



RESPONSE TO CONSULTATION ON DRAFT GERMAN EXPORT FINANCE POLICY

NEED TO ADDRESS PUBLIC SUPPORT FOR FOSSIL FUEL FINANCE

According to the [At a Crossroads](#) report, from 2019 to 2021, G20 countries and the major multilateral development banks (MDBs) provided at least USD 55 billion per year in international public finance for oil, gas, and coal. This fossil fuel finance was almost two times more than their support for clean energy, which averaged only \$29 billion per year. International public finance for clean energy has remained largely stagnant. Finance for clean energy increased only slightly from an annual average of \$27 billion between 2016 and 2018 to \$29 billion between 2019 and 2021, instead of growing exponentially as is needed to support a globally just energy transition. This means that initial decreases in trackable fossil fuel support have not yet led to a clear shift to clean energy support. 53% of known international public finance for fossil fuels flowed to fossil gas projects between 2019 and 2021. This \$30 billion a year is larger than what any other energy type received from 2019 to 2021, and greater than all clean energy finance. In comparison, coal received \$5.9 billion a year and the aggregated “oil and gas” category \$13 billion.

ECAs were the worst public finance actors, providing seven times more support for fossil fuels than clean energy. ECAs provided an average of \$33.5 billion annually to fossil fuels – 79% of total ECA spending – compared to \$4.7 billion provided for clean energy. These numbers are unlikely to change without policy reform at the OECD and national level to restrict oil and gas financing, as many ECAs continue to have strong ties to the fossil fuel industry and have shown little initiative to shift financing away from oil and gas. While these numbers decreased in 2021, about half of this decrease is either temporary (e.g., Canada) or due to gaps in 2021 data (e.g., Korea). It is unlikely that this signals a long term decarbonization trend. ECAs provided an annual average of \$31.8 billion for oil and gas – over 92% of ECA support for fossil fuels – and \$2.9 billion for coal.

CURRENT POLICY FAILS TO MEET GLASGOW STATEMENT

At the UN COP26 summit, Germany joined 38 other signatories, including the United States, in signing the [Glasgow Statement](#) – also known as the Clean Energy Transition Partnership – committing to “*end new direct public support for the international unabated fossil fuel energy sector...except in limited and clearly defined circumstances that are consistent with a 1.5°C warming limit and the goals of the Paris Agreement.*” By joining this initiative, Germany pledged to implement this commitment by the end of 2022 – over six months ago.

Germany must raise its ambition with its export finance policy to meet the Glasgow commitment. As it stands, the draft policy leaves Germany falling short of alignment with the Glasgow Statement, placing Germany’s international credibility in danger. The [Promise Breakers](#) report identified Germany as a major global laggard on international public finance and will be updated in the [Leaders & Laggards](#) tracker. Policies fully aligned with the Glasgow Statement end *all* financing for upstream and midstream oil & gas extraction, with limited and targeted exemptions for downstream power generation only, without loopholes for “energy security.” In addition, aligned signatories do not allow fossil finance to continue beyond 2022 - in the draft policy, fossil fuel finance is still possible in 2025 and for developing



countries up to 2029. Signatories with policies fully aligned with the statement include the [United Kingdom](#), [Canada](#), [France](#), [Denmark](#), the [European Investment Bank](#). Following these best-practice examples will allow Germany to take a leadership role on this issue.

1.5°C TEST RULES OUT FOSSIL FUEL FINANCE

Any credible 1.5°C test would mean no new oil and gas infrastructure is financed. Climate models are clear that an end to the expansion of fossil fuel production and a rapid and deep reduction in the use of fossil fuels is needed to limit average global warming to 1.5°C. [The Intergovernmental Panel on Climate Change's \(IPCC\) and the International Energy Agency's \(IEA\) credible scenarios that maintain a 50% chance of limiting warming to 1.5°C have no new oil and gas extraction.](#) In particular, the [IEA's Net Zero by 2050 scenario](#) - which has a 50% chance of meeting 1.5°C - states that “No new oil and natural gas fields are required beyond those already approved for development.” In addition, “Also not needed are many of the liquefied natural gas (LNG) liquefaction facilities currently under construction or at the planning stage.” Subsequent analysis by the IEA, including the World Energy Outlook 2022, [sees the outlook for gas deteriorating across all scenarios](#) as a result of the current energy crisis cementing an economic case against gas expansion, on top of the clear climate case.

The 1.5°C test must also be extended to power generation and the entire export finance portfolio. If the government is serious about its commitment to the 1.5°C goal of the Paris Agreement, then the whole portfolio must be assessed in this manner. The government should take note of the Swedish export credit agency [EKN's scientific advisory council, which notes that](#) *“In most cases, it is not possible to justify new investments in fossil-based electricity and energy production. These are long investment cycles ...undermine the possibilities to reach the 1.5-degree target”*.

The government must also publish its methodology for determining whether a project meets the 1.5°C test.

PUBLISH METHODOLOGY ON LOCK-IN TEST

Friends of the Earth United States supports the government committing to not finance fossil fuel projects that cause ‘lock-in’ effects. Upstream, midstream and downstream oil and gas activities all create lock-in, by stimulating fossil fuel demand, delaying the transition to renewable energy and establishing long-lived infrastructure. A gas-fired power plant - [such as the Uzbekistan Stone City CCPP plant guaranteed by Euler Hermes in 2022](#) - has a [typical lifetime of 30 years](#). A gas power plant backed by German export finance today could still be operating in the mid-2050s, long after the world is supposed to have met net zero targets.

