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## RESTRICTING EXPORT CREDIT FINANCE FOR COAL POWER PLANTS

### G7 LEADERSHIP CAN SECURE OECD DEAL

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#### Summary

The OECD is aiming to agree a new framework to restrict the use of export credit finance for the construction of new coal power plants. G7 countries must work together to secure a robust deal. This should align international financial rules with the structural shift away from coal that is already underway in six of the G7 member countries.

To achieve this, Japan must join with its peers in accepting the need for consideration of the lifetime emissions of power plants, not just their efficiency. Japan is isolated in respect to its domestic performance on coal policy. By taking a further step forward to agree a strong OECD deal, Japan can begin to re-engage as a climate leader rather than a remaining a laggard. Securing a strong OECD agreement now will help address the dual risks of stranded assets and climate damage. It will also provide a foundation for further action by other countries and international financial institutions, including China and the Asian Infrastructure Investment Bank.

#### G7 progress on coal phase out

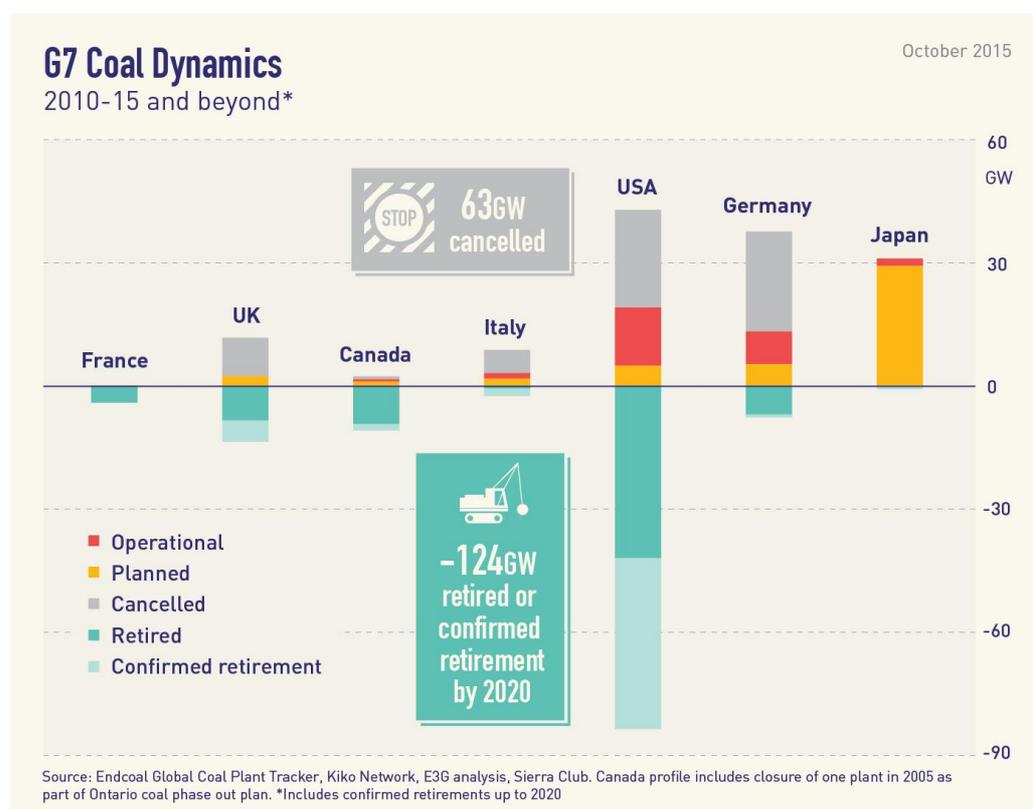
On 8<sup>th</sup> June 2015, G7 members agreed that the decarbonisation of the global economy should be completed by the end of this century; that this requires deep cuts in CO<sub>2</sub> emissions; and that it must include a transformation of their own energy sectors by 2050. The G7 communiqué did not mention any particular fossil fuel, but the implication is clear: there is no future for unabated<sup>1</sup> coal in a world that is acting to avoid dangerous climate change.

