



Recommendation of the Council on
Common Approaches on the
Environment and Officially
Supported Export Credits
("The Common Approaches")

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Date(s)

Adopted on 12/06/2007
Abrogated on 28/06/2012

Background Information

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 Members' experience in implementing the 2003 Recommendation on Common Approaches on Environment and Officially Supported Export Credits [C(2003)236, as amended by Council in C(2004)213], the 2001 Draft Recommendation on Common Approaches on Environment and Officially Supported Export Credits [TD/ECG(2000)11/REV6], 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 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 new projects, in particular in sensitive sectors or located in or near sensitive areas, and the environmental risks associated with existing operations, 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, before taking decisions on officially supported export credits, apply the following common approaches for addressing environmental issues relating to exports of capital goods and services and the locations to which these are destined.

I GENERAL PRINCIPLES

i) Scope

1. This Recommendation applies to officially supported export credits 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 new projects and existing operations 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 new projects and existing operations benefiting from officially supported export credits, with a view to achieving a high level of environmental protection.
- Enhance efficiency of official support procedures by ensuring that the administrative burden for applicants and export credit agencies is commensurate with the environmental protection objectives of this Recommendation.
- Promote a level playing field for officially supported export credits and increase awareness and understanding, including among Non-Member Economies, of the benefits of applying this Recommendation.

3. To achieve these objectives, Members should:

- Foster transparency, predictability and responsibility in decision-making, by encouraging disclosure of relevant environmental information with due regard to any legal stipulations, business confidentiality and other competitive concerns.
- Encourage the prevention and the mitigation of adverse environmental impacts of new projects and the environmental risks associated with existing operations and take into account the benefits of any new projects and existing operations supported.
- Enhance financial risk assessment of new projects and existing operations by taking into account environmental aspects.
- Build a body of experience on the practical application of this Recommendation.

II. SCREENING AND CLASSIFICATION OF PROJECTS

4. Members should screen all applications for officially supported export credits covered by this Recommendation¹. The parties involved in an application, such as applicants (exporters and lenders) and project sponsors, should provide all information necessary to carry out the screening. The screening should take place as early as possible in the risk assessment process.

5. The screening should identify:

5.1. applications for exports of capital goods and services to identifiable existing operations that are undergoing no material change in output or function in respect of which a Member's share is above SDR 10 million. Such applications may not be classified, but shall be reviewed for environmental risks before any final commitment to provide official support. In undertaking this review, Members should take into account the industry sector, location and other information

¹ In the screening and review process Members should, where appropriate, consider operational links with associated operations, taking into account the timing or location of the construction of such identified operations.

available relating to environmental impacts, before taking a decision. If an application is not classified, it may not be subject to Sections III-V of this Recommendation.

5.2. applications for exports of capital goods and services to any new commercial, industrial or infrastructure undertaking at an identified location or to any existing operation that is not covered by paragraph 5.1 above (hereafter referred to as “projects”). Members should classify all projects in respect of which their share is above SDR 10 millions and all projects in or near sensitive areas in respect of which their share is below SDR 10 million.

6. Members should classify projects into one of the following Categories in accordance with their potential environmental impacts²:

- 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, in principle, includes projects in sensitive sectors or located in or near sensitive areas. An illustrative list of Category A projects 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 mitigation 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.

7. Members should seek to ensure a coherent approach to the classification of projects through reporting and review of such projects, pursuant to paragraph 22 of this Recommendation.

III. ENVIRONMENTAL REVIEW

8. When undertaking a review³, Members should indicate to the appropriate parties involved in the project the type of information they require in relation to the potential environmental impacts of the project, including, where appropriate, the need for an Environmental Impact Assessment (EIA). The applicant is responsible for providing the appropriate information to satisfy Members’ requirements. 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, involuntary resettlement, impacts on indigenous peoples and cultural property).
- The standards, practices and processes that the parties involved in the project intend to apply.
- The results of any public consultations on the project with relevant stakeholders.

² For the purposes of the Recommendation, defined as “including all relevant environmental and social impacts addressed by the international standards applied to projects in accordance with Paragraph 12”.

³ Members supporting exports forming only a minor part of a project, or in re-insurance situations, may take into account the review carried out by another Member, an International Financial Institution e.g. the World Bank Group, a Regional Development Bank (in particular, the European Bank for Reconstruction and Development, the Asian Development Bank, the African Development Bank and the Inter-American Development Bank) or a Member’s Development Agency, in accordance with this Recommendation.

