



ALIGNMENT OF THE UNITED STATES EXPORT-IMPORT BANK (US EXIM) WITH THE US CLIMATE AND DEVELOPMENT POLICY OBJECTIVES

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Research Report

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ACRONYMS

CCS	Carbon capture and storage
CCUS	Carbon capture, utilization, and storage
CHIPS and Science Act	Creating Helpful Incentives to Produce Semiconductors and Science
DFC	US International Development Finance Corporation
DFI	Development finance institutions
DRE	Decentralized renewable energy systems
E3F	Export Finance for Future
ECA	Export credit agency
EO	Executive Order
ESG	Environment, social, and governance
EXIM	United States Export-Import Bank
FSOC	Financial Stability Oversight Council
FY	Fiscal year
GFSA	Global Food Security Act
GHG	Greenhouse gas
IFC	International Finance Corporation
IPCC	Intergovernmental Panel on Climate Change
IRA	Inflation Reduction Act
LCR	Local content requirements
LNG	Liquefied natural gas
MCC	Millennium Challenge Corporation
MDB	Multilateral development bank
MMIA	Make More in America Initiative
NDC	Nationally Determined Contribution
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
OIG	Office of Inspector General
OPIC	Overseas Private Investment Corporation
PCAF	Partnership for Carbon Accounting Financials
R&D	Research and Development
SDG	Sustainable Development Goal
TCFD	Task Force on Climate-Related Financial Disclosure
UN	United Nations
USAID	US Agency for International Development
USTDA	US Trade and Development Agency

EXECUTIVE SUMMARY

Objectives and methodology

This study assesses the alignment of United States Export-Import Bank (EXIM)—the official export credit agency (ECA) of the US—with the country’s climate and development policy objectives derived from relevant Executive Orders (EOs), acts, guidance, and strategic policy documents. ECAs are government-backed financial institutions that typically promote trade abroad and support the competitiveness of national companies overseas. As public finance institutions, they bear the political mandates and international commitments of their respective governments, including those under international treaties such as the Paris Agreement and the United Nations (UN) Sustainable Development Agenda. This study examines EXIM against the framework of policy coherence for sustainable development that promotes the principle of a whole-of-government coordination. The methodology for this study includes desk-based research and interviews to further corroborate key findings. Interviewees included representatives from EXIM, the US Treasury, and the US Congress, as well as civil society actors such as Friends of the Earth US and the Sierra Club. The report is further complemented by information collected during the US EXIM Bank 2022 Annual Conference.

The analysis covers five main areas:

1. **Mapping of EXIM’s climate and development policies:** synthesis of EXIM’s existing strategies and practices to address climate and development challenges within its operations;
2. **Review of the US climate and development policies:** analysis of key policy objectives related to climate and development under President Biden’s administration;
3. **Analysis of the coherence** between EXIM’s climate and development policies with the US climate and development policy objectives;
4. **Evaluation of how EXIM compares to other US agencies** with regards to alignment with the US climate and development objectives;
5. **Distillation of recommendations on how different public actors can meaningfully support the reform process** of EXIM towards better alignment with the US climate and development objectives, including the Paris Agreement and Sustainable Development Goals (SDGs).

Key findings

EXIM’s climate and development track record

Like other ECAs, EXIM aims to provide financial support to US exports where financing gaps exist in the private markets and contribute to job creation for the US workforce. However, the role of EXIM has sparked controversy among US lawmakers regarding its effectiveness in promoting exports and creating American jobs. While it has bipartisan support, opposition from both liberal and conservative factions has criticized its role in the US economy. Calls to

disband EXIM have been made due to concerns about corporate welfare, crony capitalism, and market distortion.

The study finds EXIM's climate and development track record is an issue of contention. Despite EXIM's claims that it assesses environmental and human rights impacts as part of its due diligence process, the agency has consistently faced allegations of environmental harm and human rights violations in the projects it has supported. Examples include the liquefied natural gas (LNG) project in Mozambique and Reliance Energy's Sasan coal mine project in India. Both were heavily criticized for extending fossil fuel consumption and for committing violations of human rights. Such claims have also been made regarding EXIM's support for critical minerals and nuclear projects, particularly in jurisdictions that lack robust legal frameworks. This is despite EXIM having established due diligence policies, including the Organisation for Economic Co-operation and Development (OECD) Recommendation on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence. EXIM is also a signatory of the Equator Principles, a voluntary risk management framework for the financial industry for managing environmental and social risk in projects. Additionally, the agency has yet to demonstrate efforts to consider and ensure equity (including for groups that face discrimination and with regard to gender) when conducting client risk assessments or to collect information on the gender impacts of the projects it supports. Furthermore, EXIM has not made any explicit declarations or commitments on its support to the principles of a just climate transition or the 2030 UN Sustainable Development Agenda.

The study further finds that EXIM's portfolio demonstrates support for sectors that perpetuate fossil fuel-intensive sectors that contribute to a carbon lock-in. In 2021, 38 percent of EXIM's support was to the aircraft sector, followed by oil and gas (26 percent) and manufacturing (19 percent). However, EXIM provides limited public disclosure of its support to fossil fuel value chains (e.g., export of equipment for coal mining, transport infrastructure, etc.). Lack

of transparency and comprehensiveness of EXIM's transaction reporting hinders accountability to the US taxpayers, who bear the risks and liabilities of EXIM's activities. Transaction reporting needs to be updated to comply with international best practices. EXIM's charter sets an aspirational target that requires that no less than 5 percent of EXIM's total financing each year support renewable energies, energy efficiency, and storage, yet EXIM has failed to meet this modest target.

As part of its governance and accountability frameworks, Congress has authorized the Office of the Inspector General (OIG) in 2002 to provide oversight of EXIM programs and operations through independent audits, investigations, inspections, and evaluations. However, the OIG has been criticized for inadequately keeping EXIM in check, especially with regards to its due diligence and risk management procedures. EXIM's leadership further consists of an advisory committee and subcommittees that make recommendations that, among other issues, EXIM adopt more ambitious climate-related and equity policies. While the 2022–2026 strategic plan demonstrates some progress by EXIM in integrating climate considerations in the agency's operations, EXIM has not developed a climate change policy, nor indicated how it can contribute to the US climate targets, despite an explicit recommendation of the EXIM Subcommittee on Climate to do so.

EXIM's potential role in achieving climate and development policy objectives

President Biden has committed to scale up climate finance in the International Climate Finance Plan (2021) and to tackle the climate crisis at home and abroad as envisioned in the Executive Order 14008: Tackling the Climate Crisis at Home and Abroad. He sees a key role for EXIM. However, EXIM and other US agencies have a concerning history of supporting fossil fuels, both domestically and abroad. To meet the US international climate commitments, EXIM and other US agencies must be fully on board and must cease providing public finance for fossil fuels, while ramping up investment in renewable energy and other climate-friendly exports.

At the international level, the US is a participant in the OECD Arrangement on Officially Supported Export Credits (“the Arrangement”), whereby EXIM and other ECAs have committed to ban support for coal-fired power plants without carbon capture and storage (CCS). However, the US and EXIM have yet to join other coalitions that support the shift of official trade and export finance away from fossil fuels, such as the Export Finance for Future (E3F) initiative, which is supported by 10 major European economies. President Biden has also signed the Statement on International Public Support for the Clean Energy Transition, alongside 39 countries and financial institutions. The statement’s aim is to end new direct public support for unabated fossil fuels by the end of 2022. However, the Biden administration has yet to publicly release the policy guidance to the US agencies to operationalize this policy. Steps taken so far to restrict public finance for international fossil fuel projects contain loopholes that may allow agencies such as EXIM to continue financing gas.

Recent developments signal that the US is moving towards a green industrial policy that combines industrial interests with climate policy. This presents an opportunity for EXIM to foster innovation and the US technological competence through incentivizing climate-friendly exports. Indeed, EXIM provides enhanced flexibility for climate-friendly exports via the Transformational Exports Area content policy, which lowers the US content requirements for renewable energy, energy efficiency, and energy storage transactions. Moreover, the recent modernization of the OECD Arrangement gives EXIM additional flexibilities to improve its financing terms for climate-friendly exports. Such exports can facilitate the development and transfer of technologies that reduce greenhouse gas (GHG) emissions while promoting a just transition that supports workers in both growing and declining energy industries.

Gaps in the alignment of EXIM with the US climate and development policy objectives

The study assesses coherence between the policies and practices of EXIM and the US climate and

development objectives against the OECD’s pathway for policy coherence for sustainable development. The study finds that while there is some coherence in the stated climate and development objectives and motivations of the US, there is lack of alignment at the implementation level.

Despite the commitments made by President Biden to phase out fossil fuel support and scale up climate finance, evidence of EXIM’s active contribution and compliance is lacking. This comes against the backdrop of EXIM’s portfolio, which demonstrates continued support for fossil fuels and limited support for renewable energy. A contributing factor may be the lack of high-level policy guidance to implement Biden’s commitments at the agency level. Further challenges arise in EXIM’s charter, which contains a nondiscrimination clause that EXIM has seemingly interpreted as an impediment to rejecting financial support for projects based on climate considerations. However, as the study demonstrates, the content of the nondiscrimination clause does not effectively prevent EXIM from screening projects and developing internal criteria and procedures that can screen and filter projects on carbon intensity without any explicit exclusion by industry, sector, or business.

EXIM’s contributions to climate and development are further found to be impacted by the changing political tides of the US, especially on the climate agenda. The study finds that during periods when EXIM’s reauthorizations were delayed, projects with positive contributions to climate and development proceeded at a very slow pace. Moreover, EXIM’s activities are export driven and primarily focused on boosting domestic manufacturing and jobs. As a result, few considerations are made for the needs of recipient local populations given the preference for providing support to large infrastructure projects. This is essentially a result of a narrowly defined mission that the “objects and purposes of the Bank shall be to aid in financing and to facilitate exports of goods and services, imports, and the exchange of commodities and services between the United States or any of its territories or insular possessions and any foreign country or the agencies or nationals

of any such country, and in so doing to contribute to the employment of United States workers.”