As a means of benchmarking performance and tracking efforts by G7 countries to act on these commitments, E3G published a G7 Coal Scorecard in October 2015.<sup>2</sup> Our analysis found that all G7 countries apart from Japan have already moved away from domestic investments in new coal power plants and are beginning to accelerate the retirement of existing coal power plants, as illustrated in Figure 1 below.



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Figure 1: G7 coal dynamics



While domestic action is at the heart of coal phase out efforts, G7 countries also have a significant influence on coal-fired electricity generation internationally. Through a combination of private sector investment and government finance they have direct impacts on the construction and use of coal power plants and related infrastructure.

Overall, our scorecard analysis found that G7 countries were performing most poorly in respect to their international influence. This is in large part due to the entanglement of private sector interests with government bodies focused on the promotion of domestic economic advantage without consideration of climate change impacts. The continued use of export credit finance and government guarantees for coal investments is a visible example of this entanglement. It presents a direct challenge to the commitments made by the G7 at their 2015 summit, and undermines their ability to define global standards and norms for financial flows that will have broader impact and influence on the transition to a low-carbon global economy.

### Time to reach a deal with OECD partners

As a consequence, the E3G G7 coal scorecard highlighted that a priority action for G7 countries must be for them to work together to secure a broader agreement to restrict export credit support for coal power plants ahead of the upcoming UN climate negotiations. The OECD committee on export credits<sup>3</sup> has been debating the issue for over a year without success. This has mainly been due to opposition from Japan as it



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has sought to continue its promotion and financing of new coal-fired power plants overseas.<sup>4</sup>

Pressure is now building for a deal to be reached during OECD negotiations that will be held in Paris during the week of 16 November 2015. Recent initiatives by the USA have seen China<sup>5</sup> and South Korea<sup>6</sup> make political commitments that they will restrict their financial support for carbon intensive investments, increasing international pressure on Japan.<sup>7</sup> As a consequence, Japan has started to shift position. Media reports indicate that the USA and Japan have reached a common position which increases the potential for an overall agreement.<sup>8</sup> We return to this below.

### Technology exports versus stranded asset risk

In the majority of OECD member countries, there is now an extremely limited market for new coal power plants, with no new plants likely in Europe<sup>9</sup> and North America.<sup>10</sup> This has meant that there is no domestic market for manufacturers of coal power plant equipment, who are instead looking abroad for sales opportunities.<sup>11</sup>

Export credit support is used by governments (notably ministries of trade or economy, and not those with responsibility for energy or international development) to help secure export opportunities for ‘their’ companies. But when used to enable the construction of coal plants this is done at the expense of locking in high-carbon infrastructure in recipient countries. Moreover, this short-sighted boost to demand for exports carries an increasing financial risk: new coal plants are at risk of becoming stranded assets unable to recover the original investment costs.

It is important to note that there are multiple potential causes of asset stranding. Coal plants now face a potent set of factors including policy risks, carbon pricing, regulatory shifts (e.g. on air pollution), technology advances (e.g. via Best Available Technology mandates). These all relate to the direct economic impacts resulting from structural shifts in electricity markets driven by the increasing deployment of renewable technologies. The financial risk of stranded assets is already visible in the case of recently-constructed coal plants in Germany, with utilities suffering billion-dollar impairments and the plants themselves now unlikely to recover the original investment costs.<sup>12</sup>

Export credits have historically been considered a low-risk means of providing project finance, with ‘guaranteed’ repayments to the lender. This should no longer be assumed to be the case for coal plants, given the scale of capital investment and the (assumed) long operating lifetimes. The sheer scale of the carbon risks associated with each power plant means that coal plants will face continued scrutiny and operational pressure over the coming decades, raising the risk levels for any new investments undertaken now.

It is therefore in the self-interest of providers of export credit finance to limit their exposure to this increasingly risky lending landscape. As government institutions, their



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support for any coal plants that become stranded assets will result in losses that ultimately need to be picked up by taxpayers.

Notably, this concern is shared by the OECD itself, with Secretary General Angel Gurría stating:

“Governments need to be seriously sceptical about whether new coal provides a good deal for their citizens. If we muster the political will to set ourselves on a 2°C trajectory today, not all coal assets will be able to run for their full economic lifetime. Unsurprisingly, if we delay action, we will have to strand much more capacity overall, as steeper reductions will be required.”

[...]

