Sustainability in Export Finance

Leveraging export finance to support the delivery of the SDGs

White Paper Progress Report 2022

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Letter from ICC

On 22 September 2021, the International Chamber of Commerce (ICC) released its inaugural white paper on the state of sustainability in the export finance industry at a major event during United Nations General Assembly week.

Published with the support of The Rockefeller Foundation and 16 leading banks, and following extensive consultation with the global export finance community, the white paper was the first authoritative review of the state of sustainability across the export finance industry. The white paper explored how the US$700 billion export finance industry could significantly increase its contribution to the achievement of the United Nations Sustainable Development Goals (SDGs) and the Paris Climate Accord.

Through an extensive six-month market consultation of over 500 market participants and more than 150 interviews—including with export credit agencies, government authorities, banks, buyers, exporters, industry associations and civil society—the white paper presented product and policy recommendations to accelerate the flow of export financing towards sustainable activity globally.

The report concluded with a number of headline recommendations, including:

- aligning export credit agencies (ECAs), bilateral development finance institutions (DFIs) and domestic financing initiatives to enable a whole-of-government approach towards global sustainability commitments;
- scaling support for innovative export finance deals, including leveraging blended finance structures to meet the capital expenditure needed to meet the SDGs; and
- reviewing—and potentially revising—the framework developed by the Organisation for Economic Co-operation and Development (OECD) governing the operations of ECAs to allow for more flexibility and incentives for transactions that support global sustainability goals.

One year after the publication of this seminal, award-winning[1] report, ICC released a short status update intended to provide a 'report card' that assesses the extent to which the industry has—or has not—adopted the recommendations outlined in the white paper. By holding a mirror up to the industry, ICC aims to maintain the momentum behind its urgent call for action to export finance market participants to ensure that the industry contributes meaningfully to the sustainability agenda.

[1] The White Paper's contribution to the industry was recognised by leading publications Global Trade Review (Industry Achievement Award 2022) and TXF (Industry Innovation Award 2022).

About the authors

International Financial Consulting Ltd.

International Financial Consulting Ltd. (IFCL) was founded in 2000 to enhance the capacity and performance of government-owned financial institutions, such as ECAs, export-import banks, and multilateral, regional, bilateral and national DFIs. In line with their mission "Better Institutions, Better Outcomes", IFCL offers specialised expert advisory services to client institutions to better align their activities with the world's to-do list: meeting the United Nations Sustainable Development Goals.

IFCL's team of global experts has extensive experience working with clients to help them strengthen their institutions, programmes and products, and fulfil their public mandates to deliver targeted and positive impact to their stakeholders—including their clients.

IFCL has worked with client institutions in over 70 countries on hundreds of projects, honing cross-cutting expertise in financial consulting and applying a deep understanding of their clients' need for thoughtful, customised and data-driven solutions to their unique local and regional challenges.

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Acre Impact Capital

Acre Impact Capital invests in climate-aligned essential infrastructure by partnering with leading commercial lenders and ECAs. Acre Impact Capital's export finance funds address the estimated $520 billion annual infrastructure financing gap in emerging economies, driving economic growth and providing essential services for underserved populations.

Acre Impact Capital believes that sustainable, impactful infrastructure development is fundamental to economic growth and providing essential services to underserved populations. Acre Impact Capital focuses on four thematic areas strongly aligned with the UN Sustainable Development Goals: (i) renewable power; (ii) health, food and water scarcity; (iii) sustainable cities and (iv) green transportation.

By co-investing alongside ECA partners, Acre Impact Capital aims to achieve risk-adjusted market-rate returns for investors while mobilising up to US$5.6 private sector capital for every dollar invested.

Acre Impact Capital is supported by The Rockefeller Foundation and GuarantCo, a company associated with the Private Infrastructure Development Group (PIDG). PIDG is an innovative finance organisation funded by the governments of the United Kingdom, the Netherlands, Switzerland, Australia, Sweden, Germany and the International Finance Corporation (IFC).

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Scope and methodology

This update is narrowly focused on assessing to what extent the recommendations of the white paper have been implemented by various market participants since its release in 2021.

Between July and October 2022, ICC solicited input from market participants either through formal written feedback or through semi-structured interviews. Input was obtained from international banks, export credit agencies, exporters, buyers, guardian authorities[2] and other actors including industry bodies, regulatory bodies among others.

IFCL and Acre Impact Capital analysed this input and complemented any content gaps through desk research and complementary interviews with market participants.

In order to obtain a broad set of market views and not delay the publishing process while obtaining approvals from Communications or Compliance departments, participants of the ICC Global Export Finance Committee Working Group solicited feedback on a confidential basis. ICC, IFCL and Acre Impact Capital would like to acknowledge and thank the individuals who generously contributed their knowledge and time to this research effort.

Acknowledgements

IFCL and Acre Impact Capital would like to thank members of the ICC Global Export Finance Committee Working Group for their support and contribution to this report. Each member of the ICC working group generously contributed their time, expertise and industry connections to support the development of this report.

The 16 banks represented in the ICC Global Export Finance Committee Working Group are: ANZ, Banco Santander, S.A., BNP Paribas, Citi, Commerzbank AG, Crédit Agricole CIB, Deutsche Bank AG, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, HSBC, ING Bank, Investec Bank, J.P. Morgan, MUFG Bank, Ltd., Standard Chartered, Sumitomo Mitsui Banking Corporation and UniCredit S.p.A.

Finally, we would like to thank the numerous market participants who have generously contributed their time, insights and perspectives in their response to our electronic survey and in individual interviews.

Disclaimer

The findings, interpretations, recommendations and conclusions expressed in this report are those of the authors and do not necessarily reflect the views of ICC or other institutions involved in this report.

2 The guardian authority is a government body responsible for setting policies for ECAs. Typically, the guardian authority is either the Ministry of Trade/Commerce or the Ministry of Finance.

Structure of this report

This report is structured along the key findings and recommendations of the original white paper. Each chapter summarises the key findings and recommendations from the white paper and provides an update on the adoption of the recommendations.

Chapter 1—Policy and regulation. This chapter assesses how market participants have incorporated recommendations related to policy and regulatory frameworks.

Chapter 2—Frameworks. This chapter assesses the progress export finance market participants have made towards the adoption of common frameworks to define and classify sustainable transactions.

Chapter 3—Demand side. This chapter summarises the actions that have been taken to shape the demand for sustainable export finance from the perspective of exporters, buyers, banks and ECAs.

Chapter 4—Supply side. This chapter assesses to what extent recommendations that shape the supply side of sustainable export finance have been considered, in particular with regard to new products and/or incentive mechanisms.

Chapter 5—Transaction life cycle. This chapter evaluates whether market participants have adopted recommendations to incorporate sustainability factors at the transaction level.

Executive summary

This executive summary provides a visual snapshot of progress against the recommendations of the original white paper. Each recommendation is scored on a scale of 1-5, with a higher score reflecting more progress.

