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CounterBalance Response to Consultation on draft guidelines for Foreign Trade Promotion

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Lora Verheecke / lora.verheecke@counter-balance.org

Counter Balance is a coalition of 9 NGOs, including Urgewald, whose mission is to make European public finance a key driver of the transition towards socially and environmentally sustainable and equitable societies.

Our submission expresses concerns that the draft export finance guidelines do not put Germany and Europe on the path to completing this transition.

Germany has international obligations

At the UN COP26 summit, Germany joined 38 other signatories in signing the [Clean Energy Transition Partnership](#) (CETP). This initiative has been highly successful: [eleven out of seventeen](#) high-income CETP signatories — with significant amounts of international energy finance — have developed policies that end fossil fuel support, and [since 2021 there has been a 78% drop in international public finance for fossil fuels from signatories](#).

Germany adopted a policy to meet this commitment in 2023. [However, it falls short of meeting the CETP commitment](#), with loopholes that allow fossil fuel finance to continue. This places Germany as [the second-largest violator of the CETP commitment](#). Across its public finance institutions (KfW-IPEX, Euler Hermes/PwC and DEG) it has provided USD 1.5 billion in export finance for fossil fuels in breach of its own policy, most of it supporting US liquefied natural gas (LNG) export terminals. Furthermore, the scope of the current climate guidelines would have had to be expanded to include Untied Loan (UFK) guarantees in order to cover all instruments of foreign trade promotion. Unfortunately, this opportunity was missed with the current transformation framework: UFK guarantees are not covered, even though they have been used for LNG transactions and terminals—or are currently being applied for. They need to be included in this framework in the future

Hydrogen is not a climate solution, no finance to hydrogen projects should be permitted

The new draft policy on Germany's Foreign Trade Promotion states that financing gas power plants is permitted if they are 'hydrogen-ready' or if they start using hydrogen in 2035. We take the view that promises of 'hydrogen-readiness' cannot be relied upon.

There are six good reasons to question hydrogen's reliability for a just transition in Germany, Europe and abroad:

1. Risk of fossil fuel lock-in.

Numerous high-profile hydrogen plans have been [shelved by companies](#) in countries like Norway, where all large-scale blue hydrogen projects have been abandoned, as well as a [hydrogen pipeline to Germany](#) previously included on the EU's PCI/PMI list.

Hydrogen projects that have not been cancelled are also notorious for delays. The International Energy Agency (IEA) wrote in its [2025 review](#) that "for the first time, potential low-emissions hydrogen production by 2030 based on announced projects has declined". Taken together, this suggests that hydrogen is unlikely to materialise at a scale that would even allow sufficient conversion from fossil fuels through building hydrogen-ready facilities, thus locking-in fossil fuel use. Indeed, [in Namibia](#), a large share of European funding has been earmarked for the construction of infrastructure intended to support the green hydrogen industry, including port expansions, railway lines, roads, and energy networks. But as the project is falling behind schedule, European investment in Namibia could ultimately serve the fossil fuel industry as the oil and gas industry could reap the benefits of the infrastructure originally built for hydrogen.

2. Inability to deliver sufficient emissions reductions.

Hydrogen produced with fossil fuels is [not emissions-free](#), with potentially high upstream emissions and leakages. Indeed, hydrogen is an [indirect climate gas](#) which induces perturbations of methane, ozone, and stratospheric water vapour, three potent greenhouse gases. According to a [2022 scientific study](#), the CO₂ and CH₄ emissions associated with blue (and grey) hydrogen production and transport significantly reduce the benefit of a transition to a hydrogen economy and even introduce a climate penalty at high leakage rate or blue hydrogen market penetration.

3. Enormous costs.

Hydrogen involves [massive costs](#) connected to using another energy source (whether gas, renewables, or another energy source) to produce hydrogen, on top of which come heavy transport, safety, and retrofitting costs. The [European Court of Auditors \(ECA\)](#) concluded in July 2024 that the European Union's goals to produce and import green hydrogen fuel are unrealistic and unlikely to be met despite billions of euros in funding. In Rotterdam, Shell's project to build a renewable energy powered hydrogen plant has been [described by the head of project](#) in 2024 as "quite a fragile business case." Conversion of gas infrastructure to hydrogen is also not straightforward, given fundamental differences between hydrogen and natural gas, and can therefore be expected to involve additional high costs.

4. Lack of demand in Europe.

German energy company RWE has [dropped its participation](#) in the Hyphen project in Namibia last year, citing weak demand for hydrogen and ammonia in Europe. This is corroborated by the IEA's [Global Hydrogen Review](#), which finds almost no year-on-year growth in European demand. Offtake agreements signed for low-emissions hydrogen and hydrogen-based products have also been declining since 2023.

5. Safety risks.

Hydrogen is [notoriously dangerous](#) to transport over long distances and requires significant resources for safety and security. This issue is compounded by [hydrogen's low energy efficiency](#), particularly for green hydrogen, making it even less worthwhile to take on these high risks.

6. Projects in Africa raise local concerns.

The hydrogen project [SouthH2Corridor](#) has been criticised by more than 500 African civil society organisations. In a joint statement they denounced that it "does nothing for the 600 million Africans who have no access to energy. Instead it turns our renewable energy into an export commodity, which thus ends up abroad. This is a neo-colonial extraction of African energy and water resources. Renewable energy must be prioritised for domestic use, not for foreign markets. The desalination of seawater for green hydrogen production is also harmful to our marine ecosystem."

If it is public finance, all major decisions are public

Since the policy came into effect in 2023, the decisions of the Interministerial Committee on approving fossil fuel projects have not been made public. 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.

Our solution

We understand that electrification with renewables is a far cheaper, more efficient, and easily-ready solution than building risky, dirty and expensive 'hydrogen-ready' infrastructure. Therefore, we ask for German export finance to ramp up support for renewable energy. Denmark is already doing it: EKF [has a target](#) to issue guarantees and loans to green projects totalling at least EUR €20 billion from 2022-30.

Germany should adopt ambitious, quantifiable and near-term targets for increasing the amount and quality of its export finance for clean and affordable energy. [Germany's international finance for clean energy already surpasses its fossil fuel finance](#). This is a positive development, and fossil fuel finance now needs to be brought down to zero alongside an increase in clean energy finance.

This finance must be given on fair and transparent terms, especially in Global South countries which overwhelmingly face both the most severe climate impacts and growing debt crises. Given export credits are the source of an [estimated 80%](#) of low income countries' debts to other governments according to a study published in 2011, careful attention must be given to ensure this support does not exacerbate existing global inequalities.

On any large-scale renewable energy projects that Euler Hermes and other public finance institutions pursue, a just transition approach must be integrated, ensuring due diligence, respect for the rights of Indigenous Peoples and local communities in line with Free, Prior, Informed Consent (FPIC) principles. Additionally, any future renewable energy projects must prioritise increasing affordable energy access, technology transfer, energy ownership, and active participation of the impacted communities, including via decent job creation with training opportunities.