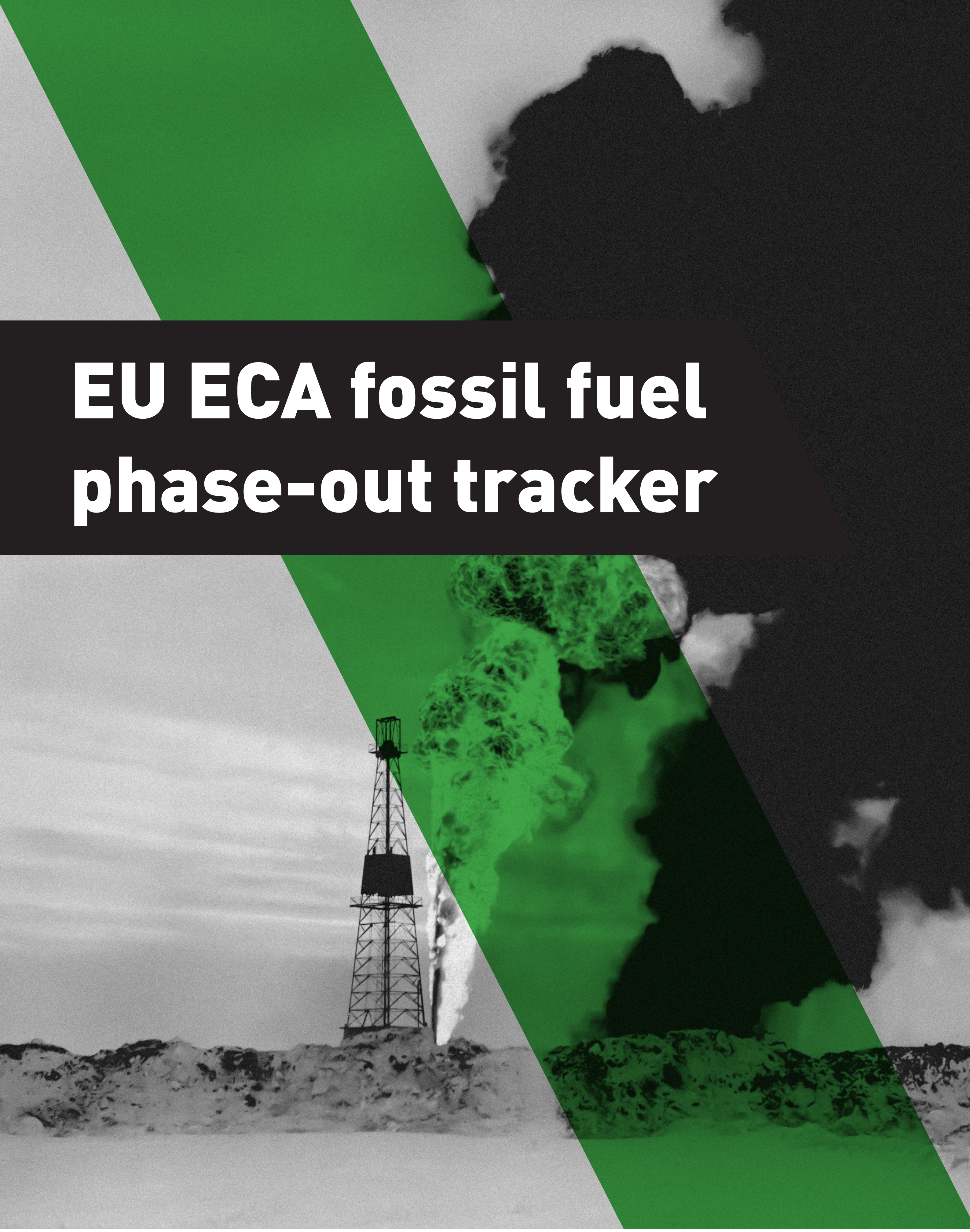
EU ECA fossil fuel phase-out tracker



Both ENDS
Connecting people for change

OIL CHANGE INTERNATIONAL

Counter Balance
Challenging Public Investment Banks

MARCH 2024 (updated 17 April 2024)

ABOUT BOTH ENDS

Together with environmental justice groups from the Global South, Both ENDS works towards a sustainable, fair and inclusive world. We gather and share information about policy and investments that have a direct impact on people and their livelihood, we engage in joint advocacy, we stimulate the dialogue between stakeholders and we promote and support sustainable local alternatives.

