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Export-Import Bank: New Requirements for High Carbon Intensity Projects

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Abstract: In November 2009, the Export-Import Bank of the U.S. (Ex-Im Bank) became the first Export Credit Agency (ECA) to adopt a carbon policy that takes into account the impact of greenhouse gas production resulting from project transactions it finances. The policy has three components: i) the promotion of renewable and low-carbon energy exports through outreach and the provision of financing incentives, ii) the adoption of measures to support exports that lead to energy efficiency, and iii) the adoption of measures to further improve transparency in the tracking and reporting of CO2 production from projects it finances while introducing financing disincentives for high carbon intensity projects.

In conjunction with the implementation of its new carbon policy, the Bank revised its Environmental Procedures and Guidelines to establish a set of requirements applicable to high carbon intensity projects - those with intensities greater than 700 grams CO2/kWh. The requirements include an analysis of the project's expected level of carbon production, a detailed analysis of alternatives to the project, information demonstrating the use of appropriate technology for the project, and information demonstrating that the project is consistent with the country's low carbon growth strategy or plan. In addition, verifiable carbon offsets are required for projects having intensities greater than 850 grams CO2/kWh that would reduce the project's virtual intensity to a level below 850 grams.

All high carbon intensity projects, moreover, are now subject to an enhanced due diligence process whereby the Board of Directors separately reviews the project's carbon production and level of compliance with the new environmental guidelines early in the application process to determine whether to decline financial support or to proceed with the complete technical, financial and environmental due diligence associated with underwriting the project.

Summary: In November 2009, the Export-Import Bank of the U.S. became the first ECA to adopt a carbon policy that considers the impact of GHG production from projects it finances. The policy promotes renewable, efficient and low-carbon energy exports through financing incentives, introduces financing disincentives for high carbon intensity projects, and improves transparency by reporting project GHG production.