9. For a Category A project, Members should require an EIA to be undertaken; the applicant is responsible for providing the resulting EIA report, together with other studies, reports or action plans covering the relevant aspects of the project. An EIA should address the issues set out in Annex II; it should not be carried out and reviewed by the same party.

10. The scope of a review for a Category B project may vary from project to project. The review 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.

11. Beyond screening and classification, no further action is required for a Category C project.

12. When undertaking a review:

- for all projects, Members should benchmark projects against host country standards and either against the relevant aspects of all ten World Bank Safeguard Policies⁴ or, where appropriate
 - for private sector limited or non-recourse project finance cases, against the relevant aspects of all eight International Finance Corporation Performance Standards⁵, or
 - where such institutions are supporting the project, against the relevant aspects of the standards of the Regional Development Banks, or
 - against any relevant internationally recognised standards, such as European Community standards, that are more stringent than those standards referenced above.
- In addition, Members may also benchmark projects against the relevant aspects of any internationally recognised sector specific or issue specific standards that are not addressed by the World Bank Group.

13. Projects should, in all cases, comply with host country standards. Projects are also expected to meet the international standards against which they have been benchmarked where these are more stringent than host country standards. However, in exceptional cases, a Member may decide to support a project that does not meet the international standards against which it has been benchmarked, in which case, the Member shall report and justify the standards applied in accordance with paragraph 22.

14. In the absence of a contrary decision by the ECG, the international standards applied by the institutions referred to in paragraph 12 are those applicable at the time of the adoption of the Recommendation.

IV. EVALUATION, DECISION AND MONITORING

15. Members should

⁴ These are the safeguard policies relating to: Environmental Assessment (OP 4.01); Natural Habitats (OP 4.04); Pest Management (OP 4.09); Indigenous Peoples (OP 4.10); Physical Cultural Resources (OP 4.11); Involuntary Resettlement (OP 4.12); Forests (OP 4.36); Safety of Dams (OP 4.37); International Waterways (OP 7.50); and Disputed Areas (OP 7.60.)

⁵ The International Finance Corporation's Performance Standards are: Social and Environmental Assessment and Management System; Labor and Working Conditions; Pollution Prevention and Abatement; Community Health, Safety and Security; Land Acquisition and Involuntary Resettlement, Biodiversity Conservation and Sustainable Natural Resource Management; Indigenous Peoples; and Cultural Heritage.

- evaluate the information resulting from screening and review, and decide whether to request further information, decline or provide official support; and
- in the event that support is to be provided, decide whether this should involve conditions to fulfil prior to, or after the final commitment for official support, e.g. prevention and/or mitigation measures, covenants, monitoring requirements.

16. Where support for a project is provided subject to fulfilment of certain conditions, Members should ensure that procedures are in place to monitor, as appropriate, the implementation of the project, regardless of its classification, to ensure compliance with the conditions of their official support. In the case of non-compliance with the conditions of official support by applicants, Members should take any action that they deem appropriate in order to restore compliance, in accordance with the terms of the contract for official support.

17. Members should, where appropriate, encourage project sponsors to make *ex post* monitoring reports and related information publicly available.

V. EXCHANGE AND DISCLOSURE OF INFORMATION

18. Members should publish national ECA environmental policy statements/principles and procedural guidance.

19. Taking into account the competitive context in which they operate and constraints of business confidentiality, Members⁶ should:

- Share information with other Members with a view to seeking, where appropriate, common positions on the review of projects, including project classification, 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.
- For Category A projects:
 - disclose publicly project information, including project name, location, description of project and details of where additional information may be obtained, as early as possible in the review process and at least 30 calendar days before a final commitment to grant official support; and
 - require that environmental impact information be made publicly available (e.g. EIA report, summary thereof) as early as possible in the review process and at least 30 calendar days before a final commitment to grant official support.
 - In the case where such project or environmental impact information has not, for exceptional reasons, been made public Members shall explain the circumstances and report these in accordance with paragraph 22.
- Make available to the public at least annually, subject to legal provisions on public disclosure in Members' countries, information on projects classified in Category A and Category B, including environmental information, for which a Member has made a final commitment with respect to providing official support.

20. The ECG shall:

⁶ In re-insurance situations, Members may rely on the lead Member to undertake the disclosure provisions of this Recommendation.