“Some aid donors and multilateral development banks are now providing support for coal-fired power only when there are no feasible alternatives. These cases must really be exceptional.”<sup>13</sup>

This timely warning sets a clear challenge that governments must respond to in the impending OECD negotiations. To be effective, the export credit framework must be robust in respect to the financial risks of investment in new coal plants and in ensuring that technology options eligible for export credit support are compatible with climate change objectives.

### The climate challenge to coal: efficiency is not enough

The coal industry is under increasing pressure internationally. As noted above, E3G’s G7 coal scorecard found that across all G7 countries except Japan there was a clear structural shift away from coal already underway – and even Japan can still avoid locking in large scale investments in new coal plants. This dynamic is also visible beyond the G7, with coal companies going bankrupt; utilities facing massive losses from recent coal investments; mainstream banks ending financing for both mining projects and new coal plants; and a clear slowdown in Chinese coal consumption and imports.<sup>14</sup>

In response to this pressure, the coal industry is finally acknowledging the reality of climate change. But it is still seeking to delay action through the promotion of ‘Clean Coal’ technologies,<sup>15</sup> also referred to as ‘High Efficiency, Low Emission’ (HELE) coal plants.<sup>16</sup>

The coal industry is fond of its repeated claim that an increase in global average plant efficiencies from the current 33% to 40% would save 2GT of CO<sub>2</sub> per annum. However it has failed to support policies that would require the wholesale retirement of inefficient units in parallel to the construction of any new ones. In Europe, the coal sector is seeking to keep old coal plants open for as long as possible, as it grapples with the realisation that there will not be any new coal plants constructed.<sup>17</sup>



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More fundamentally, a focus on plant efficiencies alone fails to recognise that climate change is driven by the overall stock of CO<sub>2</sub> emissions in the atmosphere, not the rate at which they are emitted. The key consideration in respect to the potential compatibility of any new coal power plant with climate change objectives (or, conversely, the risk of asset stranding) is therefore the ‘committed emissions’ associated with their intended lifetime of operation.<sup>18 19</sup>

In an attempt to wriggle out of this challenge, the World Coal Association (WCA) claims that *“Deploying high efficiency, low emission (HELE) coal-fired power plants is a key first step along a pathway to near-zero emissions from coal with carbon capture, use and storage (CCUS).”*<sup>20</sup> While the WCA correctly acknowledges that CCS will ultimately be required on all remaining fossil fuel uses, this ‘pathway’ approach pushes back CCS deployment to being what it describes as a *“longer term”* option rather than for immediate deployment. But there is no guarantee that a new HELE coal power plant will be able to retrofit and operate CCS technology in future unless it has been appropriately designed and located.

In order to address this, a number of governments have attempted to proactively manage the risks associated with new high carbon infrastructures by requiring new fossil fuel plants to be ‘capture ready’ in respect to plant configuration and technology choices.<sup>21 22</sup> But even this approach leaves major doubts as to the future application of CCS without confirmation that the power plant is able to access suitable geological formations capable of sequestering the huge volumes of CO<sub>2</sub> that would need to be captured over the lifetime of the plant.<sup>23</sup> While the theoretical availability of CO<sub>2</sub> storage is high, its accessibility is currently severely limited in practice. This reflects a lack of investment in the detailed characterisation of plausible geological storage formations and the absence of CO<sub>2</sub> transportation infrastructures.

As a consequence, it would be foolhardy of governments to permit the construction of new coal plants without having prior confirmation that they can indeed be fitted with CCS and the CO<sub>2</sub> stored.<sup>24</sup> In the absence of specific requirements for ‘capture readiness’ and access to CO<sub>2</sub> storage, continued coal sector pleading for financial support for the deployment of HELE coal plants on the basis of a vague suggestion of future CCS deployment is only a distraction tactic and not a climate mitigation strategy.<sup>25</sup> If the coal sector wants to deploy CCS it must accept strict requirements that ensure that this does indeed take place.

## Potential outcomes from the OECD negotiations

It is in this context that we can begin to consider the extent to which a potential OECD agreement on export credit support for new coal plants addresses the risk of lock in to CO<sub>2</sub> emissions, and the respective positions taken by different countries to date. It must be noted that the existing OECD guidelines already provide preferential treatment for CCS projects.<sup>26</sup> The strongest outcome would therefore be to restrict export credit support only to coal power plants with operational CCS, with all unabated coal plants ineligible for support, irrespective of their relative level of efficiency.



