

ROOM DOCUMENT FOR THE CWG ON EXPORT CREDITS/13 JANUARY 2015

Proposal for an EU position on export credits and coal-fired power plants at the OECD's export credit committees in March 2015

Introduction:

The European Union (EU) firmly supports the implementation of the OECD Ministerial Declaration on Climate Change and notably the statement that export credits should contribute to the common goal of addressing climate change. We consider that current OECD provisions affecting the financing of fossil fuel power plants, insofar as they treat more and less climate-friendly technologies equally, do not match the level of ambition of OECD Members. We therefore consider it essential that OECD Export Credit Committees take steps to effectively implement this commitment in time for the United Nations' 2015 Conference on Climate Change (COP 21).

The EU has taken note of the proposals tabled so far in the Working Party on Export Credits (ECG) and in the Group of Participants to the Arrangement on Officially Supported Export Credits.

Given the complexity of the topic, we welcome the efforts undertaken so far to mobilise appropriate technical expertise and know-how for taking this process forward, notably the meetings with the International Energy Agency and International Financial Institutions in March 2014, with industry and research institutions in October 2014, and with civil society in November 2014. In this context, the two documents prepared by the OECD Secretariat¹ provide useful additional insight. However, we still have the impression that the issue of export credits and coal fired power stations remains technically extremely demanding. This is why the EU has tabled a proposal requesting that further analytical work be conducted by the OECD and/or the IEA.

As a complement to this proposal, the EU hereby submits a substantive proposal which aims at facilitating progress towards reaching a compromise in the OECD in time for the COP 21.

The Proposal:

The OECD Arrangement on Officially Supported Export Credits in its current wording provides that non-nuclear power stations, including any type of gas and coal-fired power plants and irrespective of their carbon intensity, benefit from a maximum repayment term of 12 years (Art 13 of the general part of the Arrangement). It also foresees in Appendix II of the CCSU a maximum repayment term of 18 years for Carbon Capture and Storage (CCS) projects (1. Fossil Fuel Power Plants with Operational CCS; 2. CCS Projects as such). In our understanding, this provision on CCS has not been used yet.

The provisions of the Arrangement for coal-fired power plants without operational CCS cannot be considered as satisfactory with a view to implementing the OECD Ministerial Declaration on Climate Change. The EU therefore proposes that it be adjusted. Taking into account other proposals and informal contributions tabled by OECD Members so far as well as the input received from external

¹ 1. The provisional review of all transactions related to the CCSU during 2003-2013 (OECD Document TAD/PG (2014)9/PROV of 3 October 2014) 2. The data collection on export credit support for fossil fuel power plants and fossil fuel extraction projects (Room Document 11 at the Informal Meeting on Export Credits and Climate Change on 9 October 2014).

actors (e.g. papers tabled by industry and NGOs), the EU would like to propose a package containing the following elements:

- **Eliminate export finance for coal-fired power plants which use the least energy-efficient and most carbon-intensive coal combustion technologies / Establish appropriate and differentiated maximum repayment terms for all other coal combustion technologies, linked to their efficiency level and emissions intensity of the Best Available Technologies (BAT):**

The EU proposes to differentiate between coal-fired power plants with the installation of subcritical, supercritical and ultra-supercritical technologies. These technologies classes can be defined on the basis of boiler steam cycle characteristics (i.e. temperature and pressure) as defined in the table below.

The EU proposes to ban the support for coal power plants with the installation of subcritical technology altogether. As regards the other technologies, the EU proposes to reduce the maximum repayment term from 12 years, kept in place for gas fired generation, to 10 years for coal power plants with the installation of ultra-supercritical technology and to 8 years for coal power plants with the installation of supercritical technology.

The EU considers it a crucial signal that coal power plants cannot get anymore the same type of ECA support as gas fired plants.

The EU would further propose that coal power plants with ultra-supercritical and supercritical technologies should also be capable of reaching an appropriate emission performance standard.

Details are summarised in the table below:

Basic classification of power plant technologies and eligibility for ECA support			
Technology class	Definition	Indicative^[1] Emission level (g CO₂/ kWh)	Type of ECA support possible
Subcritical technology	Pressure below 221 bar (typical sub-critical steam cycle operating parameters are from 150 to 180 bar pressure and between 540C and 565C temperature)	> 855	No support possible anymore
Supercritical technology	Pressure above 221 bar (typical	795-855	Maximum repayment term: 8 years

^[1] Emission levels may vary for the same boiler, depending on the fuel used and on weather conditions.

	supercritical steam cycle operating parameters are 245 bar pressure and temperature between 540 C to 570 C)		
Ultra-supercritical technology	Pressure above 221bar, steam temp. around 600 degree Celsius and more	below 794	Maximum repayment term: 10 years

- **CCS Readiness:** The EU considers it essential that Carbon Capture and Storage as a concept is further promoted. The CCSU's provisions on CCS (18 years maximum repayment term) should in the EU's opinion be maintained in any event. In addition, all new projects financed under the Arrangement should therefore also fulfil the conditions of CCS Readiness.
- **Possible exceptions to the rule above:** For specific countries energy access imperatives and the lack of private sector financed alternatives may make it occasionally appropriate to consider supporting the installation of new coal power generation which are not in supercritical technology (e.g. smaller unit size power plants below 500 MW). It would therefore be appropriate to create a mechanism, allowing the OECD Participants to examine in such cases whether exceptionally ECA support can be accepted. The EU proposes to use the procedure of Art. 47 of the OECD Arrangement ("prior notification with discussion"). In case of a positive outcome of such a procedure the same conditions as for supercritical plants can exceptionally be accepted.
- **Inclusion of a review clause:** The EU believes that there is sufficient information available to justify introducing the above adjustments to the Arrangement immediately. Our political ambitions should however not stop with the adoption of a set of immediate measures: we should leave the door open for improving ECA's contribution to lowering CO₂ emissions in the future.

Review mechanisms are a standard tool in the regulatory system of the OECD's export credit community and introducing such a provision in the present context would be justified to allow us to formulate more far-reaching environmental objectives. A review would be the right moment to agree on complex issues on which it would not be possible to come to an agreement in time for the COP 21, such as differentiating between developing new capacities and retrofitting. It would also represent an opportunity to address the issue of reviewing the value of the emission performance standard to set it at a level consistent with the global 2°C objective.

The EU would therefore propose that export credit rules for coal-fired power plants be reviewed at the latest [4] years after the entry into force of the measures proposed in this Room Document. Such a review should be prepared by some form of analytical study, an idea which the EU has already proposed earlier on.

The EU stands ready to discuss further on the basis of the present room document.

WWF EPO 8/1/15 16:39

Commentaire [1]: Not only extremely vague but totally useless: OECD industry has ALREADY STOPPED to export subcritical plants! Exemptions only make sense if they ban export credits for ALL types of coal plants

WWF EPO 8/1/15 16:37

Commentaire [2]: This makes clear that even for them their proposal is NOT aligned with the °C objective