Indeed, other US agencies that do have a development mandate, including the US Agency for International Development (USAID), the US International Development Finance Corporation (DFC), and the Millennium Challenge Corporation (MCC), have begun to support President Biden’s climate and development objectives, while EXIM lags. With regards to internal climate change and development policies and commitments, all other agencies have made varying statements and commitments related to climate change and most importantly to phasing out support for fossil fuels. The study finds that EXIM lags behind these agencies, particularly with regard to making an explicit commitment to contribute to climate finance and to achieve net-zero carbon emissions across its portfolio.

Key policy recommendations

Based on the findings, the following recommendations are made to increase the alignment between EXIM and the US climate and development objectives set by the Biden administration.

(i) Update the mission and mandate of EXIM

The US president should demonstrate high-level political commitment to the Paris Agreement and the UN SDGs to reinforce the US climate and development leadership while supporting policy coherence. This should include reviving the American spirit-of-mission orientation of the US government agencies, including EXIM, to respond to global challenges. Agencies should place a just energy and climate transition at the center of their mandates, which entails, among others, absolute limits on fossil fuel production. However, updating the mandate of EXIM would require bipartisan support, which may be difficult to achieve in the current political circumstances.

(ii) Bolster transparency and accountability of EXIM

To bolster the accountability and transparency of EXIM, legal reforms should be pursued, including expanding the legal basis and authority for EXIM to prohibit support for high-carbon sectors and firms involved in human rights and environmental violations. The US Congress may also consider subjecting EXIM to judicial oversight and expanding the mandate of the Office of the Inspector General regarding EXIM to ensure EXIM adheres to these proposed terms. Congress may also consider increasing the transparency requirements for EXIM, such as public disclosure of its lending practices and criteria, to curb allegations of cronyism and corporate welfare.

The Secretary of State may use its authority to direct EXIM to reject applications for fossil fuel projects, thus implementing the International Energy Engagement Guidance. This may be achieved by clearing fossil fuel projects with the Secretary of State prior to a Board decision in order to ensure the project is in line with the Biden administration’s climate and development objectives. This would be a “last resort” option that may be activated should other avenues to phase out fossil fuel support not work.

EXIM should further bolster its transparency and accountability mechanisms. This includes improving EXIM’s public disclosure of its support of fossil fuel value chains and adopting a comprehensive GHG accounting methodology. EXIM should also integrate climate risks and opportunities into risk assessment processes, e.g., by adhering to the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. These steps will help to shed light on the environmental and social impacts of EXIM’s operations and align it with international best practices. EXIM may consider, like other ECAs, tracking and disclosing its portfolio emissions based on current best practices under the Partnership for Carbon Accounting Financials (PCAF).

(iii) Set out a new operating model

Civil society and policy makers should insist the leadership and management of EXIM set out the operational and organizational changes needed to ensure the activities of EXIM align with the Paris Agreement and contribute to a just transition. This may include supporting only companies that agree to plan for net-zero emissions by 2050. It also means applying strict financial conditions to ensure finance supports jobs and economic stability while contributing to a just transition that creates green jobs that can thrive in a low-carbon economy. The leadership should also assess the capacity needs at EXIM to ensure these recommendations can be implemented. Leadership should upskill EXIM staff as necessary.

EXIM should also adopt a human rights-based approach to its investments and ensure robust due diligence is conducted before providing financial support to firms in line with best practices, e.g., the

UN Guiding Principles on Business and Human Rights. This should include expanding the accessibility of its grievance mechanism to ensure affected communities can raise concerns on supported projects with ease.

(iv) Foster a new, level playing field in the global export finance system

EXIM and the US government should work with other trade partners towards ensuring that the global export finance system is aligned with the Paris Agreement. For example, the US Treasury should endeavor to table credible proposals for restrictions on oil and gas value chains as part of the Arrangement on Officially Supported Export Credits under the OECD. The US should further push for a common definition and measurement of climate finance in the export finance system and common approaches to ensure net zero can be achieved in the international export finance system.

1. INTRODUCTION

The US, as a top producer and consumer of fossil fuels, has historically been one of the largest emitters of greenhouse gases (GHGs) and therefore must demonstrate climate leadership in driving emissions down. To date, climate change has proven to be a highly divisive issue in US politics, and comprehensive government action has routinely been blocked and dismantled by members of the Republican Party, e.g., over the period of President Trump's administration. Following the election of Joe Biden in 2020 as president of the US, there has been renewed hope that his administration would prioritize climate action across its activities, fulfilling its election pledges.

The US has set an ambitious climate goal through its Nationally Determined Contribution (NDC) under the Paris Agreement to reduce its net GHG emissions to 50–52 percent below 2005 levels by 2030 (UNFCCC 2021). The US government has also committed to double climate-related financing to low- and middle-income countries by 2024 compared to 2013–2016, underpinning the importance of climate change in the US development policy. This commitment follows a series of rollbacks in climate policy during President Trump's administration (The White House 2021a; Gross 2020).

This is among a series of commitments set by President Biden's administration since rejoining the Paris Agreement to tackle climate change domestically and abroad, while rebuilding the US economy following the COVID-19 pandemic. The administration has also committed to scale back fossil fuel support, including a commitment to end finance for fossil fuels overseas. This commitment

comes after decades of the fossil fuel industry in the US fighting against climate science and lobbying against climate policies. However, President Biden's short-term measures in 2022 to cope with inflation and other effects of high oil and gas prices may compromise these climate goals, demonstrated by the lack of a concrete and coherent government approach to liquefied natural gas (LNG). Several policies include loopholes that allow both domestic and international financing that permits carbon lock-in to continue.

As the official export credit agency (ECA) of the US, EXIM has the mandate to support American businesses when the private sector is unable or unwilling to provide export financing through loans, guarantees, and insurance products. One reason it is relevant to examine EXIM's portfolio and strategy from a climate and development perspective is the relatively high-risk appetite: transactions in riskier geographies and sectors (e.g., large-scale infrastructure projects in politically unstable environments) are eligible for financing if they benefit national exports and are in line with public due diligence. This subset of activities is in many cases inextricably linked to climate and development concerns, especially the objectives of the Paris Agreement to pursue efforts to limit global temperature increase to 1.5°C above preindustrial levels and the Sustainable Development Goals (SDGs). Hence these activities warrant closer examination. According to the Intergovernmental Panel on Climate Change (IPCC), limiting warming to 1.5°C is necessary to avoid the worst impacts of climate change. Limiting warming to this level critically depends on rapid GHG emission reductions

in the near term, halving global emissions by 2030, and reaching net-zero emissions globally by 2050 (IPCC 2018).

This study assesses the alignment of United States Export-Import Bank (EXIM) with climate and development policy objectives of the US. Specifically, EXIM is examined against the framework of policy coherence for sustainable development that promotes the principle of a whole-of-government coordination. Even though the Bank does not have a development mandate, given its engagement in infrastructure projects in low- and middle-income countries¹ as well as its status as the official ECA of the US, EXIM's activities are closely linked to development. Relevant sets of policies thus include selected (i) Executive Orders (EOs) from the White House;² (ii) policies and strategies issued at the Department of State;³ as well as (iii) policies and strategies from the US development agency, the United States Agency for International Development (USAID) (see Annex 1 for a detailed overview).⁴ Particular emphasis will be put on trade-offs that emerge at the intersection of development and climate, e.g., in the context of developing local capacities and (industrial) value chains, reducing poverty and inequalities, and achieving national climate objectives. The study also builds on the state-of-the-art research methodology of the Paris alignment of export finance (Shishlov et al. 2021) as well as relevant literature on the intricate relationship between trade policies and the national climate and development agenda.

The methodology for this study includes desk-based research and interviews to further corroborate findings. Interviewees included representatives from EXIM, the US Treasury, the US Congress, and civil society actors such as Friends of the Earth US and the Sierra Club. The report is further complemented by information collected during the US EXIM Bank 2022 Annual Conference.

The study proceeds as follows. First, we review climate and development policies of EXIM. We then review the US climate and development objectives and distil the key implications for EXIM, before assessing EXIM's policies against the US climate and development objectives. Afterwards, we briefly compare EXIM with other US agencies, such as the US International Development Finance Corporation (DFC) and its predecessor agency, the Overseas Private Investment Corporation (OPIC); USAID; and the Millennium Challenge Corporation (MCC). We then conclude with a set of policy recommendations for EXIM, the US government, and civil society.

¹ Defined broadly as all countries outside the Organisation for Economic Cooperation and Development (OECD) and the rest of Europe.

² <https://www.federalregister.gov/presidential-documents/executive-orders>.

³ <https://www.state.gov/>.

⁴ <https://www.usaid.gov/results-and-data/planning/policy-registry>.

2. OVERVIEW OF UNITED STATES EXPORT-IMPORT BANK (EXIM) AND ITS CLIMATE AND DEVELOPMENT POLICIES

This chapter describes the organizational structure of EXIM and the nature of the financial support it provides to US exporters. It reviews EXIM's track record, processes, and policies related to climate change and development.

2.1. The role of export credit agencies (ECAs) and their climate and development impact

ECAs are government-backed financial institutions that play an important role in the international trade finance system on which world trade relies. ECAs typically promote trade abroad and support the competitiveness of national companies abroad (Shishlov et al. 2021). ECAs have the important ability to de-risk investments that support projects to materialize and receive additional funding from other public and private sources, e.g., commercial banks can rely on loan repayments due to insurance, rather than the borrower's financial capacity.

