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# The role of European ECAs in financing the energy transition

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## KEY RECOMMENDATIONS

1. Human rights and environmental due diligence

- Promote community rights and participation by ensuring that affected communities are informed (in time) in a transparent and accessible fashion and have a say in the project.
- Guide the OECD negotiations on the Common Approaches to increase due diligence standards and improve procedures to uphold human rights and environmental safeguards, e.g. in line with the OECD Guidelines.
- Create decision-making criteria that ensure that mining companies develop and fund responsible policies and exit strategies with environmental restoration plans.

2. Transparency & accountability

- Promote transparency among European ECAs: create an online platform to publish ECA-funded project information from the early phases of the project consideration.
- Advocate for tangible criteria to evaluate a projects' added value that supports maximum local socio-economic benefits such as job creation, knowledge transfer, infrastructure, support for social initiatives and sustainable livelihoods for communities impacted by the project.
- Advocate for improved and faster complaints mechanisms in ECAs, so communities have a chance to report human rights and environmental abuses during the project implementation phase.

3. Blurry development mandates

- Enhanced coordination between ECAs and DFIs should be halted pending a review of compliance of such operations with the EU's NDICI Regulation and other relevant international frameworks.
- Clarify ECAs mandate and publicly communicate its differences with other international development institutions.



## INTRODUCTION

Export credit agencies (ECAs) are a prominent part of the European Union's (EU) foreign trade and investment toolbox. In 2023 alone, ECAs from EU Member States' financed €1.3 billion worth of export projects.[1] Recent years have marked a novel interest in diversifying ECAs' role, by integrating them in a number of strategies and policies related to the energy transition and mining for transition minerals.

ECAs have historically played a significant role in financing fossil fuel projects, often with limited regard for its environmental and socioeconomic burdens, especially for the local communities hosting these projects. Despite progress in reducing public financing for fossil fuel projects, which declined by two-thirds since 2019,[2] the remaining support for fossil fuels needs to be phased out, and other key issues remain unaddressed. These include the lack of safeguards related to human rights, environmental due diligence, transparency, and accountability. For this reason, the growing interest in involving ECAs in financing the so-called transition minerals (e.g. lithium, cobalt, nickel) and other relevant technologies for the energy transition is raising concerns.

As long as these fundamental flaws in ECAs' governance have not been addressed yet, the shift towards ECA finance for the energy transition risks repeating mistakes of the past and reinforcing historical injustices. This raises the question once again about what role European ECAs can or should (or should not) play in a just and fair energy transition. This briefing paper seeks to critically assess this question, on the basis of years-long experience with ECA financing.

[1] https://op.europa.eu/en/publication-detail/-/publication/0c549d6f-ad9c-11ef-acb1-01aa75ed71a1/language-en

[2] https://oilchange.org/news/leaders-and-laggards-new-analysis-shows-global-shift-away-from-fossil-fuel-financing-continues-despite-u-s-exit/

## CONTEXT

### ECAs governance flaws

In recent years, ECA-backed projects have repeatedly been associated with environmental abuses and human rights violations.[3] These have included forced displacement, environmental damage, water contamination, loss of livelihoods and even extreme cases of violence against local communities.[4] Civil society has consistently raised concerns over the lack of proper due diligence standards, community engagement, transparency, and accountability. These gaps hinder affected communities' access to complaint mechanisms, justice, and remediation. Lastly, ECA-funded projects have often contributed to worsen national debt burdens in the Global South while perpetuating unequal power dynamics.[5]

### Progress on fossil fuels

As climate science has made unequivocally clear, fossil fuels are the primary driver of climate change. No credible energy transition strategy is possible without an urgent and substantial reduction in both the financing and consumption of fossil fuels. Despite this, ECAs remain the largest public financier of fossil fuel project expansion, with investments reaching billions of euros.[6]

In recent years, numerous governments have taken steps to phase out ECA support for fossil fuel projects. Initiatives such as the Clean Energy Transition Partnership (CETP)[7], Export Finance for Future (E3F)[8] and the March 2022 EU Council Conclusions[9], reflect a growing political momentum in this direction. While most European ECAs have shown signs of progress, some exceptions remain. According to the latest EU ECAs Annual Report[10] Italy and Germany were still financing significant fossil fuel projects in 2023.[11]

[3] See for instance: https://www.bothends.org/en/Whats-new/Publicaties/Dredging-Destruction/ or https://www.oecdwatch.org/its-time-to-hold-export-credit-agencies-accountable/