Policy and regulation

Develop a coherent government-wide policy with regard to ECAs and global commitments such as the Paris Agreement and the Sustainable Development Goals.	3
Consider definite commitments towards phasing out support for coal.	5
Expand and grow momentum of international leadership coalitions and strategies to phase out support for fossil fuels.	3
Broaden the scope of the sustainability conversation from climate-focused considerations to also include social impacts.	2
Seize and accelerate the modernisation of the OECD Arrangement to reflect and deliver on global sustainability commitments.	1
Acknowledge the existing overlap between development and export finance, particularly the resulting positive development contributions of projects/transactions financed through officially supported export credits.	4
Adopt new sustainability-related initiatives within the existing export regulatory framework, e.g. the Task Force on Climate-related Financial Disclosures (TCFD) and taxonomies.	3

Frameworks

Formalise ICMA/LMA Principles as the de facto framework used by banks to identify and define sustainable projects.	4
Seek alignment among ECAs on a shared framework to define sustainable projects and transactions.	2

Demand side

Develop targeted origination strategies for the export finance product to grow the share of sustainable transactions.	2
Broaden support for emerging companies that are exporting innovative solutions to environmental and social problems.	4
Structure projects by taking account of sustainability aspects.	2

Supply side

Better communicate to buyers and exporters about existing sustainable financial products and incentives.	4
Develop more incentives, ideally embedded in the OECD Arrangement, to promote the transition towards a sustainable economy and export structure.	4
Broaden the eligibility criteria for incentives.	3
Leverage sources of blended finance, such as the Green Climate Fund or the Climate Investment Funds, to cover the increased capital expense of technologies with improved environmental and social performance.	2

Integrating sustainability in the transaction life cycle

Leverage the ICC Trade Register to analyse the credit performance of transactions with positive environmental and social impact.	2
Consider analysing and measuring the positive environmental and social impacts of transactions and projects as part of the due diligence process—from both an ex-ante and ex-post basis.	2
Develop/agree on a set of harmonised indicators to assess the positive environmental and social impacts of projects/transactions as well as their alignment with buyer countries' nationally determined contributions (NDCs).	2

1 Policy and regulation

This section discusses the emerging opportunities and challenges in growing the share of sustainable export finance, which are linked to the policy and regulatory frameworks that are governing export finance and its market participants.

1.1 Summary of key findings

- Some ECAs can face challenges in aligning their mandate of promoting national exporters and jobs with global commitments such as the Paris Agreement and the SDGs.
- However, ECAs and their guardian authorities are facing mounting political pressure to support the shift away from carbon-intensive energy generation and industries towards 'greener' export finance.
- During the development of this white paper, the industry saw some dynamic developments involving several governments and ECAs forming political alliances (i.e. Export Finance for Future) and announcing ambitious commitments to exit fossil fuel industries.
- Given the regulated nature of officially supported export credits, most market participants which were consulted still consider the OECD Arrangement as one of the key policy levers that can shift the industry towards more sustainable transactions.
- The current efforts to modernise the OECD Arrangement may therefore present an opportunity to strengthen sustainability-related incentives and disincentives to foster better alignment with today's global commitments.
- The tightening regulation for financial institutions and corporates through sustainable finance initiatives being developed by various countries and voluntary initiatives such as the TCFD (as referred to in Chapter 2), is expected to further support the shift towards more sustainable export finance transactions.
- The increase of disclosure requirements due to the adoption of the TCFD and EU Taxonomy is also expected to improve the availability and quality of data and facilitate product innovation in the sustainable finance space—with knock-on effects for export finance.

1.2 Recommendations and progress update

White paper recommendation	**Develop a coherent government-wide policy with regard to ECAs and global commitments such as the Paris Agreement and the Sustainable Development Goals.** To date, it appears that governments have not fully integrated the activities of their official ECAs in their commitments towards the Paris Agreement and the SDGs. However, public finance institutions and instruments are increasingly scrutinized with regard to the sectors and businesses they are supporting. This creates an urgency but also opportunity for ECAs and their guardian authorities—both in OECD as well as non-OECD member countries—to take a clear stand regarding their alignment with global commitments and the support available to certain sectors and stakeholder groups.
Progress: (out of 5)	3
Update	The Export Finance for Future (E3F) initiative appears to be the most impactful governmental initiative aiming to align export finance with the objectives of the Paris Agreement.

The E3F coalition was founded in April 2021 with the aim of promoting and supporting a shift in investment patterns towards climate-neutral and climate-resilient export projects. The initial members of E3F included seven European countries (Germany, Sweden, Denmark, France, Spain, the United Kingdom and the Netherlands). Since then, three more countries joined the coalition (Belgium, Finland and Italy).

The E3F Statement of Principles highlights a number of commitments organised around four pillars:

- Develop incentives to better support the development of exports to sustainable projects in all sectors of the economy to "facilitate the investments in environmentally-friendly technologies and support the industries to innovate, to decarbonise the energy sector, to develop climate-resilient infrastructures, to roll out cleaner forms of transport, to support the urgent transition of carbon-intensive, heavy industries, in particular those still reliant on coal, etc."
- Disengage the use of official trade and export finance from a range of activities that are not compliant with the goals of the Paris Agreement (e.g. coal, ending new direct public support for the international unabated fossil fuel energy sector, etc.)
- Promote the E3F initiative and engage with other providers of official trade and export finance, in all relevant fora and, in particular, in the OECD, with a view to shape a level playing field that would duly take the climate emergency into account.
- Build a shared climate-oriented methodology and review of the member states activities with the aim to provide transparency on the progress that is made towards more sustainable financing.

Other countries are individually implementing initiatives to ensure their ECAs are aligned with wider governmental objectives. For example, the Export–Import Bank of the United States (US EXIM) announced[3] a newly appointed Council on Climate on 4 November 2021. The Council aims to "identify gaps in private-sector financing opportunities and fulfil the mandate from Congress for EXIM to promote and support environmentally beneficial, renewable-energy, energy-efficiency, and energy-storage exports from the United States." Similarly, in July 2022, Export Development Canada (EDC) announced[4] 2030 science-based climate targets for airlines and upstream oil and gas sectors aligned with the Paris Agreement Capital Transition Assessment (PACTA) for Banks Methodology. This announcement follows EDC's commitment from July 2021 to achieve net zero by 2050.

In the wake of the pandemic, governments have used their ECAs for domestic support programmes towards SMEs (and larger companies) that are developing new green technologies (see 3.2). This reflects an increased awareness of the powerful role that ECAs can play in supporting the sustainability agenda.

Finally, ongoing discussions on the modernisation of the OECD Arrangement may lead to further alignment of governments' stated

[3] https://www.exim.gov/news/exim-announces-members-2021-2022-chairs-council-climate

[4] Source: https://www.edc.ca/en/about-us/newsroom/edc-net-zero-2050-update-2022.html

	objectives towards the Paris Agreement and the SDGs with the activities of their official export credit agencies (see below).

White paper recommendation	**Consider definite commitments towards phasing out support for coal.** Leading up to COP26, the pressure on governments to make strong pledges towards the long-term temperature goals is amounting. A handful of ECAs and their guardian authorities have recently made ambitious commitments to exit coal and other fossil fuels– inviting other ECAs to follow suit and spur the movement. The upcoming revision of the OECD Coal-Fired Sector Understanding (CFSU) offers the opportunity to further cement the international trend away from coal and to incentivise other countries and financing institutions by setting a new global standard.
Progress: **(out of 5)**	5
Update	On 22 October 2021, the participants to the OECD Arrangement agreed to end support for unabated coal-fired power plants. Specifically, the ban applies to officially supported export credits for: • new coal-fired power plants without operational carbon capture, utilisation and storage (CCUS) facilities; and • existing coal-fired power plants, unless the purpose of the equipment supplied is pollution or CO2 abatement and such equipment does not extend the useful lifetime or capacity of the plant, or unless it is for retrofitting to install CCUS. The new restrictions came into effect on 1 November 2021.

