

# Exporting pollution: the double standards of the Belgian climate policy



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Photo p 1: Robert Visser/Greenpeace.

Photos pp 2 & 12: Greenpeace/Davison (the Greenpeace hot air balloon flying over the Mae Moh coal power plant in Thailand).

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## Summary

Climate change represents the greatest environmental threat to humanity. It is caused by vast quantities of greenhouse gas emissions (mainly carbon dioxide – CO<sub>2</sub>) which are produced primarily by burning fossil fuels: oil, gas and coal.

In the framework of the Kyoto Protocol, Belgium committed itself in the first phase to a reduction of its greenhouse gas emissions by 7.5% by the years 2008–2012. In real terms, this means an effort of 54.86 million metric tonnes of CO<sub>2</sub>-equivalent<sup>i</sup> during this period. This report illustrates that, in evaluating the initial efforts undertaken by Belgium in the framework of the Kyoto Protocol, a crucial element has been forgotten: the contribution of its Export Credit Agency (“Office National du Ducroire”). Between 1997 (when the Kyoto Protocol was signed) and 2004, the Ducroire covered the risks linked to foreign investments and exports abroad in the context of energy projects, which during their lifetime will produce the cumulative emission of 1,324.1 million tonnes of CO<sub>2</sub>. This means that the initial efforts of Belgium within the framework of the Kyoto Protocol (supposing that Belgium effectively realises them) will be largely offset by induced emissions produced by the projects having benefited from export credit granted by the Ducroire. In reality, the emissions from the polluting energy projects thus supported by the Ducroire represent more than twenty times as much pollution as the change in emissions that Belgium has engaged to achieve.

The projects behind these calculations only concern the use of fossil fuels and their list is without a doubt not exhaustive. The Ducroire is leading in effect a policy of “zero transparency,” which means that information on the projects for which the Ducroire has granted export credit remains confidential. Nor have we taken into account the projects supported indirectly by the Ducroire, by way of its subsidiary Mundialis or in the context of

agreements with other export credit agencies. The total of the export credit granted to the polluting energy projects, as well as the millions of tonnes of CO<sub>2</sub> which will be emitted as a consequence, are therefore most probably even greater. The impact of these energy projects on local populations (notably in the areas of health and human rights) and on ecosystems must also be taken into account.

Combined with energy efficiency, the diverse sources of renewable energy offer an immediate answer which is respectful to the environment, safe and which meets the growing energy needs of developing countries. They also have the immense advantage of providing an answer to the problem of climate change. Furthermore, they permit developing countries to resolve their atmospheric pollution problems and to have access to a modern and cheap type of energy. Renewable energies are specially adapted to the provision of decentralised electricity in isolated regions where the construction of electricity networks is too expensive. The sources of renewable energy therefore constitute a key element of sustainable development in the countries of the South. However, despite the declarations of good intentions of political representatives, the results of our research reveal that the total amount of export credit agreed by the Ducroire for renewable energy projects is still the same: none.

The incoherence of Belgium in the domain of climate change is intolerable: it has engaged itself in the terms of the Kyoto Protocol and simultaneously supports, with public funds, energy projects using fossil fuels in developing countries.

For these reasons, Greenpeace demands a reform of the Ducroire so that it stops granting export credit to projects linked to coal and oil<sup>ii</sup> and that it devotes immediately and in the first instance 20% of its energy portfolio to renewable energy sources.

<sup>i</sup> Because each greenhouse gas traps heat in a different way, to express their emissions in a comparable manner, the unit ‘CO<sub>2</sub>-equivalent’ is used. The capacity of CO<sub>2</sub> to trap heat is considered as the point of reference and the emissions of other greenhouse gases are weighted by taking into account their comparative potential for global warming.

<sup>ii</sup> As recommended by the ‘Extractive Industries Review’ of the World Bank.