ECAs bear the political mandates and international commitments of their respective governments, including those under international treaties such as the Paris Agreement, particularly its Article 2.1 (c) in which parties agreed to make "finance flows consistent with a pathway towards low greenhouse

gas emissions" (UNFCCC 2015). ECAs therefore play a key role in the transition to net-zero GHG emissions. Additionally, the 2030 United Nations (UN) Sustainable Development Agenda rests on trade mechanisms for part of its implementation, especially goals 8, 9, and 12, where trade can drive growth (SDG 8), infrastructure investment (SDG 9), and be a conduit for environmentally friendly goods and services (SDG 12). In a survey conducted by the Organisation for Economic Co-operation and Development (OECD) Working Party on Export Credits and Credit Guarantees in 2021, no ECAs/countries had established targets for new transactions based on their contribution to achieving the 2030 Agenda for Sustainable Development. Less than a third of the 32 ECAs that responded to the survey indicated they were considering introducing such targets for new transactions (OECD 2021).

Moreover, many countries still provide significant financial support to fossil fuels through their ECAs. Oil Change International (2022) indicates that ECAs make up the single-largest group of public finance institutions (PFIs) that support fossil fuel investments, which contributes to a global lock-in of carbon-intensive infrastructures. In contrast to development finance institutions (DFIs), the mandates of ECAs typically do not include developmental goals and are often limited to national economic interests (Shishlov

et al. 2021). Nevertheless, ECAs are highly influential actors in global energy development given that official export financing catalyzes and enables international trade in energy technologies and promotes energy development in the Global South (Wright 2011; Hale et al. 2021). As a result, such narrow mandates are questionable since ECAs have a major role to play in the global energy transition, which is characterized by climate concerns, human rights, and broader environmental issues (OHCHR 2018; Shishlov et al. 2020).

2.2. Overview of US Export-Import Bank (EXIM) operations

EXIM was established in 1934 and subsequently made an independent agency with statutory authority from the Export-Import Bank Act in 1945. Following several amendments and reauthorizations, the act was taken up in the Code of Laws of the United States. Consequently, the Export-Import Bank Act, EXIM's congressional mandate, is permanent federal law of the US. EXIM requires periodic reauthorization from Congress to continue operating. EXIM is a wholly owned government corporation with a core mission "to support American job creation, prosperity and security through exporting" by financing exports and imports of goods and services in the absence of private sector financing (EXIM n.d. a).

As with other ECAs, EXIM's stated goal is to support export projects where financing gaps exist in the private markets and support the success of US exporting firms, while creating jobs for the American people. Broadly, EXIM's main instruments of financial support fall under two categories: support to domestic exporters, e.g., through export credit insurance and working capital loan guarantees; and support for international buyers (e.g., through loans, loan guarantees, project finance, etc.).

US Export-Import Bank (EXIM) governance structure

EXIM is subject to the policies and oversight of the White House and the US Congress. By statute, a

five-member Board of Directors, representing both political parties, leads EXIM and is appointed by the US president, with advice and consent from the Senate. The president of EXIM acts as EXIM's chief executive and sits on the Board of Directors, which oversees the policies and programs of EXIM. Following EXIM's reauthorization in May of 2019, the then-sitting president and Board of Directors began agency reforms to address some of the challenges and criticisms raised against it, with the goal of making EXIM more transparent and accountable (EXIM 2019a). Key reforms include improvements to EXIM's procedures on economic impact and additionality. More specifically, EXIM's Board amended the agency's economic impact procedures to better assess and scrutinize the potential impacts of its pending transactions on relevant domestic industries. EXIM will also provide detailed economic impact analysis and publish nonconfidential summaries following Board decisions on the findings (EXIM n.d. b; EXIM 2020a).

The Board also approved guidelines for the agency's determination of "additionality," relating to the reason why a transaction cannot proceed without EXIM's support, and a commitment to "ensuring that EXIM provides competitive financing to the US exporters while supplementing, not competing with, private capital" (EXIM 2019a; EXIM 2020a). However, an audit of EXIM's approach for determining additionality by the Office of the Inspector General (OIG) in 2022 concluded that EXIM still needs to update its internal policies and oversight procedures to ensure the additionality process is consistent and comprehensive (EXIM 2022a). EXIM has further received renewed support through President Biden's climate-related commitments, which see a role for EXIM in achieving the goals of the International Climate Finance Plan (2021) (The White House 2021b).

The Export-Import Bank Act of 1945 establishes the Advisory Committee to advise the Board and ensure EXIM meets its mandate in supporting US jobs by financing the export of American goods and services (EXIM 2019b). The Committee comprises 17 members appointed by the Board of Directors. The

Board has representatives from various sectors, including the state government, labor, production, the environmental nongovernmental organization community, and finance (EXIM n.d. c). Various subcommittees/councils have also been created, such as the Advisory Subcommittee on Climate and the Council on Climate. The latter advises EXIM on how it can deliver on its mission and congressional mandate to support and promote renewable energy, energy efficiency, and energy storage exports (EXIM n.d. d). The Council on Advancing Women in Business further advises on how EXIM can reach more women business leaders and owners and better consider equity goals set in the agency's strategy.

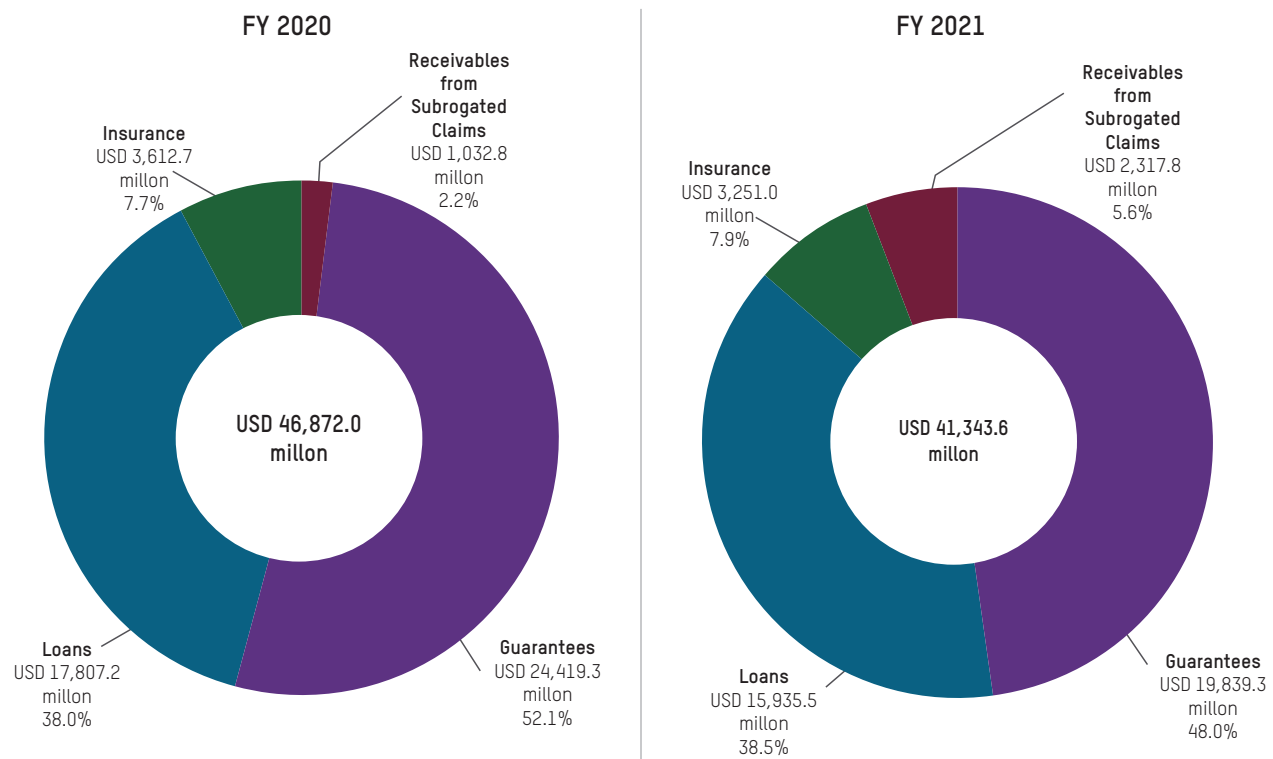
The main advisory committee, subcommittees, and councils of EXIM prepare comments annually to the US Congress on global export credit competition. The comments discuss overall trends in medium- and long-term (MLT) officially supported export credits and include a description of the activities of EXIM (e.g., in promoting and financing renewable energy exports, and data on other ECAs' support to the sector). In the 2021 Global Export Credit Competition report, the committee recommends that EXIM rise up to meet current challenges, such as competition from China, climate change, and redefinition of the future of the agency. The report describes trends, such as other ECAs pivoting to new ways of operating to boost their exporter base and domestic economies in the near term and respond to some of the modern era challenges. These include implementing changes to the OECD Arrangement, increasing climate-related financing, and adopting proactive operating models. The Advisory Committee further reported that EXIM was lagging behind in providing support to renewable energy in comparison to Sweden, Denmark, Germany, the UK, China, and India (EXIM 2022b). The advisory committee and subcommittees/councils can support the reform process of EXIM by fostering more ambitious climate-related and equity policies based on their broad

expertise, while providing an evidence base for Congress to expand the mandate of EXIM to support reforms. These bodies constitute a particularly important lever to increase the flexibility of EXIM given the history of a long political stalemate, self-imposed terms, and the legacy of bureaucracy it must contend with.

As part of its accountability mechanisms, the OIG was authorized by Congress in 2002. The OIG is headed by the Inspector General, who is appointed by the US president with the advice and consent of the Senate. The Inspector General is tasked with providing oversight of EXIM programs and operations through independent audits, investigations, inspections, and evaluations (EXIM n.d. e). The OIG is also responsible for making recommendations for corrective action in EXIM's transactions and for potential systemic improvements in EXIM's policies and procedures. Previous audits conducted by the OIG include progress made on key provisions included in the Reauthorization Act of 2019, e.g., to ensure that no less than five percent of EXIM's exposure cap is made available each fiscal year (FY) for the financing of renewable energy, energy efficiency, and energy storage technology exports (EXIM 2022c).