White paper recommendation	**Expand and grow momentum of international leadership coalitions and strategies to phase out support for fossil fuels.** In order to strengthen the political will to end export finance for fossil fuel sectors and increase international pressure, signatories of international initiatives such as Export Finance for Future should grow the momentum by delivering on commitments and mobilising other countries to join forces. Countries not yet engaged should consider joining such initiatives or issue similar commitments. As outlined in the latest IEA scenario, no new oil and gas fields beyond projects that are already committed in 2021 should be developed to limit global warming to 1.5°C.
Progress: **(out of 5)**	3
Update	In the lead up to the 26th UN Climate Change Conference of the Parties (COP26), a number of significant commitments were taken to phase out support for fossil fuels. The most relevant announcements to export finance are listed below:

	Ending public financing for unabated fossil fuel • On 4 November 2021, 20 countries pledged[5] to end new direct public support for "the international unabated fossil fuel energy sector by the end of 2020, except in limited and clearly defined circumstances that are consistent with a 1.5°C warming limit and the goals of the Paris Agreement". • Notably, the signatories will "encourage further governments, their official export credit agencies and public finance institutions to implement similar commitments into COP27 and beyond. This includes driving multilateral negotiations in international bodies, in particular in the OECD, to review, update and strengthen their governance frameworks to align with the Paris Agreement goals." • However, a number of countries that are significant funders of fossil fuels abroad including China, Japan and Korea have not signed up to the pledge. • It remains to be seen whether the energy crisis triggered by the war in Ukraine will lead to a delay in the implementation of this pledge. **Glasgow Financial Alliance for Net Zero[6] (GFANZ)** • The Glasgow Financial Alliance for Net Zero is the world's largest coalition of financial institutions committed to transitioning the global economy to net-zero greenhouse gas emissions. • The Net-Zero Banking Alliance, convened by the UN Environment Programme Finance Initiative (UNEP FI), is the industry-led banking element of GFANZ. • Many banks active in export finance are signatories of GFANZ. Signatories commit to meeting the Race to Zero's strict criteria, pledging to transition the emissions of their financed portfolios to net zero by 2050, developing net-zero transition strategies, setting interim targets and reporting on progress annually. **E3F** All members of the E3F coalition are signatories to the COP26 pledge to end public financing for unabated use of fossil fuels. Over the course of 2022, the coalition agreed to share their national approaches to achieve this objective for export finance. A stated objective of the E3F coalition is to expand the membership base to strengthen the international commitment to ending public support for unabated use of fossil fuels. So far, Denmark, Belgium, the United Kingdom, France and Finland have all published their national approach to phase out support for fossil fuels. *Box: E3F Transparency Report[7]* In May 2022, the E3F countries published a transparency report providing "common, public and harmonised transparency on coal, oil and gas activities within the fossil fuel energy sector and on renewable

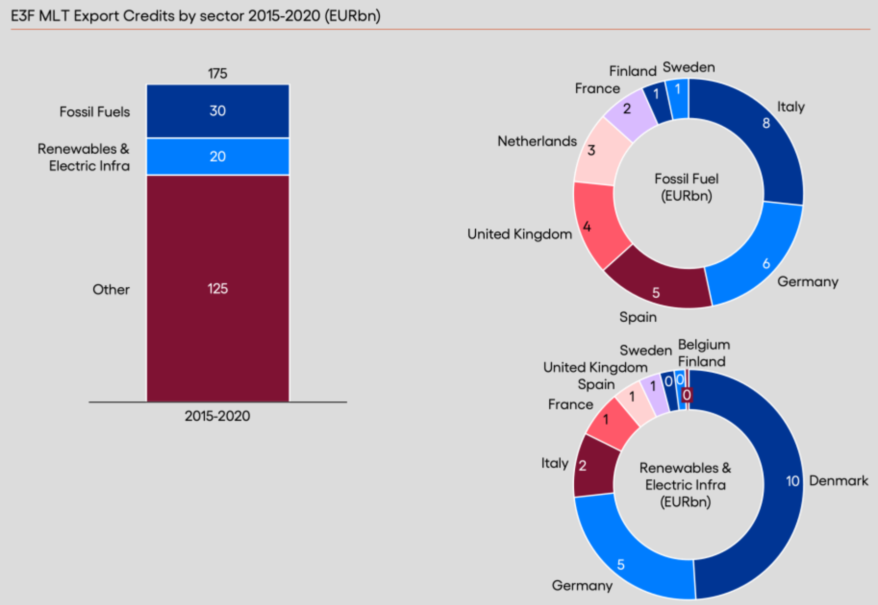
5 Source: UN Climate Change Conference UK 2021: https://ukcop26.org/statement-on-international-public-support-for-the-clean-energy-transition/

6 Source: Glasgow Financial Alliance for Net Zero

7 Source: E3F Transparency Report, May 2022

energy activities including electric infrastructure supported by official trade and export finance national activities.”

Over the period of 2015-2020, the 10 member countries of the E3F provided a cumulative total of €30 billion of support towards fossil fuel related activities vs. €20 billion of support towards renewables and electric infrastructure transactions.



Source: E3F, Transparency Report, 2022

Berne Union

In March 2022, the International Union of Credit and Investment Insurers (Berne Union) launched a new Climate Working Group with the objective to “accelerate climate action in the export credit, trade finance and political risk insurance industries by fostering innovation and promoting alignment around low-carbon transition.”

The Climate Working Group is currently focused on three workstreams:

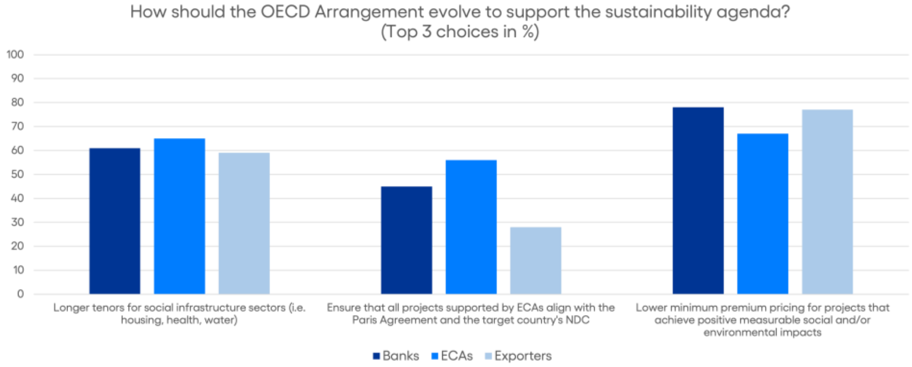
- Products, incentives and innovation, which profiles innovations in product offerings, advisory services, treasury and blended finance
- Best practices in low-carbon transition, which shares knowledge related to target-setting, science-based targets, reporting, etc.
- Policy coherence & alignment, which considers global policy developments which directly and indirectly impact export credits