- Exchange views on a regular basis with appropriate civil society organisations⁷ on the operation of this Recommendation.
- Share experiences with and exchange information on the operation of this Recommendation with Non-Member Economies to increase awareness and understanding of the benefits of applying this Recommendation.
- With due regard to business confidentiality, make aggregated information publicly available annually based on Members' reporting in accordance with paragraph 22.

VI. REPORTING AND MONITORING OF THE RECOMMENDATION

21. Members shall:

- Ensure, through appropriate measures and mechanisms, compliance with their policies and procedures pursuant to this Recommendation.
- 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 a review as referred to in paragraph 12.
- Continue to enhance and improve procedures at a national level to address the environmental impacts of projects, and to encourage their ECAs to allocate appropriate resources for this purpose.

22. Members shall:

- Report to the ECG *ex post* on an on-going basis or at a minimum semi-annually, in accordance with Annex III, all projects classified in Category A and Category B for which a final commitment has been issued, including the reasons for classification.
- Build a body of experience on the application of this Recommendation through regular exchanges of information, with the aim of improving common practices and promoting a level playing field. This work should be based on, for example:
 - The *ex post* reporting of projects, in accordance with Annex III, including the reasons for classification.
 - Experience gained in respect of exports of capital goods and services to existing operations, as identified in paragraph 5.1 above.
 - Any issues or developments within the field of environmental assessment of projects or existing operations.

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

24. The ECG shall, in the light of experience, review all elements of this Recommendation not later than the end of 2010 and report to Council.

ANNEX I

⁷ Civil society organisations include business, industry, banking and trade union associations and non-governmental organisations.

ILLUSTRATIVE LIST OF CATEGORY A PROJECTS

The following is an illustrative list⁸ containing examples of the types of new and major expansion projects that may be classified as Category A.

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 (equivalent to a gross electrical output of 140 MWe for steam and single cycle gas turbines power stations) or more and nuclear power stations and other nuclear reactors, including the dismantling or decommissioning of such power stations or 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 designed for the production, or enrichment of nuclear fuels, the reprocessing, storage or final disposal of irradiated nuclear fuels, or for the storage, disposal or processing of radioactive waste.
4. Integrated works for the initial smelting of cast-iron and steel, e.g. "installations for the production of primary steel by blast furnace route or direct reduction; installations for the production of non-ferrous crude metals from ore, concentrates or secondary raw materials by metallurgical, chemical or electrolytic processes.
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. Chemical installations, *i.e.* those installations for the manufacture on an industrial scale of substances using chemical conversion processes, in which several units are juxtaposed and are functionally linked to one another and which are for the production of: basic organic chemicals; basic inorganic chemicals; phosphorous-, nitrogen- or potassium-based fertilizers (simple or compound fertilizers); basic plant health products and of biocides; basic pharmaceutical products using a chemical or biological process; explosives.
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; construction of a new road of four or more lanes, or realignment and/or widening of an existing road so as to provide four or more lanes, where such new road, or realigned and/or widened section of road would be 10 km or more in a continuous length.
8. Pipelines, terminals, and associated facilities for the large-scale transport of gas, oil, and chemicals.
9. Sea ports and also inland waterways and ports for inland-waterway traffic which permit the passage of vessels of over 1 350 tonnes; trading ports, piers for loading and unloading connected to land and outside ports (excluding ferry piers) which can take vessels of over 1 350 tonnes.

⁸ The source is the revised EBRD Environmental Policy applicable as of April 29, 2003 (<http://www.ebrd.org/about/policies/enviro/policy/policy.pdf>); for the purposes of this Recommendation, this List has been adapted by the ECG.

10. Waste-processing and disposal installations for the incineration, chemical treatment or landfill of hazardous, toxic or dangerous wastes.
11. Large⁹ dams and other impoundments designed for the holding back or permanent storage of water.
12. Groundwater abstraction activities or artificial groundwater recharge schemes in cases where the annual volume of water to be abstracted or recharged amounts to 10 million cubic metres or more.
13. Industrial plants for the production of pulp, paper and board from timber or similar fibrous materials with a production capacity exceeding 200 air-dried metric tonnes per day.
14. Peat extraction, quarries and open-cast mining, and processing of metal ores or coal.
15. Extraction of petroleum and natural gas for commercial purposes.
16. Installations for storage of petroleum, petrochemical, or chemical products with a capacity of 200 000 tonnes or more.
17. Large-scale logging.
18. Municipal waste water treatment plants with a capacity exceeding 150 000 population equivalent.
19. Municipal solid waste-processing and disposal facilities.
20. Large-scale tourism and retail development.
21. Construction of overhead electrical power transmission lines.
22. Large-scale land reclamation.
23. Large-scale primary agriculture/sylviculture involving intensification or conversion of natural habitats.
24. Plants for the tanning of hides and skins where the treatment capacity exceeds 12 tons of finished products per day.
25. Installations for the intensive rearing of poultry or pigs with more than: 40 000 places for poultry; 2 000 places for production pigs (over 30 kg); or 750 places for sows.
26. Projects which are planned to be carried out in sensitive locations or are likely to have a perceptible impact on such locations, even if the project category does not appear in the above list. Such sensitive locations include National Parks and other protected areas identified by national or international law, and other sensitive locations of international, national or regional importance, such as wetlands, forests with high biodiversity value, areas of archaeological or cultural significance, and areas of importance for indigenous peoples or other vulnerable groups.
27. Projects involving the involuntary resettlement of a significant number of affected people.

