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**TRADE DIRECTORATE
TRADE COMMITTEE**

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Working Party on Export Credits and Credit Guarantees

**DRAFT RECOMMENDATION ON COMMON APPROACHES ON ENVIRONMENT AND
OFFICIALLY SUPPORTED EXPORT CREDITS: REVISION 6**

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DRAFT RECOMMENDATION ON COMMON APPROACHES ON ENVIRONMENT AND OFFICIALLY SUPPORTED EXPORT CREDITS: REVISION 6

THE COUNCIL

Having regard to the Convention on the Organisation for Economic Co-operation and Development of 14th December 1960 and, in particular, to Article 5 b) thereof.

Having regard to the mandate from OECD Ministers given in 1999 to strengthen common approaches on environment and officially supported export credits by the end of 2001 and noting that this mandate was renewed in 2000 when OECD Ministers welcomed the progress towards common approaches.

Noting that OECD Ministers in 2001 have recognised that export credit policy can contribute positively to sustainable development and should be coherent with its objectives.

Noting that the present Recommendation builds upon the 1998 Statement of Intent on Environment and the Action Statement, adopted by the OECD Working Party on Export Credits and Credit Guarantees (ECG) in February 2000, the ECG Work-Plan adopted in 2000, and complements the ECG Agreement on Environmental Information Exchange for Larger Projects adopted in 1999.

Recognising that while Members may have different means of delivering official support for export credits through their export credit agencies (ECAs), the primary role of ECAs is to promote trade in a competitive environment, whereas multilateral development banks and development agencies focus primarily on development assistance.

Noting that project sponsors, exporters, financial institutions and ECAs have, individually or jointly, different roles, responsibilities and leverage with regard to projects benefiting from official support.

Recognising the sovereign right of buyers' countries to make decisions regarding projects within their jurisdictions.

Recognising the responsibility of Members to consider the positive and negative environmental impacts of projects, in particular in sensitive sectors or located in or near sensitive areas, in their decisions to offer official support for export credits.

On the proposal of the Working Party on Export Credit and Credit Guarantees:

RECOMMENDS that Members, when taking decisions on officially supported export credits, apply the following common approaches for identifying and evaluating the environmental impact of projects and project-related capital goods and services, (hereafter referred to as “projects”), which includes the impact on resettlement, indigenous or vulnerable groups and cultural heritage (for the purpose of this Recommendation hereafter referred to as “environmental impacts”).

I. GENERAL PRINCIPLES

i) Scope

1. This Recommendation applies to officially supported export credits for projects with a repayment term of two years or more.

ii) Objectives

2. The general objectives of this Recommendation are to:

- Promote coherence between policies regarding officially supported export credits and policies for the protection of the environment, including relevant international agreements and conventions, thereby contributing towards sustainable development.
- Develop common procedures and processes relating to the environmental review of projects benefiting from officially supported export credits, with a view to achieving equivalence among the measures taken by the Members and to reducing the potential for trade distortion.
- Promote good environmental practice and consistent processes for projects benefiting from officially supported export credits, with a view to achieving a high level of environmental protection.

3. Through the implementation of these objectives, Members seek to:

- Foster transparency, predictability and responsibility in decision-making, with due regard to any relevant legal stipulation, business confidentiality and other competitive concerns.
- Encourage the prevention and/or mitigation of the adverse environmental impacts of projects.
- Enhance financial risk assessment of projects by taking into account their environmental aspects.

II. SCREENING AND CLASSIFICATION OF PROJECTS

4. Members are expected to screen all applications for officially supported export credits covered by this Recommendation. The screening should identify projects which require a review due to their potential adverse environmental impacts, and projects which are in sensitive sectors or located in or near sensitive areas. The parties involved in a project, such as exporters, financial institutions, project sponsors, etc., should provide all information necessary to carry out the screening. The screening should take place as early as possible in the risk assessment process and, where appropriate, should also seek to identify the overall project(s), if any, to which capital goods and/or services are related.

5. Taking due account of the project sensitivity (as described in paragraph 8), a Member may focus further screening and environmental review on projects in respect of which its share is above SDR 10 millions.