## Climate change, fossil fuels and the role of renewable energy sources

Climate change – which is largely the consequence of massive use of fossil fuels (oil, gas and coal) represents the greatest environmental threat to humanity. The Intergovernmental Panel on Climate Change (IPCC) under the aegis of the United Nations predicts an average increase in global temperature of between 1.4 and 5.8°C for the period 1990–2100<sup>1</sup>. One of the impacts of this will be the rising of sea levels by a margin of elevation from 9 to 88 cm during the same period. Although industrial countries will not be spared from the impact of these changes, the poor populations of developing countries will be disproportionately affected. In addition, the latter countries do not have the financial resources to be able to cope with such climate change impacts.

The work of the IPCC demonstrates that, to confine the climate risks to certain ecosystems and limit the growth of the risk of extreme events, it is necessary to keep the increase in temperature to below 2°C in comparison with the pre-industrial era<sup>iii</sup>. In order to do this, it is necessary to divide global greenhouse gas emissions by a factor of 3 to 4 by the end of the century and even more beyond that. For industrialised countries, this means a reduction of emissions of at least 30% by 2020 and by 80% by 2050. In parallel, the developing countries must avoid using polluting energies by being given the swiftest access possible to clean energies.

Combined with energy efficiency, the diverse sources of renewable energy offer an immediate answer which is respectful to the environment, safe and which meets the growing energy needs of developing countries. They also have the immense advantage of providing an answer to the problem of climate change. They also permit developing countries to resolve their atmospheric pollution problems and to have access to a modern and cheap type of energy. Renewable energies are specially adapted to the provision of decentralised electricity in isolated regions where the construction of electricity networks is too expensive. The sources of renewable energy also constitute a key element of sustainable development in the countries of the South. The primordial role of renewable energy was recently confirmed by the governments of 154 countries in Bonn in June 2004 during the International Conference on Renewable Energy<sup>2</sup>.

## Export credit agencies and their function

Export credit agencies give, with State backing, export credit to companies that want to do business abroad on projects and/or in countries that are considered "risky". By export credit, we understand "official support provided by or on behalf of a government for export of goods and/or services: (1) export credit guarantee or insurance; (2) direct credit/financing and refinancing; or (3) interest rate support"<sup>3</sup>. Practically all of the industrialised countries dispose of at least one credit agency. This represents for Western governments a means of defending their economic interest. Throughout the world, export credit agencies hand out around 430 billion dollars of export credit to private investors<sup>4</sup>. In general, European export credit agencies grant guarantees or insurance. The export credit agencies of North America and Asia also grant direct credit, for example export, import or investment loans.

In the case of insurance, the export credit agencies provide businesses with cover for commercial risks (bankruptcy, arbitrary acts of the buyer) and political risks (coups d'Etat, wars, unforeseen decisions by authorities, political changes or external events that provoke a general perturbation in economic and financial circles). In real terms, that means that if the foreign client does not fulfil its obligations of payment, the credit agency takes up the business's credit and compensates it.

The Organisation for Cooperation and Economic Development (OECD) has developed agreements, directives and "general principles" which have the goal of harmonising the practices of export credit agencies. In 2003, the member states of the OECD decided that export credit agencies must follow a "common approach" as regards the environmental impact of export credit. The projects must, in every case, respect the environmental standards of the host country, as well as those of the international financial institutions such as the World Bank. These "common approaches" do not, however, have any binding nature on the member states. In addition, it is not obligatory to publish environmental impact studies of the projects 30 days before the credit is granted if the business concerned does not give its approval.

<sup>iii</sup> Even an increase limited to 2°C would mean that tens of millions of additional people would be threatened by hunger, malaria, coastal flooding and the reduction of water resources.

### The importance of export credit agencies regarding energy in developing countries

Energy demand in developing countries is increasing rapidly. In these countries industrial energy projects 'are sprouting up like mushrooms'. The majority of these projects would not see the light of day without export credit granted by the export credit agencies, who distribute or reduce risk, in particular as regards long-term credit in high risk countries. Export credit agencies also exert powerful leverage as they allow additional private finances to be brought in.

During the period 1996–2001, export credit agencies were involved in around a third of the financial transactions linked to projects in developing countries<sup>5</sup>. The sectors concerned included the production of electricity but also the exploitation of oil and gas. Current estimates suggest that export credit agencies as a whole grant twice as much export credit in the context of projects linked to fossil fuels as the entirety of the multilateral development banks. Considering their contribution to greenhouse gas emissions, the particularly long lifetime of these projects is worrying.

