

# International public finance for fossil fuels and the role of Germany

German providers of  
international public  
finance

## Main German public finance institutions providing finance for fossil fuel production



(Includes KfW development bank, IPEX Bank, & DEG)

- KfW and subsidiaries provide development finance, international project finance, and advisory services



- Euler Hermes is a credit insurance company. The German government will provide guarantees through Hermes that cover exporters against political and economic risk, with the aim of promoting export, especially to developing countries

## Current status of restrictions on Germany's international public finance for fossil fuels (reflective of Ministry for Economic Affairs & Energy's position)



(Includes KfW development bank, IPEX Bank, & DEG)

- Host country must have a mitigation strategy with targeted policy to increase RE or EE
- Best available technologies must be deployed in line with European Industrial Emissions Directive
- Minimum efficiency criteria for coal plants, differentiated by plant size (< or > than 500 MW)

### **Specific criteria for development financing:**

- Cease to promote new construction of coal-fired power plants and modernization of decommissioned coal-fired power stations in partner countries
- Modernizing of existing coal-fired power plants is permitted but subject to some (fairly weak) restrictions



- Will apply same limits as those applied to KfW in future, but only if these restrictions also apply to other OECD countries.
- A recent response to a parliamentary inquiry suggests that Hermes is currently considering coal projects in 11 different countries.

## German international public finance for fossil fuels, 2013 – 2015 (year to date)



(Includes KfW development bank, IPEX Bank, & DEG)



EULER HERMES

Combined fossil fuel finance: **\$4.4 billion**

Combined coal finance: **\$1.8 billion**

Total fossil fuel finance: **\$2.1 billion**

Total coal finance: **\$700 million**

Total fossil fuel finance: **\$2.1 billion**

Total coal finance: **\$1.1 billion**

## Serious lack of transparency makes compiling accurate figures difficult

- Despite some recent positive advances in reporting, KfW remains among the most opaque institutions among OECD public finance institutions. For example, KfW IPEX-Bank does not provide project detail in sufficient detail to identify coal investments.



# Germany's international public finance for fossil fuel exploration

## Germany's international public finance for fossil fuel exploration

- Internationally, from 2010 to 2013, KfW and Euler Hermes provided a total of \$525 million in known fossil fuel exploration finance, an average of \$131 million per year.
- Germany also contributed an annual average \$55 million to fossil fuel exploration projects from 2010 to 2013 through its shares in the MDBs (WBG, EBRD, EIB, and ADB – German shares range from 4% to 16% depending on the institution).



# Germany's international public finance for coal

ES-1. Total Public Coal Finance 2007-2014 by Country (billion USD)