White paper recommendation	**Broaden the scope of the sustainability conversation from climate-focused considerations to also include social impacts.** While the international and national political discussion in export finance is currently mostly focussed on climate-related aspects, most banks are implementing broad sustainability strategies that also encompass social impacts of financed projects/transactions, in particular for essential infrastructure projects in emerging markets. The COVID-19 pandemic has demonstrated the significant demand for investments in social infrastructure, particularly in

	the healthcare sector. These projects could benefit from a dedicated policy framework—similar to the Sector Understanding on Climate Change—which would take into account the specificities of this sector, particularly in emerging markets.
Progress: **(out of 5)**	2
Update	Progress has been slow on this recommendation. Our interviews with industry participants reveal that the conversation on the modernisation of the OECD Arrangement (see next recommendation) seems to be focused on making the overall arrangement more flexible and expanding the scope of the Renewable Energy, Climate Change Mitigation and Adaptation and Water Projects Sector Understanding ("CSSU") to include new climate-related sectors and technologies. However, we understand that there is limited appetite from the participants to the OECD Arrangement to consider a dedicated policy framework for social infrastructure projects at this stage. Many industry participants point to the lack of a commonly agreed definition for social infrastructure. European ECAs point to the fact that the EU's own social taxonomy is unlikely to be ready before 2024. Finally, an oft expressed view is that the changes to the OECD Arrangement currently under discussion are very ambitious and that the political window to push such changes through is limited. As such, there is limited scope to broaden the conversation on social aspects. In contrast, banks continue to look for opportunities to label transactions as Social Loans as per the Loans Markets Association's ("LMA") Social Loans Principles. Borrowers and buyers are also increasingly interested in such labelling as it is perceived to improve their access to finance. *Box: Focus on social infrastructure* Under the OCED Arrangement public social infrastructure (i.e. construction of hospitals, schools or social housing) do not yet benefit from preferential terms. Most of these projects—which provide a public good to citizens—are not always commercially viable and require significant investments by governments not only to build the infrastructure but also for operations and maintenance. The affordability of debt is therefore a key consideration for these—mainly emerging—economies. The white paper specifically called for improved terms for such projects potentially taking the form of a dedicated "sector understanding". Given the lack of initiatives to support buyers in emerging markets more generally, implementing this recommendation would go a long way to improve the affordability of essential social infrastructure.

White paper recommendation	**Seize and accelerate the modernisation of the OECD Arrangement to reflect and deliver on global sustainability commitments.** Given increased focus and mounting urgency to deliver on sustainability-related pledges, participants will feel the pressure to explain how they address these commitments within the framework of the OECD Arrangement. The ongoing modernisation efforts as well as the upcoming revision of the CFSU present a unique opportunity to adapt the OECD Arrangement to the current and future realities of export finance. Sector restrictions are already a proven approach which could be applied beyond the scope of the OECD Arrangement to all ECA financing instruments (including untied ones). Another opportunity to align with and support the global sustainability agenda is the introduction of incentives for agreed upon projects and transactions. These incentives may take the form of more attractive and flexible financing conditions ranging from tenors, pricing, repayment profiles and down payment requirements. In light of the accelerating global developments, participants will have to speed up consensus building—despite the complexity of the matter. Temporary solutions may therefore present a compromise to send important market signals and refine piloted approaches based on experiences and feedback gathered. COP26 offers a natural impetus to write the sustainability chapter of the OECD Arrangement.
Progress: **(out of 5)**	1

Update	Discussions related to the modernisation of the OECD Arrangement have been under way for years. The white paper called for an urgent agreement between the participants on a modernisation package that would include sustainability at its core driving principle. It is thus disappointing that, at the time of writing, no such agreement is forthcoming.
	
	However, industry conversations reveal that participants have made significant progress towards agreeing on the outline of a modernisation package. While these discussions are usually held behind closed doors, the authors of this report understand that the modernisation package will include the following elements:
	
	• Broadening of the scope of the CCSU to include new technologies that support climate adaptation and mitigation
	• Increasing the general flexibility of the structure of export credit transactions through the following measures:
	  – Extending base repayment terms to be more aligned to the useful life of assets
	  – Easing rules to allow for more sculpted repayment profiles, in line with project requirements
	  – "Flattening" the ECA premium curve for longer tenors
	In principle, broadening the scope of the CCSU is a welcome development, given the trend of continued innovation in climate technology, fuelled by significant venture capital and private equity funding. This should allow exporters of newer, greener technologies to benefit from the more flexible terms of the CCSU.
	
	In the survey of market participants in the 2021 white paper, the top three changes to the OECD Arrangement selected by ECA respondents include (1)

	lower minimum pricing for projects that achieve positive measurable environmental and/or social impacts, (2) longer tenors for social infrastructure projects and (3) ensuring that all projects supported by ECAs align with the goals of the Paris Agreement and the target countries' intended national contributions.  Source: ICC, Sustainability in Export Finance White Paper, 2021 It is notable that the contemplated changes to the OECD Arrangement do not directly address these points. We urge policymakers to consider such changes as part of current or future deliberations. In any event, making the OECD Arrangement more flexible is a welcome development and should make export finance a more competitive financing product to support any type of project, whether the project has environmental and social benefits or not. This newfound flexibility—alongside commitments by certain countries to phase out support to coal and the unabated fossil fuel energy sector—should help the sustainability agenda in export finance.

White paper recommendation	**Acknowledge the existing overlap between development and export finance, particularly the resulting positive development contributions of projects/transactions financed through officially supported export credits.** Despite the different primary mandates of ECAs as compared to development finance institutions (DFIs), both public finance instruments are increasingly financing the same or similar types of projects/transactions. Recognising, measuring and promoting positive contributions towards the SDGs does not contradict the ECAs' mandate, but instead creates opportunities to foster increased cooperation and product innovation to address persisting financing gaps and grow the share of sustainable export finance.
Progress: **(out of 5)**	
Update	There has been a significant shift in the conversation since the publication of the white paper. At the time, we wrote: "Some ECAs can face challenges to align their mandate of promoting national exporters and jobs with global commitments such as the Paris Agreement and the SDGs." Since

	then, the idea that ECAs can have an important contribution to the Global Goals is no longer a foreign concept: • In March 2022, the Council of the European Union published its conclusion on export credits,[8] in which it acknowledges the role "of officially supported export credits in promoting and supporting a shift in investment patterns towards climate-neutral, climate-resilient projects" and suggests that the EU should "develop a strategy for the dedicated use of export finance to support the mobilisation of capital for the green transition". In that context, the Council recommended that the EU and its Member States should lead the conversation to adapt the rules on officially supported export credits. • In addition, the EU has launched a feasibility study on an EU Strategy on Export Credits. One of the key objectives of the feasibility study is to explore how an EU Export Credit Strategy/Facility could contribute to "other important strategic EU objectives", including the EU Green Deal, European Consensus on Development and EU-Africa Partnership. • In June 2022, the G7 announced a Partnership for Global Infrastructure and Investments (PGII). The PGII aims to "deliver game-changing projects to close the infrastructure gap in developing countries, strengthen the global economy and supply chains."[9] In the US, EXIM (as well as the US International Development Finance Corporation, short DFC) is seen as one of the key instruments to implement the objectives of the PGII.

