

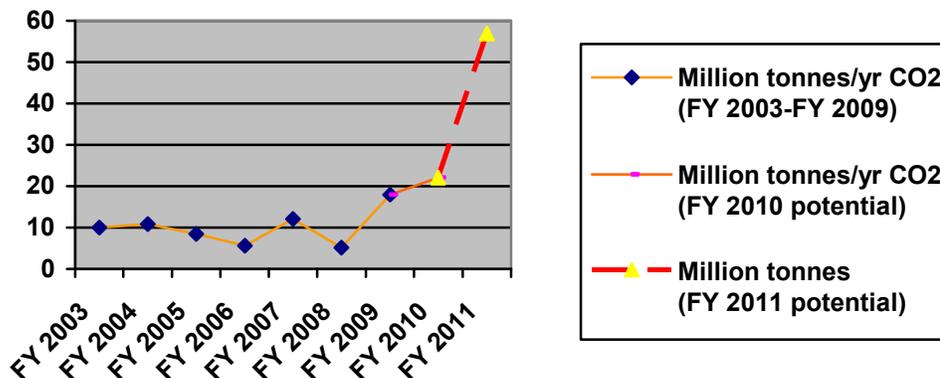
Ex-Im Bank Fossil Fuel Financing Pushing the Past and Losing the Clean Energy Race

Despite pledges by the Obama Administration to phase out fossil fuel subsidies the U.S. Export-Import Bank (Ex-Im Bank), a federal government agency, provides billions of dollars in public financing every year for destructive fossil fuel projects abroad. These outdated, heavily polluting projects cause significant harm to local environments and communities while contributing to global climate change—and they restrain our ability to keep pace with the international race for a strategic advantage in the manufacturing and export of clean technologies.

A notable example of Ex-Im Bank’s flawed priorities is the record-breaking \$3 billion in financing it approved in December 2009 for ExxonMobil’s enormous Papua New Guinea Liquid Natural Gas (PNG LNG) project—the same week the world came together in Copenhagen to iron out a global climate change agreement. It was later reported that Ex-Im Bank financed PNG LNG after ExxonMobil paid for and organized several of the agency’s supposed “independent” due diligence trips for the project.

Other examples of Ex-Im Bank support for fossil fuel projects include potential financing for the Sasan ultra-mega coal power project (UMPP) in India and the Kusile coal power project in South Africa. If constructed, Sasan and Kusile would be among the world’s largest coal power projects with combined 56.9 million tonnes of annual of CO₂ emissions, plus extensive pollution to local water and air, causing community dislocation and health problems including increased rates of cardiopulmonary diseases and cancer deaths. Ex-Im Bank’s overwhelming bias towards fossil fuel financing is egregious given the fact that clean energy exports can produce roughly three times the number of American jobs in comparison with fossil fuel related project job generation per \$1 million in investment.ⁱ

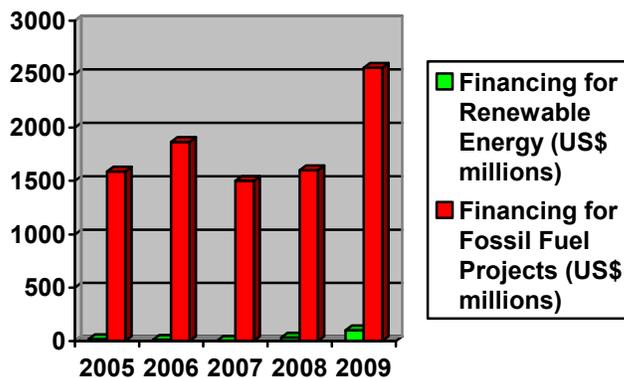
Ex-Im Bank fossil fuel emissions trend: The graph below charts Ex-Im Bank’s estimate of annual direct CO₂ emissions from fossil fuel-related projects that it financed from Fiscal Year (FY) 2003 – FY 2009, and potential emissions for FY 2010 and 2011.



Source: Ex-Im Bank Annual Reports, available at <http://www.exim.gov/about/reports/ar/index.cfm>, Ex-Im Bank estimates of annual project emissions, <http://www.exim.gov/products/policies/environment/envproj.cfm>

FY 2011 annual emissions projections assume the potential for the Sasan and Kusile projects to be approved in that fiscal year. FY 2010 and 2011 estimates do not include additional fossil fuel projects which may be financed these years but that are not yet on the books. All figures include Ex-Im Bank estimates from direct emissions from fossil fuel power plants, oil-field and gas-field exploration, development and production projects, but do not include indirect emissions associated with these transactions, for example, downstream transport and combustion of fossil fuel originating from oil-field and gas-field exploration. Also, these figures do not include fossil-fuel emissions from projects that benefit from Ex-Im Bank-financed services in the oil and gas sector, such as oil and gas drilling, training and consulting. And, these figures do not include emissions from other carbon-intensive sectors, such as aviation, which represent a large percentage of total Ex-Im Bank transactions.