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Indeed, in E3G's presentation to the OECD export credit meeting in November 2014, we highlighted that countries promoting continued financial support for unabated coal also have domestic manufacturers offering CCS technologies. Moreover, Japan is already actively supporting a CCS project under construction in the USA via the Japan Bank for International Cooperation, while South Korea had offered export credit finance to a previously proposed CCS project in the UK (which was ultimately not taken forward in the UK government's CCS programme). China has also offered export credit finance to two proposed CCS projects – one in the USA and the other in the UK. OECD countries therefore already have an opportunity to use the existing export credit arrangements to help build a market for CCS technology deployment, should they wish to do so.<sup>27</sup>

Unfortunately, the OECD negotiations during 2015 to date appear to have ruled out a restrictive policy of 'no new coal without CCS', with discussion now centred on how lending policies may be differentiated on the basis of relative power plant efficiencies.<sup>28</sup> Given the importance of addressing the risk of lock in to CO<sub>2</sub> emissions over plant lifetimes, we concentrate our analysis here on proposed requirements for operational CCS or 'CCS readiness' criteria.

### Country positions on export credits and coal power plants

- > **France** has taken a strong position during 2015, with President Hollande and Environment Minister Royal taking a proactive role in limiting any future export credit support to coal power plants that integrate operational carbon capture and storage technology (CCS), and instead prioritising support for renewables.<sup>29</sup>
- > In March 2015, the **USA** and **UK** proposed that the OECD should limit support to plants that meet an Emissions Performance Standard of 500gm/kWh, thereby requiring the integration of operational CCS from the outset. This was opposed by other OECD members. This is a missed opportunity, but this approach will undoubtedly come back for reconsideration in the near future as part of the intended review of the new lending criteria.
- > **Canada** has played a constructive role within OECD negotiations on export credits, and has proposed that financial support should be limited in most cases to coal plants able to integrate CCS technology in future, with exemptions limited to Low Income Countries.
- > The **EU** has agreed a common position that would similarly limit financial support to the most efficient plants and require them to be 'capture ready' for CCS retrofit in High Income Countries. While this does not go far enough in limiting support for new unabated coal plants in Middle- and Low Income Countries, **Germany** has agreed to this position, having previously been obstructive.
- > Prior to October 2015, **Japan** promoted the large-scale provision of financial support for unabated coal power plants. The common position reportedly now agreed with the USA would restrict this to the most efficient 'ultra supercritical'



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plants with some exceptions for poorer countries, but would not require any new coal plants to be able to fit CCS technology in future.

Additionally, an OECD deal also needs to secure support from countries that have been backing coal interests during the negotiations to date:

- > **Australia** has previously sided with Japan and South Korea and resisted any coal financing restrictions. Latest indications are that Australia is now proposing that ‘CCS-ready’ plants would be eligible for a two-year extension of any lending period, without any such requirement for any of the other lending categories. As a consequence this weak proposal turns ‘CCS readiness’ into a voluntary option, even for High Income Countries – which is clearly not appropriate. Australia is also continuing to promote financial support for less efficient ‘super critical’ coal plants.
- > **South Korea** has resisted coal finance restrictions at the OECD as it is one of the world’s largest public financiers of coal plants overseas.<sup>30</sup> Instead it argues that more favourable terms should be given to a larger range of coal technologies without any requirement for CCS to be applied in future. South Korea must now show that it will deliver on its commitment to work with the USA to agree an ‘ambitious outcome’...’to limit export credit finance for new coal plants’.<sup>31</sup>

## Getting a good deal for the climate

Overall, OECD members appear to be increasingly aligned around some basic elements for any agreement on export credits for coal power plants, including:

- > the need for coal lending policies to ensure that recipient countries have a climate and energy policy in place;
- > the need for renewables and energy efficiency to be prioritised within this; and
- > that alternative power generation options have been considered and found not to be commercially viable.

These must all be priority elements of any deal reached at the OECD negotiations. There may also be scope for the review period of the proposed new policy to be shortened to enable further improvements to be made ahead of 2020.