White paper recommendation	**Adopt new sustainability-related initiatives within the existing export regulatory framework (e.g. TCFD, taxonomies).** EU-based ECAs should assess how the EU Taxonomy can be incorporated into their operations and reporting. At the global level, ECAs that have not done so already, should consider adopting the TCFD framework to better assess, manage and report on climate risks and opportunities.
Progress: **(out of 5)**	
Update	Good progress has been made on this recommendation. We highlighted in the white paper that European ECAs were not legally required to comply with the EU Taxonomy. However, at the time, a handful of ECAs were looking at the application of the EU Taxonomy in their business. For example, BPI France is applying the EU Taxonomy to qualify transactions for sustainability-linked incentives while EKF in Denmark is applying the EU Taxonomy to transactions that qualify for the Green Future Fund.[10] Conversations with other European ECAs highlight that

8 https://www.consilium.europa.eu/en/press/press-releases/2022/03/15/the-council-adopted-conclusions-on-export-credits/

9 https://www.whitehouse.gov/briefing-room/statements-releases/2022/06/26/fact-sheet-president-biden-and-g7-leaders-formally-launch-the-partnership-for-global-infrastructure-and-investment/

10 https://dgff.dk/wp-content/uploads/2020/12/Politik-DGFF_EN.pdf

	many of them are in various stages of exploring how to apply the EU Taxonomy to their activities. In addition, many ECAs have reported that they are considering becoming TCFD signatories, with a number of ECAs becoming recent signatories such as the Export-Import Bank of Korea (May 2021) and the Export Import Bank of the Republic of China (September 2022).[11] Finally, discussions are ongoing to form an ECA sub-group under the Glasgow Financial Alliance for Net Zero (GFANZ).

2 Frameworks

This section assesses which frameworks export finance market participants commonly use to define and classify sustainable transactions.

2.1 Summary of key findings

- There appears to be a clear divergence in approach between banks and ECAs in adopting a common framework for defining sustainable transactions.
  - Banks have de facto adopted the Green, Social, Sustainability and Sustainability-Linked Bonds and Loan Principles of the International Capital Market Association (ICMA) and the Loan Market Association (LMA).
  - By contrast, ECAs are developing their own approaches and definitions, mainly focused on climate topics.
- While the EU Taxonomy does not apply to European ECAs, it is starting to be used by some ECAs to provide incentives to taxonomy-aligned transactions.

2.2 Recommendations and progress update

White paper recommendation	**Formalise ICMA/LMA Principles as the de facto framework used by banks for identifying and defining sustainable projects.** Export finance banks, as represented by the ICC Export Finance Working Group, should formalise the existing consensus view amongst banks by adopting the ICMA/LMA Principles as the de-facto framework for identifying and defining sustainable projects, and engage with other market participants to establish a consensus at the industry level. The adoption of an industry-wide framework should be flexible. As new standards emerge or current frameworks and standards are strengthened, banks should proactively adopt the latest developments.
Progress: **(out of 5)**	
Update	In the white paper, we highlighted that ECA banks already use a common framework for identifying sustainable transactions, in the form of the ICMA and LMA Green, Social and Sustainability Bonds and Loans Principles. Over

[11] Note: All banks represented in the ICC working group are TCFD signatories

	the past year, we have seen an increasing trend of banks labelling export finance transactions in line with those principles. As part of its ongoing work to develop the ICC Trade Register (see section 5.2 below), the ICC working group has agreed to use the ICMA/LMA Principles to identify and 'tag' sustainable transactions as part of a pilot project. Should the pilot prove successful, the ICMA/LMA Principles will underpin the Trade Register sustainability analysis going forward, at least until a new consensus framework emerges.

White paper recommendation	**Seek alignment among ECAs on a shared framework to define sustainable projects and transactions.** There is an opportunity for ECAs to combine efforts and agree on a shared framework, ideally by aligning with the bank/investor market. The obvious platforms for this type of international alignment are provided by the Berne Union or the OECD. The Agreement on a shared framework will contribute to safeguarding the level playing field and will reduce transaction costs given that banks and increasingly, institutional investors, collaborate on an export finance transaction. Aligning with commonly used industry frameworks will reduce reputational risks which may be caused by "greenwashing".
Progress: **(out of 5)**	2
Update	As discussed in section 1.2, the participants to the OECD Arrangement are working on an updated CCSU, which, if agreed upon, will lead to a new common definition for projects and technologies that support renewable energy, climate change mitigation, adaptation and water projects. In our conversation with ECAs, many are open to exploring a common framework to define sustainable projects and transactions, although achieving an agreement on the appropriate framework is highlighted as a challenge. EU ECAs—in line with the Council Conclusion on Export Credits[12]—are looking at the EU Taxonomy for inspiration, while other ECAs are looking at frameworks inspired from multilateral development banks such as the IFC's Definitions and Metrics for Climate-Related Activities[13] or the joint Multilateral Development Bank (MDB) Framework on Climate Finance.[14] In this context, the Berne Union's Climate Working Group could plays a significant role in attempting to create consensus on a common framework across ECAs. However, the ICC working group notes that the conversation among ECAs remains very much focused on climate. Unlike ECA banks, which leverage the ICMA/LMA Social Bonds/Loans Principles to label export finance transactions, there appears to be little progress on this aspect amongst ECAs.

12 https://data.consilium.europa.eu/doc/document/ST-7101-2022-INIT/en/pdf

13 https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/climate+business/resources/ifc-climate-definition-metrics

14 https://www.eib.org/attachments/press/1257-joint-report-on-mdbs-climate-finance-2019.pdf

3 Demand side

This section explores the demand side for sustainable export finance. It identifies the factors that are shaping demand for sustainable export finance from the perspectives of exporters, buyers, banks and ECAs. Furthermore, it highlights the challenges and opportunities that banks and ECAs are facing to originate more sustainable deals.

3.1 Summary of key findings

- Sustainability has become an increasingly strategic issue for all market participants in the export finance ecosystem—a source of new revenues for some and, at the same time, a threat to existing business models for others.
- Industry stakeholders are increasingly developing transition strategies to demonstrate their alignment with the goals of the Paris Agreement.
- Different exporters are facing different challenges. Exporters of green technologies are often less competitive from a pricing perspective (compared to traditional technologies) and call upon subsidies, while exporters in energy-intensive and fossil fuel industries are having a harder time obtaining financing for their transactions. Exporters in social infrastructure sectors are calling for longer tenors, in particular for emerging markets borrowers. These sustainability-related challenges all occur against the backdrop of increasing global competition and a deterioration of the level-playing field.
- Energy-intensive and fossil fuel industries are also concerned about the implications of increasing regulation on the level-playing field.
- Both banks as well as ECAs aspire to originate more sustainable transactions. At the same time, banks are not reporting any significant changes to their origination strategies, particularly in export finance, and pure-cover ECAs mainly rely on banks and exporters to originate transactions.
- In line with the previous finding, increased competition is reported for ‘green' transactions.
- At the same time, more banks are starting to engage on transition plans with their existing clients, particularly in carbon-intensive sectors.
- Further growth in the sustainable segment is expected to stem from smaller innovative exporters. Fostering export growth of small- and medium-sized enterprises (SMEs) is a high (policy) priority for ECAs, and some have already forged ahead to provide tailored solutions for small and innovative exporters of sustainable goods and services.