ANNEX II

⁹ As per the definition of the International Commission on Large Dams (ICOLD). ICOLD defines a large dam as a dam with a height of 15m or more from the foundation. Dams that are between 5 and 15m high and have a reservoir volume of more than 3 million m³ are also classified as large dams.

ENVIRONMENTAL IMPACT ASSESSMENT REPORT¹⁰

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):

1. Executive Summary: concisely discusses significant findings and recommended actions.
2. Policy, legal and administrative framework: discusses the policy, legal, and administrative framework within which the EIA is carried out.
3. 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.
4. 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.
5. 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.
6. 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.
7. 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.
8. Consultation: Record of consultation meetings, including consultations for obtaining the informed views of the affected people, local non-governmental organisations and regulatory agencies.

ANNEX III

REPORTING TEMPLATE FOR CATEGORY A AND CATEGORY B PROJECTS

1. Project Information.
 - i) Name of project

¹⁰ This Annex is based on the World Bank Operational Manual – OP 4.01.

- ii) Project country
 - iii) Project Sector
 - iv) Project Finance
 - v) Amount Officially Supported (SDR million)
 - vi) Brief description of capital goods and services and the project to which these are destined
2. Cooperation with other ECAs (if relevant).
- i) Other ECAs involved
 - ii) If yes, please specify the name(s) and role(s) of each ECA:
3. Classification.
- i) Category of project
 - ii) Reasons for classification, including project type
4. Type of Environmental Information Reviewed.
- i) Environmental Impact Assessment (EIA)
 - ii) If no EIA, please specify the type and source of environmental information reviewed
5. Environmental Standards / Benchmarks applied.
- i) Compliance with Host Country Standards
 - ii) International Standards against which the project was benchmarked
 - World Bank Safeguard Policies
 - IFC Performance Standards
 - Regional Development Bank (please specify which one)
 - Standards of the European Union
 - Other international recognised standards that are higher than those standards referenced above (please specify)
 - Other internationally recognised sector specific or issue specific standards that are not addressed by the World Bank Group (please specify)
 - iii) If project does not meet the international standards against which it has been benchmarked, please justify the standards applied
6. Evaluation of Environmental Information Reviewed.
- i) Key environmental factors taken into consideration

- ii) Outcome of Evaluation
- iii) If support given with additional environmental conditions, please describe the conditions

7. Disclosure of Information (for Category A projects only).

- i) *Ex ante* disclosure of project and environmental impact information:
- ii) If no, please explain why

8. Additional Information.

- i) Commitment Date (optional)
- ii) Form 1C number (where relevant)
- iii) Any comments which may help build the body of experience on the implementation of this Recommendation

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- **Recommendations:** OECD legal instruments which are not legally binding but practice accords them great moral force as representing the political will of Adherents. There is an expectation that Adherents will do their utmost to fully implement a Recommendation. Thus, Members which do not intend to do so usually abstain when a Recommendation is adopted, although this is not required in legal terms.
- **Declarations:** OECD legal instruments which are prepared within the Organisation, generally within a subsidiary body. They usually set general principles or long-term goals, have a solemn character and are usually adopted at Ministerial meetings of the Council or of committees of the Organisation.
- **International Agreements:** OECD legal instruments negotiated and concluded within the framework of the Organisation. They are legally binding on the Parties.
- **Arrangement, Understanding and Others:** several ad hoc substantive legal instruments have been developed within the OECD framework over time, such as the Arrangement on Officially Supported Export Credits, the International Understanding on Maritime Transport Principles and the Development Assistance Committee (DAC) Recommendations.