OECD export finance: renewables dwarfed by fossil fuels

KEY FINDINGS

This briefing analyses OECD data from the following document: 'Proposals on enhanced reporting for power generation projects and public dissemination'[1].

All data are for the period 2003-2013, in USD, and only include the part of public export credits that are in compliance with the OECD Arrangement terms (the only reported to the OECD).

1. At least five times more OECD support for fossil fuels than for renewables

Power sector
On average in the period 2003-2013, fossil fuel-fired power plants represented 61% of OECD support for power generation, against 28% for renewables (and 11% for nuclear). That means on average that for 1 dollar of OECD support for renewable power, 2.2 dollars have been supporting fossil fuel-fired power plants.

Coal plants alone – the most polluting fossil fuel technology - represent almost as much support as all seven renewable technologies together: $14 billion versus $16.7 billion.

Energy sector
Power generation data do not include fossil fuel extraction, that amount to $52,612.5 million in the period 2003-2013[2]. Integrating these data to have an overall approach of the energy sector gives the following shares: 79% of support for fossil fuels, 15% for renewables and 6% for nuclear.
That means on average that for 1 dollar of OECD support for renewable power, 5.4 dollars have been supporting fossil fuel-fired power plants – locking energy systems in high carbon paths for decades.
The reality is even worse as these OECD data are not exhaustive: they only focus on the part of public export finance that is compliant with the OECD Arrangement terms (the only part reported to the OECD) and omit 'non Arrangement public export finance, that is known to be significant in term of fossil fuel support for some OECD countries (Japan especially): for coal only, the OECD lists unreported projects amounting 5.3 billion in the period 2003-2014[3].

Such results confirm the necessity to curb OECD support for all fossil fuels, not only for coal.

[1] OECD Rom document n°2, Joint Meeting: 137th ECG and 129th Participants to the Arrangement, 4 March 2015
[2] OECD data on export credit support for fossil fuel power plants and fossil fuel extraction projects, Room Document N°11, 9 October 2014
[3] Ibid

The energy sector represents a high 19% of overall volumes of OECD export credits in the period 2003-2012[4] and this share is growing over the years.

2. Billions for unidentified fossil fuel technologies

Some countries claim that the OECD export support for coal plants is justified by the export of more efficient technologies than potential competitors (like China). Up to now they have failed to bring any concrete analysis demonstrating this claim. Even worse, OECD data show that there is a total of $3.7 billion of fossil fuel support in the period 2003-2013 for which the OECD is unable to report the type of coal plant technology (for $1.2 billion) or even the type of fossil fuel power plant and whether it uses coal, oil or gas (for $2.5 billion).

Such a significant amount of support for unidentified fossil fuel technology is a strong indication of the little importance given in reality by some OECD countries to the type and efficiency of coal or fossil fuel power plant technologies they support (and to the OECD reporting they do on such support). The list of 'Coal-fired electric power generation projects with Arrangement export credit financing'[5] established by the OECD shows that almost all countries supporting coal plant technologies have failed to report the type of coal plant technology in one or more projects, for guarantees up to $408.5 million (in a Japanese project): it includes Czek Republic, France, Gemany, Italy, Japan, Slovak Republik, Spain and Sweden. **Out of the 56 coal plant projects listed by the OECD, 27 are supporting "unknown technology" – 48% or around half of all projects.** This is not a problem of the past: even in 2013 some projects were supporting unknown technology.

3. The share of OECD support for renewables is barely improving

Quite worrying are the trends of OECD support for fossil fuels and for renewables: both have been increasing and the trend for fossil fuels is almost as rapid as the one for renewables (see trendlines in the graph below).