3.2 Recommendations and progress update

White paper recommendation	**Develop targeted origination strategies for the export finance product to grow the share of sustainable transactions.** While the majority of banks have identified sustainability as a key strategic driver, this is not yet fully reflected at the operational level in day-to-day activity. Instead, banks largely continue to pursue the same types of clients and transactions, while applying their institution's sector restrictions. To grow the share of sustainable export finance, banks should consider targeting new clients in new sectors, even though structuring these first transactions may prove time consuming. This additional investment may well prove worth it. As these new clients grow, banks will have helped develop their future flagship clients.

Progress: **(out of 5)**	2
Update	There has not been much progress from banks on this recommendation. The coverage and origination strategies of banks has not evolved much in the past year. In contrast, certain ECAs—in particular those that have publicly stopped support for the oil and gas sector—are actively seeking to support new, innovative exporters and technologies (see below). Banks should adapt to this new reality to continue to play a key role in the delivery of the export finance product in the market.

White paper recommendation	**Broaden support towards emerging companies that are exporting innovative solutions to environmental and social problems.** ECAs are set up to address market failures and gaps. It is well known that SMEs often experience difficulties in obtaining access to export finance. This is likely more so the case for those that are exporting innovative solutions which are not yet proven in the market. ECAs and their guardian authorities should assess opportunities to provide targeted export support to these firms that is ideally linked to existing domestic promotion schemes (innovation schemes, etc.). Guardian authorities should be prepared to revisit the set-up, structure and potential synergies of their various support schemes to ensure the best effect on supporting sustainability.
Progress: **(out of 5)**	4
Update	There has been significant innovation from ECAs which have introduced dedicated *domestic* programmes to support SMEs (and larger companies) that are developing new green technologies. A number of examples are listed below. • Recognising that "many green technologies are still in the developing phase or have a long way to go before achieving commercial maturity", Atradius, the Dutch ECA, launched its Green Cover Investment Loan product.[15] This allows Atradius to support investments from Dutch companies that "want to invest in new green technologies or production capacity for green capital goods or projects." • In Belgium, Credendo is launching the Credendo Green Package[16], which aims to provide various favourable conditions for projects and companies that have a positive impact on the environment, including cover for domestic green transactions with export potential. • In Austria, Österreichische Kontrollbank AG (OeKB) launched Exportinvest Green,[17] a facility that supports domestic investments that

[15] https://atradiusdutchstatebusiness.nl/en/products/green-cover.html

[16] https://credendo.com/en/credendo-green-package

[17] https://www.oekb.at/en/export-services/covering-and-financing-investments-and-participation/financing-domestic-investments-for-the-export-sector/exportinvest-green.html

	make "a sustainable contribution to environmental protection" for Austrian companies that are also exporters. • In Sweden, Exportkreditnämnden (EKN) introduced a Green Guarantee product which covers both working capital and financing of a specific investment in businesses contributing to the climate transition. The export link can be direct or indirect and the assessment criteria based on the EU Taxonomy. • In the US, EXIM introduced its "Make More in America" initiative, recognising that "too many American manufacturers in sectors critical to America's national security—especially small- and medium-sized enterprises—struggle to obtain financing to compete for global sales". The new initiative allows EXIM to provide medium- and long-term loans, guarantees and insurance to support the relevant project as long as there is a 25% export element. The export requirement drops to 15% for SMEs and climate-related projects. These examples are not exhaustive of such initiatives. They do, however, underscore a significant trend towards domestic support for exporters in green/climate-oriented industries as well as industries deemed to be 'strategic' for various policy objectives. Our conversations with ECAs highlight that they are increasingly willing to consider taking on technology risk in green and climate-related technologies to support the development of an industrial base that can effectively compete and export in a greener economy.

White paper recommendation	**Structure projects by taking account of sustainability aspects.** One of the root causes identified in originating more sustainable transactions is that sustainability elements are not sufficiently taken into account by businesses, sponsors or governments when designing a project and preparing procurement. Buyers—especially in emerging markets—should be made aware of and incentivised to structure bids with sustainability in mind. If possible, export finance participants are encouraged to raise awareness of their demand for sustainable deals (and possible incentives linked to them). A crucial enabling factor for projects to be structured towards sustainability is the integration and cooperation of support mechanisms/instruments. For example, the export finance industry should explore cooperating with development agencies to set up dedicated technical assistance funds that would support prospective buyers during the design phase (i.e. through feasibility studies). Governments may also want to explore offering financing mechanisms that would help offset some of the additional costs linked to cleaner technologies. In order to do so, **ECA mandates and regulations also need to become more flexible to be able to swiftly and easily respond to market demands in a cooperative manner.**
Progress: **(out of 5)**	2
Update	Progress on this recommendation has been mixed. There appears to be more engagement with buyers from certain ECAs to shape demand. This is particularly true for ECAs which have made early commitments to phasing

	out support for carbon-intensive industries and which are now seeking to support exporters in other sectors, including in sustainable sectors. ECAs typically pull two levers to make buyers aware of ECAs' products, including any incentives for sustainable projects: (i) *expanding international presence:* For example, UK export finance has grown its international presence to 16 international export finance executives around the world. Similarly, Servizi Assicurativi del Commercio Estero (SACE), the Italian ECA, has presence in 11 countries. EKF, the Danish ECA has recently opened offices in Singapore and New York. As ECAs pivot away from carbon-intensive sectors, having a country presence helps raise awareness among decision-makers on the ground of the incentives available for sustainable exports as well as the breadth of capabilities of their export base. (ii) *trade missions* where ECAs directly engage with buyers on the sectors that they are now seeking to support, including for sustainable exports. However, there has been little innovation for more specific support to buyers to encourage them to consider greener technologies at the project design and request for proposal (RFP) stages. In the white paper, we noted that exporters of 'greener' technologies are facing significant pricing competition from more traditional technologies when bidding for contracts, particularly in sectors such as industrial processes, equipment and machinery. Developing greenhouse gas (GHG) efficient technologies requires significant research and development investments. As a result, exporters of 'green' technologies reported that the capital expenditure required for more climate-friendly technologies is often higher than for traditional (more polluting) technologies, even though these projects often deliver savings in operating expenses. For buyers, particularly those in emerging markets, the additional capital expenditure (CAPEX) requirement may cause the project to become unaffordable and/or more difficult to finance. In order to address this issue, technical assistance funds that would support prospective buyers to include sustainability elements in RFPs or during the design phase (i.e. through feasibility studies) might help. It is yet to be seen whether the more flexible terms contemplated as part of the modernisation of the OECD Arrangement and some of the supply-side incentives offered by ECAs (see section 4.2) will be sufficient to address this issue.

4 Supply side

4.1 Summary of key findings

- Product development for sustainable export finance transactions is accelerating.
- Various non-financial and financial incentives for sustainable export finance transactions already exist within banks and ECAs.
- Management encouragement and smoother internal approval processes are the most common non-financial incentives among banks. Improved internal and external pricing for sustainable transactions exists in many banks.
- Several ECAs have developed or are currently in the process of developing targeted 'green' export instruments or facilities to incentivise such exports. Given tight regulatory corset for officially supported export credits, most common policy levers applied include (1) the percentage of country content that is required, (2) risk appetite, (3) access to direct lending facilities and (4) growing financing support outside of the OECD Arrangement.

