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Information Request: Potential Parameters of EXIM Financing for Domestic Projects

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EXIM Should Not Finance Domestic Projects

I appreciate the opportunity to comment on the potential parameters of Export-Import Bank (EXIM) financing for domestic projects. Friends of the Earth (FoE) U.S. was founded in 1969 and now has over two million members and activists. Seventy-three national member groups around the globe make up the Friends of the Earth International network. Friends of the Earth U.S. and other affiliated international network groups around the world have a strong focus on energy issues, particularly on ending fossil fuels subsidies and defending the rights of project-affected communities. FoE urges EXIM to reconsider financing domestic projects as it will likely lead to an increase in support for the fossil fuel industry, undermining President Biden's credibility as an international leader on climate action.

Supporting Domestic Deals at the Behest of the Fossil Fuel Industry

Past experience has shown that the U.S. fossil fuel industry has pushed for domestic support from EXIM. Therefore, FoE is concerned that the fossil fuel industry is pushing for the current consideration of financing for domestic projects. As a *Financial Times* investigation revealed, the U.S. liquefied natural gas (LNG) industry lobbied for the Freeport LNG deal in Texas because the LNG industry opposed EXIM's financing of LNG development in northern Mozambique.¹ The U.S. LNG industry's goal was for the agency to help domestic producers, and they achieved that goal when EXIM supported Freeport LNG. This first-ever EXIM U.S. LNG deal for Freeport LNG came just two months before the company providing the financing, Greensill, collapsed. At the time of the deal Greensill had already been under investigation. This timing put into question the due diligence that EXIM performed on Greensill. In return for such support from EXIM, the LNG industry dropped its opposition to the Mozambique LNG deal, a project where EXIM was warned about security risks that eventually led to a declaration of force

¹ Cynthia O'Murchu, *Exim Bank's Greensill Deal Raises Questions over Due Diligence*, FINANCIAL TIMES (May 3, 2021), <https://www.ft.com/content/c76c64c2-6717-4faf-80e1-cf6fa074705c>.

majeure.² EXIM is likely to fail to conduct proper due diligence for future domestic fossil fuel deals.

In fact, LNG Allies, the same trade association that lobbied for the Freeport LNG deal, has voiced strong support for EXIM financing domestic LNG projects.³ Similar to their opposition to the Mozambique LNG deal, LNG Allies argues that U.S. LNG exporters are at a financial disadvantage and, therefore, need domestic subsidies from EXIM to compete. LNG Allies suggests that EXIM could finance more than 14 LNG export projects with a potential capacity of 253 million tonnes per annum (mtpa) of LNG export capacity. That could translate into billions of dollars in support from EXIM for LNG and a catastrophic amount of U.S.-financed greenhouse gas emissions. Despite the claims of LNG Allies, LNG is as bad if not worse for the climate than coal.⁴

Undermining President Biden's Climate Commitments

If EXIM provided domestic support for the fossil fuel industry as it did for Freeport LNG, such financing would undercut the Biden-Harris Administration's climate commitments. The Biden-Harris Administration's [Executive Order on Tackling the Climate Crisis at Home and Abroad](#), calls on EXIM and other agencies "to identify steps . . . [to] promote ending international financing of carbon-intensive fossil fuel-based energy while simultaneously advancing sustainable development and a green recovery." As part of the EO's implementation, the Biden-Harris Administration released the U.S. [International Climate Finance Plan](#), which requires the Department of Treasury to reorient OECD export credit agencies' financing away from carbon-intensive activities. Then, at COP26 the Biden-Harris Administration [committed](#) the United States in Glasgow to "end new direct public support for the international unabated fossil fuel energy sector by the end of 2022." To allow EXIM to fund domestic fossil fuel infrastructure while calling for restrictions on its financing of international fossil fuel projects is inconsistent and counterproductive. Such a move would allow for continued dependence on fossil fuels for decades to come by keeping the U.S. and the rest of the world dependent on U.S. LNG exports to meet its energy demands. In addition, such domestic support would encourage other countries to subsidize their domestic fossil fuel industry through their respective export credit agencies as well, leading to a race to the bottom and an explosion in greenhouse gas emissions.