6. Further screening should:

- Identify potential environmental impacts that projects may have.
- Determine whether sufficient information on the potential adverse environmental impacts of the project has been provided; if not, further information should be requested.
- Determine whether an environmental review of the project is required and if so, the extent and depth of such review.

7. The information to be supplied should include:

- Identification of the parties to the project and definition of their respective roles.
- A project description (e.g. sector, size, objective, type of project such as greenfield project or expansion of existing activities).
- Information on the location of the project, including data such as proximity to environmentally sensitive sites.

8. Members should classify projects in accordance with the extent of the environmental review required:

- Category A: a project is classified as Category A if it has the potential to have significant adverse environmental impacts. These impacts may affect an area broader than the sites or facilities subject to physical works. Category A should, in principle, include projects in sensitive sectors or located in or near sensitive areas. An illustrative list of sensitive sectors and sensitive areas is set out in Annex I.
- Category B: a project is classified as Category B if its potential environmental impacts are less adverse than those of Category A projects. Typically, these impacts are site-specific; few if any of them are irreversible; and mitigatory measures are more readily available.
- Category C: a project is classified as Category C if it is likely to have minimal or no adverse environmental impacts.

III. ENVIRONMENTAL REVIEW

9. When undertaking an environmental review, Members should indicate to the appropriate parties to the project such as exporters, financial institutions and project sponsors the type of environmental information they require in relation to the potential environmental impacts of the project, including, where appropriate, the need for an Environmental Impact Assessment (EIA)¹. The information to be supplied should include:

- Potential environmental impacts (e.g. generation of significant air emissions, effluents, waste or noise, significant use of natural resources, resettlement and land-use issues).
- The environmental standards, practices and processes that the parties to the project intend to apply.
- The results of any public consultations on the project with relevant stakeholders.

10. When an EIA is required, it should address the relevant issues referred to in the guidelines of International Financial Institutions (as referenced in footnote 1); one illustration of such guidelines is set out in Annex II.

11. An environmental review for a Category A project should examine the project's potential negative and positive environmental impacts, including measures to prevent, minimise, mitigate, or compensate for adverse impacts and improve environmental performance. For a Category A project in or near sensitive areas and for large greenfield projects in sensitive sectors, Members would be expected to require an EIA. The project sponsor is responsible for preparing such an EIA.

12. The scope of an environmental review for a Category B project may vary from project to project. Like a Category-A review, it should examine the project's potential negative and positive environmental impacts, including measures to prevent, minimise, mitigate, or compensate for adverse impacts and improve environmental performance.

13. Beyond screening, no further action is required for a Category C project.

14. When undertaking a review of the information provided pursuant to paragraph 9, Members should use, as reference points or benchmarks, examples of good practice as reflected in international standards² or equivalent host country standards. Such examples should be used not only with respect to new projects, but also to relevant modifications of, or additions to, existing projects with significant environmental impacts.

15. With a view to achieving consistency in the benchmarking process, Members recognise that projects should be evaluated as follows:

- Projects should comply with standards of the host country;

1. Members supporting exports forming only a minor part of a project may take into account the environmental review carried out by another Member, an International Financial Institution e.g. the World Bank Group, a Regional Development Bank (in particular EBRD, AfDB, ADB and IADB) or a Member's Development Agency, in accordance with the requirements of this Recommendation.

2. Standards developed by the relevant International Financial Institutions, e.g. the World Bank Group, Regional Development Banks (in particular EBRD, AfDB, ADB and IADB) or other internationally recognised environmental standards, hereafter referred to as international standards.

- Projects that a Member determines to be in compliance with international standards will not normally be further reviewed;
- A Member providing officially supported export credits for goods and/or services forming only a minor part of a project may apply its national environmental standards;
- A Member that considers it appropriate to apply standards that are below international standards should indicate the reasons for this in the reporting (paragraph 21).

IV. EVALUATION AND DECISION

16. Members should evaluate the information resulting from screening and review, decide whether to request further information, decline or provide official support and, if support is to be provided, whether this should involve conditions, e.g. mitigation measures, covenants, monitoring requirements.

