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C(2003)236



Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

25-Nov-2003

English - Or. English

COUNCIL

**C(2003)236
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Council

**DRAFT RECOMMENDATION ON COMMON APPROACHES ON ENVIRONMENT AND
OFFICIALLY SUPPORTED EXPORT CREDITS**

(Note by the Secretary-General)

JT00154622

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English - Or. English

I. Background

1. OECD Ministers at their June 2000 Ministerial meeting urged the Members of the Working Party on Export Credit and Credit Guarantees (the Export Credit Group -- ECG) to complete their work on strengthening common approaches to the environment and export credits by the end of 2001. By that date, a set of Common Approaches relating to the assessment of the environmental impact of projects to be applied by export credit agencies when reviewing application for official support was developed. All but two ECG Members could agree on these Common Approaches and were ready to transmit them to Council for adoption as an OECD Recommendation (see Appendix). While regretting that full consensus had not been reached, the ECG Members having supported the text considered that the Common Approaches were a major step forward and, therefore, decided to implement these on a unilateral and voluntary basis, from the beginning of 2002.

2. The 2001 Common Approaches also provided for a review process to be completed not later than the end of 2003, with a view to enhancing these. Based on the experiences gained in 18 months of implementation, as well as proposals from Members and Civil Society Organisations (CSOs), the review of the Common Approaches began in September this year and was completed by the end of the week of 3 November 2003. The International Financial Institutions (EBRD, IMF, UNEP, World Bank Group) attended the negotiations and, as part of the review process, the ECG met with stakeholders (NGOs, TUAC, BIAC, buyers' countries).

3. On 6 November, after three days of negotiation during their 100th Meeting, ECG Members agreed to take back to capitals the Draft Revised Common Approaches, in the form of an OECD Recommendation.

4. The enhancement of the Common Approaches reflects that most ECG Members are now implementing environmental guidelines through their Export Credit Agencies (ECAs) – unlike five years ago – as are IFIs and most private banks involved in export finance; and that most Members, after intensive domestic debates, are ready to secure more stringent disciplines than those agreed in 2001. The political commitment to the revised Draft Recommendation was evidenced by the make up of delegations to the negotiations which included finance, trade, foreign affairs and environment ministries.

5. The text notes that the Recommendation shall be reviewed no later than the end of 2006, in the light of experience.

II. Overview of the Enhancements to the 2001 Common Approaches

6. The main enhancements to the Common Approaches are:

(a) *Application of Environmental Standards*

- There is a clear recognition that projects should, in all cases, comply with the standards of the host country and when the relevant international standards against which the project has been benchmarked are more stringent, these standards would be applied. This was one of the points on which full consensus could not be reached in 2001.
- To identify which would be the appropriate international standards, the Members agreed to limit these to those considered to be the most robust, i.e. World Bank Group and, where applicable from a geographical viewpoint, Regional Development Banks. Members may also benchmark

against any higher internationally recognised environmental standards such as European Community standards.

- With regard to the most sensitive projects (e.g. pulp and paper, mining, dams, oil refineries) the standards to be applied will be reported and monitored by the ECG; exceptional deviations below international standards will have to be justified.

(b) *Ex Ante Transparency for Specific Projects*

- For the most sensitive projects, ECG Members should seek to make environmental information, particularly Environmental Impact Assessment Reports, publicly available 30 calendar days before final commitment. Although standard practice for IFI financing projects, this ex-ante disclosure policy is not in place yet in most ECAs. This step forward to transparency and accountability is the other major change from the Common Approaches discussed in 2001.

III. Proposal

7. In the light of the preceding, the Secretary-General invites the Council to adopt the following draft conclusions:

THE COUNCIL

- a) noted document C(2003)236;
- b) adopted the draft *Council Recommendation on Common Approaches on Environment and Officially Supported Export Credits*, set out in the Appendix hereto, and agreed to its declassification.

APPENDIX

DRAFT RECOMMENDATION ON COMMON APPROACHES ON ENVIRONMENT AND OFFICIALLY SUPPORTED EXPORT CREDITS

THE COUNCIL

Having regard to the Convention on the Organisation for Economic Co-operation and Development of 14th December 1960 and, in particular, to Article 5 b) thereof;

Having regard to the mandate from OECD Ministers given in 1999 to strengthen Common Approaches on environment and officially supported export credits by the end of 2001 and noting that this mandate was renewed in 2000 when OECD Ministers welcomed the progress towards Common Approaches;

Noting that OECD Ministers in 2001 have recognised that export credit policy can contribute positively to sustainable development and should be coherent with its objectives;