ABOUT COUNTER BALANCE

Counter Balance is a coalition of 9 NGOs whose mission is to make European public finance a key driver of the transition towards socially and environmentally sustainable and equitable societies.
Over the last decade, we have monitored extensively the operations of the EIB and led campaigns to make it a more sustainable, democratic and transparent institution.

ABOUT OIL CHANGE INTERNATIONAL

Oil Change International (OCI) is a research, communications, and advocacy organisation exposing the true costs of fossil fuels and facilitating the ongoing transition to clean energy.
Rooted in community solidarity and principled policy analysis, we work within larger movements to build a fossil free future.

SUPPORTED BY

ACKNOWLEDGEMENTS

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This report was updated on April 17th, following new responses by Member States on their respective policies.

SUMMARY

This tracker analyses which EU Member States have kept their promise to publish a policy to phase out export finance for fossil fuels, and the quality of those policies.

Fossil fuel phase out policy aligned with science and 1.5°C warming limit	8	Belgium, Denmark, Finland, France, Luxembourg, Netherlands, Sweden, Spain*
No phase out policy, but claims not to finance fossil fuel projects	3	Bulgaria, Estonia, Portugal
No phase out policy in place at all/no response	4	Croatia, Czechia, Greece, Latvia
Fossil fuel phase out policy misaligned with science	7	Austria, Germany, Italy, Poland, Romania, Slovakia, Slovenia

Key recommendations

For Member States with non-science aligned policies:

- Update the policy and align with the standard set by CETP members.

For Member States with no policies:

- Urgently develop and publish a policy that is science-aligned, based on the standard set by CETP members.

For the European Commission:

- Publish a Communication for member states on the basis of the IPCC report and IEA's net zero-scenario that makes explicit what is understood as 'science-based'.

**Spain does leave significant loopholes for further investments in LNG*

BACKGROUND

Public finance in the form of export credits plays a crucial role in financing international energy projects, and is therefore a key enabler for these projects to go ahead. Through financing, insurances and guarantees, export credits help create the conditions for businesses to invest abroad. For decades, the fossil fuel energy sector has disproportionately benefited from this type of support for their projects. In the period 2019-2021, G20 export credit agencies (ECAs) provided seven times more support for fossil fuel projects than for clean energy, averaging $33.5 billion per year versus $4.7 billion per year.[1] Despite the signing of the Paris Agreement, governments have been very slow to shift export credit finance away from fossil fuel projects.

Recently, policy change to align export finance to a low-carbon economy is accelerating, including in the European Union. In April 2021, the Export Finance for Future (E3F) coalition was launched, which includes Belgium, Denmark, Finland, France, Germany, Italy, The Netherlands, Spain and Sweden as members.[2] At the November 2021 COP26 UN climate summit in Glasgow, 12 EU Member States committed to the Glasgow Statement on international public support for the clean energy transition, which was later re-branded as the Clean Energy Transition Partnership (CETP).[3] By signing this pledge, the signatories committed to end their new direct public support for the international unabated fossil fuel energy sector within one year of signing the statement, except in limited and clearly defined circumstances that are consistent with the 1.5°C warming limit and the goals of the Paris Agreement.

Following these developments, on March 15, 2022, under the French Presidency, the Council of the European Union adopted conclusions on export credits.[4] This included a call on Member States to determine by the end of 2023 their own science-based deadlines for ending officially supported export credits to fossil fuel energy projects. With this deadline now having passed, this presents a good opportunity to rephrase.

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1 Oil Change International & Friends of the Earth United States. At a crossroad: Assessing G20 and MDB international energy finance ahead of stop funding fossils pleadge deadline. Oil Change International. November 2022

2 EKN. The Export Finance for Future "E3F". *EKN Website.* Accessed: February 2024

3 Webpage Clean Energy Parnership

4 The Council of the European Union. Press release: The Council adopted conclusions on export credits. Council of the EU. 15 March 2022

Photo: Allexander

WHAT DO THE COUNCIL CONCLUSIONS SAY?

[11] CALLS ON the Commission to launch a discussion with the Participants to the OECD Arrangement in order to reach an agreement on ending officially supported export credits for projects in the fossil fuel energy sector, beyond coal and including oil and natural gas projects, unless in limited and clearly defined circumstances that are consistent with a 1.5°C warming limit and the goals of the Paris Agreement.

[12] Pending the outcome of such a discussion at OECD level, ANNOUNCES the intention hereby by the Member States to determine by the end of 2023 in their national policies their own science-based deadlines for ending officially supported export credits to fossil fuel energy sector projects[4], unless in limited and clearly defined circumstances that are consistent with a 1.5°C warming limit and the goals of the Paris Agreement.