The science is clear — governments must rapidly wind down – not increase domestic subsidies for – fossil fuel production and use to avoid the worst climate impacts. The recent

² Paul Burkhardt, *U.S Export-Import Bank Warned on Mozambique Risks Before \$4.7 Billion Loan*, BLOOMBERG (Apr. 6, 2021), <https://www.bloomberg.com/news/articles/2021-04-06/u-s-ex-im-warned-on-mozambique-risks-before-4-7-billion-loan>.

³ Letter from Fred H. Hutchison, President & CEO, LNG Allies to Scott Condren, Export-Import Bank of the United States, regarding Information Request on Potential Parameters of EXIM Bank Financing for Domestic Projects (Jan. 20, 2022), https://downloads.regulations.gov/EIB-2021-0007-0005/attachment_1.pdf.

⁴ Robert W. Howarth, *A Bridge to Nowhere: Methane Emissions and the Greenhouse Gas Footprint of Natural Gas*, ENERGY SCIENCE & ENGINEERING (2014), http://www.eeb.cornell.edu/howarth/publications/Howarth_2014_ESE_methane_emissions.pdf.

Intergovernmental Panel on Climate Change (IPCC) report found that the phase-out of fossil fuels is even more urgent than previously known as they are putting billions of people and core ecosystem functioning at risk.⁵ The IPCC recommends phasing out all fossil fuels for energy use and shifting fossil fuel subsidies to renewables, so increasing domestic support for the U.S. LNG industry would directly counter this advice. In addition, the International Energy Agency's (IEA) first 1.5°C aligned scenario has found “no need for investment in new fossil fuel supply” past 2021, meaning any finance of infrastructure, such as LNG export terminals, that encourages new oil and gas fields is inconsistent with meeting this goal.⁶ Therefore, EXIM should reconsider financing domestic projects – a program that will likely lead to expanded support for fossil fuels.

Other countries provide a warning of how domestic support from export credit agencies can lead to a slush fund for the fossil fuel industry. The U.S. is not the only country to be considering or to have recently expanded their geographic scope to consider domestic support.⁷ For example, Canada has expanded its export credit agency's domestic mandate of its governing statute, which has led to disastrous results. Export Development Canada (EDC) has provided tens of billions of dollars in the past decade to Canada's domestic oil sands industry.⁸ Oil sands mining in northern Canada has destroyed boreal forest and wetlands, contaminating the water with toxic tailings waste and emitting dangerous air pollution. EDC finances Suncor, Cenovus and Husky – three companies that are among the five oil sands companies that account for 80 percent of oil sands production in Canada – as well as Enbridge and TransCanada, which are responsible for major oil sands pipeline projects. Even when an oil sands company's (Teck Resources) pollution resulted in record-breaking fines, EDC continued to approve new support for this company. EDC's domestic support provides a strong example for how the expansion of an export credit agency's mandate to cover domestic projects can result in environmental destruction. EXIM should not follow in EDC's footsteps by expanding its mandate for domestic fossil fuel projects that will increase domestic pollution and hinder efforts to mitigate global climate change.

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⁵ IPCC, “Summary for Policymakers,” In: *Climate Change 2021: The Physical Science Basis, Sixth Assessment Report* (2021), <https://www.ipcc.ch/report/ar6/wg1/>.

⁶ International Energy Agency, *Net Zero by 2050: A Roadmap for the Global Energy Sector* (May 2021) <https://www.iea.org/reports/net-zero-by-2050>.

⁷ ECAs, *COVID-19 and Climate: Recommendations to Ensure that Economic Support Protects People and the Planet* (Aug. 2020), https://foe.org/wp-content/uploads/2020/08/2020.07.31_ECA-COVID19-Issue-Brief_final.pdf.

⁸ Above Ground, *Fueling the Oil Sands* (updated May 26, 2020), <https://aboveground.ngo/edc/fuelling-extreme-oil/>.