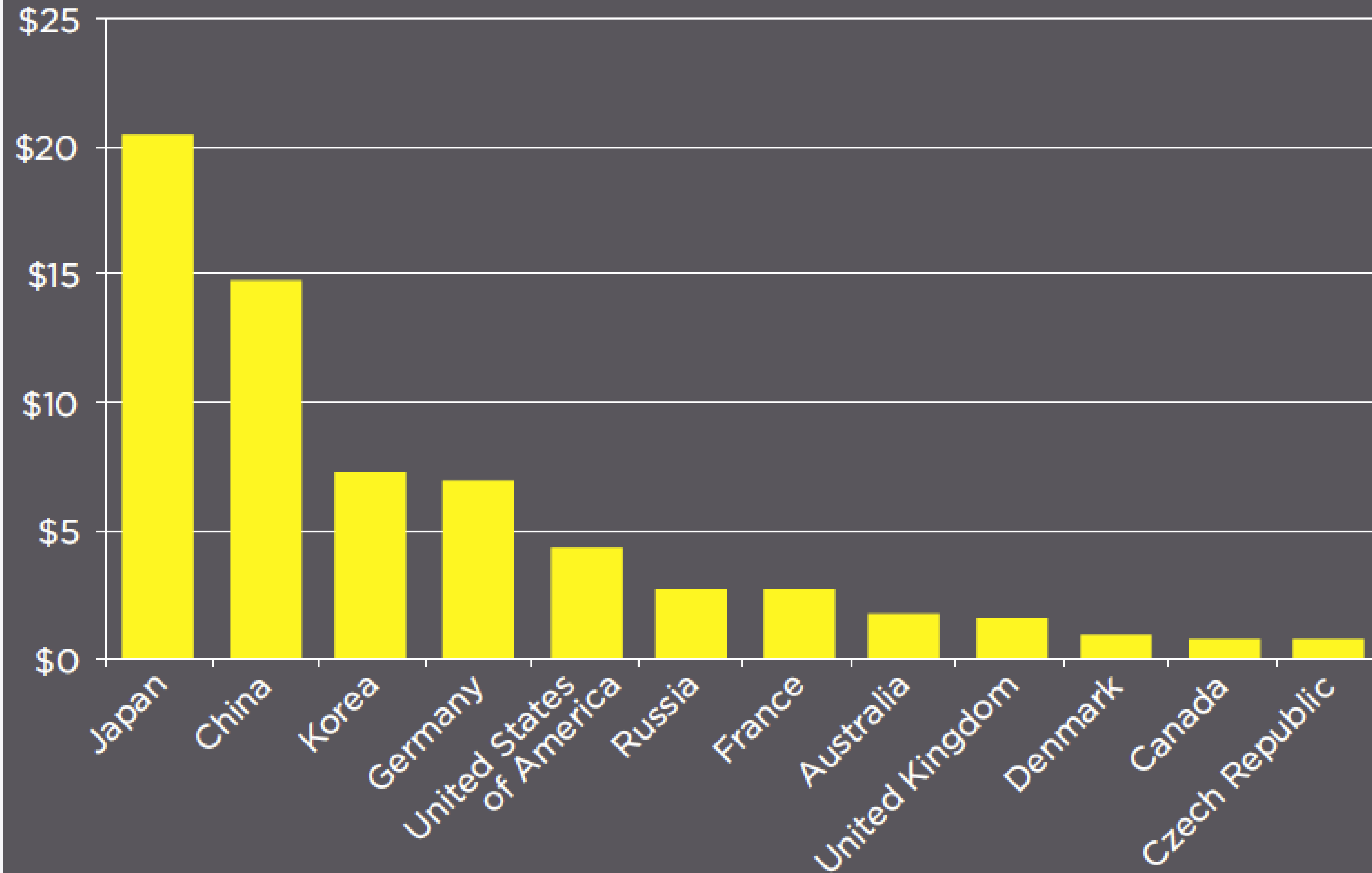


Table 2. ECA-Backed Emissions vs. Overall National Emissions

	ECA-backed emissions (Mt CO <sub>2</sub> e)	National emissions 2012 (Mt CO <sub>2</sub> e) (1)	% of national emissions
Japan	98	1268	8%
Korea	66	637	10%
Germany	64	936	7%
U.S.	44	5546	1%
France	43	452	10%

(1) Source UNFCCC, latest year available, <http://unfccc.int/di/DetailedByParty/Event.do?event=go>

This is just from ECA-backed coal between 2007-2014 (!)

# OECD Export Credit Agencies and Germany's role in cooperation

## Status of OECD Export Credit discussions

- OECD Export Credit Group began discussing limits on coal finance in March, 2014; crucial OECD meeting coming up on September 17
- Japan, South Korea, and Australia have been major blockers and continually weakened draft proposals
- A lack of a unified EU position, partly driven by Germany's middle-of-the-road approach to this issue, has been a barrier
- The main game is around “differentiation” of coal finance restrictions and allowed financing terms across:
  - Country types (high, middle, low income),
  - Subcritical / supercritical / ultra-supercritical / CCS
  - Plant size, etc.
- EU Council Export Credit meeting happened in early September but didn't resolve anything – they met again two days ago and if it's not resolved, it will go to COREPER