In line with [11], in November 2023 the EU tabled a first proposal at the OECD towards ending export credits for projects in the fossil fuel energy sector. The United Kingdom and Canada have tabled a similar proposal. However, these proposals are still in the early stages of discussion. The largest remaining fossil fuel financiers among the OECD member, Japan and South Korea, have so far been reluctant to end their export credit support for fossil fuels.

Conclusion [12] stipulates that in absence of an outcome of this discussion at the OECD, Member States have to determine their own policies for ending their support for fossil fuel energy projects by the end of 2023. Member States had until December 2023 to determine their science-based deadlines for ending officially supported export credits to fossil fuel energy sector projects. 'Fossil fuel energy projects' are understood here as projects of exploration, production, transportation, storage, refining, distribution of coal, crude oil, natural gas, and unabated power generation. This is in line with the definition used by countries that are parties to the Clean Energy Transition Partnership.

Photo: Malcolm Lightbody

HOW DID MEMBER STATES DO?

With the 'end of 2023' deadline having passed, one can now take stock to see how Member States have followed up on their promises. We can distinguish here between the original signatories of the Clean Energy Transition Partnership and the countries who have not so far published any phase out policy. The CETP signatories have already had to end their public support for unabated fossil fuels within a year of signing the Statement. Given that the CETP was launched at COP26 in November 2021, they are supposed to have ended their support for fossil fuels by the end of 2022. Hence, they have not needed to publish an additional phase out plan in 2023. For those who were not already CETP signatories, no clearly defined mechanism was in place for publishing these plans.

In order to check the EU countries' compliance with 'end of 2023 deadline, we have contacted individual governments in order to verify whether they already have announced a phase out plan and requested them to disclose said policy, preferably in a publicly accessible manner. When they had a policy in place we marked them in green. Some Member States have responded that they have not financed any fossil fuel projects recently, and therefore do not see the need in publishing a phase out policy. We have marked these in yellow. Those Member States who do not have a policy in place and who have not responded to our opportunity for comment are marked in red.

We have also analyzed the contents of each policy. Phasing out public support for fossil fuels is key for staying within a 1.5°C warming limit, as is recognized by the March 2022 conclusions commiting to science-based deadlines. We have therefore also scored the Member States on this element. The scientific basis for our analysis follows in the next section.

Our results are as follows:

EU Member State (with ECA)	CETP signatory	E3F Member	Published phase out policy	Contents of policy		
				Coal	Oil	Gas
Austria			Yes	End by 2025	End by 2026	End by 2030
Belgium	X	X	Yes	End from November 1, 2021	End support for new oil fields from 2023, but support for existing until 2025	End support for new gas fields from 2023 but support for existing until 2025
Bulgaria			No, but claims no fossil fuel finance			
Croatia			No			
Czech Republic			No			
Denmark	X	X	Yes	End from 2022	End from 2022	End from 2022
Estonia			No, but claims no fossil fuel finance			
Finland	X	X	Yes	End from 2021	End from 2023	End from 2023
France	X	X	Yes	End from 2023	End from 2023	End from 2023
Germany	X	X	Yes	End from 2023	End from 2023	End from 2025 for industrialized, end 2029 for developing countries. Until 2030 for gas-fired power plants
Greece			No			
Hungary			Yes but not public	End from 2021	Unclear	Unclear
Italy	X	X	Yes	End from 2021	Exploration, production: from 2023. Transportation, storage, refining: from 2024 Distribution: from 2028	Exploration, production: from 2026 Other elements: t.b.d. following EU Taxonomy and 'energy security'
Latvia			No			
Luxembourg			Yes	End from 2023	End from 2023	End from 2023
Netherlands	X	X	Yes	End from 2024	End from 2024	End from 2024
Poland			Yes	End from 2038	End from 2038	End from 2038
Portugal	X		No, but claims no fossil fuel finance			
Romania			Yes	End from 2021 for new coal-fired power plants; End from 2032 for exploration, generation, transportation, storage, refining and distribution	End from 2032	End from 2050
Slovakia			Yes, but not public yet	Suspend fossil fuels by 2030		
Slovenia	X		Yes	Suspend fossil fuels by 2030		
Spain	X	X	Yes	End from 2023	End from 2023	End from 2023, but does leave significant loopholes for LNG financing
Sweden	X	X	Yes	End from 2023	End from 2023	End from 2023