17. Members should ensure that procedures are in place to monitor, as appropriate, the implementation of projects, to ensure compliance with all conditions of their official support.

V. EXCHANGE AND DISCLOSURE OF INFORMATION

18. Taking into account the competitive context in which they operate and constraints of business confidentiality, Members are expected to:

- Publish national ECA environmental policy statements/principles and procedural guidance.
- When appropriate, exchange views with stakeholders.
- Share information with a view to seeking, where appropriate, common positions on the environmental review of projects, and reply in a timely manner to requests from other Members in a co-financing or a competitive situation on the environmental standards accepted by the Member.
- Encourage project sponsors to make environmental impact information publicly available.
- Make available to the public at least annually, subject to legal provisions on public disclosure in Members' countries, information on projects classified in Categories A and B.

19. The ECG shall:

- Review the procedures of the Agreement for the Environmental Information Exchange for Larger Projects in the light of this Recommendation.
- Exchange views on a regular basis with appropriate stakeholders on the operation of this Recommendation.
- Share experiences under this Recommendation with Non-Member Economies.
- With due regard to business confidentiality, make aggregated information publicly available annually based on Members' reporting in accordance with paragraph 21.

VI. REPORTING AND MONITORING OF THE RECOMMENDATION

20. Members are expected to:

- Monitor and evaluate, over time, the experience with this Recommendation at a national level, and share experiences with the other Members, including about standards applied to those projects which were subject to the benchmarking process referred to in paragraphs 14 and 15.
- Continue to enhance and improve procedures at a national level to address the environmental impact of projects, and to encourage their ECAs to allocate appropriate resources for this purpose.

21. Members shall report to the ECG *ex post* on an annual basis:

- Projects classified in Category A, in accordance with Annex III.
- Projects classified in Category B that are above the threshold in paragraph 5, in accordance with Annex IV.

22. The OECD Secretariat shall monitor the implementation of this Recommendation through compilation of annual reporting by the Members, and report annually to the ECG.

23. The ECG shall review all elements of this Recommendation not later than the end of 2003 in order to enhance it in the light of experience and report to Council.

ANNEX I

ILLUSTRATIVE LIST OF SENSITIVE SECTORS AND AREAS

The following illustrative list³, which is non-exhaustive, provides examples of sensitive sectors and areas.

“1. This list applies to "greenfield" or major extension or transformation-conversion operations in the categories listed below.

1. Crude oil refineries (excluding undertakings manufacturing only lubricants from crude oil) and installations for the gasification and liquefaction of 500 tonnes or more of coal or bituminous shale per day.
2. Thermal power stations and other combustion installations with a heat output of 300 megawatts or more and nuclear power stations and other nuclear reactors (except research installations for the production and conversion of fissionable and fertile materials, whose maximum power does not exceed 1 kilowatt continuous thermal load).
3. Installations solely designed for the production or enrichment of nuclear fuels, the reprocessing of irradiated nuclear fuels, or for the storage, disposal and processing of radioactive waste.
4. Major installations for the initial smelting of cast iron and steel and for the production of non-ferrous metals.
5. Installations for the extraction of asbestos and for the processing and transformation of asbestos and products containing asbestos: for asbestos-cement products, with an annual production of more than 20,000 tonnes finished product; for friction material, with an annual production of more than 50 tonnes finished product; and for other asbestos utilisation of more than 200 tonnes per year.
6. Integrated chemical installations including the manufacture and transportation of pesticides and hazardous/toxic materials.
7. Construction of motorways, express roads and lines for long-distance railway traffic and of airports with a basic runway length of 2,100 metres or more.
8. Large-diameter oil and gas pipelines.
9. Sea ports and also inland waterways and ports for inland-waterway traffic which permit the passage of vessels of over 1,350 tonnes.
10. Waste-disposal installations for the incineration, chemical treatment or landfill of toxic and dangerous wastes.
11. Large dams and reservoirs.
12. Groundwater abstraction activities in cases where the annual volume of water to be abstracted amounts to 10 million cubic metres or more.

3. The source of paragraphs 1 and 2 is the EBRD Environmental Policy and Procedures (<http://www.ebrd.org/english/enviro/envpolicy/index.htm>).

