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Results of a Survey of Environmental Procedures at Non-US Export Credit and Risk Insurance Agencies

CIEL Working Paper¹
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A. INTRODUCTION

This working paper sets forth the results of an informal survey we took to determine the environmental policies and procedures of selected agencies from other countries that provide export credit or political risk insurance. We researched the web sites of selected foreign agencies that provide political risk insurance and sent requests for information by both e-mail and fax. Most of the agencies have a website, but almost none of them provide any information about their environmental policies.² A list with the addresses of the main credit insurance agencies can be found on the website of the International Trade Centre (ITC).³ We asked selected agencies through e-mails and faxes to provide us information about their environmental policies.⁴ The following is a summary of the responses.

In sum, all agencies, except for Israel's, say they take environmental issues into account to some degree, but none of them have a detailed, written environmental policy as of today. Four of the agencies specifically referenced the 1998 OECD Resolution on the Consideration of Environmental Issues as providing guidance to them. For example, both Germany and France referenced the OECD resolution in explaining that they were (or would be shortly) requiring applicants to complete an environmental questionnaire for proposed projects. Only Australia currently appears to require an environmental assessment of projects significantly affecting the environment, although the German agency's questionnaire does ask whether an environmental assessment has been done. A few agencies explicitly stated that they apply host country or international standards. Three agencies including those of Canada, France and Norway are currently revising their policies.

B. RESULTS

¹ The Center for International Environmental Law is an independent, non-profit environmental law group with offices in Washington, DC and Geneva, Switzerland. The Center can be reached at 202-785-8700 or via email at cielus@igc.apc.org.

² The only exceptions were an AGA-Report on the Hermes (Germany) website, and the Environmental Report of the Kreditanstalt für Wiederaufbau (KfW, Germany), see *infra* and Annex.

³ <<http://intracen.org/itc/services/tfs/creditag.htm>>.

⁴ The agencies contacted included: EFIC (Australia), OKB (Austria), OND (Belgium), EDC (Canada), EGAP (Czech Republic), FGB (Finland), IFTRIC (Israel), SACE (Italy), EID-MIDI (Japan), MECIB (Malaysia), NCM (Netherlands), GIEK (Norway), COSEC (Portugal), KEIC (Republic of Korea), CGIC (South Africa), CESCE (Spain), EKN (Sweden), ERG (Switzerland), TURK EXIMBANK (Turkey), and ECDG (United Kingdom).

As of September 8, 1998, we had received eight responses to our inquiries and found sufficient information on the internet to include a ninth agency (Germany's Hermes).

1. The Export Finance and Insurance Corporation (EFIC), Australia

Australia's EFIC conducts a review of the environmental aspects of each transaction in which it is requested to provide insurance for an investment in a foreign country. EFIC is subject to the Environment Protection Impact of Proposals Act of 1974 (EPIP)⁵ and follows the requirements for environmental review set out in the administrative procedures relating to that act.

The EPIP extends to all bodies established under Australian law and to all companies in which at least the majority of the voting power is vested in Australia (Section 3) as well as to all the external Territories (Section 4). Under Section 5 the object of the EPIP is described as to ensure that matters affecting the environment to a significant extent are fully examined in relation to, inter alia, the carrying out of works and other projects. According to the administrative procedures implementing the statute, an Environmental Impact Statement (EIS) or a Public Environment Report (PER) is required if an action, which is taken by or on behalf of the Commonwealth or an authority of Australia is an "environmentally significant action" as defined in Section 1.1. Section 10 of the statute allows any person to require the Minister to disclose the steps that have been taken "for ensuring consideration of the environmental aspects of the matter."

2. The Office National du Dueroire (OND), Belgium

Belgium's OND has no written guidelines; however, it does consider the environmental issues and the applicability of environmental legislation in reviewing an application for insurance. OND also said it is "bound by international regulations and environment protocols." Moreover, OND noted the OECD resolution, but did not describe any specific actions to implement the resolution.

3. The EDC (Canada)

Canada's Export Development Corporation (EDC) considers environmental impacts as part of its overall risk assessment process. "For projects with potentially significant environmental impact, EDC requires, at a minimum, that these projects comply with host country environmental laws and regulations." EDC is planning to "formalize and where appropriate strengthen" its environmental review practices during the last part of this year.