There is, however, a significant likelihood that any compromise deal will focus on the relative lending terms available for different categories of power plant efficiency. If so, this risks excluding criteria that could enable the future application of CCS, even for coal plants in High Income Countries. This reflects Japan’s refusal to apply CCS requirements to its own domestic coal power plants; the weak position being taken by Australia; and continued opposition by South Korea. Yet this is in stark contrast to Canada, the UK and the USA all implementing policies of ‘no new coal without CCS’ and the EU requiring capture readiness provisions for both coal- and gas-fired power plants over 300MW in capacity since 2009.



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In our view, if governments, utilities, and the coal sector want to continue to use coal then they must carry the cost of using CCS technology. Strong policies such as Emissions Performance Standards that require operational CCS offer a potential way forward for technology exporters while minimizing the risk of stranded assets and climate damage.

We therefore consider that the OECD agreement should expressly address the challenge of cumulative lifetime emissions. If necessary, this could be done on a differentiated basis according to country income levels:

1. For high income countries, there should be a requirement for any new coal plant to have operational CCS integrated from the outset. This could be implemented via an Emissions Performance Standard in the OECD guidelines, or by requiring national regulations to be in place, as is already the case in Canada, the UK and the USA.
2. Any new unabated coal plants in middle income countries must be constructed as 'capture ready', as should the largest high-efficiency plants in low income countries.<sup>32</sup> Project developers must be required to report on intended CCS retrofit options prior to the agreement of funding. Similarly, recipient countries should also be required to incorporate an appraisal of CO<sub>2</sub> storage options and capacities within their national energy and climate plans, prior to approval of export credit support.
3. To provide a benchmark for national assessments of CO<sub>2</sub> storage requirements, the OECD should produce a study on realistic CO<sub>2</sub> storage accessibility in those countries intending to construct new coal power plants with export credit support. This study should be completed for middle income countries during 2016, with low income countries considered during 2017. These studies should be included as a key input to the intended review of the new lending guidelines. In order to provide a robust evidence base they must not only include an assessment of the likely accessible CO<sub>2</sub> storage resource in the period prior to 2050, but should also consider alternative CO<sub>2</sub> sources that may need to be prioritised for access to CO<sub>2</sub> storage space.

## Conclusion

The impending OECD negotiations offer an important opportunity to restrict the provision of export credit support to coal power plants. A significant and positive structural shift away from coal is already underway internationally, and the OECD agreement must reflect this.

G7 countries in particular must act in accordance with their commitments at their 2015 summit and use the OECD agreement to push forward global norms that can be taken on by other International Financial Institutions and bilateral lenders, including China and the new Asian Infrastructure Investment Bank. To do this, the agreement must be coherent with climate change objectives and reduce the risk of stranded assets for recipient country and lender alike.



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Japan appears to have taken some positive steps forward over recent weeks in agreeing a joint position with the USA. However it appears to continue to insist on the exclusion of any criteria requiring the integration of operational CCS, or even to the future retrofit of CCS via ‘CCS readiness’ approaches. This is contrary to the domestic policy positions of all other G7 countries. Japan must take a further step forward and accept the inclusion of additional criteria to address this risk. Japan must match the efforts already taken by its peers, not seek to pull them backwards.

Beyond the G7, Australia and South Korea must also face up to their international responsibilities. Both countries must respond to the structural shift away from coal that is already underway. A first step towards this would be to agree an effective OECD deal that limits the risk of stranded assets and climate damage.

## About E3G

E3G is an independent, non-profit European organisation operating in the public interest to accelerate the global transition to sustainable development. E3G builds cross-sectoral coalitions to achieve carefully defined outcomes, chosen for their capacity to leverage change. E3G works closely with like-minded partners in government, politics, business, civil society, science, the media, public interest foundations and elsewhere. [www.e3g.org](http://www.e3g.org)

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## References

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<sup>1</sup> ‘Unabated’ coal refers to coal-fired electricity generation without the application of carbon capture and storage technology to directly ‘abate’ (reduce) CO<sub>2</sub> emissions.

<sup>2</sup> E3G, **G7 Coal Scorecard: Benchmarking Coal Phase Out Actions**, October 2015.