US Export-Import Bank's portfolio activities

In 2020, EXIM's total exposure (USD 46.8 billion) made up about 2.2 percent of the total value of goods and services exported from the US to foreign countries (EXIM 2020b; Censkowsky 2022). In 2021, the vast share (~86.5 percent) of EXIM's total exposure in terms of volume focuses on loans and guarantees (EXIM 2022d). Figure 1 shows which of EXIM's financial instruments were most frequently accessed by US exporting firms and international buyers in 2020–2021, using the most recently available data.

FIGURE 1. EXIM’s financial instruments, 2020 and 2021

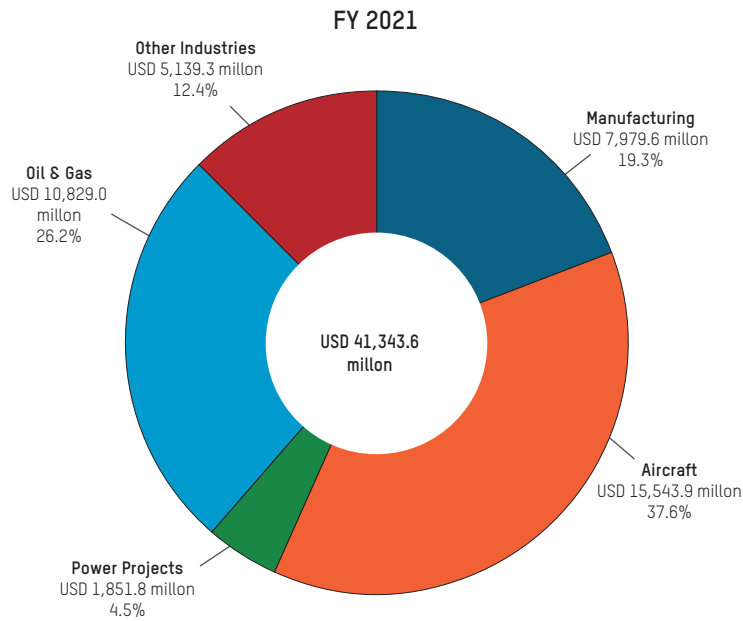
Source: EXIM 2022d

In 2021, in terms of sectors supported by EXIM’s guarantees, insurance, and loans, they are concentrated in a few sectors as shown in Figure 2. Around 38 percent of the businesses supported by EXIM were concentrated in the aircraft sector, followed by oil and gas (26 percent), and manufacturing (19 percent). With regards to fossil fuels, EXIM inadequately discloses its exposure to oil and gas sectors and the power sector, which together covered 30 percent of the sector covered in 2021. The aggregate reporting does not differentiate the renewable energy sector or transition minerals. Moreover, Censkowsky et al. (2022) highlight that EXIM’s reporting on oil and gas exposure is insufficient due to lack of consideration for transactions that support fossil fuel value chains (e.g., export of equipment for coal mining, transport infrastructure, etc.). Moreover, the aircraft industry is a major source of fossil fuel demand and source

of GHG emissions. In 2020, aviation was responsible for 9 percent of global transport emissions and accounted for over 2 percent of global energy-related carbon emissions in 2021 (IEA 2021; IEA 2022). Indeed, EXIM has a long-standing focus on the aircraft sector: it supports Boeing in competition with Airbus, leading to critics calling it “Boeing’s Bank” (De Ruyg 2022).

Against this backdrop, other ECAs, such as the Dutch Atradius DSB, report disaggregated fossil fuel projects based on a whole-of-value chain approach (upstream, midstream, and downstream approach) and consider fossil fueled aviation (and other transport-related emissions) as an element of the downstream fossil fuel value chain (Government of the Netherlands 2021).

FIGURE 2. EXIM’s financial support to companies by sector in 2021

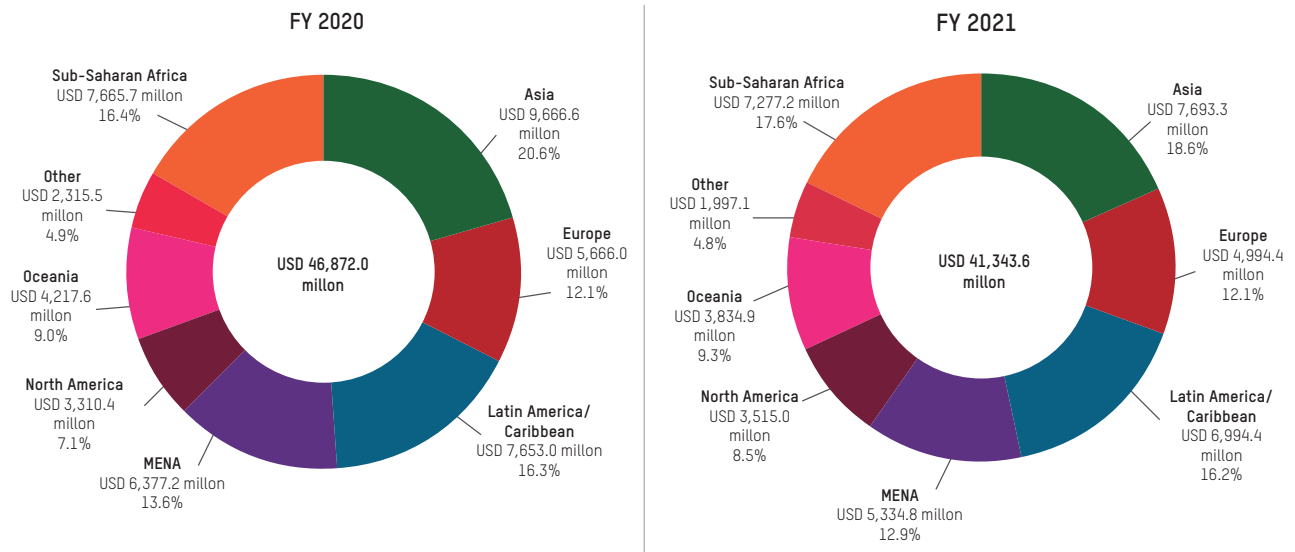


Source: EXIM 2022d

In terms of geography, as illustrated in Figure 3, the largest portfolio of EXIM’s exposures is in Asia, followed by Sub-Saharan Africa. EXIM’s exposure in

Asia includes the controversial Sasan coal plant and mine in India, with nearly USD 1 billion in financing approved in 2010 (EXIM 2010).

FIGURE 3. EXIM’s exposure by geography in 2020 and 2021



Source: EXIM 2022d

Note: MENA = Middle East and North Africa

While EXIM has received continuous bipartisan support, its role and authority have been marred by controversy over its role in the US economy, with opposition coming primarily from both more liberal and more conservative wings on both sides of the divide (Klein 2015). There have been strong calls from some politicians and advocacy groups to disband EXIM on the grounds that it propagates corporate welfare, perpetuates crony capitalism, and distorts the free market (US Congress 2014).

Criticisms of US Export-Import Bank's role and function in the US

Critics argue that the agency provides financing to large corporations, such as Boeing and General Electric, that are already financially stable and do not need government assistance (US Congress 2014; de Rugy 2020; de Rugy 2022). This provision of financing is considered by critics to constitute corporate welfare that gives an unfair advantage to these companies over smaller competitors. Other arguments indicate that EXIM often provides financing to politically connected companies rather than providing financing based on the merits of the project, thereby perpetuating crony capitalism. For instance, Boeing has been one of EXIM's frequent beneficiaries (e.g., up to 70 percent of EXIM's loan guarantee program), leading to EXIM being referred to as "Boeing's bank" (US Congress 2014; de Rugy 2022). Furthermore, some critics argue that EXIM distorts the free market by crowding out private financing and encouraging risky behavior by companies that know they can receive government support (James 2011). Critics argue that private lenders should provide financing to these companies based on market demand and risk assessment, rather than the government providing it.

Between 2015 and 2019, despite reauthorization, EXIM faced a board quorum lapse when conservative Republicans withheld confirmation of Board members who were nominated under both the Obama and Trump administrations, which created a roadblock in EXIM's service delivery (Censkowsky et al. 2022). Despite these challenges, the agency remains operational, although its future is a subject

of ongoing debate in Congress and among advocacy groups.

2.3. Climate and development policies of US Export-Import Bank

US Export-Import Bank's climate- and development-related track record

Generally, EXIM's annual reports do not provide a transparent breakdown of fossil fuel and renewable energy support. According to its 2021 annual report, EXIM's exposure to oil and gas sectors accounted for 26.2 percent (or USD 10.83 billion) in 2021, although the extent of this support is not defined in related oil and gas value chains. However, Censkowsky et al. (2022), Oil Change International (2022), and DeAngelis et al. (2022) note that EXIM has provided financing or guarantees to the coal value chain of at least USD 2.9 billion since 2010. A total of approximately USD 12 billion of support to oil and gas since 2010 has been provided to potentially high-emitting sectors such as mining, aviation, and manufacturing. As recently as September 2019, EXIM approved a USD 4.7 billion direct loan for a controversial LNG project in Mozambique (EXIM 2019c, Buckhardt and Hill 2021). According to EXIM, funding for this project has been put on hold (EXIM 2022e, personal communication, December 14, 2022).

Following a change in EXIM's mandate in July 1992, EXIM is required to increasingly support environmentally beneficial exports, including renewable energies. Following the 2019 Reauthorization Act, EXIM received new requirements to commit at least 5 percent of its financing each year (about USD 6.75 billion out of the maximum of USD 135 billion) between 2020 and 2027 to renewable energy, energy efficiency, and storage exports, e.g., for batteries for electric vehicles (EXIM 2019b). However, EXIM's charter does not comprehensively define environmentally beneficial goods and services, nor does it impose an obligation to reduce support for activities with negative environmental and climate impacts. Every

year, EXIM reports on new authorizations in the environmentally beneficial goods and services category. For instance, in 2021, EXIM reported only 1.25 percent new authorizations for environmentally beneficial exports, amounting to USD 71.9 million, of which only 0.2 percent (USD 11.7 million) was specifically for renewable energy, falling short of the requirements in EXIM's renewed charter. Nevertheless, as with the exposure to coal/oil and gas, EXIM does not define environmentally beneficial goods and services or renewable energy-related exports comprehensively in its reporting. It does not provide a sufficient level of granularity at activity level to assess ECA's full portfolio exposure.