13. Pulp and paper manufacturing of 200 air-dried metric tonnes or more per day.
14. Major mining, on-site extraction and processing of metal ores or coal.
15. Hydrocarbon production.
16. Major storage facilities for petroleum, petrochemical and chemical products.
17. Large-scale logging.
18. Large-scale waste-water treatment.
19. Domestic solid waste-processing facilities.
20. Large-scale tourism development.
21. Large-scale power transmission.
22. Large-scale reclamation.
23. Large-scale agriculture/silviculture involving the intensification or development of previously undisturbed land.
24. Tanneries.

2. [...]sensitive areas include National Parks and other conservation areas of national or regional importance, such as wetlands and areas of archaeological significance, areas prone to erosion and/or desertification, and areas of importance to ethnic groups.”

ANNEX II

ILLUSTRATIVE ENVIRONMENTAL IMPACT ASSESSMENT REPORT⁴

An EIA's scope and level of detail should be commensurate with the project's potential impacts. The EIA report should include the following items (not necessarily in the order shown):

- Executive Summary: concisely discusses significant findings and recommended actions.
- Policy, legal and administrative framework: discusses the policy, legal, and administrative framework within which the EIA is carried out.
- Project description: describes the proposed project and its geographic, ecological, social, and temporal context, including any offsite investments that may be required (e.g. dedicated pipelines, access roads, power plants, water supply, housing, and raw material and product storage facilities). Indicates the need for any resettlement or social development plan. Normally includes a map showing the project site and the project's area of influence.
- Baseline data: assesses the dimensions of the study area and describes relevant physical, biological, and socio-economic conditions, including any changes anticipated before the project commences. Also takes into account current and proposed development activities within the project area but not directly connected to the project. Data should be relevant to decisions about project location, design, operation, or mitigatory measures; the section indicates accuracy, reliability and sources of the data.
- Environmental Impacts: predicts and assesses the project's likely positive and negative impacts, in quantitative terms to the extent possible. Identifies mitigation measures and any residual negative impacts that cannot be mitigated. Explores opportunities for environmental enhancement. Identifies and estimates the extent and quality of available data, key data gaps, and uncertainties associated with predictions, and specifies topics that do not require further attention.
- Analysis of alternatives: systematically compares feasible alternatives to the proposed project site, technology, design and operation-including the "without project" situation- in terms of their potential environmental impacts; the feasibility of mitigating these impacts; their capital and recurrent costs; their suitability under local conditions; and their institutional, training and monitoring requirements. For each of the alternatives, quantifies the environmental impacts to the extent possible, and attaches economic values where feasible. States the basis for selecting the particular project design proposed and justifies recommended emission levels and approaches to pollution prevention and abatement.
- Environmental Management Plan: describes mitigation, monitoring and institutional measures to be taken during construction and operation to eliminate adverse impacts, offset them, or reduce them to acceptable levels.
- Consultation: Record of consultation meetings, including consultations for obtaining the informed views of the affected people, local non-governmental organisations and regulatory agencies.

4. This Annex is based on the World Bank Operational Manual – BP 4.01.

ANNEX III
REPORTING FORM: CATEGORY A

Member :

Year :

NAME OF THE PROJECT / BRIEF DESCRIPTION OF PROJECT	TYPE OF PROJECT AND SECTOR	PROJECTS AND TRANSACTION VALUE (M SDR)	TYPE OF ENVIRONMENTAL REVIEW CONDUCTED / REQUIREMENT FOR AN EIA	STANDARDS / BENCHMARKS APPLIED	KEY ENVIRONMENTAL FACTORS (E.G EMISSION LEVELS)	OTHER FACTORS TAKEN INTO CONSIDERATION	OUTCOME OF THE REVIEW

ANNEX IV
REPORTING FORM: CATEGORY B

Member :

Year :

NAME OF THE PROJECT /BRIEF DESCRIPTION OF PROJECT	TYPE OF PROJECT AND SECTOR	PROJECTS AND TRANSACTION VALUE (M SDR)	TYPE OF ENVIRONMENTAL REVIEW CONDUCTED	STANDARDS / BENCHMARKS APPLIED