

The fossil elephant in the room

ANNEX 1: METHODOLOGY DESCRIPTION

In our previous report,¹ we analysed ADSB's contribution to the fossil fuel sector on the basis of publicly available information on ADSB-supported transactions for the period 2012-2015 by looking at the kind of fossil fuel-related projects ADSB supported, how much money was involved and which financiers, debtors and exporters were involved in the insurance. For this report we used the same approach for the period of 2012-2018. Below, we have updated the figures in the methodology accordingly. The way we structured the data as well as our conclusions were verified by Profundo.²

DATA USED

For this analysis, we used the 'issued policies' data that ADSB publishes annually on its website.³ These are the only publicly available data that provide information about individual transactions. The transfer of all pdf-formatted data sheets for 2012 to 2018 into an Excel file resulted in a list of 524 insurance policies for this period. All datasheets made by ADSB used for this research can be found on the ADSB website.⁴

INTERPRETING THE DATA

ADSB presents the data used in such a way that it is difficult to interpret. There are significant differences in the way insured transactions are described. This varies from more detailed descriptions like 'the

building of an access canal to a future harbour on the Caspian Sea in the Prorva region, near the Tengiz oilfield in Kazakhstan', to less detailed descriptions like 'delivery of a ship', to 'not applicable'.

So far ADSB has not provided an overview of the direct and indirect CO₂ emissions for the transactions it supports. Therefore no conclusions could be drawn on the emission levels that ADSB might support, directly or indirectly.

In general, it is almost impossible to find well-structured literature that provides guidelines on how ECAs research their own data. In ADSB's yearly sustainability report, it categorises all insurances provided within specific sectors. 'Oil and gas infrastructure' is a specific sector. However, as shown in our report, the category 'shipbuilding' may contain many insurances that related to the oil and gas sector as well, such as the upgrade of an FPSO.⁵ The Ministry of Finance admits in its policy review that many shipbuilding projects support the oil and gas sector.⁶ Categorising the conversion of an FPSO as 'shipbuilding' is therefore confusing for those who wish to review the fossil fuel content of ADSB's portfolio.

CLASSIFYING THE DATA

Publicly available documents do not provide any guidance on how ADSB classifies an insurance as 'fossil fuel-related'. Based on desk research, verification with experts and information published by ADSB about projects supported, we analysed ADSB's data on insurance policies issued. To obtain a broader insight into ADSB's involvement with fossil fuels, we had to make our own categorisations.

Due to limited publicly available information on individual insurance policies, it was sometimes challenging to ascertain whether an insurance supported the fossil fuel sector. We based our categorisations on looking into many aspects of the insured transactions, which include the debtor, the exporter, the description of the transaction, the country where the risk is located and the year the insurance was issued. If it was still not clear whether the insured transaction supported the fossil fuel sector, we carried out desk research on the debtor and the project. As the available data were limited and inconsistent, further desk research was often necessary.

We classified all transactions according to 'Type of energy source', 'Purpose', 'Type of export transaction', 'Type of ship' and 'Type of buyer'. Below we provide more details on each category.

TABLE 1: Explanation of different parties involved in an export credit insurance

PARTY	EXPLANATION
Debtor/buyer	Party that purchases goods or services from a Dutch exporter, for example to build a ship.
Exporter	Dutch party that exports a service or good and applies for an export credit insurance.
Financier	Party that finances the transaction/project of the exporter. Usually a bank.
Guarantor	A party that guarantees the transaction of the Dutch exporter.
ADSB	Issues export credit insurances on behalf of the Dutch state.

TYPE OF ENERGY SOURCE

We distinguished different types of energy sources. These included coal, oil, gas and renewables, or a combination thereof.

PURPOSE

As shown in figure 1, there are many stages in the fossil fuel production chain. These include exploration, extraction, preparation (coal only), transport, processing, distribution, consumption and decommissioning. We looked at which stage in the fossil fuel production chain the project contributed to. If the purpose of the project was not clear, we labelled it as such. Consumption focuses on the use of fossil fuels, mainly in cars, planes, industries, offices and at home.

TYPE OF EXPORT TRANSACTION

To understand the nature of the fossil fuel-related projects ADSB supports, we looked at the specific contribution of the insured transaction of the Dutch exporter to the larger fossil fuel projects. We distinguished the building/supply of ships, use of ships, supply of goods/systems, project management and consultancy, and other fossil fuel-related activities.

Since the export credit facility policy review stated that export credits are mainly important for the Dutch maritime sector and given this sector's involvement in fossil fuel-related projects, we distinguished various categories of ships: dredging, crew support, supply support, towing, pipe-laying, patrol, extraction/production, and 'not clear'.

Export credit insurances for the construction of dredging ships proved difficult to categorise. Dredgers are by default multi-purpose; in their life span they can be involved in a variety of projects ranging from fossil fuel-related developments to land reclamation and climate adaptation works. For example, a prominent Dutch shipbuilder that is a frequent user of the export credit insurance facility might deliver a dredger for the development of a new harbour servicing the oil and gas industry. However, the same vessel could also be used for coastal protection works as part of a climate adaptation project. So, in the case of construction of a dredger, we tried to find more information on the first project it was used for. We then only categorised the insurance as fossil fuel-related if this first project was fossil fuel-related.

