
GREAT EXPORTATIONS

Aligning Europe's export credit agencies with the EU's pro people and planet policy agenda

This document aims to provide information to Members of the European Parliament about the size, scope and lack of sufficient transparency at the export credit agencies (ECAs). The paper proposes changes to make the ECAs climate-friendly institutions, based on human rights and the people and planet-centred agenda of the EU and globally. It also outlines what the European Parliament can do to ensure that the EU policies will address these issues.

New opening in EU agenda for people and planet

The incoming European Commission president Ursula von der Leyen has clearly expressed a political will to focus on climate and sustainability in finance and policy coherence. The era of climate double speak in the EU – where a strong policy agenda was undercut by European public money being spent on projects that conflict with the goals of keeping global warming under 1.5°Celsius, appears to be over, with the announcement of the European Green Deal.

High level discussions about the future development finance architecture (the Commission's NDICI proposal) and the role of the multilateral development banks where the EU has a majority shareholding (fed by the report of High Level Panel of Wise Persons on) clearly show that EU at least realises that policy coherence and clarity of intentions has to improve.

ECAs should be included in these discussions about long-term vision. How prepared are they to mainstream the European Green Deal or Sustainable Europe Investment Plan? Are they contributing to or contradicting current EU commitments on climate, development and human rights? The minimal transparency and traceability of ECAs has not done enough to sure public scrutiny and Parliamentary oversight.

Boosting exports and investments of the private sector in EU Member States seems to be the only clear and visible priority of European ECAs, largely ignoring the coherence with the general provisions on external action of the EU.

ECA secrecies: underestimating the scale and impact

Government-backed ECAs enable governments to support national companies and do business abroad, particularly in financially- and politically-risky parts of the developing world. According to statistics by the Berne Union – the most important association of ECAs globally – export and investment insurance by its members totaled approximately USD 1.1 trillion globally in 2018. This makes global ECAs much larger than many multilateral development banks and shows the significant role that these financial institutions play in shaping the global economy.

Significant sums of this money fund projects that are destructive to the climate and can violate human rights of citizens in countries beyond EU borders. Examples like Polish ECA support for the development of the Indonesian coal sector or a LNG terminal in Mozambique are emblematic cases of what can hide on ECA balance sheets. It is impossible to know the full scale of such projects, and this is one of the core problems with ECAs.

Despite reporting obligations and principles of policy coherence, set by EU legislation, European institutions and citizens are insufficiently informed about projects receiving ECA support. Current reporting to the Commission and thus the European Parliament, in the form of a limited checklist, gives no clarity on compliance with requirements related to EU legislation on the environment, climate and human rights.

This is the moment for change.

Transparent and traceable ECAs

Currently the information provided by ECAs to EU decision makers is inadequate to assess their compliance with EU law. Under Regulation 1233/2011, Member States report to the European Parliament to review the compliance of ECA activities with Union objectives and obligations, including on climate and human rights, in an annual report prepared by the Commission.

The checklist used so far by the Commission (DG Trade) lacks qualitative information. Member States' reports usually do not go beyond ticking boxes and in many cases lack any information of value. The same applies to the reports prepared by the Commission that distill the reports of Member State's ECAs, which also fail to provide any assessment.

EU Ombudsman confirms insufficient transparency of ECAs

In response to a complaint from the civil society network ECA Watch, the EU Ombudsman found reporting by ECAs to be insufficient and DG Trade in maladministration. The Ombudsman stated that the Commission's annual review, which it sends to Parliament, should amount to more than a mere compilation of the content in the annual reports received from Member States, and that it should contain an informed and detailed evaluation of the performance of the ECAs, particularly in regards to respect for human rights and the environment.

A new template for ECA reporting is still inadequate

In October 2019, while DG Trade shared a draft of its revised checklist with ECA Watch, it had yet to announce a proper public consultation as indicated by the Ombudsman's recommendations. The very limited changes introduced in the draft are still inadequate to gather sufficient and meaningful data from Member State ECAs for the Commission to assess their compliance with EU external action goals and policies. The information collected is not enough to assess and ensure proper human rights due diligence or the existence of grievance mechanisms on the project level.

Climate questions in the template still do not allow a determination of whether ECAs have adopted any targets or roadmaps to meet Paris Agreement commitments, or relevant policies that would include provisions for no-go zones and deadlines for phasing out support for fossil fuels projects. Commitments of the Paris Agreement do not seem to be embedded in the policies of European ECAs, which puts Europe's ambitions to fight the climate crisis at risk.

Environmental standards are also insufficiently covered in the template. For example, there's no space designed for collecting information about specific policies adopted by ECAs that should be in line with provisions of the EU's environmental impact assessment Directive. This directive assess impacts associated with each operation, including on biodiversity, air, noise and water quality; health, cumulative impacts in a given location, as well as the sensitivity of a sector and possible alternatives or mitigation and compensation strategies.

Recommendations of the European Ombudsman on the European Commission's annual review of Member States' export credit agencies (212/2016/JN):

(i) The Commission should take the appropriate initiative, following consultation with civil society and with the European External Action Service, to have the checklist template revised with a view to enhancing the reporting methodology and, in particular, to ensure (a) the inclusion of explicit references to the relevant principles in the Treaties and in the Charter of Fundamental Rights and (b) the establishing of a methodology for the reporting of non-financial issues.

(ii) Following its engagement with the Member States, the Commission should draw up guidelines to assist the Member States in their reporting to the Commission and with the aim of ensuring that the Member State reports will be as comprehensive as possible as well as presented in a manner which facilitates the Commission's subsequent analysis and evaluation of these reports.

(iii) Building on (ii) above, the Commission should take steps to enhance the analysis and evaluation it uses in preparing the annual reviews it submits to the European Parliament, in compliance with Annex I of Regulation 1233/2011.

Opportunity for MEP involvement

In December 2019, European Ombudswoman will review the steps taken by the European Commission towards meeting its recommendations. Together with the newly appointed Commission and Parliament, there is space to review of European ECAs to improve transparency (to the public and within Regulation 1233/2011), begin qualitative reporting that will enable a proper analysis of performance and ensure that ECA policies are coherent with climate, environment and human rights' policies of the EU.

What can MEPs do in the coming months:

- According to ECA regulations and the Ombudswoman's recommendations, the Commission should produce an annual reviews for the Parliament based on the reports from Member states, including an evaluation of compliance with Union objectives and obligations. This needs to be done in-depth and with regard to issues such as human rights and commitments of the Paris Agreement, and scrutinised more thoroughly by the Parliament.
- While a lack of compliance with EU law would be the responsibility of individual Member States, the failure to properly assess and report to the Parliament about such non-compliance is a clear shortcoming of the Commission. In cases of inadequate reporting from Member State ECAs, the

Commission, in order to comply with its own obligations under EU law, must report to the Parliament that sufficient data were not gathered and thus the Commission is not able to assess whether there is compliance or not. At that point all European institutions should consider adequate measures to strengthen the law to achieve enforcement of rules for Member State ECAs.

- Functional and transparent mechanisms should be established at the EU level to effectively monitor ECAs and assess whether Member States' export credits are in line with EU external policy objectives and with applicable environmental risk management regulations, priorities on global environmental challenges like climate change and biodiversity loss. These mechanisms should enable citizens of the EU to provide input, and should also contain a complaints mechanism. EU law requires reform to allow more public scrutiny over ECAs.
 - The Parliament should ensure that oversight of ECAs will be reflected in the European Green Deal and the new EU development architecture.
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