<sup>3</sup> The OECD Working Party on Export Credits and Credit Guarantees meets in Paris during the week commencing 16 November 2015. High on its agenda will be to conclude an agreement to restrict the use of export credit finance for new coal plants, following more than a year of negotiations. On Tuesday 17 November E3G, JACES and other international NGOs will present to members of the committee during their annual consultation meeting with civil society representatives.

<sup>4</sup> Politico, **How Japan pushes coal on the world**, August 2015.

<sup>5</sup> US-China agreement <https://www.whitehouse.gov/the-press-office/2015/09/25/us-china-joint-presidential-statement-climate-change>

“As part of an ongoing and serious commitment to strengthen low-carbon policies and regulations, the United States has ended public financing for new conventional coal-fired power plants except in the poorest countries. China will strengthen green and low-carbon policies and regulations with a view to strictly controlling public investment flowing into projects with high pollution and carbon emissions both domestically and internationally.”



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<sup>6</sup> US-Korea agreement <https://www.whitehouse.gov/the-press-office/2015/10/16/joint-fact-sheet- united-states-republic-korea-alliance-shared-values-new>

"The United States and the ROK are committed to facilitating the transition to low-carbon growth and development in other countries. In line with this commitment, the United States and the ROK plan to work together to achieve an ambitious outcome in the Organization for Economic Cooperation and Development to limit export credit finance for coal-fired power plants in the near future."

<sup>7</sup> WWF et al, **Will the OECD lag behind emerging countries because of Japan?**, October 2015.

<sup>8</sup> ClimateWire, **U.S. and Japan to announce deal curbing coal financing**, 27 October 2015.

<sup>9</sup> A handful of coal plants are under construction in Germany and Poland, but these are the result of historical investment decisions that will not be repeated. For a more detailed analysis of prospects for coal power plants in Europe see **Poyry report to DECC: Outlook for new coal-fired power stations in Germany, the Netherlands and Spain**, May 2013.

<sup>10</sup> Both Canada and the USA have implemented policies that rule out new coal plants without the integration of carbon capture and storage technology.

<sup>11</sup> Conversely, Japan has sought to promote Japanese technology overseas for three interrelated reasons. Firstly, it sees direct economic benefits linked to increased export of coal power plant technology as a means of offsetting the drop in demand for its nuclear technologies following the Fukushima accident. Secondly, the construction of coal power plants elsewhere provides Japan with an excuse to continue investment in new coal power plants at home. Thirdly, Japan sees itself in direct competition with China, which has also been exporting coal technologies – now of equal performance to Japanese technologies. See reference 7 above.

<sup>12</sup> Analysis by Poyry for the UK's Department of Energy and Climate Change in 2013 found that new coal plants in Germany will struggle to make a return of between 0 and 7%. The situation has worsened since then. Even the CEO of Vattenfall has been forced to admit that their investment in the new Moorburg power plant amounted to a '€3bn mistake'. Indeed, Vattenfall has already accepted close to €1bn of financial impairments to its accounts, and recent analysis suggests it is likely to generate a negative net present value (NPV) of €3.3bn to €4.4bn over the plant lifetime. Other German utilities have been equally badly hit. See Carbon Tracker (2015) **Coal: caught in the EU utility death spiral** and Poyry (2013) **Outlook for new coal-fired power stations in Germany, the Netherlands and Spain**

<sup>13</sup> OECD, Angel Gurría: **Speech to London School of Economics**, 3 July 2015.

<sup>14</sup> See WWF, **Global Coal – the acceleration of market decline**, October 2015.

<sup>15</sup> It must be noted that 'Clean coal' is an oxymoron, as coal remains dirty in extraction, handling, and waste disposal irrespective of the level of efficiency or use of pollution control equipment at the point of combustion.

<sup>16</sup> See <http://www.worldcoal.org/reducing-co2-emissions/high-efficiency-low-emission-coal>

<sup>17</sup> Even in Poland there is now increasing recognition that the four coal plants currently under construction are the 'last wave' of new coal. See <http://www.iea-coal.org.uk/site/2010/blog-section/blog-posts/delivery-of-low-carbon-power-and-products---regional-pathways-to-carbon-capture-and-storage-ccs>

<sup>18</sup> See Steven J Davis and Robert H Socolow, **Commitment accounting of CO<sub>2</sub> emissions**, Environmental Research Letters, August 2014.