4.2 Recommendations and progress update

White paper recommendation	**Better communicate to buyers and exporters about existing sustainable financial products and incentives.** In order to bridge the knowledge gap identified on the demand-side of sustainable export, finance banks and ECAs should better market to buyers and exporters the type of support they might receive for sustainable transactions (i.e. increased appetite, faster approval processes, pricing).
Progress: **(out of 5)**	
Update	We note good progress on this recommendation. Increased communication from ECAs typically follows the development of new incentive schemes or products such as (i) new domestic support schemes for green exporters (see 3.2) or (ii) more flexible conditions and incentives for traditional export credits (see next recommendation). When such new product and incentives schemes are developed, ECAs are usually adept at reaching their (domestic) target audiences. Export finance banks also have a role to play in cascading such information to the corporate clients they cover. Communication to buyers is usually more targeted through regional offices, trade missions, etc.

White paper recommendation	**Develop more incentives, ideally embedded in the OECD Arrangement, to promote the transition towards a sustainable economy and export structure.** ECAs should further develop and grow incentives for sustainable export transactions in a consistent and coordinated manner. Ideally, incentives can be offered through the OECD Arrangement.

Progress: **(out of 5)**	4
Update	In section 1.2 above, we discussed the current state of play of the modernisation of the OECD Arrangement, including the urgent need for policy makers to act. In the absence of any agreement on the OECD Arrangement, ECAs have continued to develop their own incentive mechanisms for green projects, within the constraints of the OECD Arrangement. These include: • reducing the percentage of country content that is required; • providing access to direct lending facilities; • increasing the percentage of cover and providing the lowest premium terms allowable; • increasing risk appetite in terms of export countries and/or technologies supported. At the time of writing the white paper, UK Export Finance, BPI France and Atradius were among the ECAs that implemented such policies. Other ECAs, such as CESCE and Credendo, have also launched their own incentive programmes along these lines. We note that these incentives are still very much focused on climate-related topics, while projects that have social benefits are not included in the scope of such incentives so far.

White paper recommendation	**Broaden the eligibility criteria for incentives.** ECAs that are currently offering incentives are mainly focused on certain 'green' sectors, while social sectors or SDG-alignment is mostly ignored. Furthermore, the focus is on specific transactions and not on a company's overall exporting business. While export finance remains a transaction-driven product, ECAs may also consider supporting the transition of their national exporters to be part of their mandate to promote national exports and jobs.
Progress: **(out of 5)**	3
Update	As discussed above, incentives in place by ECAs are currently still focused on 'green' sectors, with no significant progress on social sectors. For European ECAs, the EU Taxonomy is often used as the basis for eligibility for incentives. The absence of an agreed EU social taxonomy is therefore seen by many market participants as a key stumbling block. In section 3.2, we highlighted certain domestic support programmes from ECAs. These programmes focus on eligible export-oriented companies which are developing climate-related solutions and technologies. However, there is very little focus on transitioning industries or companies. This is starting to change, with the UK establishing a specific programme to support transitioning companies. UK Export Finance's Export Development Guarantee (EDG) is designed to support companies active in the fossil fuel sector which have a credible Climate Transition Plan, as

	determined by an independent consultant. Similarly to sustainability-linked loans, the interest rate will be linked to achieving targets as defined in the Transition Plan.

White paper Recommendation	**Leverage sources of blended finance, such as the Green Climate Fund or the Climate Investment Funds, to cover the increased capital expense of technologies with improved environmental and social performance.** Particularly emerging economies who are facing more resource constraints tend to opt for lower capital expenditure options in their investment decisions. Developing financing structures that combine development and export finance can therefore be effective to facilitate the growth of new, clean and innovative technologies, while supporting emerging markets in achieving their own Paris Agreement and/or SDG commitments. Ideally, these blended finance structures are developed together with multilateral development financiers, such as the Green Climate Fund, to ensure the level-playing field and avoid an increase in tied aid. An important precondition however is that developed countries deliver on their COP16 pledge of mobilising at least US$100 billion a year for developing countries. This is particularly critical if their ECAs cease support for certain essential infrastructure projects with high greenhouse gas (GHG) emissions such as coal or gas-fired power generation. Structuring such blended finance structures will require early engagement with buyers to identify such opportunities early on.
Progress: **(out of 5)**	2
Update	Transactions that blend ECA financing with other sources of capital remain rare due to the perceived complexity of structuring such transactions. Providers of blended finance often focus on maximising development impact, while ECAs focus on their export mandates. This means that the parties in the transaction will have different focus areas and priorities. Bankers, which play a critical role in structuring and arranging such transactions, generally prefer to focus on plain vanilla buyers' credit transactions that are less resource intensive. They highlight that accessing sources of blended finance remains complex and ridden with administrative overhead. Nonetheless, there are some recent notable examples of such transactions, which bring together development finance players and ECAs: • In Luanda, Angola, the government embarked on a transformational project[18] for the development of water production, purification, transmission, storage and distribution facilities. It comprises a water treatment plant, transmission system, water storage facilities, distribution centres, installation of new networks and metered connections. The project is intended to improve access to potable water services for over two million residents. In this transaction, the

[18] https://www.sc.com/en/feature/usd-1bn-financing-project-water-infrastructure-angola/

	International Bank for Reconstruction and Development (IBRD) and African Trade Insurance Agency (ATI) provided support for a USD$900 million facility, which was complemented by a USD$165 million facility from the French export credit agency. • In Angola again, the Swedish agencies SEK and EKN[19] supported the financing of a €640 million solar project. The €560 million ECA tranche benefited from a repayment tenor of 18 years. The Development Bank of Southern Africa (DBSA) provided a loan for €80 million with a tenor of 12 years on the commercial tranche. • In April 2022, the European Investment Bank (EIB), Enel, and SACE,[20] the Italian export credit agency agreed on a multi-country, multi-business and multi-currency facility of up to €600 million to support sustainable energy investments in Latin America through sustainability-linked financing instruments, backed by a guarantee from SACE. Each of these transactions showcases how ECAs can collaborate with development finance institutions to support projects that have environmental and social benefits. Over time, some transaction structures might emerge as a 'template' for others to follow, which will reduce the cost and time for execution.

5 Integrating sustainability in the transaction life cycle

5.1 Summary of key findings

- Environment and social (E&S) due diligence is a required element of an export finance transaction and is generally considered as a key component of a risk framework.
- Some ECAs interpret the increased focus on sustainability as needing to conduct more stringent E&S due diligence. However, in some cases, staffing of E&S teams has not kept up with this increased focus, leading to delays.
- Meanwhile, positive environmental and social impacts of projects are not systematically assessed, despite buyers expressing interest in sharing impact metrics.
- Not many banks and even fewer ECAs are measuring the positive environmental and social impacts during the project life cycle and beyond.
- ECAs still lag behind banks when it comes to measuring and reporting on the positive and negative sustainability impacts of their portfolios.