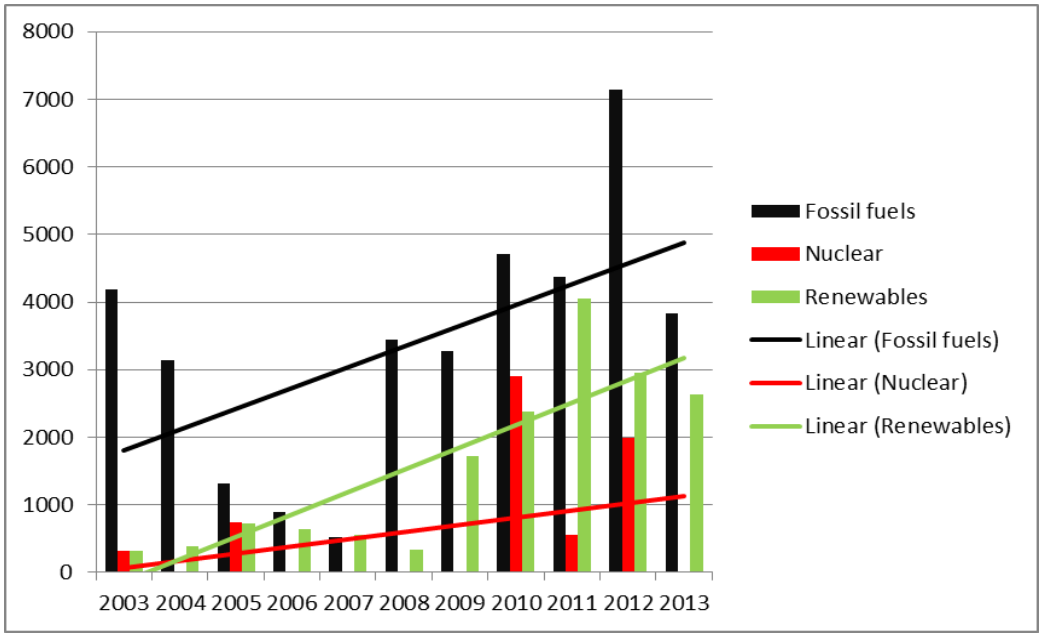
As a result the share of OECD support for renewables is barely improving: while it successfully went from 7% in 2003 to 51% in 2007, it then collapsed to 9% in 2008 and never recovered the 2007 level of support since then.

This is in contradiction with the rapid pace required to decarbonise our energy systems and to comply with the internationally agreed climate target of +2°C.

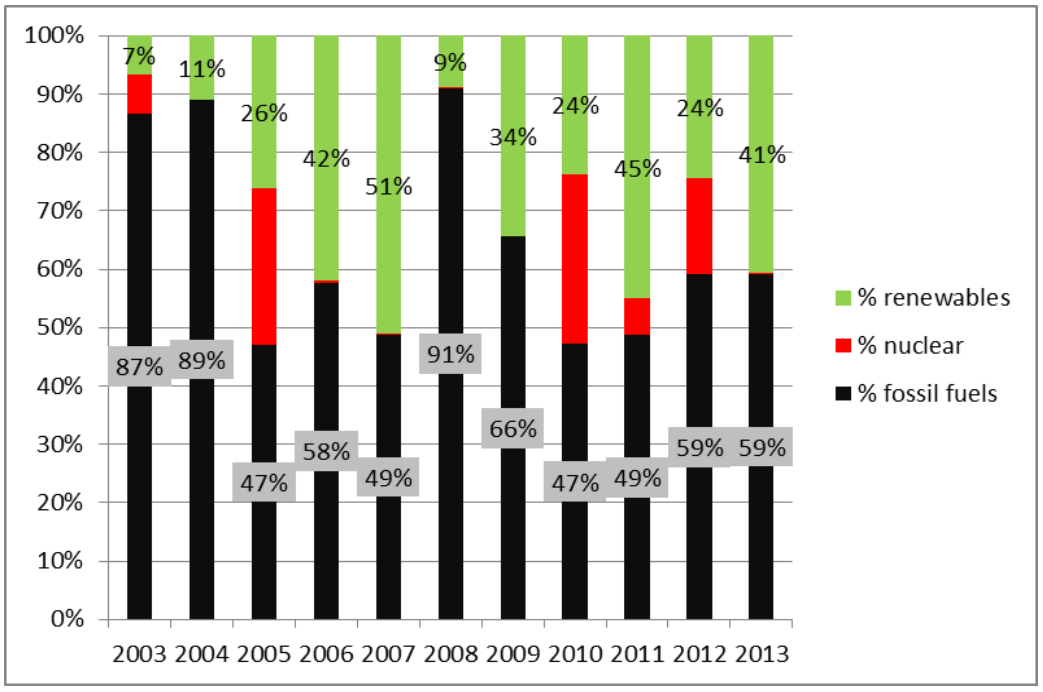
[4] Comparison with overall volume of export credits for 2003-2012 (2013 not yet available), taken from OECD Sector understanding on export credits for renewable energy, climate change mitigation and adaptation and water projects (CCSU) – Provisional review of CCSU related transactions for the period 2003-2013, 03 October 2014