Ex-Im Bank fossil fuel / renewable energy financing trend: The following charts Ex-Im Bank’s financing for fossil fuel projects and renewable energy transactions between FY 2005 and FY 2009.



Source: Ex-Im Bank Annual Reports, available at <http://www.exim.gov/about/reports/ar/index.cfm>

These figures indicate that financing for renewable energy transactions has recently increased, yet remains a tiny fraction (3.9%) of fossil fuel project financing for FY 2009.

In July, 2010, the U.S. Government Accountability Office (GAO) issued a report which found that Ex-Im Bank has failed to meet a Congressional directive to allocate 10% of its total FY 2009 and FY 2010 annual financing to renewable energy and energy efficient end-use technologies. Among its chief criticisms, GAO found that Ex-Im Bank fails to follow strategic planning practices and allocate sufficient staff and other agency resources to promote renewable energy and energy efficiency.ⁱⁱ

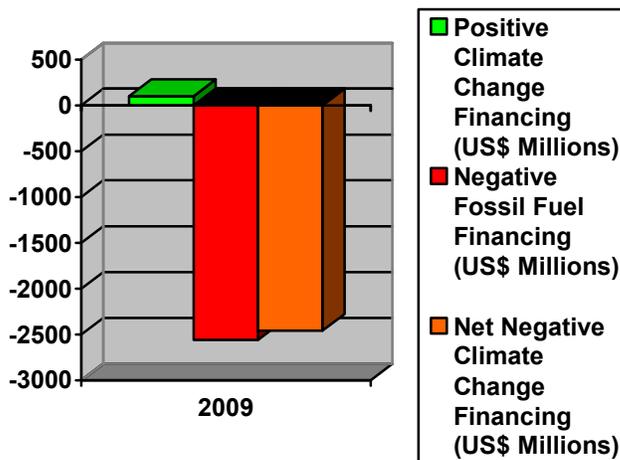
Ex-Im Bank’s Role in U.S. Climate Change Finance: Net Negative Impact Undercuts U.S. Commitments

One of the most important issues in international climate change negotiations is the question of how governments will provide sufficient climate change financing (including financing for renewable energy and energy efficiency) to meet the needs of developing countries. The Copenhagen Accord, supported by the United States at the December

2009 climate change negotiations, calls on developed countries to raise \$30 billion in “fast start” financing for developing countries during the 2010-2012 period.

Any Ex-Im Bank financing for renewable energy is now included as part of the U.S. Government’s “fast start” commitment. Yet, since Ex-Im Bank financing for fossil fuel projects is far greater, this results in a net negative climate change finance contribution. This further exacerbates climate change and undercuts the U.S. Government’s Copenhagen Accord commitment.

The chart below calculates the US Ex-Im Bank’s net climate change finance balance for FY 2009, taking into consideration both positive (renewable energy) and negative (fossil fuel) climate change financing.



Source: US State Department and Climate Change Finance figures, available at <http://www.state.gov/documents/organization/140689.pdf>, and Ex-Im Bank FY 2009 Annual Report: <http://www.exim.gov/about/reports/ar/index.cfm>

In conclusion, the Ex-Im Bank’s financing record does not boost confidence in its delivery on the United States’ commitment to address climate change by curbing fossil fuel financing subsidies and sufficiently increasing investments in renewable projects. Also, in order for the U.S. to remain competitive in future markets as other nations invest in the burgeoning clean energy sector, the Ex-Im Bank must take a different approach than financing proposed projects like Sasan, Kusile, and other fossil fuel projects.

ⁱA recent study by WWF indicates that 13.5 clean tech jobs (both direct and indirect) in manufacturing of exportable technologies can be created with every \$1 million of investment, versus 3.7 in the oil and gas and 4.9 in the coal industry. See *Getting Back in the Game: U.S. Job Growth Potential from Expanding Clean Technology Markets in Developing Countries*, WWF, May 24, 2010, available at <http://www.worldwildlife.org/who/media/press/2010/WWFPresitem16414.html>.

ⁱⁱ Reaching New Targets for Environmentally Beneficial Exports Presents Major Challenges for Bank, July 2010, Government Accountability Office (GAO), available at <http://www.gao.gov/new.items/d10682.pdf>