The majority of export credit concerns ten countries, including China, India, Mexico and Brazil, i.e. countries whose greenhouse gas emissions are already amongst the highest of the developing countries and could become in the near future greater than those of some industrial countries. These countries therefore have an essential role to play in the field of climate change.

During the Marrakech conference on Climate (COP7) at the end of 2001, the participating states agreed on the fact that export credit agencies could play an important role in the trade of modern, clean technologies adapted to developing countries. But although the industrialised

countries highlighted the importance of limiting greenhouse gas emissions in developing countries, export credit agencies favour disproportionately exports and investments in those countries which benefit sectors with a high rate of energy and carbon intensity. The study of sixty-five projects during the period 1996–2001, for which export credit agencies from Germany (Hermes and KfW), the USA (Ex-Im Bank and OPIC) or Japan (JBIC) granted export credit, reveals that this support permitted the financing of significant production capacity in coal and gas power stations. A part of the export credit was granted to some large hydro projects, which are not sustainable and practically no support was given to renewable energy.

### The Ducroire and respect for environmental standards

The Ducroire is an autonomous public body whose mission is to protect its clients against risks in connection with international transactions, mainly in emerging markets and developing countries<sup>6</sup>. Insurance applies mainly to markets outside the OECD. The obligations assumed by the Ducroire generally benefit from the State acting as guarantor. The Ducroire is also present in the private credit market via its involvement in the capital of the companies Mundialis and Euler Hermes Credit Insurance Belgium.

Six of the ten members on the Board of the Ducroire are representatives of the Belgian federal ministers of Economy, Public Enterprises, Foreign Affairs, Foreign Trade, Cooperation Development and Finance<sup>iv</sup>.

The Ducroire affirms that it complies with the obligations of the OECD "common approaches". The reality is less impressive...<sup>7</sup>

<sup>iv</sup> Nine other members of the Board are representatives of the three regional Belgian governments, of which three members come from sectors linked to the promotion of external commerce. The five remaining members represent unions, business federations and the Belgian national bank.

## Comparison of the practices of the Ducroire and other export credit agencies

A comparison of the export credit agencies of other countries of the OECD shows that the Ducroire is behind, as much in relation to respect for the environment as investments in renewable energy sources or in the social domain<sup>8</sup>. Numerous export credit agencies go beyond the "common approaches" of the OECD:

- The OeKB (Austria) supports neither exports of weapons nor nuclear energy.
- The JBIC (Japan) undertakes a screening process and studies the history of all projects whatever their importance or credit expiry limit. The JBIC has its own rules regarding the environment, requires a process of consultation of the populations concerned and, uniquely in the world of export credit agencies, has a compliance committee.
- The ECGD (UK) requires that each project conforms to the conventions of the UN on human rights and to the eight "fundamental conventions" of the International Labour Organisation (ILO).
- The Ex-Im Bank (USA) does not give export credit for projects linked to nuclear power and is studying the establishment of a compliance commission.

The export credit agencies of the USA (Ex-Im and OPIC) and of the UK (EGCD) also possess a specific programme aiming to promote renewable energy sources. Ex-Im possesses a consultative body (the Renewable Energy Exports Advisory Committee)<sup>9</sup> and OPIC has created a partnership for responsible economic development in the developing countries<sup>10</sup>. The ECGD retains 12% of its energy budget for renewable energy, which represents an annual sum of 50 million pounds<sup>11</sup>. The export credit agencies hereby hope to help the developing countries to limit their greenhouse gas emissions<sup>12</sup> and reduce poverty<sup>13</sup>.

