



NETWORKING ACTIVITY

Export Credit Agency Renewable Energy Initiative

Description

A targeted networking effort to scale up the commitments of Export Credit Agencies to the renewable energy sector.

Objective

Improved terms and conditions of export credits used to finance renewable energy projects in developing countries.

Context

By the very nature of their mandate to facilitate exports, Export Credit Agencies (ECAs) are most active in developing-country markets, where their capacity to assume risk is often needed to provide finance that otherwise would not be available from commercial banks and insurers. The level of export credit support to mainly non-OECD countries in 2001 was US\$455 billion, US\$60 billion of which was in the form of medium and long-term support. In an effort to limit trade distortions, most OECD member countries have entered into an agreement which sets out minimum terms and conditions for Export Credits. The **OECD Arrangement on Officially Supported Export Credits** covers such areas as minimum interest rates and premium levels for country risk, maximum repayment terms, fixed repayment schedules, and maximum limitations on local costs.

Only a very small share of ECA financing today goes to renewable energy projects and equipment sales. A number of barriers have limited the use of export credits in the renewable energy sector, some similar in nature to the rest of the finance sector (e.g. lack of awareness, information, policy frameworks, etc) and some which are specific to ECAs, including a number related specifically to the OECD Arrangement.

Operation

Building off a long standing relationship working with the export credit community on environmental management issues, UNEP set up in 2004 through SEFI a multi-stakeholder working group focused on increasing ECA financing to the renewable energy sector. Involving representatives from the Export Credit Agencies, renewable energy industry associations, project developers, and NGOs, this group met several times to discuss actions that can be taken independently by the individual ECAs, as well as those that would need to be taken as part of a special **Sector Understanding** within the OECD Arrangement. In the lead-up to the Bonn **renewables2004** conference, a briefing was prepared entitled **Making it Happen: Renewable Energy Finance and the Role of Export Credit Agencies**, which assessed if and how ECAs or their guardian authorities could better address the renewable energy sector.

Status

In April 2005 at the annual OECD meeting on export credits, a special Sector Understanding was negotiated for the renewable energy sector. Approved initially for a two- year trial period, this agreement principally involves extending the minimum allowable repayment terms to 15 years (from currently 10 or 12 years, depending on project type). This change will allow export credit financing to be more closely aligned with the duration of power off-take agreements and thus to lower a project's overall cost of capital. For a project financial structure with all other terms and conditions held constant, this extended financing can translate into a 5% to 10% decrease in the cost of delivered energy.

SEFI will continue to support the activities of this group, as it is one clear area where policy changes are needed to level the playing field for sustainable energy finance.



The briefing is available at
<http://sefi.unep.org>

Contact and information

UNEP Energy Branch, Div. of Technology, Industry and Economics
Eric Usher, Tel. +33 (0)1 44 37 76 14, eric.usher@unep.fr

<http://sefi.unep.org>