[4] https://www.globalwitness.org/en/campaigns/holding-corporates-account/runaway-risk/ ; https://www.politico.eu/article/totalenergies-mozambique-patrick-pouyanne-atrocites-afungi-palma-cabo-delgado-al-shabab-isis/

[5] https://counter-balance.org/uploads/files/EU-global-gateway-report-FINAL.pdf

[6] https://oilchange.org/news/leaders-and-laggards-new-analysis-shows-global-shift-away-from-fossil-fuel-financing-continues-despite-u-s-exit/

[7] https://cetpartnership.eu/

[8] https://www.linkedin.com/company/export-finance-for-future-e3f

[9] https://www.consilium.europa.eu/en/press/press-releases/2022/03/15/the-council-adopted-conclusions-on-export-credits/

[10] Note: from the reporting year 2023 onward, the European Commission has started collecting data on European ECAs' fossil fuel support.

[11] https://op.europa.eu/en/publication-detail/-/publication/0c549d6f-ad9c-11ef-acb1-01aa75ed71a1/language-en

The OECD serves as the most important forum for setting international rules on ECAs operations, including due diligence standards, climate-related guidelines and, also, which type of projects are eligible for ECA support. These decisions at OECD level require unanimity. In 2021, a critical agreement was reached with the prohibition of ECA support for coal-fired power plants. From late 2023 onwards, negotiations began for a similar ban on oil and gas financing. The EU, United Kingdom and Canada led these efforts[12] and were quickly joined by Norway and Australia. In July 2024, the EU position was formalized and published by the European Commission.[13] Later that year, the United States, under the Biden administration, shifted in favour of an oil and gas ECA financing ban, potentially ending tens of billions of dollars in public support for polluting fossil fuel projects. Unfortunately, resistance from the OECD's major fossil fuels financiers, South Korea and Japan, followed by Trump's presidential election in November 2024, caused the negotiations to collapse just before Christmas.[14]

Despite this setback, it is imperative that the EU remains firmly committed to its climate goals. The OECD negotiations revealed significant support for aligning ECA operations with energy transition commitments. However, only a just energy transition can address ECAs past mistakes and avoid them for the future, but this requires confronting the fundamental governance flaws that persist within ECAs.

## POLICY RELEVANCE

Despite significant challenges in ECA governance and due diligence standards, ECAs feature in a number of recent European policy initiatives aimed at achieving net-zero commitments and supporting the energy transition:

### Green Deal Industrial Plan

In February 2023, the Green Deal Industrial Plan (GDIP) was launched to stimulate Europe's net-zero industry and advance climate neutrality. Between several measures on trade and trade-related instruments, it is announced that "[the Commission] will develop an export credits strategy including an EU export credit facility and enhanced coordination of EU financial tools. These can foster coherence with EU policies such as the European Green Deal or Global Gateway, which pledged to invest in infrastructures aligned with pathways towards net-zero emissions".[15]

### Critical Raw Materials Act

Export credit agencies are accorded a role in the financing of Strategic Projects under the Critical Raw Materials Act (CRMA), adopted in 2024. In Article 36.8.a, it is stated that ECAs will integrate the European CRM Board, "a subgroup to discuss and coordinate financing for Strategic Projects", intended to provide the finance support critical to the development of these projects.[16]

[12] https://www.ft.com/content/de9fee8b-e369-4603-9054-4cabb20bf349?accessToken=zwAAAY55uahukdPen-6L42lGA9OQVEyrsgvzSQ.MEYCIQDzRjv6a60uzdvyxm9Xds5NwHcpZpsiToFUb130HxGe4QIhAJH_jfslbYPPAwa_S9y6bdqA35u6RR0q0TC9PW4khkGS&segmentId=e95a9ae7-622c-6235-5f87-51e412b47e97&shareType=enterprise

[13] https://ec.europa.eu/transparency/documents-register/detail?ref=COM%282024%29282&lang=en

[14] https://www.reuters.com/business/energy/plan-throttle-foreign-fossil-fuel-finance-collapses-oecd-bloomberg-reports-2024-12-23/

[15] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52023DC0062

[16] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:L_202401252



### Global Gateway

Global Gateway is the EU plan for investing in physical infrastructure development around the world and aims to mobilise investment up to €300 billion between 2021-2027. For this purpose, ECAs are envisioned as part of the EU's financial toolkit, to 'increase the EU's overall firepower in this area'. In the Commission Communication on Global Gateway, the Commission announced exploring the possibilities for establishing a European export credit facility.[17]

As follows from the policies outlined above, ECAs are being considered as a key financing instrument for energy transition projects by the EU. A failure to address the existing flaws in ECA governance properly may therefore result in considerable risks.