[5] OECD data on export credit support for fossil fuel power plants and fossil fuel extraction projects, Room Document N°11, 9 October 2014

OECD support for power generation 2003-2013 and trendlines



OECD support for power generation 2003-2013 in %



4. Renewables vs coal: four types of countries

Out of the 33 OECD Export Credit Group countries, in the period 2003-2013:

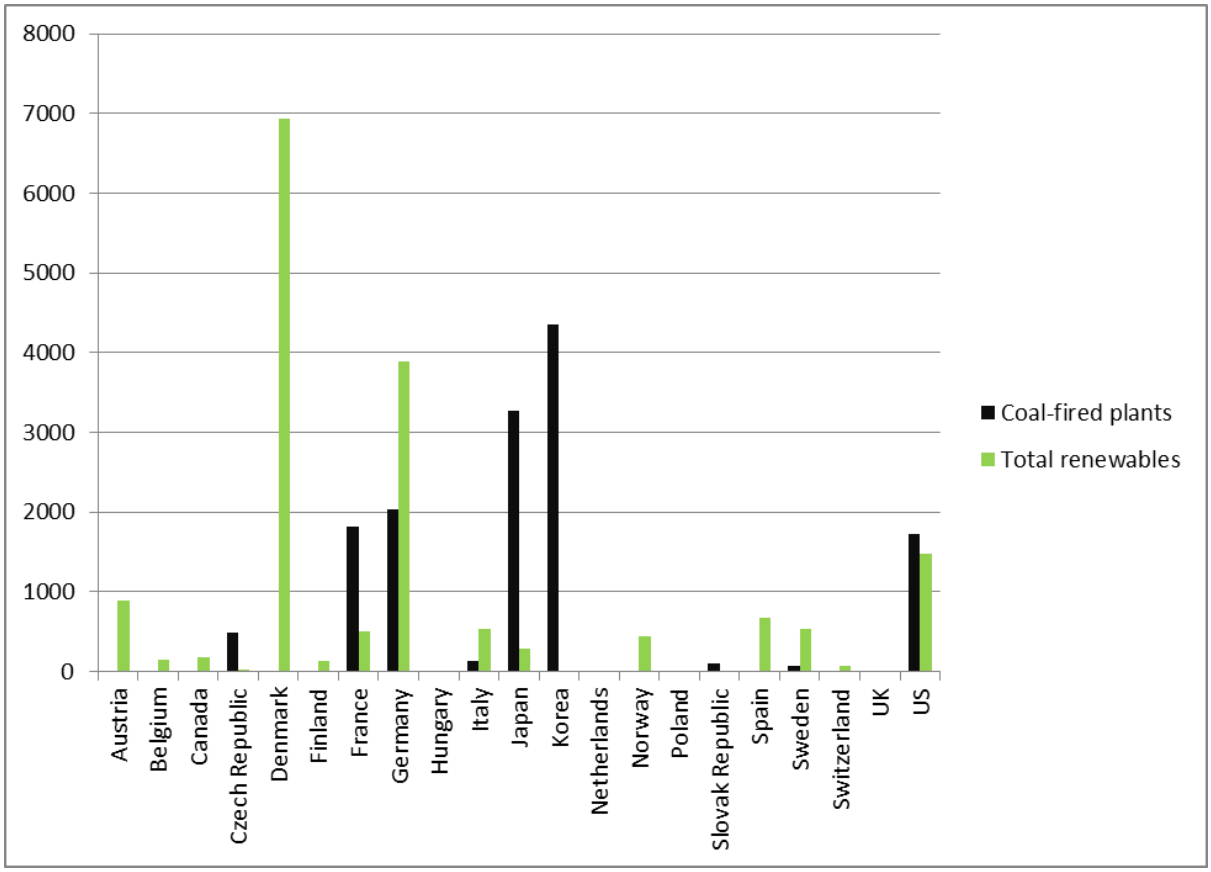
- 7 provided support for nuclear power plants, showing a very concentrated industry;
- 10 provided support for coal-fired power plants, also showing a quite concentrated industry;
- 12 provided support for oil-fired power plants;
- 21 provided support for gas-fired power plants;
- 17 provided support for renewables, with a growing trend (more and more countries have been providing support for renewable technology exports).