In the wake of the COVID-19 pandemic and other geopolitical shocks on American value chains, including Russia's invasion of Ukraine, EXIM's Board unanimously agreed to increase domestic financing through the Make More in America (MMIA) initiative (EXIM n.d. f; Akita 2022). However, the initiative has received mixed reactions from members of Congress on whether it falls within EXIM's mandate, including criticism that EXIM did not subject the MMIA framework to public notice and comment process prior to Board approval (US Congressional Research Service 2022b). Potential issues likely to be debated by Congress on the initiative may include whether the MMIA competes with the Bank's export mandate and how to evaluate its effectiveness (ibid.). Through the MMIA, EXIM seeks to increase domestic support for export-oriented manufacturing and is open to all sectors. EXIM notes that MMIA will prioritize "environmentally beneficial projects, small businesses, and transformational export area transactions, including renewable energy, and energy storage" (EXIM 2022f). However, given the global shortages in LNG, the MMIA may open the door to new financing for US LNG export projects (Cocklin 2022). This is against a backdrop of lobbying by the US LNG industry for a domestic financing program for the expansion of their LNG terminals, with previous success in securing a deal for the Freeport LNG (EXIM 2021; LNG Allies 2022; Friends of the Earth US 2022).

Controversies surrounding US Export-Import Bank's operations

While EXIM claims it reviews the human rights situation of host countries and assesses human rights impacts as part of its due diligence process, EXIM has consistently been linked to allegations of environmental harm and human rights violations. Most recently, the Mozambique LNG project, which is funded by EXIM and at least five other ECAs, has been termed as "fueling a climate change and humanitarian disaster in Mozambique" (Wensing 2022). In 2021, EXIM was in the spotlight in relation to a supported project for one of its top borrowers, Pemex (Mexico's state-owned oil and gas company), when a gas leak from one of its pipelines led to an ocean fire in the Gulf of Mexico (Gerretsen 2021).

One of EXIM's most controversial projects involves Reliance Energy's Sasan coal and mine project in Madhya Pradesh, India. Since its inception, civil society raised concerns it would entail a "fossil fuel binge" that was inconsistent with President Obama's climate change and fossil fuel phase-out pledges (Carbon Market Watch 2014).

EXIM had previously rejected the Sasan coal project on the grounds that it did not meet the requirements under its carbon policy. It reversed this decision in 2010, "despite the lack of adequate impact assessments and mitigation plans" (ibid.). As it was operationalized, local organizations and affected communities raised concerns about human rights and environmental violations, including increasing pollution and forced displacement related to the 3,960-megawatt (MW) coal-fired power plant and associated mine. Complaints were escalated to EXIM regarding Reliance Energy's operations. These resulted in an OIG inspection of the related transaction to determine whether sufficient due diligence and risk management procedures were followed. The inspection also investigated the thoroughness of EXIM's staff in following the internal guidelines when monitoring the project for compliance with EXIM's environmental policies and procedures in 2015 (EXIM 2015; EXIM n.d. g).

The OIG report confirmed the project involved worker safety violations, some of which led to fatalities. The recommendations in the OIG report were largely limited to asking Reliance Energy to ensure compliance with the environmental, health, safety, and social requirements of EXIM. The recommendation to EXIM was to strengthen and formalize its grievance mechanism. The EXIM OIG team in a field visit during the inspection process reportedly made it difficult for the affected community representatives to meet with them and air their grievances (Carbon Market Watch 2014). Seemingly, EXIM did not take stringent actions against Reliance Energy for these violations, raising concerns about the level of oversight at EXIM.

Other cases include a lawsuit filed against EXIM in 2012 for supporting a fossil fuel project in Australia's Great Barrier Reef World Heritage site that threatened several endangered species (Uhlemann et al. 2012). EXIM and the other ECAs have been accused of ignoring risk assessments that highlighted the project's impact on human security and locking in emissions through the new gas infrastructure to focus on economic benefits (Wensing 2022). Since its creation in 1934, EXIM has supported numerous nuclear-related projects around the world, including both civilian and military applications. More recently, in April 2023, EXIM signed a letter of interest for up to USD 3 billion in financing for a potential project in Poland to deploy small modular nuclear reactors (EXIM 2023). This is against a backdrop of criticism for its role in financing nuclear projects, particularly in countries with less-robust regulatory frameworks (Gramer 2019).

In the past, EXIM provided financing to a mining supplier, Connell Company, of USD 315 million. The Connell Company was accused of human rights violations, including slave labor, owing to a lack of due diligence by EXIM and in violation of the UN's Guiding Principles on Business and Human Rights (Garcia 2017). Hence, as EXIM expands its support for critical minerals (e.g., Webb 2023), the agency will need to ensure robust due diligence procedures of

the highest standards, including explicitly following the UN's Guiding Principles on Business and Human Rights. While EXIM reports on its approach on closing the equity gap in its support for female-owned and male-owned businesses, EXIM does not provide gender-disaggregated information on the impacts of its supported infrastructure projects and how to address such impacts (EXIM 2022h).

2.4. US Export-Import Bank's climate- and development-related policies

Financial and nonfinancial disclosure and transparency

In 1999, EXIM was the first ECA globally to disclose the actual (or projected) CO₂ project emissions, although the methodology used, and standards of emission accounting applied, are not publicly available. EXIM also encourages "climate-friendly" investments and sets a target that requires that no less than 5 percent of EXIM's total financing each year support renewable energies, energy efficiency, and storage, yet EXIM has failed to meet this modest target. According to EXIM, all high-carbon intensity projects are subject to an additional due diligence process whereby the Board of Directors separately reviews the project's carbon production and level of compliance with the set guidelines. Currently, EXIM does not operate a comprehensive GHG reporting system but has committed to doing so in the future for both energy and nonenergy projects (EXIM n.d. h). EXIM may consider, like other ECAs, tracking and disclosing its portfolio emissions based on current best practices under the PCAF. Additionally, unlike many other ECAs, EXIM has yet to adhere or commit to the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD), which encourage companies to disclose information on their climate-related financial risks and opportunities. Doing so is further encouraged in: Executive Order 14030: Climate-Related Financial Risk (2021).

Due diligence and risk management procedures

As mandated by Congress in 1992, EXIM adopted Environmental and Social Due Diligence Procedures and Guidelines to assess the environmental and social impacts of projects financed by EXIM. These guidelines have been institutionalized in the OECD Recommendation on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence. The guidelines have been adopted by EXIM and other OECD ECAs. The OECD Recommendation is well established and relies mainly on the International Finance Corporation's (IFC) Environmental and Social Performance Standards, the World Bank Group's Environmental, Health and Safety Guidelines, the World Bank Safeguard Policies, and the World Bank Environmental and Social Standards. Under these standards, the ECAs are required to provide information on projects for which official support has been provided that have a potentially high (Category A projects) or medium (Category B projects) negative social or environmental impact. In accordance with the Common Approaches, EXIM reports on pending applications and approved Category A and Category B transactions (EXIM n.d. i). Since 2016, the OECD Recommendation on Common Approaches also includes common principles for undertaking social due diligence to identify and address the potential social and human rights impacts and risks relating to applications for officially supported export credits. The OECD Recommendation covers key potential project-related social impacts, including labor and working conditions, adequate engagement with affected communities (e.g., grievance mechanism), indigenous peoples (e.g., free, prior, and informed consent process).

EXIM has also joined the US Department of State and other partner countries, including the European Union (EU), in advancing the goals of the Minerals

Security Partnership (MSP), which aim for responsible supply chains by ensuring that critical minerals are produced, processed, and recycled in a manner that adheres to the highest environmental, social, and governance (ESG) standards (EXIM 2022g; US Department of State 2022b). This is particularly important as the demand for clean energy and other technologies to address climate change and economic growth objectives increases (especially for mineral-endowed countries). The role for EXIM would be to support the US domestic producers with risk-minimizing finance for their projects. EXIM should ensure that all projects it finances adhere to high ESG standards.

Outside the OECD, EXIM has also committed to the Equator Principles,⁵ which is a voluntary risk management framework for the financial industry for determining, assessing, and managing environmental and social risk in projects. While the Equator Principles 4 (July 2020) explicitly support the objectives of the Paris Agreement, they have been criticized for their low ambition in dealing with the climate change crisis and the risk it poses to financial institutions (Grep 2022). Most notably, the principles do not categorically prevent signatory institutions from financing fossil fuel projects⁶ and related infrastructure, which is unaligned with the Paris Agreement goal to keep the average global temperature rise to 1.5°C. For instance, between 2016 and 2019, 37 Equator Principles Association banks jointly expanded fossil fuel financing from USD 519 billion to USD 631 billion, while around 200 separate project finance transactions were reported by signatories between 2016 and September 2021, related to fossil fuel projects (Grep 2021). This is also demonstrated in EXIM's portfolio, with oil and gas covering over 25 percent of the portfolio in 2021.

As a signatory, EXIM and other institutions implicitly commit to respect human rights in line with the UN Guiding Principles on Business and Human

⁵ Developed by the Equator Principles Association (EPA), which was established in 2010 in the US as a voluntary association of financial institutions. See: <https://equator-principles.com/equator-principles-association/>.