## The support of the Ducroire for polluting energy projects

The table on page 7 sets out a list of 'dirty' energy projects for which the Ducroire appears to have granted export credit. Between 1997 (date of the signature of the Kyoto Protocol) and 2004, the Ducroire would thus have granted export credit in the context of energy projects which, during their lifetime, will cause the cumulative emission of

1.324,1 million tonnes of CO<sub>2</sub><sup>v</sup>. These emissions include 133.2 million tonnes of CO<sub>2</sub> from the Camisea project in Peru, 173.6 million tonnes of CO<sub>2</sub> from the Dabhol II project in India, 308.2 million tonnes of CO<sub>2</sub> from three Turkish electric power plants, 274.3 million tonnes of CO<sub>2</sub> from two electric power plants in Thailand and 332.3 million tonnes of CO<sub>2</sub> from a refinery in Turkmenistan.

The projects cited are only those for which the Ducroire directly gave export credit, even if it related only to part of the project in question. In other words, without the support of the Ducroire, the realisation of the project concerned would be hypothetical. Only the projects directly linked to fossil fuels have been counted. We have not, for example, taken into account export credit granted by the Ducroire for projects in other industries, such as the production of cement, aluminium or steel, which are sectors with significant greenhouse gas emissions. Nor have we included export credit in the area of nuclear power<sup>vi</sup> or the large hydro power plants<sup>vii</sup>. Through lack of sufficient information, nor have we taken into account the projects supported indirectly by the Ducroire through its subsidiary Mundialis or in the context of agreements with other export credit agencies<sup>viii</sup>. It is also necessary to highlight that greenhouse gas emissions do not represent the only disastrous impact of the projects concerned. The impact on local populations (notably in the areas of health, socio-economics and human rights) and the loss of ecosystems due to these energy projects must equally be taken into account<sup>ix</sup>.

The method used to calculate the CO<sub>2</sub> emissions was developed by the Sustainable Energy and Environment Network (SEEN) in 1997<sup>14</sup>. The method is conservative and underestimates the total amount of greenhouse gas emissions linked to a given project, notably because only CO<sub>2</sub>, and not other greenhouse gases is considered. Certain emissions, during the extraction and distribution of fossil fuels, are not taken into account either (for example the "flaring" of gas during the production of oil, the loss of methane from coal mines or the exploration of gas and leaks from pipe-lines). For each project, unless we had specific information, a period of 20 years operation at full capacity served as the basis for the calculations.

The list of projects set out on page 7 was unearthed from a variety of sources, including articles in specialised press, consultations of financial databases and Internet

v The calculation of emissions relates to entire projects.

vi In 1994 The Ducroire appears to have granted export credit in the context of the construction of a Czech nuclear plant in Temelin.

vii The Ducroire granted export credit in the context of hydro projects in Birecik (Turkey) and Houay Ho (Laos).

viii In June 1997, the Ducroire signed a 'Memorandum of Understanding' with the Japanese export credit agency JBIC (see <http://www.jbic.go.jp/english/base/achieve/annual/exim/98annualreport/A27/B2703/europeoperations.php>). The Ducroire also signed cofinancing agreements with the Japanese export credit agency NEXI, (see <http://www.exim.gov/pressrelease.cfm/A099A70E-AC70-DC41-79FFFC6616548AB5/>), the European Bank for

Reconstruction and Development (see <http://www.ebrd.com/pubs/ar/99/otherops.pdf>) and the German export credit agency Hermes (annual report 2000 of Hermes).

ix For projects in the context of which the Ducroire granted export credits, we cite notably the loss of biodiversity, the degradation of protected zones and forced contacts with isolated populations (Camisea project), atmospheric pollution (coal plant of Map Ta Phut) or the forced displacement of populations without adequate financial compensation (Camisea and Dabhol projects).

research. This list is without a doubt incomplete. The Ducroire leads in effect a policy of “zero transparency,” which means that the information on supported projects remains confidential. The total export credits granted in the context of ‘dirty’ projects and the millions of tonnes of CO<sub>2</sub> which will be emitted as a consequence are therefore most probably much higher.

On two occasions, in August and October of 2004, Greenpeace asked the Ducroire for a list of the power projects it has backed with export credits. By the end of 2004, the Ducroire still had not supplied the information, entrenching itself behind the argument that it needed to first analyse the consequences of the Belgian Administration Disclosure law (which is more than 10 years old) and to obtain the agreement of the insured companies.