Noting that the present Recommendation builds upon Members' experience in implementing the 2001 Draft Recommendation on Common Approaches on Environment and Officially Supported Export Credits [TD/ECG(2000)11/REV6], the 1998 Statement of Intent on Environment and the Action Statement, adopted by the OECD Working Party on Export Credits and Credit Guarantees (ECG) in February 2000, the ECG Work Plan adopted in 2000, and complements the ECG Agreement on Environmental Information Exchange for Larger Projects adopted in 1999;

Recognising that while Members may have different means of delivering official support for export credits through their export credit agencies (ECAs), the primary role of ECAs is to promote trade in a competitive environment, whereas multilateral development banks and development agencies focus primarily on development assistance;

Noting that project sponsors, exporters, financial institutions and ECAs have, individually or jointly, different roles, responsibilities and leverage with regard to projects benefiting from official support;

Recognising the sovereign right of buyers' countries to make decisions regarding projects within their jurisdictions;

Recognising the responsibility of Members to consider the positive and negative environmental impacts of projects, in particular in sensitive sectors or located in or near sensitive areas, in their decisions to offer official support for export credits;

On the proposal of the Working Party on Export Credit and Credit Guarantees:

RECOMMENDS that Members, before taking decisions on officially supported export credits, apply the following common approaches for identifying and evaluating the environmental impacts of projects and exports of capital goods and services destined to projects (hereafter referred to as "projects"), including the impact on involuntary resettlement, indigenous peoples and cultural property (for the purpose of this Recommendation hereafter referred to as "environmental impacts").

I. GENERAL PRINCIPLES

i) Scope

1. This Recommendation applies to officially supported export credits for projects with a repayment term of two years or more.

ii) Objectives

2. The general objectives of this Recommendation are to:

- Promote coherence between policies regarding officially supported export credits and policies for the protection of the environment, including relevant international agreements and conventions, thereby contributing towards sustainable development.
- Develop common procedures and processes relating to the environmental review of projects benefiting from officially supported export credits, with a view to achieving equivalence among the measures taken by the Members and to reducing the potential for trade distortion.
- Promote good environmental practice and consistent processes for projects benefiting from officially supported export credits, with a view to achieving a high level of environmental protection.
- Enhance efficiency of official support procedures by ensuring that the administrative burden for applicants and export credit agencies is commensurate with the environment protection objectives of this Recommendation.
- Promote a level playing field for officially supported export credits.

3. To achieve these objectives, Members seek to:

- Foster transparency, predictability and responsibility in decision-making, by encouraging disclosure of relevant environmental information with due regard to any legal stipulations, business confidentiality and other competitive concerns.
- Encourage the prevention and the mitigation of the adverse environmental impacts of projects.
- Enhance financial risk assessment of projects by taking into account their environmental aspects.

II. SCREENING AND CLASSIFICATION OF PROJECTS

4. Members should screen all applications for officially supported export credits covered by this Recommendation. The screening should identify projects which require a review due to their potential adverse environmental impacts, and projects which are in sensitive sectors or located in or near sensitive areas. The parties involved in a project, such as applicants (exporters and lenders) and project sponsors, should provide all information necessary to carry out the screening. The screening should take place as early as possible in the risk assessment process, and, where appropriate, should also identify the overall project(s), if any, to which capital goods and/or services are related.

5. As a result of the screening process, Members should classify all projects in respect of which their share is above SDR 10 millions. Members should also classify all projects in sensitive areas in respect of which their share is below SDR 10 millions.

6. Members should classify projects in accordance with the potential environmental impact and the extent of the environmental review required:

- Category A: a project is classified as Category A if it has the potential to have significant adverse environmental impacts. These impacts may affect an area broader than the sites or facilities subject to physical works. Category A, in principle, includes projects in sensitive sectors or located in or near sensitive areas. An illustrative list of sensitive sectors and sensitive areas is set out in Annex I.
- Category B: a project is classified as Category B if its potential environmental impacts are less adverse than those of Category A projects. Typically, these impacts are site-specific, few if any of them are irreversible, and mitigation measures are more readily available.
- Category C: a project is classified as Category C if it is likely to have minimal or no adverse environmental impacts.

III. ENVIRONMENTAL REVIEW

7. When undertaking an environmental review, Members should indicate to the appropriate parties involved in the project the type of environmental information they require in relation to the potential environmental impacts of the project, including, where appropriate, the need for an Environmental Impact Assessment (EIA)¹. The information to be supplied should include:

- Potential environmental impacts (e.g. generation of significant air emissions, effluents, waste or noise, significant use of natural resources) including the impact on involuntary resettlement, indigenous peoples, and cultural property;
- The environmental standards, practices and processes that the parties involved in the project intend to apply;
- The results of any public consultations on the project with relevant stakeholders.