⁶ Under Principle 2 (Environmental and Social Assessment), a climate change risk assessment (CCRA) is required for all Category A and, as appropriate, Category B projects, and all projects in all locations where the combined Scope 1 and Scope 2 emissions are expected to be more than 100,000 tons of CO₂ equivalent annually. The CCRA must also include a completed alternatives analysis that evaluates lower greenhouse gas (GHG)-intensive alternatives.

Rights, although the principles do not provide an initiative-wide grievance mechanism or approach for the exclusion of companies that violate human and Indigenous rights from obtaining finance under the principles. EXIM has a dedicated webpage for its grievance mechanism that is crucial for ensuring accountability to its stakeholders if well implemented. The mechanism may also be good practice for other ECAs (EXIM n.d. g; ECA Watch 2021). The mechanism contains a clear six-step process, with indicative timelines. It allows for the anonymity of complainants, subject to the US Freedom of Information Act and other federal disclosure laws. EXIM further maintains a publicly accessible repository of detailed information about past grievances and their outcomes. As of March 2023, the registry contains one project complaint on worker safety for the Sasan Ultra Mega Coal-Fueled Power project in India. EXIM indicates the project has been closed following the implementation of an enhanced level of compliance monitoring (EXIM n.d. j). A shortcoming of the mechanism is that information is only available and accepted in English, which may limit accessibility by affected groups in non-English-speaking jurisdictions.

So far, EXIM has not made any explicit declarations or commitments on its support for the principles of a just climate transition or the 2030 UN Sustainable Development Agenda.

Climate change strategy

In its 2022–2026 Strategic Plan, EXIM demonstrates a growing commitment to integrate climate change considerations in its operations. EXIM has committed to promote renewable energy exports and other climate-positive goods and services to support American jobs (subgoal 1.2) and to incorporate climate-related financial risks into the underwriting process (subgoal 1.3). The Subcommittee on Climate addresses some of these issues, with some specific recommendations for EXIM’s climate policy and portfolio that, if underpinned by international best practices and the latest science, can support EXIM towards alignment with the 1.5°C goal of the Paris

Agreement. These recommendations are expounded in EXIM’s competitiveness report (EXIM 2022b) and include:

- Develop a climate action plan, including a net-zero target;
- Develop a comprehensive definition of “climate investment”;
- Operationalize climate considerations for EXIM’s internal procedures, including underwriting, strategy, and risk management;
- Improve metrics, monitoring, and reporting on climate-related investments;
- Refine and develop EXIM policies to enable greater climate investment;
- Increase climate-related staffing capacity;
- Embody a whole-of-government approach on climate action;
- Strengthen EXIM’s engagement with other financial institutions and with the OECD.

Further, under the Biden administration, EXIM engages with national companies and other government agencies to both increase international climate finance to low- and middle-income countries and to incentivize low GHG exports. EXIM provides enhanced flexibility for climate-friendly exports via the Transformational Exports Area content policy, which lowers the US content requirements for renewable energy, energy efficiency, and energy storage transactions. The recent modernization of the OECD Arrangement also gives EXIM additional flexibilities to improve its financing terms for climate-friendly exports. Moreover, EXIM plays a crucial role in the newly launched Partnership for Global Infrastructure and Investment, in which climate and energy security is one of four key sectors. EXIM also plays a role in the Climate-Smart Infrastructure Initiative driven by the US Trade and Development Agency (USTDA). The initiative leverages USTDA’s project preparation expertise and EXIM financing to support US exports in climate-smart energy infrastructure investment opportunities in emerging markets such as Africa. EXIM is a member

of the Power Africa⁷ Working Group⁸ and provides insights on its experiences financing Africa’s power sector (EXIM 2022d). EXIM also cooperates and coordinates with the DFC to maximize business opportunities and cofinancing across initiatives. (e.g., renewable energy).

Gender and equity considerations

In response to the Biden administration’s EO 13985: Advancing Racial Equity and Support for Underserved Communities Through the Federal Government, EXIM published the EXIM Equity Action Plan in January 2022. The plan includes an assessment of EXIM’s approach to equity and actions to better integrate equity considerations in its operations (EXIM 2022h). According to the equity plan, EXIM does not collect gender-related information on its external customers, partly as a result of no guidance and common standards for data collection for federal agencies to collect such information (ibid.). EXIM commits to the measurement of appropriate equity-related data and considers reinstating a data governance office to establish an agency-wide approach to equity and demographic data collection and reporting. However, the Equity Action Plan does not indicate whether EXIM intends to extend its data collection on reporting to the gendered impacts of supported infrastructure projects, e.g., as recommended in the National Strategy on Gender Equity and Equality (2021) (see Annex 1).

Overall, as demonstrated in the recommendations of the Subcommittee on Climate, plenty still needs to be done to further align the operations of EXIM with the dual goals of the Paris Agreement and the 2030 UN Agenda on Sustainable Development.

2.5. International engagement

Over the past two years, political momentum in the export finance system to ensure climate-compatible growth and development has developed, as demonstrated in several noteworthy commitments made by governments targeting international public finance, including export finance. Some of the most notable commitments that can support necessary reforms are described below.

The launch of the **Export Finance for Future (E3F)**⁹ initiative demonstrates the willingness of 10 major European economies to promote and support climate-friendly projects and shift official trade and export finance support away from fossil fuels. As of 2022, these countries demonstrated some initial progress towards transparency by comprehensively reporting on fossil fuel energy finance and renewable energy finance (E3F 2022) and by introducing fossil fuel restriction policies across the value chains. Neither the US nor EXIM have signed up for the initiative, which would offer a chance for the US to demonstrate climate leadership.

The **Statement on International Public Support for the Clean Energy Transition**¹⁰ was launched at COP26 in Glasgow. It is a UK-led initiative of 39 countries and financial institutions to end new direct public support for the international “unabated” fossil fuels, except in limited and clearly defined circumstances, by the end of 2022. The statement brings together some of the largest historic providers of public finance for fossil fuels, including Canada, the US, Germany, and Italy. However, the Biden administration has developed the interim guidance

⁷ Power Africa seeks to advance energy access in Africa and is working towards adding more than 30,000 megawatts (MW) of new, cleaner, and more reliable electricity generation capacity and 60 million new electricity connections for homes and businesses by 2030. So far, approximately 80 percent of funded power projects use renewable energy (USAID n.d. d).

⁸ Executive Order (EO) 13746: Advancing the Goals of the Power Africa Initiative to Expand Access to Electricity in Sub-Saharan Africa Through the Establishment of the President’s Power Africa Working Group (2016), signed by President Obama, formalized the President’s Power Africa Working Group. The order urges engaged agencies to collaborate, identify best practices, and share lessons learned (USAID Office of the Inspector General 2019).

⁹ See: <https://www.tresor.economie.gouv.fr/Articles/2021/04/14/seven-countries-launch-international-coalition-export-finance-for-future-e3f-to-align-export-finance-with-climate-objectives>.

¹⁰ See: <https://webarchive.nationalarchives.gov.uk/ukgwa/20230313124743/https://ukcop26.org/statement-on-international-public-support-for-the-clean-energy-transition/>.

for government agencies to restrict public finance for international fossil fuel projects as a response to the Glasgow Statement.¹¹ The guidance contains loopholes for agencies, including EXIM, that allow them to continue financing gas and may result in the US falling short on meeting these commitments. This pledge explicitly includes “driving multilateral negotiations in international bodies, in particular in the OECD, to review, update and strengthen their governance frameworks to align with the Paris Agreement goals.” By becoming a signatory of the Glasgow Statement, President Biden affirmed his commitment in EO 14008: Tackling the Climate Crisis at Home and Abroad to spearhead efforts to modify disciplines on official export financing provided by the OECD ECAs, with the aim of reorienting financing away from carbon-intensive activities. To date, the US is among the laggards (others include Germany and Italy) at the OECD level. It has failed to implement the commitment domestically by the agreed deadline (McGibbon et al. 2023).

Participants in the **OECD Arrangement on Officially Supported Export Credits** (“the Arrangement”),¹² have also committed to ban support for coal-fired power plants without CCS.¹³ At the OECD, the Department of the Treasury is the head of the US delegation to the OECD and chief negotiator on all export credit issues.¹⁴ Treasury indicates that the US engaged with other OECD participants to the Arrangement in agreeing on new disciplines that ban support for coal-fired power plants without CCS. This aligns with President Biden’s EO 14008 and complements Treasury’s fossil fuel energy guidance for multilateral

development banks (MDBs) (The US Department of the Treasury 2021c). Becoming a signatory of the Glasgow Statement suggests that the US, possibly in collaboration with other signatories of the joint statement, could also lead efforts to table a proposal for oil and gas export finance restrictions at the OECD (Oil Change International 2021). This would build on the previous US leadership in introducing coal restrictions in 2015 that were eventually replaced by a full ban in 2021. On March 31, 2023, participants in the Arrangement agreed to modernize it after several years of negotiations. This process includes the expansion of the scope of green or climate-friendly investments eligible for longer repayment terms (i.e., eligible under the Climate Change Sector Understanding (CCSU)) to those related to (i) environmentally sustainable energy production; (ii) carbon capture, storage, and transportation; (iii) transmission, distribution, and storage of energy; (iv) clean hydrogen and ammonia; (v) low emissions manufacturing; (vi) zero and low emissions transport; and (vi) clean energy minerals and ores (OECD 2023b). No further details about the eligibility criteria were published by the time of the writing of this report.

Despite these commitments, the overall momentum at the international level has been criticized for lacking the ambition and urgency required to address the climate crisis.¹⁵ The criticisms also point to the need to consider the social and wider environmental impacts of the globally integrated value chains that ECAs support.

¹¹ This assessment is based on a leaked diplomatic cable from December 2021.

¹² The main purpose of the Arrangement is to foster a level playing field to encourage competition among exporters.

¹³ See: <https://www.oecd.org/newsroom/agreement-reached-at-oecd-to-end-export-credit-support-for-unabated-coal-fired-power-plants.htm>

¹⁴ See: <https://home.treasury.gov/news/press-releases/js1060>

¹⁵ See: <http://priceofoil.org/content/uploads/2021/04/Statement-on-Export-Finance-for-Future-E3F-Coalition.pdf>.