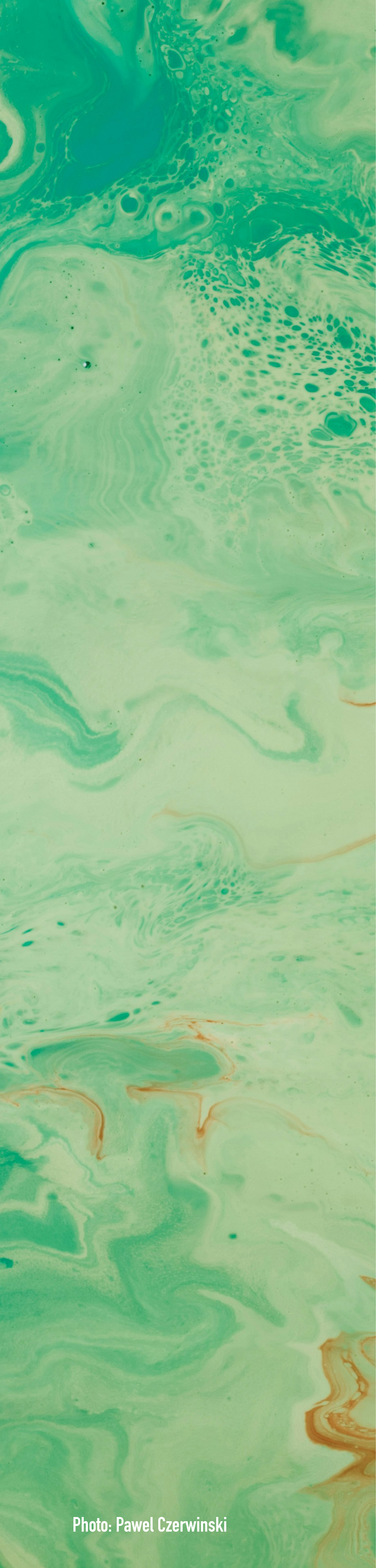

Photo: Pawel Czerwinski

WHAT IS SCIENCE-BASED?

Sixth Assessment report of the Intergovernmental Panel on Climate Change (IPCC)

The IPCC is the official body set up by the United Nations to report on the causes of climate change. The 2022 UN IPCC's Sixth Assessment report (AR6) is clear: to limit the global temperature rise to 1.5°C, the world must begin to phase-out oil, gas and coal now. The IPCC warns that the emissions over the lifetime of already existing and currently planned fossil fuel infrastructure will likely bring the world over 2°C, let alone 1.5°C:

> *B.7 "Projected cumulative future CO2 emissions over the lifetime of existing and currently planned fossil fuel infrastructure without additional abatement exceed the total cumulative net CO2 emissions in pathways that limit warming to 1.5°C (>50%) with no or limited overshoot. They are approximately equal to total cumulative net CO2 emissions in pathways that limit warming to 2°C (>67%). (highconfidence)*[5]

So, to stay below 1.5°C we can't afford any new oil, gas, or coal, and will need to rapidly phase out existing infrastructure. The IPCC report also gives guidance on the role of public finance in this transition, particularly in paragraph E.5. The IPCC emphasizes the role public finance plays: governments can signal where they would like to see a public finance shift. In other words, if public financial actors 'give the right example', private finance will follow, as it is unlikely to be a first mover and therefore can be expected to slow down energy transition for as long as public financiers continue to fund fossil fuels:

> *E.5.4 "Clear signalling by governments and the international community, including a stronger alignment of public sector finance and policy, and higher levels of public sector climate finance, reduces uncertainty and transition risks for the private sector. Depending on national contexts, investors and financial intermediaries, central banks, and financial regulators can support climate action and can shift the systemic underpricing of climate climate-related risk by increasing awareness, transparency and consideration of climate-related risk, and investment opportunities. [...]"*[6]

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5 IPCC. *Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change*. IPCC, 2022. Page 16

6 IPCC. *Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change.* IPCC, 2022. Page 48

IEA World Energy Outlook 2023

The International Energy Agency (IEA) is an autonomous intergovernmental organisation that provides data and policy recommendations for the entire global energy sector. The IEA released its World Energy Outlook (WEO) 2023 report last October. In it, the IEA states that fossil fuel consumption will peak in 2030, only to decline somewhat afterwards. However, the IEA admits that this is not nearly enough to stay on track for its net zero scenario. Governments will need to do much more: "the projected declines in demand after the peaks are nowhere near steep enough to be consistent with the Net Zero Emissions (NZE) Scenario – getting on track for this scenario will require much faster clean energy deployment and much more determined policy action by government" according to the IEA.[7] The NZE scenario is in fact the only scenario aligned with 1.5°C and consequently, this is the scenario that policy decisions should be based upon.