### Comparison with Belgium’s first efforts under the Kyoto Protocol

Within the Kyoto Protocol, Belgium, in the first phase, agreed to lower its emissions of greenhouse gases by 7.5% by the period 2008–2012. For the year of reference (1990) Belgian emission levels were 146.24 million metric tonnes of CO<sub>2</sub>-equivalent. For the period 2008–2012, Belgium must therefore reduce these emissions to 135.27 million metric tonnes of CO<sub>2</sub>-equivalent per year, which amounts to a total effort of reduction of 54.86 million metric tonnes of CO<sub>2</sub>-equivalent.

This means that Belgium’s first efforts in the context of the Kyoto Protocol, even if Belgian efforts are realised in practice, will be largely offset by the emissions from projects benefiting from export credits from the Ducroire. In fact, the emissions from such Ducroire-backed projects will be more than 20 times greater than the efforts realised by Belgium<sup>x</sup>.

### List of fossil fuel projects supported by the Ducroire since 1997

Project <sup>x1</sup>	Country	Export credits (\$ millions)	Year	Type of fuel	Capacity	CO <sub>2</sub> emissions (million tonnes)
Turkmenbashi <sup>x11</sup>	Turkmenistan	35	1997	Oil, gas	116.000 barrels/day	332,3
Dabhol II <sup>x111</sup>	India	90,8	1999	Gas	2.184 MW	173,6
Adapazzari						
Gebze, Izmir <sup>x14</sup>	Turkey	125	2000	Gas	3.877 MW	308,2
Chonburi <sup>x15</sup>	Thailand	62,75	2000	Gas	740 MW	58,8
Bandar Imam <sup>x16</sup>	Iran	unknown	2000	–	–	3,1
Camisea <sup>x17</sup>	Peru	170	2002	Gas, oil	12,6 millions m <sup>3</sup> /d <sup>x18</sup>	133,2
Map Ta Phut <sup>x19</sup>	Thailand	2,5	2003	Coal	1.347 MW	215,5
Uni-Mar <sup>x20</sup>	Turkey	unknown	unknown	Gas	480 MW	38,2
Baymina <sup>x21</sup>	Turkey	unknown	unknown	Gas	770 MW	61,2
<b>TOTAL</b>		<b>&gt; 486.05</b>				<b>1,324.1</b>

x In this report, we have not taken into account the Committee for Financial Support of Export (Finexpo), which depends on the Direction of External Financial Policy of the Foreign Affairs Ministry. Finexpo has the goal, in the framework of promoting exports by Belgian businesses, to support businesses by reducing / stabilising the costs linked to interest charges. This service, even if its budget is limited to 50 million dollars, therefore also might support polluting energy projects but we do not have any information on this subject. Nor have we taken into account the potential impact of Belgian development cooperation.

x1 According to our information, the Ducroire would have, in 2003, granted to the Belgian company Pauwels International export credits totalling at least two million Euro for the fabrication and supply of electric transformers in Vietnam. A contract for the fabrication and supply of transformers has been granted to Pauwels International by the Vietnamese Electricity Board for two projects: a gas power plant with a capacity of 720MW in Phu My and a coal power plant with a capacity of 600MW in Pha Lai. Considering that we have not had confirmation that these are the specific projects for which export credits have been granted by the Ducroire, we have not used these projects in our calculations. For more information on these projects, see <http://www.power-technology.com/projects/phumy> and <http://www.power-technology.com/projects/phalai/index.html>.

x11 The Ducroire appears to have granted, like the Turkish, French and Malaysian export credit agencies, export credits for the expansion of the Turkmenbashi refinery.

x111 The Ducroire granted an export credit for the expansion of this power station after the NGO Human Rights Watch revealed that serious violations of human rights had taken place there. For more information, see the database of SEEN at <http://www.seen.org>.

x14 The Ducroire would have supported the Turkish power plant projects of Adapazzari (777 MW), Gebze (1.550 MW) and Izmir (1.550 MW) by granting export credits of respectively 25, 50 and 50 million dollars. See the databases of SEEN: <http://www.seen.org/dg/Dispatch>.