3. OVERVIEW OF THE US CLIMATE AND DEVELOPMENT POLICY OBJECTIVES

3.1. The role of the US in international climate and development cooperation

The US is the world’s largest bilateral donor and shareholder in several MDBs, and the US dollar is the anchor currency against which local exchange rates are stabilized (OECD 2022a; Bertaut et al. 2021). It is estimated that in 2022, the US provided official development assistance (ODA) worth USD 55.3 billion,¹⁶ up from USD 42.3 billion in 2021, with bilateral support mostly targeted at Sub-Saharan Africa under the least-developed countries (LDCs) category (OECD 2023a; OECD 2022a). The US also provides the largest share of global humanitarian assistance across the OECD Development Assistance Committee, with at least half of the gross ODA in 2020 provided to fragile contexts (OECD 2022a). As a founding member of the UN in 1945 and the host for its headquarters, the US has been a chief guide and major funder of the organization for more than 70 years. The US is a permanent member of the Security Council and a member of 12 specialized UN agencies (US Congressional Research Service 2022a). The US remains the largest donor to the UN, contributing approximately 22 percent of the UN’s collective regular budget (US Congressional Research Service 2023a). As such, the US through its policies can significantly shape global development.

¹⁶ Based on preliminary data provided by the OECD in April 2023.

The landscape of the US development cooperation system, however, is a complex web of slightly over 20 federal agencies that have a mandate to provide ODA and other official flows. This is reminiscent of President Kennedy’s remarks to the 87th Congress that described the foreign aid mechanisms at the time as bureaucratic and fragmented (US Congressional Research Service 2023b). The Biden administration has yet to formally adopt a whole-of-government approach to development cooperation that has a clear direction and vision for federal agencies to support global development, although such a policy has been in development over the past two years (OECD 2022b). Such an approach would ensure coherence and complementarity of agencies in promoting development strategies in partner countries, while creating opportunities for engagement with other relevant actors, such as civil society, private sector, local communities, and academia.

Traditionally, the US international efforts to tackle climate change have included contributions to multilateral institutions, financial support offered through the DFC (and its predecessor agency, OPIC) and the provision of bilateral development assistance (primarily as aid) through USAID and the MCC. To tackle climate change, President Biden issued an EO that pushes for a whole-of-government approach “to put climate change at

the center of our domestic, national security, and foreign policy” (The White House 2021a; The White House 2021b). To operationalize this approach, the White House’s International Climate Finance Plan (2021) outlines departmental and institutional priorities and interdepartmental/agency coordination that can be used to elevate the climate change agenda domestically and internationally and promote alignment with development and diplomatic engagements (ibid.). This coordination will be beneficial in avoiding ambiguous, fragmented, and overlapping responsibilities between central and sectoral agencies when prioritizing climate change in their work.

Gender issues have also been elevated under Biden’s administration. President Biden for the first time established a White House Gender Policy Council within the Executive Office of the President and created a representative for gender equality in the Cabinet. The administration also released the inaugural US National Strategy on Gender Equity and Equality (2021), applicable to both US domestic and international policy. The administration’s 2023 budget request reserved a record USD 2.6 billion for gender equality in foreign assistance, with USAID further committing to make local women and girls the central focus of its global development and humanitarian work (USAID 2022a). A key question for the Biden administration will therefore be how government agencies will effectively integrate a gender lens into their programs and activities, particularly in relation to tackling the climate crisis and building their resilience to climate change.

The US also has a long-standing tradition of mission-oriented policy practice, which involves a commitment to apply public policies to address “grand societal challenges”—for example, climate change and inequality—using cutting-edge knowledge and technological solutions to attain specific policy goals. This mission orientation has been significant in NASA’s mission of putting a man on the moon and is now evident in contemporary policies such as making renewable energy investments and creating new energy markets towards securing a green economy (Mazzucato 2018).

Annex 1 provides a detailed review of the key policies relevant for the US climate and development objectives. They include EOs that do not require approval by Congress, acts that require approval by Congress, and guidance and strategic documents issued by different government departments and agencies, such as the DFC and its predecessor agency OPIC, USAID, the MCC, the Treasury, etc. Following the review of these policies, we distil them in a summary table (see Table 1) that identifies key elements for the evaluation of the consistency of EXIM against the US climate and development objectives.

3.2. Synthesis and trade-offs in the US climate and development objectives

The Biden administration seeks to reestablish the US leadership and increase global commitments for tackling climate change. Since taking office, President Biden has made several US government commitments addressing climate, both domestically and internationally, with development intrinsic to the agenda. This is demonstrated through the coordinated approach in the climate change strategy that not only seeks to achieve an ambitious emissions reduction target of 50 percent by 2030 compared to 2005 levels but also aims to spur economic development by providing quality jobs and clean energy access, and ensuring environmental justice. EO 14008: Executive Order 14008: Tackling the Climate Crisis at Home and Abroad (2021) specifically lays out this coordinated approach and further emphasizes a whole-of-government approach to achieve the interdependent objectives laid out in the policy (Pipa and Brown 2021). The commitments further demonstrate the enhanced capacity of the US government departments and agencies to coordinate and enhance climate resourcing through different financing and investment mechanisms. In addition to the 2021 Climate Finance Plan, development agencies, notably USAID and the DFC, have made significant new commitments on climate change, both in terms of programming and organizational changes.

The policies further highlight the commitment of Biden's administration to end overseas financing of new oil and coal projects. Biden also instructs the relevant US departments and agencies to use US diplomatic resources to end international public finance for fossil fuels. This plays a crucial role in shifting global capital away from fossil fuels at a time when the climate crisis is deepening. However, the policies also indicate that the US has yet to adopt a whole-of-government approach to phase out gas, which is still eligible for financing in circumstances that support economic development, as indicated in the US Treasury guidance on fossil fuel energy at the multilateral development banks (2021) and the Interim International Energy Engagement Guidance (2021).

The policies analyzed demonstrate a new era of green industrial policy for the US. Green industrial policies include investments and policies that are designed to stimulate and facilitate the development of environmental technologies, often motivated by domestic economic priorities and countries asserting their positions in global trade and production. Geopolitically, the US, in the Inflation Reduction Act (IRA), seeks to reposition itself in global value chains and build its domestic industries, to reaffirm the country's autonomy and remain competitive globally. As such, the regulation puts emphasis on encouraging local manufacturing. However, the legality of local content requirements (LCRs) under international trade regimes such as the World Trade Organization (WTO) is questionable (Kuntze and Moerenhout 2013; Wu and Salzman 2014). To exemplify the repercussions of such policies, the reduction of world trade due to LCRs, for instance between 2008 and 2013 following the Great Recession of 2008–2009, is estimated by Hufbauer et al. (2013) to have reached USD 93 billion annually. Further, while LCRs may create some new jobs domestically, they can also result in net overall job losses globally. This creates a conflict with the development objectives of the US to support economic growth and reduce poverty globally. Even so, the commitments to use instruments such as grants and provide support for research, development, and deployment (RD&D) can facilitate the US efforts in decarbonization and clean

energy development. Such approaches were applied in China, which expanded the manufacturing of clean energy technologies and investment in research and development (R&D), driving down costs and increasing the speed and scale of their deployment globally.

Moreover, the US policies and commitments do not reference the 2030 Sustainable Development Agenda of the UN or the SDGs (OECD 2022b). While the US itself played a central role in shaping the SDGs and adopting them in 2015, the US stands out as one of six countries that have neither voluntarily reviewed its progress on SDGs nor endorsed the SDGs at the UN's High-Level Political Forum on Sustainable Development (Sachs et al. 2022). Whereas the SDGs are embedded in the framings of the policies, adopting the SDGs explicitly can provide a common frame to clearly communicate what Biden's administration seeks to achieve (Pipa and Brown 2021) and can be used as an accountability mechanism to the American people and the US partner countries. The SDGs provide further opportunity to ensure the coherence of the US policies and actions through their embedded targets to assess progress made. Indeed, SDG target 17.14 advocates for policy coherence for sustainable development to maximize synergies and minimize trade-offs across sectoral policy realms and from the local to international levels. The US can further adopt the SDGs to demonstrate whether its policies and support align with the investment needs of its partner countries, in addition to its contributions to global progress on issues such as economic growth and climate action.

The objective of this chapter was to reflect on the US climate and development policy objectives that may affect EXIM's support for fossil fuel and low-carbon investment. The most important policies as elaborated in Annex 1: Detailed overview of the US climate and development policy objectives that can help push EXIM to align its strategy and portfolio with the Paris Agreement are Executive Order 14008: Tackling the Climate Crisis at Home and Abroad (2021); International Climate Finance Plan (2021); Interim International Energy Engagement Guidance (2021); Executive Order 14030: Climate-Related Financial Risk (2021); and the Inflation Reduction

Act (2022). Table 1 below provides a summary of the most relevant policies related to the US climate and development objectives and their potential implications for EXIM.

