty-assets-as-un-chief-urges-clean-investment/
[10] The $249 billion SWIP (Scottish Widows Investment Partnership), one of the largest European asset manager, has reduced its active exposure to pure play coal miners to zero in both equity and fixed income, http://www.responsible-investor.com/home/article/c_mac_sa/P0/

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