x15 Tractebel owns a 75% share in H-power, a Belgian–Thai joint venture which owns the Chonburi power plant. See [http://www.egi.tractebel.com/content/newsroom/pressreleases/pressarchives/000217\\_Bowin.pdf](http://www.egi.tractebel.com/content/newsroom/pressreleases/pressarchives/000217_Bowin.pdf).

x16 The Ducroire would have granted an export credit for a petrochemical products plant. The Ducroire would have covered, with the French and Dutch credit agencies, the agreement concluded between the German company Ferrostaal and Iran.

x17 See page 8.

x18 The equivalent of 450 million cubic feet per day (one cubic foot = 0.028m<sup>3</sup>).

x19 See page 8.

x20 Export credits would have been granted by Japanese, Belgian, British, German and Swiss export credit agencies (IPP Investment in Turkey’s Electric Power Industry, Program on Energy and Sustainable Development, University of Stanford, August 2004).

x21 Tractebel owns 95% of the project (<http://www.egi.tractebel.com/content/newsroom/pressreleases/detail.asp?id=23>). The financing of this project of 500 million dollars would have been given by a consortium of international banks and supported by the World Bank and the Belgian, American, German and Austrian export credit agencies (IPP Investment in Turkey’s Electric Power Industry, Program on Energy and Sustainable Development, University of Stanford, August 2004).

## Two enlightening case studies: the Map Ta Phut and Camisea projects

The **Map Ta Phut**<sup>15</sup> project consists of the construction of a coal power plant with a capacity of 1,347 MW in Map Ta Phut harbour, about 200 kilometres south of Bangkok, Thailand. The primary source of energy for the plant will be bituminous coal, imported from Australia and Indonesia. Construction began in 2003 and should take three years to complete and includes deepening the port of Map Ta Phut and digging a canal to the delivery zone. The contract for these works was awarded to the Belgian dredging company Jan De Nul. The Ducroire appears to have insured Jan De Nul against political risks for 2.5 million Euro in 2003.

Coal has the highest carbon intensity of any fossil fuel. For every unit of energy produced, coal releases 29% more carbon than oil and 80% more than gas<sup>16</sup>. Besides greenhouse gas emissions, burning bituminous coal releases other atmospheric pollutants with devastating health implications for the neighbouring populations. The Map Ta Phut area has 300,000 inhabitants spread over twenty-five villages. Until now the protest of more than a thousand locals opposing the construction of the power plant has been ineffective<sup>17</sup>.

In May 2001, the Ducroire granted insurance cover to the company Tractebel for its investment in the **Camisea** project in Peru<sup>18</sup>. Tractebel owns an 8% share in the transport of natural gas and liquefied natural gas (LNG), 100% of the shares in gas distribution in Lima and is also involved in the transportation of LNG from Peru to Mexico. Gas exploration and exploitation is being carried out in the Nahua-Kugapakori Reserve, which was created in 1990 by the Peruvian Government to protect indigenous people who live in this region<sup>19</sup>. Some of these people live in voluntary isolation. Moreover, the transport of gas means that two pipelines must be built crossing 500 km of tropical forest in the territories of the native Machiguenga community. A Human Rights organisation proposed an alternative path which was not considered by the operator. Furthermore, the port facilities designed to export LNG abroad by boat are situated close to an internationally recognised marine reserve.

Unlike the Ducroire, several banks, such as the Dutch Bank ABN-AMRO and the US ECAs Ex-Im Bank and OPIC have refused to support this destructive project because of its local and global environmental implications as well as for cultural reasons.

## The Ducroire's support of renewable energy projects

To be consistent with Belgium's obligations under the United Nations Framework Convention on Climate Change of 1992, the Ducroire should encourage and support the distribution of technologies that allow the control, reduction or prevention of man-made greenhouse gas emissions<sup>20</sup>.

It seems clear that the Ducroire is not fulfilling this role as it disposes of neither a budget nor the specific means to stimulate projects in the renewable energy sector. Thus far, the Ducroire has not granted export credit to any project based on renewable energy. The Ducroire has stated that it has not received any serious requests for such credits but in fact the Ducroire has no expertise in such clean energy technologies and does not render itself in any way accessible to companies in this sector.