4. The Compagnie Française d'Assurance pour le Commerce Extérieur (COFACE), France

COFACE, the French agency, said that they "considered" environmental issues but that they had no written guidelines. They also stated that they were in the process of coming into compliance with the OECD resolution, and that "from 1999 exporters applying for cover will have to file a specific questionnaire on environmental aspects of their projects."

⁵ See Annex; text also available at <gopher:\wiretap.spies.com:70/00/Gov/Aussie/environ.act>.

5. The Hermes, Germany

The Hermes website has a link to its regular reports. AGA Report No. 72 (6/1998) addressed a number of environmental matters relating to support to foreign exports.⁶ In response to an April 22, 1998 non-binding declaration issued by the OECD Export Credit Group on the consideration of environmental issues in decisions relating to insuring export credit,⁷ the German Inter-Agency Council decided to require every applicant for insurance to complete a questionnaire with the following five questions:

- (1) Has the project any significant environmental aspects?
- (2) What is the surrounding landscape of the project? Are there Protected Areas?
- (3) Are there environmental requirements in the host country?
- (4) Was there or will there be an EIA?
- (5) Does the project substitute any other environmentally harmful objects?

The questions are intended to be answered in a general way without requiring additional research, in part to ensure that consideration of environmental aspects do not lead to any delays in the overall approval process. Answers to the questionnaire will be included in a memorandum (*Projektmemorandum*) that form the basis for Hermes's decision to support projects or not. However, the AGA Report does not mention how environmental issues influence the final decision. Thus, for example, applicants must report whether they have conducted an EIA, but failure to conduct an EIA does not necessarily lead to rejection of an application.

6. The Israel Foreign Trade Risks Insurance Corporation Ltd. (IFTRIC), Israel

IFTRIC, the Israeli agency, informed us that environmental issues are the "full responsibility" of the Ministry of Environment, and thus "IFTRIC does not consider environmental issues when deciding about the support for a project."

7. The Garati-Instituttet for Eksportkreditt (GIEK), Norway

As of today, GIEK has no written environmental policies or guidelines, but their "practical policy ... is to take environmental issues into account if they may seriously affect the creditworthiness of the transaction." GIEK also explained that as a "small organization without environmental competence, ... [it] has to a very large degree to rely on documentation and evaluation from its clients and/or larger international financing institutions or guarantee institutions, who again may have obtained professional environmental opinion from specialists." GIEK is considering the adoption of formal environmental guidelines in the future.

8. The Export Risk Guarantee Agency (ERG), Switzerland

Switzerland's Export Risk Guarantee Agency (ERG) explained that it does not have written environmental guidelines or policies, but it does ask their clients for information on environmental issues. The ERG also said Switzerland would "respect" the April 22, 1998 OECD

⁶ <http://www.hermes-kredit.com/aga_r...aenderText+0&DetailLfdNr=57#anker1>

⁷ AGA-Report, p.1.

resolution and that "basically, we would always like to see that the project meets the standards set by the World Bank."

9. The Turk Eximbank, Turkey

The Turk Eximbank's response did not refer to any written or other procedures. It stated that "Turk Eximbank approves only economically and technically feasible projects, being also conscious about environmental issues." It also suggested that it would continue to provide financial support for "environmentally-friendly" projects.

C. CONCLUSION

As noted above, none of the replying agencies have written environmental guidelines or policies. The OECD Resolution has appeared to have some effect as more than half of the agencies from OECD countries referred to the OECD resolution as setting a standard for them. Three agencies (Canada, Norway and France) are currently planning to strengthen their environmental review practices. The Australian credit agency is mandated by law to consider environmental issues and is covered by the most comprehensive of environmental standards among the responding countries.

Table: Comparison of Environmental Policies of Non-US Export Credit/Insurance Agencies

	Considers Env't'l. Issues	Accepts OECD Resolution	Applies Host Country Standards	Applies Int'l. Standards	Requires Env't'l. Questionnaire	Requires EIS	Written Guide- lines	Is Revising Policy
Australia EFIC	Y	-	-	-	-	Y	-	-
Belgium OND	Y	Y	Y	Y	-	-	-	-
Canada EDC	Y	-	Y	-	-	-	-	Y
France Coface	Y	Y	-	-	Y (in '99)	-	-	Y
Germ. Hermes	Y	Y	-	-	Y	-	-	-
Israel IFTRIC	-	-	-	-	-	-	-	-
Norway GIEK	Y	-	-	-	-	-	-	Y
Switz. ERG	Y	Y	-	(Y)	-	-	-	-
Turkey EXIM	Y	-	-	-	-	-	-	-