The government should note the Swedish EKN's scientific advisory council's conclusions on lock-in. On lock-in effects in natural gas investments, [the council advises that](#) *“lock-in effects are not only relevant for physical infrastructure. There may also be institutional and political lock-in effects both before and after an investment decision...An investment in new natural gas may contribute to further lock-in, i.e. discourage transition.”* In addition, [the council concludes that](#) *“in most cases, it is not possible to justify new investments in fossil-based electricity and energy production. These are long investment cycles which result in lock-in effects.”*

Given this, a credible lock-in assessment would find that virtually no fossil fuel infrastructure can be permitted. The government must publish its methodology for determining whether or not a project causes fossil fuel lock-in, both in general and on a project-by-project basis. In 2018, Fatih Birol, Executive



Director of the International Energy Agency (IEA), [said that the world's carbon budget would be consumed by already-operating power stations, vehicles and industrial facilities](#), and that the world has “no room to build anything that emits CO2 emissions.”

NO EXEMPTION FOR ‘ENERGY SECURITY’

The policy should have no exemptions for energy security. Continued investment in fossil fuels increases exposure and dependency on the highly volatile global fossil fuel price market, is incompatible with net-zero carbon development, economically harmful and an ineffective response to energy security concerns.

The global energy crisis caused by the war in Ukraine has seen the fossil fuel industry use the language of “energy security” to justify continued fossil fuel extraction rather than moving towards clean energy. [In the words of United Nations Secretary-General, Antonio Guterres](#): “Fossil fuel interests are now cynically using the war in Ukraine to lock in a high-carbon future. A shift to renewables is crucial to mending our broken global energy mix and offering hope to millions suffering climate impacts today.”

Vaguely-defined energy security loopholes will allow continued fossil fuel extraction while doing nothing for Germany’s energy security. International public finance for new fossil fuel projects will create long-term lock-in while not helping Germany in the short-term. [A study by Dezernat Zukunft](#) demonstrates that global Liquefied Natural Gas (LNG) supply projects currently under construction are likely to resolve the current supply shortfall before 2027, and that given long development times, new projects launched now cannot significantly increase supply in the short term, only exacerbating climate change. As Fatih Birol, the Executive Director of the International Energy Agency [has said](#), “more low-carbon energy would have helped ease the crisis – and a faster transition from fossil fuels towards clean energy represents the best way out of it.”

TRANSPARENCY ON FINANCING DECISIONS

Friends of the Earth United States supports that the Interministerial Committee comprising BMWK, BMF, AA and BMZ will take decisions on fossil fuel financing. In order for these decisions to command public confidence, there must be public transparency. These decisions must be made public on a project-by-project basis, including the scientific advice used to make the decision and the evidence of 1.5°C alignment.

MUST COVER UNTIED LOAN GUARANTEES

The government must explicitly state that untied loan guarantees - [through which EUR €3 billion was financed to LNG in 2022](#) - are also covered by this policy and must adhere to a 1.5°C pathway.

INCREASE FINANCE FOR CLEAN ENERGY

While restricting finance for fossil fuels, German export finance should also ramp up support for renewable energy. Several other export credit agencies have adopted plans and targets to do this. UK Export Finance has provided new products such as a GBP [£2 billion direct clean growth lending facility](#) and has been [named the number one export credit agency](#) for sustainable deals according to data from TXF media. Denmark’s EKF [has a target](#) to issue guarantees and loans to green projects totaling at least EUR €20 billion from 2022-30. Germany should adopt ambitious, quantifiable and near-term targets for expanding clean energy via export finance, surpassing the former scale of fossil fuel investment.



SUPPORT ENDING FOSSIL FUEL FINANCE AT THE OECD

Germany must commit to supporting any proposal at the OECD that aligns all OECD nations with the Glasgow Statement. Article 3 of the Glasgow Statement commits signatories to “*encourage further governments, their official export credit agencies and public finance institutions to implement similar commitments into COP27 and beyond. This includes driving multilateral negotiations in international bodies, in particular in the OECD, to review, update and strengthen their governance frameworks to align with the Paris Agreement goals.*”

Germany should uphold this commitment by advancing climate action and creating a level playing field at the Organization for Economic Co-operation and Development (OECD), the main regulatory body for export finance. 50% of OECD members have signed onto the Glasgow Statement. As a powerful EU member state, German diplomatic leadership could transform the EU from a laggard to leader at the OECD, with the opportunity to create a joint proposal to end OECD oil and gas export financing. Leadership from the EU at the OECD would significantly increase the likelihood of achieving strong oil and gas restrictions, [which could then shift up to USD \\$41 billion per year](#) in export finance out of fossil fuels into clean energy.

POLICY REVIEW SHOULD OCCUR in 2024

The German government intends to review this policy in 2025. However, this is an area where policies at an international level are evolving rapidly. Germany must review and revise the policy in 2024, after one year of operation, taking into account the best available science, the policies of other countries and the inevitably increasing need for clean energy finance.

RECOMMENDATIONS

- Germany must raise its ambition with its export finance policy to meet the Glasgow commitment, matching its policy with fully-aligned signatories.
- The 1.5°C test must be based on the best-available science, the methodology must be published and the test must be extended to power generation and the entire export finance portfolio.
- The government must publish its methodology for determining whether or not a project causes fossil fuel lock-in, both in general and on a project-by-project basis.
- There must be no ‘energy security’ loopholes in the policy.
- Decisions on financing by the government departments must be made public on a project-by-project basis, including the scientific advice used to make the decision and the evidence of 1.5°C alignment.
- The government must explicitly include that untied loan guarantees are also covered by this policy and must adhere to a 1.5°C pathway.
- The government must adopt ambitious, quantifiable and near-term targets for expanding clean energy via export finance.
- Germany must commit to supporting a strong fossil fuel exclusion proposal at the OECD that aligns all OECD nations with the Glasgow Statement.
- Germany must review and revise the policy in 2024, after one year of operation, taking into account the best available science.

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