## Why export credits for coal matter

- **Financed emissions only from ECA-backed coal between 2007 and 2014 are equal to 7% of Germany's current annual emissions**
- **New finding (forthcoming):** damage in recipient countries for coal-fired power plants backed by OECD ECAs was up to **\$37 billion** in 2014 – and that's only for those plants we could confirm were operating and we could confirm capacity for in 2014

Emerging opportunities:  
Germany's role as founding  
member / major shareholder  
in Asian Infrastructure  
Investment Bank



### **Asian Infrastructure Investment Bank (AIIB) – the basics:**

- New \$100 billion lender
- Based in Beijing
- China to maintain some de-facto veto power on certain types of decisions
- As influence of MDBs wane and recent wins are cemented, is this a new fossil fuel finance frontier?

### **Germany's role:**

- Germany will be the fourth-largest shareholder of the AIIB, behind only India and Russia
- France, UK, Italy also joining, among other European countries
- While it has been very difficult to engage China on these new institutions, engaging through European shareholders may be a key opportunity
- While articles of agreement have been signed, there is a window to shape the design of the AIIB in the coming years

# G20 and fossil fuel subsidies



## Context and status of G20 fossil fuel subsidy commitment

- Commitment first made in 2009 at Pittsburgh G20 Leaders' Summit: **“rationalize and phase out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption”**
- Has been reiterated every year since
- Little progress aside from procedural: “peer review” process has undefined methodology, no consistent definition of subsidies, and only a few participants (albeit big countries – US, China, Germany)
- Still no robust framework to track / monitor implementation, which makes assessing progress or comparing countries very difficult



## Key G20 asks from recent sign-on letter

- Conclusion of an agreement to immediately eliminate all subsidies for fossil fuel exploration.
- Adoption of a strict timeline for phase-out of remaining fossil fuel subsidies with country-specified measurable outcomes
- Agreement to end G20 countries' public finance for coal
- Progress on delivering on climate finance needs.

## Civil society asks on fossil fuel subsidies in recent sign-on letter and C20 policy paper

- Conclusion of an agreement to immediately eliminate all subsidies for fossil fuel exploration.
- Adoption of a strict timeline for phase-out of remaining fossil fuel subsidies with country-specified measurable outcomes
- Agreement to end G20 countries' public finance for fossil fuels (especially coal), except in very specific circumstances
- [related, but separate] Progress on delivering on climate finance needs