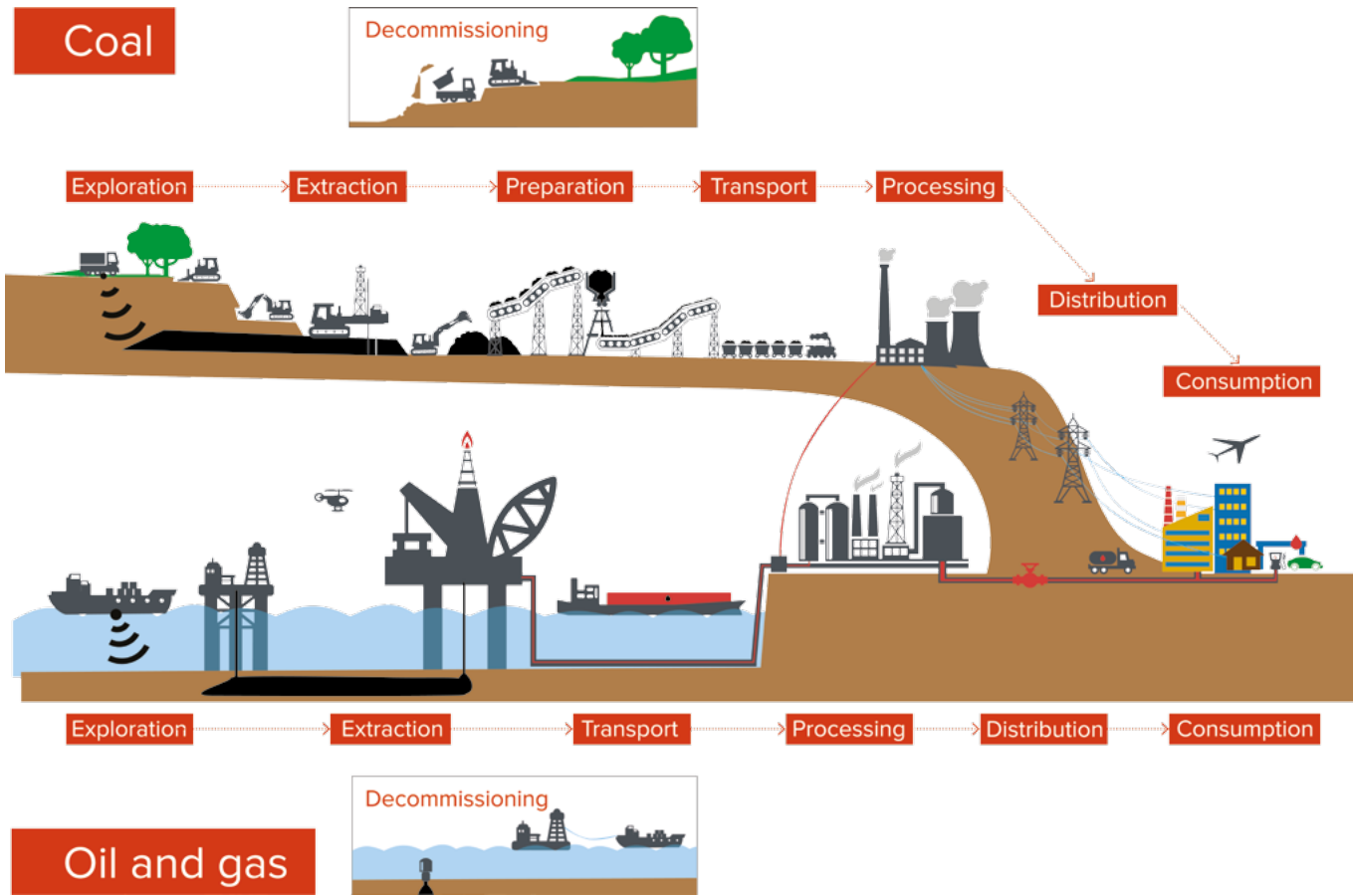
TYPE OF BUYER

It was very important to assess the type of debtor in the insurance before classifying it as supporting the fossil fuel sector. We distinguished oil/gas company, power plant, refinery/FPSO, petrochemical industry, service companies, airport/airport support/airplanes, and port/canal authority. Many debtors are subsidiaries of larger companies or governments. For this research, we categorised the debtors as they were recorded in the ADSB data. So although, for example, an oil refinery might be owned by multiple oil companies or a government, we categorised it as a refinery.

VERIFICATION WITH ADSB, RESPONSIBLE MINISTRIES AND CUSTOMERS OF ADSB

A draft version of the report was sent to the Dutch Ministry of Finance, the Dutch Ministry of Foreign Affairs and ADSB, all of which were given the opportunity to make comments and corrections to be incorporated into the final version. The Ministry of Finance and ADSB responded verbally that they see this report as a report from Both ENDS and have no comments on it.

FIGURE 1: Stages of fossil fuel production



Source: 'Stages of fossil fuel production'.⁷
 By The New Climate Economy and
 Overseas Development Institute (ODI).

NOTES

1 <https://www.bothends.org/nl/Actueel/Publicaties/Paris-Proof-Export-Support-why-and-how-the-Dutch-government-must-exclude-credit-support-for-fossil-fuel/>

2 <http://www.profundo.nl/>

3 <https://atradiusdutchstatebusiness.nl/nl/artikel/afgegeven-polissen.html>

4 <https://atradiusdutchstatebusiness.nl/nl/artikel/afgegeven-polissen.html>

5 <https://atradiusdutchstatebusiness.nl/en/documents/2015-sustainability-report-.pdf>

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6 <https://www.rijksoverheid.nl/binaries/rijksoverheid/documenten/kamerstukken/2016/10/14/beleidsdoorlichting-exportkredietverzekeringen/beleidsdoorlichting-exportkredietverzekeringen.pdf> (page 51)

7 http://newclimateeconomy.report/2015/wp-content/uploads/sites/3/2015/11/Fossil-fuel-subsidy-reform_from-rhetoric-to-reality.pdf



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