8. For a Category A project, Members should require an EIA. The applicant is responsible for providing such an EIA.

9. The scope of an environmental review for a Category B project may vary from project to project. The review should examine the project's potential negative and positive environmental impacts, including measures to prevent, minimise, mitigate, or compensate for adverse impacts and improve environmental performance.

10. Beyond screening and classification, no further action is required for a Category C project.

11. An EIA should address the issues set out in Annex II.

12.1 When undertaking environmental reviews, Members should benchmark projects against host country standards, against one or more relevant environmental standards and guidelines published by the World Bank Group, the European Bank for Reconstruction and Development, the Asian Development

¹. Members supporting exports forming only a minor part of a project may take into account the environmental review carried out by another Member, an International Financial Institution e.g. the World Bank Group, a Regional Development Bank (in particular EBRD, AfDB, ADB and IADB) or a Member's Development Agency, in accordance with the requirements of this Recommendation.

Bank, the African Development Bank and the Inter-American Development Bank and against the safeguard policies published by the World Bank Group². Members may also benchmark against any higher internationally recognised environmental standards, such as European Community standards.

12.2 Projects should, in all cases, comply with the standards of the host country and when the relevant international standards against which the project has been benchmarked are more stringent these standards would be applied.

12.3 If a Member finds it necessary to apply standards below the international standards against which the project has been benchmarked, it shall report and justify the standards applied on an annual *ex- post* basis in accordance with paragraph 19.

12.4 In the absence of a contrary decision by the ECG, the international environmental standards, guidelines and safeguard policies applied by the institutions referred to above are the ones applicable at the time of the adoption of the Recommendation.

IV. EVALUATION, DECISION AND MONITORING

13. Members should evaluate the information resulting from screening and review, decide whether to request further information, decline or provide official support and, if support is to be provided, whether this should involve conditions to fulfil prior to, or after the final commitment for official support, e.g. mitigation measures, covenants, monitoring requirements.

14. Members should ensure that procedures are in place to monitor, as appropriate, the implementation of projects, to ensure compliance with the conditions of their official support. In the case of non-compliance with the conditions of official support by applicants, the Member should take any action that it deems appropriate in order to restore compliance, in accordance with the terms of the contract for official support.

V. EXCHANGE AND DISCLOSURE OF INFORMATION

15. Members should publish national ECA environmental policy statements/principles and procedural guidance.

16. Taking into account the competitive context in which they operate and constraints of business confidentiality, Members should:

- Share information with a view to seeking, where appropriate, common positions on the environmental review of projects, and reply in a timely manner to requests from other Members in a co-financing or a competitive situation on the environmental standards accepted by the Member.
- For Category A projects, seek to make environmental impact information publicly available (e.g. EIAs, summary thereof) at least 30 calendar days before a final commitment to grant official support. In the case where environmental impact information cannot, for exceptional reasons, be made public Members shall explain the circumstances and report these in accordance with paragraph 19.
- Make available to the public at least annually, subject to legal provisions on public disclosure in Members' countries, information on projects classified in Categories A and B.

². These are the safeguard policies relating to involuntary resettlement (OP/BP 4.1.2 and OD 4.30), indigenous peoples (OD 4.20) and cultural property (OP 4.11).

17. The ECG shall:

- Exchange views on a regular basis with appropriate stakeholders on the operation of this Recommendation.
- Share experiences under this Recommendation with Non-Member Economies.
- With due regard to business confidentiality, make aggregated information publicly available annually based on Members' reporting in accordance with paragraph 19.

VI. REPORTING AND MONITORING OF THE RECOMMENDATION

18. Members shall:

- Ensure, through appropriate measures, compliance with their policies and procedures pursuant to this Recommendation.
- Monitor and evaluate, over time, the experience with this Recommendation at a national level, and share experiences with the other Members, including about standards applied to those projects which were subject to environmental review as referred to in paragraph 12.
- Continue to enhance and improve procedures at a national level to address the environmental impacts of projects, and to encourage their ECAs to allocate appropriate resources for this purpose.

19. Members shall report to the ECG *ex-post* on an annual basis, in accordance with Annexes III.A and III.B, projects classified in Categories A and B respectively, for which a final commitment has been issued during the year of reporting.

20. The OECD Secretariat shall monitor the implementation of this Recommendation through compilation of annual reporting by the Members, and report annually to the ECG.

