



*In Response*

**Statement of the Business and Industry Advisory Committee to the OECD  
(BIAC) on Export Credits and the Environment  
April 10, 2001**

The Business and Industry Advisory Committee to the OECD (BIAC) appreciates the opportunity to submit comments to the OECD Working Party on Export Credits Guarantees (ECG) on issues currently subject to negotiation within the ECG relating to Officially Supported Export Credits and the Environment.

At the OECD Council Ministerial in 1999, the OECD ECG was given a mandate to develop common approaches to the policies, methodologies and procedures for identifying and assessing the environmental impact of projects. BIAC is pleased to be able to provide recommendations to make any future OECD arrangement as workable as possible.

In response to the OECD Issues Paper TD/ECG(2001)3, BIAC recommends that the following points be included in any future agreement on export credits and the environment:

- BIAC fully supports the premise that the environmental risk related to project exports is an integral part of the financial risk that is assessed by Export Credit Agencies. However, a balance must be achieved between all involved parties, that is the host countries (governments, buyers, etc.), ECA's, sponsors, exporters and financial institutions, in order to create a beneficial outcome for all participants in the process.
- Local laws and best practices must normally be the basis for Environmental Impact Assessments (EIAs.) The starting point for the development of common approaches to the environment and Officially Supported Export Credits in the OECD should be a bottom-up (experience based) rather than a top-down (mandated) approach, in that the effect of the evolving practices in all OECD ECAs on the applicants should be monitored for a longer time period.
- With regard to proposed mandatory screening arrangements, BIAC places great importance on the issues of scope, thresholds and the question of sensitive sectors and sites. It is very important that the outcome of the ECG negotiations result in a recommendation with a well defined coverage with clear rules. Furthermore only green-field projects, or projects above a certain threshold in sensitive sectors and sites, should be subject to an agreement.

- BIAC holds that only projects sold on medium-long terms of payments should be subject to EIAs, thus making the administrative burden of exporters and ECAs manageable. Goods sold on short term conditions are often paid for in cash and covered by the private insurance market, which leaves the government ECA's with a marginal role. Thus enforcement of environmental screenings for ECA supported credit insurance in this area would create anomalies, and would be and non-proportional in relation to the size of the market segment the ECA's cover.
- It is also important that a *de minimis* threshold for environmental screening be included in any future OECD agreement. A threshold should be broad enough to include the existing thresholds in national ECA's. Thus, a relevant ceiling would be at least 50 million SDRs.
- Very often the position of an exporter vis-a-vis the host country is such that the company has very limited possibilities to influence a project. This also applies to many subcontractors. Thus BIAC asserts in such cases that information obligations of business should be limited. Any future agreement should respect such circumstances.
- The competitiveness of the individual ECAs and their relations with exporters is based on a high degree of confidentiality. This relationship and respect for confidentiality must be kept in consideration so as not to harm the competitiveness of the exporters.
- With respect to the coverage of a future OECD agreement on export credits and the environment, unless such a recommendation is accepted by all ECAs, it is reasonable to believe that it is going to give rise to unfair competition from institutions not covered. Therefore any agreement reached by the OECD ECG should be applicable for all parties concerned.