**What's next?**

Stop Funding Fossils

Day of Action +

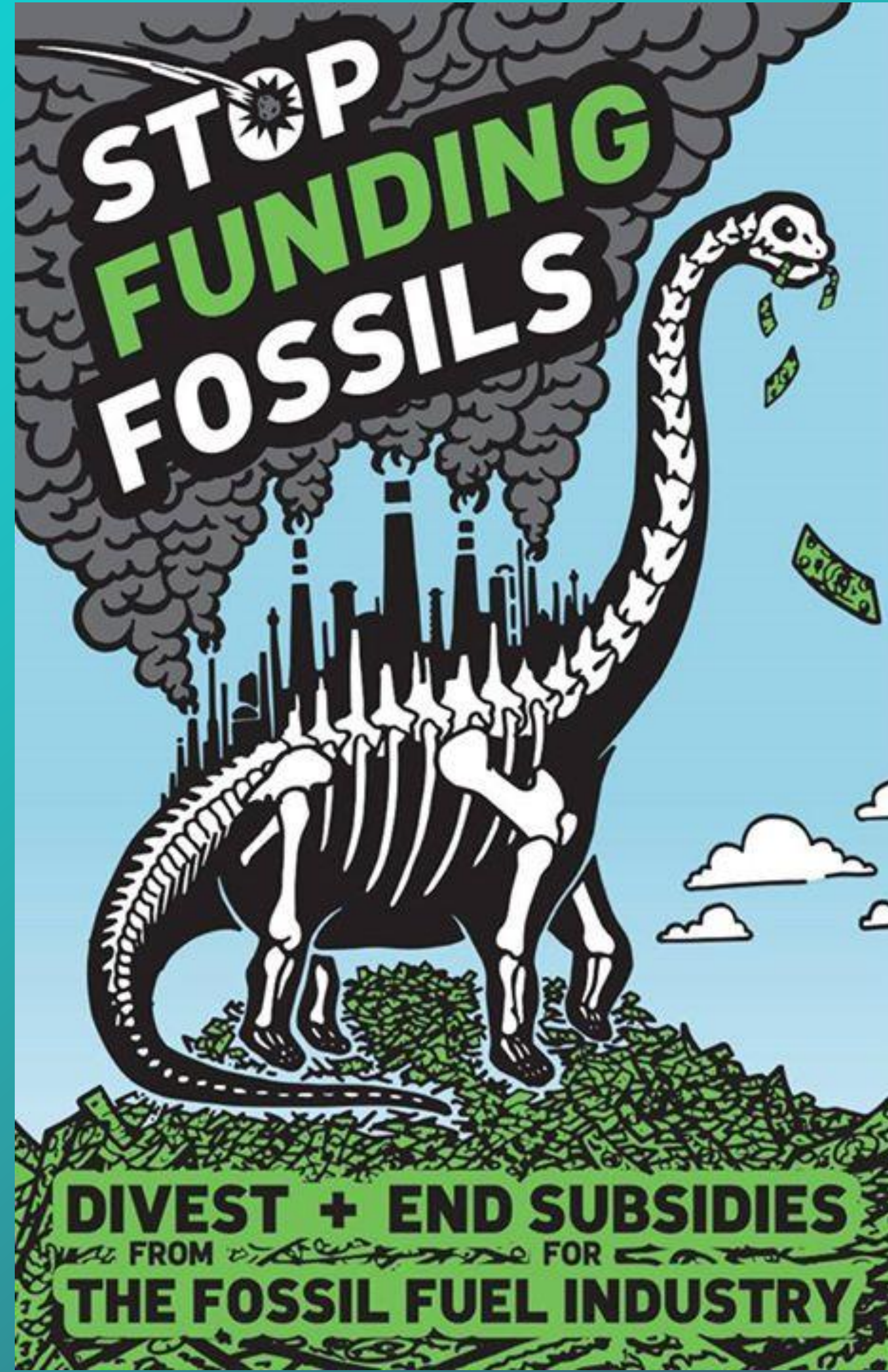
G20 report w/ Turkey

country study

## G20 Producer Subsidies study with individual country studies

- Overseas Development Institute, Oil Change International, and Global Subsidies Initiative report
- Planned release in the week before the leader's summit
- Looks at producer subsidies across G20 countries; will produce a big number
- Includes 19 country studies, including for Turkey, which will detail producer subsidies
- Figures and findings can help feed into Stop Funding Fossils Day of Action









# #StopFundingFossils

On November 14th  
we're taking the  
Stop Funding  
Fossils fight to  
world leaders.

Every year, hundreds of billions of dollars are spent by governments around the world to support the development of fossil fuels. Yet, scientists say we already have far more fossil fuels than we can afford to burn.



# What is the Stop Funding Fossils day of action?

**November 14**

A Day of Action to highlight the urgent need to end financial support for fossil fuel exploration, extraction and production.

The Day of Action will put leaders on notice of a sustained global campaign targeting a complete phase out of financial support for fossil fuels

# What is the Stop Funding Fossils day of action?

## **Online / digital actions:**

- Website (promotes distributed digital action globally, allowing people to target leaders and influencers with e-mail and over social media)
- Petition
- Distributed photos in front of key financial or political targets

## **Offline actions**

- Creative, visual actions in key locations in order to pressure key countries and decision-makers (hopefully including Turkey!)