Notably, mining is one of the sectors most associated with human rights abuse, environmental damage, water pollution, violent conflict, and corruption. When not properly managed, ECA supported mining projects run the risk of exacerbating these impacts. Moreover, following a relatively progressive "Green Deal era", the EU's political agenda seems to have shifted towards a narrative of competitiveness, prioritizing economic gains and securing resource access. This pivot heightens the urgency for a robust policy framework to be established in advance to minimize these risks before these processes are rushed forward. In other words, 'make sure the guardrails are in place before you open the highway'.

## KEY ISSUES IN ECAS GOVERNANCE

### 1. HUMAN RIGHTS AND ENVIRONMENTAL DUE DILIGENCE

A major concern related to European ECAs current governance is the lack of adequate human rights and environmental due diligence, often with serious consequences for local communities and the environment surrounding project areas. One of the reasons for such concerns is the low and unenforceable standards in the rules governing European ECAs.

### OECD due diligence framework

The framework guiding human rights and environmental due diligence for European (as well as other OECD members) ECAs is 'the Recommendation of the Council on OECD Legal Instruments Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (usually known as OECD "Common Approaches")'.[18] This framework is transposed into European law via EU Regulation 1233/2011.[19] The Common Approaches are also used as the basis for European Member States' Annual Review of export credit activity, as follows from Annex 1 of Regulation 1233/2011. There are several points of concern about following the Common Approaches as a benchmark for due diligence standards:

- Analysis suggests that compliance with the OECD Common Approaches is not an adequate benchmark for evaluating compliance of EU ECAs with the EU's External Action obligations and due diligence standards. In many cases, the EU sets higher social and environmental standards than the OECD does.[20] This is even recognised by the Common Approaches itself, which encourages (but does not require) the use of the European Union's more stringent standards as a benchmark for assessing projects seeking export credit financing.[21] By following the weaker due diligence of the Common Approaches for evaluating projects, EU Member State ECAs are not conforming with the same level of due diligence standards as other EU financial institutions. These institutions have (at least on paper) committed to due diligence standards that uphold the core principles of the European Union, for example the European Bank for Reconstruction and Development (EBRD).
- Moreover, the Common Approaches leave a lot of room for interpretation, as described in a 2023 study commissioned by the European Parliament.[22] This study also concludes that Member States interpret the guidelines in the Common Approaches very broadly, with a wide discrepancy in the reference to International Standards, Guidelines, and Practices in ECA Activity Reports among EU Member States.
- The latest update of the Common Approaches was due in late 2024,with the latest text for a draft revision in circulation in November 2024. This proposal included important new provisions on climate and biodiversity,

[17] https://www.eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021JC0030

[18] https://legalinstruments.oecd.org/public/doc/280/280.en.pdf

[19] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32011R1233

[20] https://www.eca-watch.org/publications/newsletter-items/eca-watch-finds-eu-eca-compliance-reviews-insufficient

[21] Common Approaches, paragraph 26, https://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?doclanguage=en&cote=tad/ecg(2016)3

[22] https://www.europarl.europa.eu/RegData/etudes/IDAN/2023/702590/EXPO_IDA(2023)702590_EN.pdf

but has not yet been accepted by the OECD members. Nevertheless, according to watchdog OECD Watch, while containing significant improvements, this version is still not aligned with the widely used OECD Guidelines for Multinational Enterprises on Responsible Business Conduct ('the OECD Guidelines') that sets due diligence standards for businesses (rather than ECAs).

### European due diligence legislation

There is also a discrepancy with recent European due diligence legislation, in the form of the Corporate Sustainability Due Diligence Directive (CS3D). This directive sets standards for the companies that fall under the scope of the CS3D, but does not cover the financial sector, which excludes ECAs. Although larger companies receiving export credit insurance for their projects might fall under CS3D due diligence standards & procedures, ECAs do not. This particular case of policy incoherence becomes more complicated by what OECD Watch refers to as the 'accountability gap': ECAs exist as something of a hybrid between a government and private entity. ECAs are enabled by a government legislative act, usually reporting to national authorities, but taking various forms, ranging from a department of the state itself to a publicly-traded private corporation. Due to this classification either as a state entity or multinational enterprise, ECAs often escape accountability, thereby denying justice and remedy to impacted people.[23]

## 2. TRANSPARENCY & ACCOUNTABILITY

Historically, ECAs have been some of the most opaque public financial institutions. This is problematic, given the significant public finance provided via these instruments.[24] For many EU ECAs, information about the supported projects is impossible to find, which is a major obstacle for efficient oversight and scrutiny. By contrast, the European Investment Bank publishes all the supported projects in an easily accessible and searchable website.[25]

Under the previously mentioned OECD Common Approaches, the only project-related information ECAs are expected to publish are two-fold: information on Category A projects (projects deemed to have the highest environmental impact) before issuing its insurance; and information on Category B projects (second-highest environmental risk category) to be reported after issuing the insurance. All other projects have no reporting requirements.

