

September 12, 2024

The Honorable Janet Yellen
Secretary
Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

The Honorable Reta Jo Lewis
President and Chair of the Board of Directors
Export-Import Bank of the United States
811 Vermont Ave., NW
Washington, D.C., 20571

Dear Secretary Yellen and Chair Lewis:

From its first week in office, the Biden-Harris administration has affirmed its commitment to a simple principle: public support for overseas unabated fossil fuel projects is fundamentally inconsistent with U.S. strategic interests and climate goals, and it should end.¹ The integrity of this commitment hinges on robust implementation by all federal agencies, and the U.S. Export-Import Bank (EXIM) is no exception. We urge the Biden-Harris Administration to deliver on this commitment by: (1) ensuring that EXIM move faster and further in adhering to this mandate in policy and practice, and (2) securing an agreement at the Organization for Economic Cooperation and Development (OECD) to restrict this kind of export support for fossil fuels from all member countries.

Based on projects it has supported, EXIM's balance sheet tilts toward fossil investments rather than the clean energy sectors that are key to advancing both our climate and trade interests. Since May 2023, EXIM has approved \$1.4 billion in fossil fuel projects and has several more in its pipeline.² This imbalance needs to urgently change if the U.S. is to remain a climate leader on the international stage, and if the world is going to deliver on our 1.5°C climate goals in this decisive decade. As your Administration rightly noted: "Scaling back public investments in carbon-intensive fossil fuel-based energy is the necessary corollary to increasing investments in climate-friendly activities".³

¹ The *Executive Order on Tackling the Climate Crisis at Home and Abroad* directed key U.S. agencies, including EXIM to: "identify steps through which the United States can promote ending international financing of carbon-intensive fossil fuel-based energy". The *U.S. International Climate Finance Plan* committed that: "Departments and agencies will seek to end international investments in and support for carbon-intensive fossil fuel-based energy projects."

² Since May 2023, EXIM has provided \$500 million to an oil and gas project in Bahrain, \$99.7 million for an oil refinery in Indonesia, \$400 million for an LNG project, \$240 million for a gas project in Iraq, and \$71 million for an oil tank project in the Bahamas. EXIM is also reportedly considering additional fossil fuel projects in Malaysia (\$743 million), Mozambique, Papua New Guinea, and Guyana.

³ See April 22, 2021 *U.S. International Climate Finance Plan*: <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/22/executive-summary-u-s-international-climate-finance-plan/>

Alone among federal agencies, EXIM continues to choose to exempt itself from the Biden-Harris Administration Interim Fossil Energy Engagement Guidance⁴ directing U.S. agencies to implement these commitments. EXIM appears to have ignored the principles underpinning the Guidance by providing billions of dollars for carbon-intensive fossil projects such as 450 oil and gas wells in Bahrain and the Freeport liquefied fossil gas project.⁵ Billions more are currently moving through EXIM's project pipeline.

For the last year and a half, EXIM has stated repeatedly that it would revise its Environmental and Social Due Diligence Procedures and Guidelines (ESPG) to adhere to the President's pledge to end public support for fossil fuels. However, EXIM now says that it will not revise the ESPGs until well into 2025, at the earliest, and that those revisions will not include an emissions performance standard or similar policy to implement the Interim Fossil Energy Engagement Guidance. EXIM's environmental policy is woefully out of date. It was last amended in 2013 and includes weak, outdated provisions to address climate change. It is well past time to modernize this decades-old guidance and conform with the Biden-Harris Administration's leadership and policies.

Even in the absence of a specific policy, EXIM's existing Charter authorizes the Board to turn down projects on environmental grounds. Similarly, Congress has directed EXIM to adhere to international agreements on rates, terms and conditions such as those in the OECD Arrangement on Officially Supported Export Credits (the Arrangement) – the multilateral rules on export credits that all OECD members follow. EXIM cannot evade these obligations by declining to adopt a policy. EXIM's leadership should not propose and its Board of Directors should not approve new projects on this basis even while it updates its guidance and while the U.S. secures more ambitious restrictions in the OECD Arrangement.

Finally, the U.S. must help lead the ongoing negotiations at the OECD to restrict export credit support for all unabated fossil fuel projects, as it committed to do at COP26 in Glasgow. The lack of support for this proposal from the U.S. has called into question the U.S. commitment to the COP26 agreement. It is time for the U.S. to put forward a specific proposal at the OECD to give full effect to ending public support for unabated fossil energy investments, and to secure agreement with the other countries.

EXIM's continued support for fossil projects, its years-long delay in adopting (or even proposing) new policies to restrict fossil finance, and its unwillingness to even commit to adhering to the existing provisions of the Arrangement have impeded the administration's efforts to align financial flows with climate imperatives. And they have

⁴ NRDC analysis: <https://www.nrdc.org/bio/jake-schmidt/us-will-stop-supporting-overseas-fossil-fuel-projects>

⁵ See: <https://www.politico.com/news/2024/03/03/biden-climate-council-00144545>

undermined broader U.S. credibility, negatively impacting our reputation as a reliable partner, providing cover for backsliding and obfuscation by other countries, and complicating efforts to advance other diplomatic and strategic priorities.

We urge you to work expeditiously to update EXIM's policies and the OECD Arrangement to fully and effectively align export finance with efforts to combat the climate crisis this year. Achieving this alignment is essential for EXIM's continued support amongst stakeholders.

Sincerely,

Center for American Progress

CERES

Foreign Policy for America

Natural Resources Defense Council

Sierra Club

Union of Concerned Scientists

CC: Secretary Anthony Blinken; Secretary Gina Raimondo; Jake Sullivan, National Security Advisor; John Podesta, Senior Adviser to the President for International Climate Policy