Despite the political declarations of good intentions, the official total amount of export credit granted by the Ducroire for renewable energy projects remains the same: none<sup>21</sup>.

## Clean energy: the South is eager to embrace it!

The governments of industrialised countries continue to justify their support for 'dirty' energy projects in developing countries by the fact that renewable energy is not capable of satisfying their development needs and that these countries would therefore not be interested in it. Such assumptions are based on limited knowledge of where the countries of the South stand in the matter. These assumptions do not take any account of the impact of conditioned aid and lobbying by multinationals and governments to score contracts in favour of fossil and nuclear fuels. In parallel, developing countries claim that there is no international financing available for large renewable energy projects and that they are not capable of realising these projects with local financial resources.

An example illustrating that a developing country may have no real choice in the type of energy to be used in a given project is the coal plant of Map Ta Phut. The Thai Government had originally asked the developers to consider using gas instead of coal, but the latter turned down

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Map Ta Phut

© Aaron Goldzimer/Environmental Defense



Camisea

this request and limited the project's financing options to being based on coal<sup>22</sup>.

At the same time, the recognition of the role of climate change and the demand for technologies that can limit it is becoming increasingly important in developing countries:

- **India**, with 1,870 MW<sup>xxii</sup>, ranks fifth in the world in the amount of installed wind capacity and has an enormous potential capacity of 45,000 MW for wind energy. It has one of the world's most important programmes for renewable energy sources and is without a doubt the only country to have its own ministry for promoting renewable energy (the Ministry of Non-Conventional Energy Sources). The Indian Government's aim is to increase renewable energy capacity by 10,000 MW by the year 2012<sup>23</sup>. It also wishes to install electricity using clean energy sources in 18,000 villages in isolated areas<sup>24</sup>.
- **China** caused a stir at the Bonn Renewables Conference (in June 2004) when it announced its intention to produce 10% of its energy from renewable energy sources by 2010<sup>25</sup>. At that time, the installed renewable energy capacity (wind, solar, biomass and small hydro) would total 60,000 MW.
- Renewable energy projects are abundant in **Thailand** and the **Philippines**. The Thai Government has recently announced a project to supply 300,000 dwellings with solar panels<sup>26</sup>. Public refusal to accept a coal power plant in the Philippine island of Negros (see opposite) has sparked a debate that has significantly changed the energy scenario in the country. At the time of the Bonn Conference, the Philippines announced its intention to double its installed renewable capacity to reach 4,700 MW by 2013. The Philippines also strives to become the world's second largest producer of geothermal energy and at the same time the largest producer of wind energy in the region<sup>27</sup>.
- In 2002, the **Brazilian** Government launched a special programme for the development of local renewable energy projects, the funding for which should allow the construction of projects with a capacity of 3,300 MW. The aim is to obtain, within twenty years, 10% electricity from these sources<sup>28</sup>. Thus far, the government has already received offers for projects with a total capacity of 6,000 MW<sup>29</sup>.

### Three positive case studies

#### NEGROS (Philippines)

In 2002, the authorities in the Philippines officially abandoned the construction of a 50 MW coal plant project which was to be built by a consortium headed by the French company ABB-Alstom on Negros Island. This decision was taken following four years of campaigning by the local community and environmental groups including Greenpeace. An independent study was commissioned to show how the region could meet its present and future energy needs with a combination of renewable energy sources (wind, solar, small hydro and modern biomass). The Negros authorities have since this time recognised that renewable sources are the solution for the energy requirements in this region. With a high level of environmental conscience, the island is presently progressing towards a regional objective of 100% renewable energy sources, to which end a 10 to 30 MW wind project is to be built in part on the site where the proposed coal plant should have been built.

#### GUANGDONG (China)

China's most important economic and industrial centre is Guangdong. This region produces more than a quarter of China's GNP and 10% of the world's consumer goods. Currently, the region depends largely on the importation of fossil fuels, producing only 8% of its own energy.