5.2 Recommendations and progress update

White paper Recommendation	**Leverage the ICC Trade Register to analyse the credit performance of transactions with positive environmental and social impact.** The ICC Trade Register contains transaction-level data dating from 2007 submitted by a number of banks, including default history by borrower type and related recovery rates. This data could be analysed to identify transactions with positive environmental and social impacts and test whether these

19 https://www.ekn.se/en/magazine/success-stories/abb-solar-angola/

20 https://www.sace.it/en/media/press-releases-and-news/press-releases-details/enel-agrees-on-600-million-euro-facility-with-the-european-investment-bank-and-sace-for-sustainability-linked-financing-in-latin-america

	transactions have a better credit performance. If this proves to be the case, this could provide the necessary evidence for increased appetite for such transactions and support of existing initiatives such as the European Banking Federation (EBF) Green Supporting Factor.
Progress: **(out of 5)**	2
Update	ICC has started a pilot project which seeks to classify transactions based on the ICMA/LMA Green, Social and Sustainable Bonds/Loans Principles. The pilot project is based on the bank's submission for 2021 data for the ICC Trade Register. This is an important first step towards a consistent classification methodology of sustainable export credit transactions via the ICC Trade Register. Conscious of the need to ensure the integrity of the data, the pilot is designed to identify any practical challenges in data collection and transaction classification. Any lessons learned from this pilot will feed into the design of a governance and review process that will ensure a robust transaction classification process, thus minimising 'washing' risk.

White paper Recommendation	**Consider analysing and measuring the positive environmental and social impacts of transactions and projects as part of the due diligence process—from both an ex-ante and ex-post basis.** About 20% of the export finance market could qualify as sustainable transactions. However, the positive impact of these transactions is not systematically captured or reported. Both banks and ECAs should consider expanding existing systems and processes to cater for capturing positive environmental and social impacts of projects and clients. The information can be used to increase transparency towards shareholders and stakeholders. In many interviews, it was stated that sustainability is of strategic importance at the organisational level and an area of individual interest, in particular for younger professionals. Analysing the positive impact of these transactions may qualify them for better financing terms (see section 3.5) and may help motivate and retain talent within individual organisations.
Progress: **(out of 5)**	2
Update	The practice of measuring the positive impact of transactions is still not widespread in the industry. Some banks have started implementing a requirement for impact reporting when export finance loans are formally labelled as green or social loans in accordance with the LMA Principles. Indeed, the LMA Principles recommend "the use of qualitative performance indicators and, where feasible, quantitative performance measures, including the disclosure of the key underlying methodology and/or assumptions used in any quantitative determination. Borrowers with the ability to monitor achieved impacts are encouraged to include

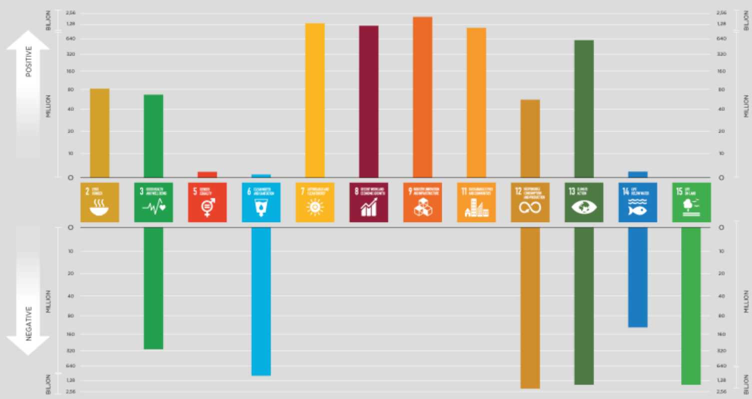
those in regular reports[21]." Similarly, ECAs and banks that are green, social or sustainability bonds issuers are also required to report on the use of proceeds of such bonds with a description of the projects that are financed and their expected impact.

Away from labelled loans or bonds, some ECAs have started to report on the impact of their activities, in particular in the context of green incentive programmes described in section 4.2. At the institutional level, some organisations have started to provide disclosures on their GHG emissions (scope 1,2 and sometimes scope 4). Others report on the impact of their activity through an SDG lens. However, the majority of ECAs highlight that such impact reporting would add a significant administrative burden.

Box: Atradius SDG reporting

Atradius, the Dutch ECA, has started to report on both the positive and negative impacts of its activity on the SDGs since 2019. Using a standardised SDG mapping methodology developed by external consultants based on academic research, Atradius maps the positive and negative contributions of all transactions on which a policy was issued in any given year. For projects that fall in Category A and B, the results are potentially adjusted based on information at the project level.

Example: Atradius SDG Reporting



Source: Atradius Dutch State Business, Annual Report, 2021

White paper Recommendation	**Develop/agree on a set of harmonised indicators to assess the positive environmental and social impacts of projects/transactions as well as their alignment with buyer countries' NDCs.** Establishing harmonised reporting on positive impacts at an industry level would not only reduce transaction costs by exporters and buyers, but also support the ongoing product innovation in the market. Being able to report on the positive impacts of the export finance industry with regard to sustainability may increase the profile of export finance and trigger opportunities to collaborate more effectively with development finance institutions to off-set the additional costs that the Paris Agreement Commitments represent for many countries. A similar initiative—

[21] LMA Social Loan Principles 2021

	that can be leveraged—has already been successfully implemented by the Development Finance community and is referred to as Harmonised Indicators for Private Sector Operations (HIPSO).
Progress: **(out of 5)**	2
Update	As described above, the practice of measuring impact is still largely limited to (i) banks that label ECA loans as green or social in line with LMA principles or (ii) banks/ECAs that are issuers of green, social or sustainability bonds. In June 2022, ICMA released the Harmonised Framework for Impact Reporting for Green and Social Bonds. For banks and ECAs that are green or social bonds issuers, the frameworks provide a harmonised methodology and set of indicators that can be used for impact reporting. For ECA loans that are allocated to a green or social bond programme, such indicators may be used for impact reporting purposes. The Berne Union Climate Working Group is well positioned to act as a forum that can drive coherence and alignment across ECAs on impact reporting, in line with other widely used industry methodologies.

Conclusion

As this progress report shows, there have been some encouraging developments on a number of the recommendations of the white paper.

ECAs have made an explicit commitment to stopping all support to coal, a commitment now enshrined in the OECD Arrangement. In addition, a number of countries have agreed to phase out support for the international unabated fossil fuel energy sector. The idea that ECAs have a role to play in supporting the transition to a lower carbon future is now largely accepted, as per the conclusions of the Council of the European Union. International coalitions such as the E3F and the Berne Union Climate Working Group are working to support the transition of the export finance industry towards a climate-aligned future. There is increasing support for new and innovative companies and export technologies that help address the world's most pressing problems, and many ECAs are providing incentives to encourage green exports.

The white paper made the point that the biggest opportunity to shift industry volumes towards more sustainable transactions lies in the modernisation of the OECD Arrangement. It is thus disappointing that, at the time of writing, there has been no formal progress. ICC urges policy makers to urgently finalise a modernisation package that includes sustainability at its core.

Finally, it is clear from this progress report that the social dimension is missing from the deliberations of ECAs and their guardian authorities, as the focus has remained on climate-related policy. However, this is an area of increased interest from ECA banks and their clients. Banks (alongside ECAs) continue to support the development of essential social infrastructure in developing economies, as demonstrated by the trend of labelling export finance loans as social loans, in line with the LMA Principles. It is well accepted that under-served or vulnerable populations are less able to adapt to changing climate patterns. Thus, supporting such populations through climate-resilient essential social infrastructure should also be a part of the policy debate. Climate-resilient social infrastructure projects that provide essential services to under-served or vulnerable populations should also benefit from more flexible terms and conditions.

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