As the 2023 study commissioned by the European Parliament highlights: "From the point of view of public interest, there is currently a mismatch between the level of information provided to the public on the allocation of export finance and the significant volumes of economic resources ECAs have at their disposal, as well as the risks involved in terms of environmental and social impact. Publicly available information is particularly lacking when it comes to even the most basic comparable data on European ECAs, such as transaction volumes or transactions by sector and by recipient countries. Transparency is an area with clear room for improvement."

## 3. BLURRY DEVELOPMENT MANDATES

A particular aspect of European export credit policy, with recent and increasing support, is the attempt to merge different European instruments of development finance – titled 'enhanced coordination'.[26] With this move, the European Commission intends to bring development financial institutions (DFIs) and ECAs together. Pilot projects for this ECA-DFI coordination have started under the European External Action Service (EEAS) and the Commission's Trade and International Partnerships policy departments. In 2024, an expert group on DFIs and ECAs was brought together to increase coordination between these institutions.

This blurring between financial instruments requires a critical examination, given the already existing problems identified with ECA governance as outlined above. Furthermore, ECAs were not designed as a developmental instrument and do not have a developmental mandate, as DFIs do. A merger between intrinsically different institutions raises serious questions about the destination of international aid budgets: - are they being used in support of European companies or to help recipient countries to develop local added value, by growing their own business, technological and industrial productive capacity?[27] In other words, ECAs are a demand-driven instrument focused on strengthening European businesses exports, while DFIs are a mission-driven instrument focused on the needs and interests of a recipient country. Besides a paradoxical alignment between these two approaches, there is also a real risk that less economically attractive, yet socially & environmentally crucial, projects will not materialise.

The key question to ask is: who will benefit from these projects? If the EU is serious about contributing to mutual gains and benefits, measures should be taken to ensure that local communities profit from projects and do not only suffer the negative consequences. There should be targets for local capacity building and value-added production and concrete measures to facilitate knowledge sharing and technology transfer, to mitigate the existing gaps.

[23] https://www.oecdwatch.org/its-time-to-hold-export-credit-agencies-accountable/

[24] https://www.oilchange.org/publications/public-enemies-assessing-mdb-and-g20-international-finance-institutions-energy-finance/

[25] https://www.eib.org/en/projects/

[26] See for instance, the CRMA and Global Gateway

[27] https://counter-balance.org/uploads/files/ECA-DFI.pdf



# THE WAY FORWARD: RETHINKING FINANCING A JUST ENERGY TRANSITION

European export credit finance is at a crossroads, with support for fossil fuels rapidly falling and increasing interest in financing minerals for the energy transition. This raises important questions about the design of export credits as a financing instrument. As this briefing outlines, significant concerns remain in the functioning of European ECAs, in particular, regarding due diligence standards, transparency, and accountability. The due diligence standards set in the OECD Common Approaches set a low bar compared to the EU's own Acquis and indispensable updates to the Common Approaches are currently in limbo. Meanwhile, public information on ECAs' activities is in many cases scarce and difficult to access.

When it comes to financing inherently risky and high-impact projects such as mining projects, this is the opposite of the strong foundation that is required to prevent harm in countries hosting these projects. If these shortcomings are not addressed, the EU runs the risk of financing yet more environmental damage and harm to local communities.


### Recommendations

**1. Human rights and environmental due diligence**

- Promote community rights and participation by ensuring that affected communities are informed (in time) in a transparent and accessible fashion and have a say in the project.
- Guide the OECD negotiations on the Common Approaches to increase due diligence standards and improve procedures to uphold human rights and environmental safeguards, e.g. in line with the OECD Guidelines.
- Create decision-making criteria that ensure that mining companies develop and fund responsible policies and exit strategies with environmental restoration plans.

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- Advocate for tangible criteria to evaluate a projects' added value that supports maximum local socio-economic benefits such as job creation, knowledge transfer, infrastructure, support for social initiatives and sustainable livelihoods for communities impacted by the project.
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- Clarify ECAs mandate and publicly communicate its differences with other international development institutions.

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