21. The ECG shall review all elements of this Recommendation not later than the end of 2006 in the light of experience and report to Council. The ECG shall, in the light of this Recommendation also review by the end of 2006 the Agreement for the Environmental Information Exchange for Larger Projects.

ANNEX I

ILLUSTRATIVE LIST OF SENSITIVE SECTORS AND AREAS

“The following list¹ is indicative and the types of projects it contains are examples only.

“A” level projects

This list applies to “greenfield” or major extension projects [...] in the categories listed below.

1. Crude oil refineries (excluding undertakings manufacturing only lubricants from crude oil) and installations for the gasification and liquefaction of 500 tonnes or more of coal or bituminous shale per day.
2. Thermal power stations and other combustion installations with a heat output of 300 megawatts or more and nuclear power stations and other nuclear reactors, including the dismantling or decommissioning of such power stations or reactors (except research installations for the production and conversion of fissionable and fertile materials, whose maximum power does not exceed 1 kilowatt continuous thermal load).
3. Installations designed for the production, or enrichment of nuclear fuels, the reprocessing, storage or final disposal of irradiated nuclear fuels, or for the storage, disposal or processing of radioactive waste.
4. Integrated works for the initial smelting of cast-iron and steel; installations for the production of non-ferrous crude metals from ore, concentrates or secondary raw materials by metallurgical, chemical or electrolytic processes.
5. Installations for the extraction of asbestos and for the processing and transformation of asbestos and products containing asbestos: for asbestos-cement products, with an annual production of more than 20,000 tonnes finished product; for friction material, with an annual production of more than 50 tonnes finished product; and for other asbestos utilisation of more than 200 tonnes per year.
6. Integrated chemical installations, i.e. those installations for the manufacture on an industrial scale of substances using chemical conversion processes, in which several units are juxtaposed and are functionally linked to one another and which are for the production of: basic organic chemicals; basic inorganic chemicals; phosphorous-, nitrogen- or potassium-based fertilizers (simple or compound fertilizers); basic plant health products and of biocides; basic pharmaceutical products using a chemical or biological process; explosives.
7. Construction of motorways, express roads and lines for long-distance railway traffic and of airports with a basic runway length of 2,100 metres or more; construction of a new road of four or more lanes, or realignment and/or widening of an existing road so as to provide four or more lanes, where such new road, or realigned and/or widened section of road would be 10 km or more in a continuous length.
8. Pipelines, terminals, and associated facilities for the large-scale transport of gas, oil, and chemicals.

¹. The source is the revised EBRD Environmental Policy applicable as of April 29, 2003 (<http://www.ebrd.org/enviro/index.htm>).

9. Sea ports and also inland waterways and ports for inland-waterway traffic which permit the passage of vessels of over 1,350 tonnes; trading ports, piers for loading and unloading connected to land and outside ports (excluding ferry piers) which can take vessels of over 1,350 tonnes.
10. Waste-processing and disposal installations for the incineration, chemical treatment or landfill of hazardous, toxic or dangerous wastes.
11. Large² dams and other impoundments designed for the holding back or permanent storage of water.
12. Groundwater abstraction activities or artificial groundwater recharge schemes in cases where the annual volume of water to be abstracted or recharged amounts to 10 million cubic metres or more.
13. Industrial plants for the (a) production of pulp from timber or similar fibrous materials; (b) production of paper and board with a production capacity exceeding 200 air-dried metric tonnes per day.
14. Peat extraction, quarries and open-cast mining, and processing of metal ores or coal.
15. Extraction of petroleum and natural gas for commercial purposes.
16. Installations for storage of petroleum, petrochemical, or chemical products with a capacity of 200,000 tonnes or more.
17. Large-scale logging.
18. Municipal waste water treatment plants with a capacity exceeding 150,000 population equivalent.
19. Municipal solid waste-processing and disposal facilities.
20. Large-scale tourism and retail development.
21. Construction of overhead electrical power lines.
22. Large-scale land reclamation.
23. Large-scale primary agriculture/silviculture involving intensification or conversion of natural habitats.
24. Plants for the tanning of hides and skins where the treatment capacity exceeds 12 tons of finished products per day.
25. Installations for the intensive rearing of poultry or pigs with more than: 40,000 places for poultry; 2,000 places for production pigs (over 30 kg); or 750 places for sows.
26. Projects which are planned to be carried out in sensitive locations or are likely to have a perceptible impact on such locations, even if the project category does not appear in the above list. Such sensitive locations include National Parks and other protected areas identified by national or international law, and other sensitive locations of international, national or regional importance, such as wetlands, forests with high biodiversity value, areas of archaeological or cultural significance, and areas of importance for indigenous peoples or other vulnerable groups.