A focus on coal and renewables makes it possible to classify the OECD countries in four categories:

- **9 countries only providing support for renewables in 2003-2013**: Austria, Belgium, Canada, Denmark, Finland, Netherlands, Norway, Poland (although marginal for Poland) and Switzerland. There is an objective economic rationale for these countries to support the end of export finance for coal plants, given that they have not used this policy tool in more than a decade while they use it it for renewables competing with coal plants.
- **8 countries provided support for both renewables and coal plants in 2003-2013**: Czech Republic, France, Germany, Italy, Japan, Spain (with coal support marginal for Spain), Sweden, US. It should be noted that two of them already committed to end support for coal plants (France and US), and that Germany provided almost twice more support for renewables than for coal plants.
- **12 countries provided support neither for renewables nor for coal plants in 2003-2013**: Australia, Estonia, Greece, Hungary, Israël, Luxembourg, Mexico, New Zealand, Portugal, Slovenia, Turkey, UK. There is no objective economic rationale for these countries to oppose the end of export finance for coal plants given that they have not used this policy tool in more than a decade.
- **Only 2 countries provided support for coal plants only in 2003-2013**: Korea and Slovak Republic.

As a result, 21 countries (two thirds of OECD countries) have no objective economic rationale to oppose the end of export finance for coal plants, as they have not used this policy tool in more than a decade while many use it for renewable power competing with coal plants.

Total OECD support for coal / renewables 2003-2013 by country



5. Leading countries for renewable export finance

OECD export finance by type of renewable technology is very uneven. Out of $16,7 bn for the period 2003-2013, wind represents more than two thirds (67%), hydro 20%, solar 10%, biomass 1,5%, geothermal 0,7% and biofuels 0,2%.

In term of countries, Denmark is clearly leading with 42% of all OECD export finance for renewables. It is followed by Germany (23%) and the US (9%).

By type of renewable technology:

- For wind, Denmark makes 61% of all OECD support, followed by Germany (28%), the US (4%) and Spain (4%).
- For hydropower, four countries are leading: Austria (23% of OECD support for hydropower), Germany (16%), Italy (16%) and Norway (10%). France (9%), Spain (8%), Japan (6%), Canada (6%) and Sweden (5%) are also active.
- For solar, the US lead with 56% of all OECD support, followed by Sweden (21%), Germany (10%) and Norway (6%).
- For biomass, Austria makes 41% of all OECD support, Denmark 28%, Germany 17% and Finland 13%.

- For geothermal, Japan leads with 78% of all OECD support, followed by Germany (17%).
- For biofuels, Finland makes 60% of all OECD support.

In volume, Germany is among ther main OECD countries for four renewable technologies out of five, showing a powerful and diversified renewable industry.

UK and Korea are totally absent, with no support for any renewable technology export in 2003-2013. Netherlands, Switzerland and to a certain extent Canada, Belgium and Finland also provided very limited support to renewable technology exports.

It should be noted that some types of renewable technologies raise concerns on their overall sustainability and notably their impact on biodiversity and ecosystems: this is notably the case for hydropower, biofuels and biomass. For such technologies WWF considers that mandatory sustainability guidelines are required to ensure that negative impacts are avoided and mitigated.

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