<sup>19</sup> The integration or retrofit of CCS technology offers a means of addressing the CO<sub>2</sub> liabilities associated with fossil fuel use. It does not necessarily address other risks of asset stranding related to technology change and market dynamics.

<sup>20</sup> World Coal Association, **Concept paper on a Global Platform for Accelerating Coal Efficiency**, January 2015.

<sup>21</sup> In the EU, this applies to both coal- and gas-fired thermal power plants over 300MW capacity.



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<sup>22</sup> For a recent discussion of CCS Readiness concepts and their application see UNECE, **Status on Global Carbon Capture and Storage Readiness**, October 2015.

<sup>23</sup> It should additionally be noted that the EU will shortly launch a review of the implementation of ‘capture ready’ requirements by its member states, and will consider the extent to which the accessibility of geological storage options has been incorporated.

<sup>24</sup> Given the increasing realisation that CO<sub>2</sub> storage will be required for industrial sectors such as steel, cement and chemicals production, governments will come under further pressure to ensure that limited CO<sub>2</sub> storage volumes are prioritised for the highest value CCS applications. In this context, CCS on coal power generation may still be desired by some governments due to its perceived relevance for energy security or economic reasons, but it has a high CO<sub>2</sub> liability compared with alternative electricity generation options and risks using up limited CO<sub>2</sub> storage for relatively little benefit.

<sup>25</sup> It should be noted that the coal sector has belatedly become more enthusiastic about CCS during the past year. The January 2015 WCA paper noted in reference 20 above states that “[CCS] technology is not yet available on a commercial basis”. However by September 2015, the WCA had moved to state that “CCS technology is a reality, as SaskPower’s Boundary Dam coal-fired power station in Canada is proving.” (<http://www.worldcoal.org/world-coal-association-calls-climate-week-recognise-role-all-low-emission-technologies>) and that “The recent success of SaskPower’s Boundary Dam Carbon Capture Project in Canada demonstrates that CCUS is both viable and affordable for electricity from coal.” (<http://cornerstonemag.net/considering-the-contribution-of-technology-ahead-of-cop21/>).

<sup>26</sup> The current OECD export credit guidelines allow coal plants with operational CCS to receive lending terms of up to 18 years.

<sup>27</sup> E3G, **Export Credit Agencies: Carbon capture and storage, coal and policy implications**, November 2014. We additionally argued that further investment in unabated coal resulted in CCS technologies being crowded out of the market. As a consequence, if OECD countries are serious about wanting to deploy CCS technologies they should facilitate this by accelerating the retirement of existing ageing inefficient coal plants to create a sufficient domestic market for CCS. Canada’s Emissions Performance Standard policy does this by setting a lifetime limit that triggers CCS retrofit or shutdown.

<sup>28</sup> The OECD discussions are focussed on three main categories of coal plant efficiency: sub-critical (least efficient), supercritical, and ultra-supercritical (currently most efficient). These categories are differentiated by relative pressures and temperatures within the combustion process and the resulting level of efficiency of electricity production – which in turn relates to the level of CO<sub>2</sub> emissions per MWh of electricity generated. More efficient plants are more expensive to build, so the coal industry argues that they should receive more generous lending terms under the OECD framework.

The general direction of travel within the OECD negotiations to date has been towards restricting financial support for sub-critical plants. Different countries have however proposed differing approaches to how supercritical and ultra-supercritical plants might be supported, largely on the basis of the potential impact on the specific power plant technologies manufactured by domestic companies. Lending criteria are also being differentiated in respect to the relative level of development of the respective recipient country – thereby providing exemptions allowing smaller, less-efficient (but cheaper) power plants to be constructed in the poorest countries.

<sup>29</sup> Reuters, **France to scrap export credits to Alstom for coal technology – minister**, 10 September 2015.

<sup>30</sup> NRDC, Oil Change International and WWF, **Under the rug: how governments and international institutions are hiding billions in support to the coal industry**, June 2015.

<sup>31</sup> See note 6 above.

<sup>32</sup> Only limited exceptions to this should be permitted, e.g. for small units in countries eligible for International Development Association (IDA) resources.