In the IEA's World Energy Outlook 2023, the body also reiterated that in order to keep 1.5C within reach, there can be no new oil, gas, or coal developed beyond existing fields. This finding was first confirmed in the IEA's WEO of 2021, with the incorporation of its first Net Zero Emissions (NZE) Scenario. The WEO's NZE is the only scenario in the report that is aligned with a 1.5°C warming limit trajectory - the goal of the Paris Agreement. The WEO's findings also warn that oil and gas investment rates of 2023 are nearly double what is needed in the WEO scenario for 2030. These findings reinforce the urgent calls on Member States to align their public financial flows with a full phase out of new fossil fuels.

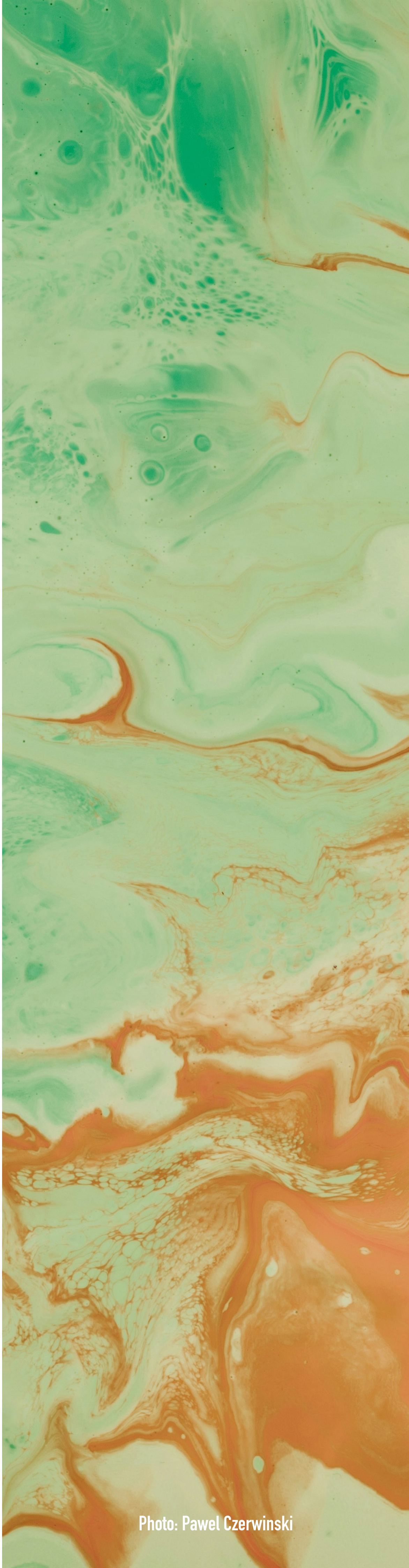
Photo: Pawel Czerwinski

7 IEA. *World Energy Outlook 2023*. IEA 2023

CONCLUSION

In the March 2022 Council conclusions, Member States stated their intentions to make their export credit policies aligned with a 1.5°C warming limit and the goals of the Paris Agreement. For this purpose, they promised to develop their own science-based deadlines for ending officially supported export credits to fossil fuel energy sector projects. Reports of the IPCC and IEA stress clearly that in order to keep 1.5°C within reach, there can be no new oil, gas, or coal developed beyond existing fields. Existing infrastructure will have to be rapidly phased out in order to keep the 1.5°C within reach and public finance should take a leading role on realizing this.

This leaves little other conclusion than the need to stop financing for fossil fuels as soon as possible, including support for gas projects. A number of Member States have already aligned with this conclusion and have fully ended their public support for fossil fuel projects – such as Belgium, Denmark, Finland, France, Luxembourg, Netherlands, Sweden and Spain*. However, it emerges that especially for a number of Member States who have recently published their phase-out policies, this is not the case: they continue to fund coal, oil and gas projects into 2030 or even longer. This concerns Austria, Poland, Romania, Slovakia and Slovenia. And even though Germany and Italy are CETP signatories, their policies set deadlines that leave a lot of room for continued investment in fossil fuels, in some cases until 2030. This is completely misaligned with science and therefore cannot be considered to be compliant with the March 2022 Council conclusions. At the same time, there is also still a number of Member States who do not have any type of policy in place, Member States who have not developed plans for ending export credit support for fossil fuel energy projects and have thereby not complied with what was agreed in the Council in March 2022 are: Croatia, Czechia, Greece and Latvia.

Key recommendations

For Member States with non-science aligned policies:

- Update the policy and align with the standard set by CETP members.

For Member States with no policies:

- Urgently develop and publish a policy that is science-aligned, based on the standard set by CETP members.

For the European Commission:

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