². As per the definition of the International Commission on Large Dams (ICOLD). ICOLD defines a large dam as a dam with a height of 15 m or more from the foundation. Dams that are between 5 and 15m high and have a reservoir volume of more than 3 million m³ are also classified as large dams.

ANNEX II

ENVIRONMENTAL IMPACT ASSESSMENT REPORT³

An EIA's scope and level of detail should be commensurate with the project's potential impacts. The EIA report should include the following items (not necessarily in the order shown):

- Executive Summary: concisely discusses significant findings and recommended actions.
- Policy, legal and administrative framework: discusses the policy, legal, and administrative framework within which the EIA is carried out.
- Project description: describes the proposed project and its geographic, ecological, social, and temporal context, including any offsite investments that may be required (e.g. dedicated pipelines, access roads, power plants, water supply, housing, and raw material and product storage facilities). Indicates the need for any resettlement or social development plan. Normally includes a map showing the project site and the project's area of influence.
- Baseline data: assesses the dimensions of the study area and describes relevant physical, biological, and socio-economic conditions, including any changes anticipated before the project commences. Also takes into account current and proposed development activities within the project area but not directly connected to the project. Data should be relevant to decisions about project location, design, operation, or mitigatory measures; the section indicates accuracy, reliability and sources of the data.
- Environmental Impacts: predicts and assesses the project's likely positive and negative impacts, in quantitative terms to the extent possible. Identifies mitigation measures and any residual negative impacts that cannot be mitigated. Explores opportunities for environmental enhancement. Identifies and estimates the extent and quality of available data, key data gaps, and uncertainties associated with predictions, and specifies topics that do not require further attention.
- Analysis of alternatives: systematically compares feasible alternatives to the proposed project site, technology, design and operation-including the "without project" situation- in terms of their potential environmental impacts; the feasibility of mitigating these impacts; their capital and recurrent costs; their suitability under local conditions; and their institutional, training and monitoring requirements. For each of the alternatives, quantifies the environmental impacts to the extent possible, and attaches economic values where feasible. States the basis for selecting the particular project design proposed and justifies recommended emission levels and approaches to pollution prevention and abatement.
- Environmental Management Plan: describes mitigation, monitoring and institutional measures to be taken during construction and operation to eliminate adverse impacts, offset them, or reduce them to acceptable levels.
- Consultation: Record of consultation meetings, including consultations for obtaining the informed views of the affected people, local non-governmental organisations and regulatory agencies.

³. This Annex is based on the World Bank Operational Manual – OP 4.01.

ANNEX III. A

REPORTING FORM: CATEGORY A PROJECTS

COMMON APPROACHES ON EXPORT CREDITS AND THE ENVIRONMENT
REPORTING FORM: CATEGORY A PROJECTS

Reporting Country:

Commitment Year:

Submit to Secretariat

Name of the Project, Country, Location in that Country and Brief Project Description	Other ECAs Involved (If the notifying Member is the re-insurer)	Project Type (CRS Sector)	Amount Officially Supported (SDR million)	Type of Environmental Review conducted			Environmental Standards applied				Key environmental factors taken into consideration (e.g. emission levels, involuntary resettlement, cultural property...)	Conditions for Official Support (e.g. mitigation measures)	
				EIA	If no EIA, please specify the type of review	Reasons for not disclosing Environmental Impact Information (please provide details)	Type of Standard	Type of International Standard (if relevant)	Other internationally recognised Environmental Standards	Reasons for applying environmental standards below international standards			
		Select from the list		Select			Select from the list	Select from the list					

ANNEX III. B

REPORTING FORM: CATEGORY B PROJECTS

**COMMON APPROACHES ON EXPORT CREDITS AND THE ENVIRONMENT
REPORTING FORM: CATEGORY B PROJECTS**

Reporting Country:

Commitment Year:

Submit to Secretariat

Name of the Project, Country, Location in that Country and Brief Project Description	Other ECAs Involved (If the notifying Member is the re-insurer)	Project Type (CRS Sector)	Amount Officially Supported (SDR million)	Type of Environmental Review conducted		Environmental Standards applied				Key environmental factors taken into consideration (e.g. emission levels, involuntary resettlement, cultural property...)	Conditions for Official Support (e.g. mitigation measures)	
				EIA	If no EIA, please specify the type of review	Type of Standard	Type of International Standard (if relevant)	Other internationally recognised Environmental Standards	Reasons for applying environmental standards below international standards			
		Select from the list		Select		Select from the list	Select from the list					