With a coastline of 4,300 km in length, Guangdong has the potential of becoming a world leader in renewable energy sources. According to a Greenpeace-commissioned study, offshore wind farms in Guangdong alone have a potential total capacity that could reach 20,000 MW by 2015. In January 2004, the China Light and Power Company (CLP) signed an agreement with Yangjiang Hailing Island to build the largest wind farm in China with a capacity of 100 MW.

#### TAMIL NADU (India)

With a total capacity of 540 MW, the wind farm of Muppandal, in the Indian State of Tamil Nadu, brings together one of the greatest concentrations of windmills in a single place. The farm has brought an investment of nearly 500 million Euro (RS 28 billion), the greatest amount ever realised in the region and has created many local jobs. Wind development has also benefited landowners who had no way of cultivating their arid land.

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Negros

Guangdong

xxii By way of comparison, the total installed wind power capacity in Flanders is 50 MW (2003, ODE-Vlaanderen) and 23 MW in Wallonia (September 2004, APERe). The future offshore wind farm on the Thornton Bank, off the Belgian coast, will have a total capacity of between 216 and 300 MW.

## What Greenpeace Demands

The reality of climate change and the urgency it places upon us necessitates the swift abandonment of fossil fuels and a reorientation of the global energy system towards renewable energy. However, the sources of financing for renewable energy often remain inadequate and the mechanisms of support for developing countries are lacking.

Belgium cannot continue to display such incoherence in the area of climate change: engaging itself in the Kyoto Protocol's terms and simultaneously using public funds to back energy projects in the domain of fossil fuels in developing countries, who are the most vulnerable to climate change.

Consequently, Greenpeace demands that the Ducroire renounces from granting export credits to any polluting energy project and assumes a role of catalyst in supporting instead the development of renewable energy and energy efficiency programmes.<sup>xxiii</sup>

To do so, Greenpeace demands a reform of the Ducroire so that it:

1. Devotes – immediately and in the first phase – 20% of its portfolio in the area of energy to renewables.
2. Refrains immediately from granting export credits, directly and indirectly, to energy projects linked to coal and oil.<sup>xxiv</sup>
3. Does not grant export credits in the area of nuclear energy, which is a source of considerable risks (waste, major catastrophes) but also a real threat for peace through the risk of the proliferation of atomic arms. The fight against climate change cannot mean that we solve one problem by creating another.
4. Does not grant export credits for hydro projects of a capacity above 10 MW and which do not respect the principles of the World Commission on Dams. Such projects can indeed have catastrophic economic, social and environmental impacts (in particular for rural and indigenous communities).
5. Introduces, for its export credits, mandatory standards concerning environmental, social and sustainability factors. The Ducroire must at least respect the standards and directives of the World Bank group. These criteria must include a reduction of greenhouse gas emissions of a level at least equivalent to that of the domestic commitments made by Belgium in the context of the United Nations Framework Convention on Climate Change.
6. Guarantees transparency and public access to information on all energy projects for which it grants export credit, including in partnership with other export credit agencies, private banks or international financial institutions, and in doing so respects the Aarhus Convention and the European Directives adopted in this context.
7. Puts in place a complete and transparent accounting system of greenhouse gas emissions and of climate impacts for all energy projects for which it grants export credit.
8. Requires the publication of the environmental impact study 120 days before the evaluation of the project for all energy projects, establishing minimal standards to be respected in the area of energy efficiency and carbon intensity and including social criteria aiming to show net significant benefits for local populations. These environmental impact studies must also be rendered public in the local languages.
9. Undertakes consultations with civil society and the affected populations, as much in Belgium as in the countries concerned. This should be done on three levels: in the preliminary evaluation of the projects, in the study of alternative solutions – notably those coming from local populations – using renewable energy and in the preparation of new procedures and standards.
10. Contributes to overcoming and eliminating political and market barriers and to create a favourable framework for renewable energy and energy efficiency in developing countries.

xxiii In its Advice of 26 November 2004 on a prevention strategy against climate change beyond 2012, the Belgian Federal Council of Sustainable Development (CFDD) underlined that it was suitable to direct financing by credit agencies and investment banks in a direction that was more compatible with sustainable development.

xxiv The 'Extractive Industries Review' of the World Bank recommends the immediate end of financing coal and in 2008 the same for oil.

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