TABLE 1. Summary of the US climate and development policy objectives and their implications for EXIM

Theme	Policy (year)	Key policy objectives	Potential implications for US Export-Import Bank (EXIM)
National climate objectives/ Paris alignment	US Nationally Determined Contribution (NDC) (2021)	Reduce net greenhouse gas (GHG) emissions 50–52 percent below 2005 levels in 2030	Evaluate how EXIM can contribute to the achievement of the NDC targets given the Make More in America (MMIA) initiative that may go beyond supporting projects overseas.
	Long-Term Strategy of the US: Pathways to Net-Zero Greenhouse Gas Emissions by 2050 (2021)	Reach net-zero emissions no later than 2050 (economy-wide)	EXIM to set climate goals for its portfolio and include net zero by 2050 as well as interim targets in line with national climate objectives and 1.5°C target under the Paris Agreement
Divestment or shifting support away from carbon-intensive industries	Interim International Energy Engagement Guidance (2021)	Suggests the ending of bilateral support for unabated and partially abated coal, and for other carbon-intensive projects (including oil and gas)	Adopt exclusions/restrictions for support of fossil fuel- (coal, oil, and gas) related value chains based on robust screening criteria. This may be based, for example, on very stringent carbon-intensity criteria that would effectively exclude fossil fuel value chains without explicitly excluding the sector.
Financial and nonfinancial disclosure and transparency	Executive Order (EO) 14030: Climate-Related Financial Risk (2021)	Promotes transparency on climate-related information	Provide a climate-oriented and value chain-based review of trade and export finance activities, for understanding of climate impacts.
	The US Department of Treasury Coordinated Climate Policy Strategy (2021)	Supports a holistic approach to climate-related risks and opportunities Promotes universally consistent approaches to climate-related financial risks	Adopt transparent criteria for identification of sustainable projects and/or establish a taxonomy of sustainable activities. Adhere to the Task Force on Climate-Related Financial Disclosures (TCFD) reporting requirements.

Theme	Policy (year)	Key policy objectives	Potential implications for US Export-Import Bank (EXIM)
Sustainable development and just transition (jobs)	EO 14008: Tackling the Climate Crisis at Home and Abroad (2021)	<p>Agencies are encouraged to promote a just transition and uphold principles of equity when designing interventions and executing their mandates.</p> <p>Shielding the US from supply chain disruptions, while spurring job creation through clean energy support</p>	<p>Consider defining and integrating the notion of just transition in EXIM’s mandate and climate strategy.</p> <p>Set more ambitious targets regarding clean energy support (based on a clear definition without loopholes for fossil fuel support, including gas) and establish dedicated support mechanisms to offer preferential conditions to such projects.</p> <p>Economic diversification with positive employment effects from support for renewable energies</p>
Whole-of-government approach (Agency/department contributions)		<p>Demonstrates the US global climate leadership goals</p> <p>Sees a key role for EXIM in increasing contributions to international climate finance</p> <p>Incentivizes climate-friendly exports (“steer innovation and deployment of clean energy technologies”)</p>	<p>Establish a clear and publicly accessible definition of what is considered climate finance in the context of EXIM.</p> <p>Engage with national companies to increase international climate finance to low- and middle-income countries.</p> <p>Promote low-carbon exports, e.g., through Partnership for Global Infrastructure and Investment.</p>
	EO 14017: America’s Supply Chains (2021)	Supporting responsible supply chains, e.g., critical minerals (such as copper, lithium, nickel, cobalt, and rare earth elements) for the clean energy transition	Implement a stringent risk-based approach to avoid contributing to conflict and serious human rights impacts via their operations or in the mineral-sourcing practices of supported companies.

Theme	Policy (year)	Key policy objectives	Potential implications for US Export-Import Bank (EXIM)
Climate finance targets	International Climate Finance Plan (2021)	Encourages US agencies, including Development Finance Corporation (DFC), EXIM, the Department of State, Millenium Challenge Corporation (MCC), and US Agency for International Development (USAID) to work together to build a strong investable project pipeline	<p>EXIM called to actively support the US ambitions on international climate finance targets, e.g., collaborating with other agencies to support climate change mitigation and adaptation projects</p> <p>EXIM is expected to identify ways, as per its mandate, to significantly increase support for environmentally beneficial, renewable energy, energy efficiency, and energy storage exports from the US.</p>
Engagement with other export credit agencies (ECAs)		Encourages domestic and international efforts to modify policies on official export financing provided by the Organisation for Economic Co-ordination and Development (OECD) export credit agencies, to reorient financing away from carbon-intensive activities	Engagement with other countries to reform the international export finance system (e.g., through the OECD and other fora) with a view to aligning ECAs, including EXIM, with the Paris Agreement, including by phasing out support for fossil fuels
Green innovation/ industrial policy	<p>Inflation Reduction Act (2022)</p> <p>The US National Security Strategy (2022)</p>	<p>Developing local capacities and (industrial) value chains</p> <p>Catalyze investments in domestic manufacturing capacity, ensure access of critical raw materials, promote innovation through research and development (R&D).</p> <p>Competitiveness: securing and regaining technological competence to reduce losing deals due to unfair competition, primarily from China</p>	<p>Reshape EXIM's mandate towards a new era of sustainability/green growth mission orientation.</p> <p>Enhanced innovation and technology support for renewable energy exporters and investors, e.g., through MMIA (to the extent it promotes environmentally beneficial exports and clean energy exports as in its mandate)</p> <p>Need for alignment between competition and climate change strategy</p>

4. ANALYSIS OF THE (NON) ALIGNMENT OF US EXPORT-IMPORT BANK POLICIES WITH THE US CLIMATE AND DEVELOPMENT OBJECTIVES

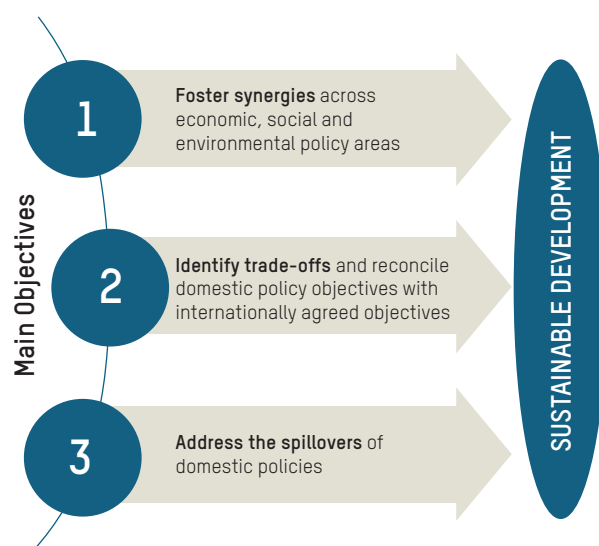
The previous chapters established the progress and developments the US and EXIM are making to reduce their climate impact and contribute to sustainable development objectives, such as energy access and poverty reduction in the Global South. This chapter evaluates the coherence between the climate and development objectives of the US and EXIM's policies.

4.1. Sustainable development policy coherence pathways

The OECD identifies three key pathways (see Figure 4) aimed at assisting national governments in moving towards policy coherence that integrates the dimensions of sustainable development (OECD 2016). These pathways include achieving better integration by maximizing synergies and managing trade-offs while achieving better durability of outcomes, and minimizing negative spillovers and perverse incentives. In the context of this report, policy coherence should ensure compatibility with the climate and development objectives of the US government and the international obligations it commits to with the policies, processes, and operations of EXIM. Doing so would avoid carbon leakage, increase the durability of policy

actions, and prevent investment in socially and environmentally damaging activities while respecting the US economic objectives. Moreover, it would be in line with President Biden's "whole-of-government" approach to tackling the climate crisis. Simply put, good policy coherence would be achieved by ensuring that no EXIM policy or practice undermines the US climate and development policy objectives.

FIGURE 4. Pathways for policy coherence for sustainable development



Source: OECD 2016

4.2. Incoherence with national and international climate and development objectives

Executive Order 14008: Tackling the Climate Crisis at Home and Abroad (2021) prescribes EXIM and other government agencies to evaluate how to end international financing of carbon-intensive, fossil fuel-based energy and at the same time advance sustainable development and a green recovery. However, a key issue relates to EXIM’s charter, which focuses on expanding support to environmentally beneficial exports, but says/does little to phase out fossil fuels and to support affected workers to transition into new opportunities. Since 1992, EXIM has been instructed to increasingly support environmentally beneficial exports, including renewable energies. As demonstrated in its portfolio, however, EXIM falls short of phasing out support to fossil fuels. While EXIM’s charter sets an aspirational target for EXIM to provide no less than 5 percent of its total financing authority each financial year to renewable energies, energy efficiency, and storage, even this modest target has not been achieved so far.

EXIM’s charter further includes a nondiscrimination clause, Section 2(k)(1)(B), that prevents EXIM from denying an application for financing “based solely on the industry, sector, or business that the application concerns; or promulgate or implement policies that discriminate against an application based solely on the industry, sector, or business that the application concerns” (EXIM 2019b, 40). The applicability of this clause is limited in Section 2(k)(2): “projects concerning the exploration, development, production, or export of energy sources and the generation or transmission of electrical power, or combined heat and power, regardless of the energy source involved” (ibid.). Moreover, the charter does not provide guidance on what constitutes “environmentally beneficial goods and services” and does not provide an explicit mandate to EXIM on including climate considerations in investment decision-making.

According to Herz (2023), this wording does not necessarily prevent EXIM from developing internal policies and processes that align with the priorities of the US climate and development agenda or international commitments to end fossil fuel support, with limited exceptions.¹⁷ Such policies may not necessarily have to exclude any industry, sector, or business but rather lay out eligibility criteria to screen potential projects or segments. For example, EXIM already applies criteria to determine eligibility of support for some projects based on carbon intensity without sole considerations of industry, sector, or business (ibid.). Depending on the strictness of such criteria, EXIM may effectively exclude fossil fuel support, e.g., in energy sector value chains, without violating the nondiscrimination clause (rather than on the basis of industry, sector, or business). Herz (2023) further suggests that the nondiscrimination clause does not apply to all energy-related infrastructure, e.g., midstream infrastructure or imports. Hence, EXIM, without violation of the charter, can effectively exclude support for pipelines, other transport facilities, and import terminals. Such an approach should also be undertaken in the domestic financing program under the MMIA.

At the international level, the US has committed to end new direct public support for the international “unabated” fossil fuel sector, except in limited and clearly defined circumstances. The leaked Interim International Energy Engagement Guidance in December 2021 further provided an approach for bilateral agencies to implement Executive Order 14008: Tackling the Climate Crisis at Home and Abroad (2021), while including exemptions for gas on grounds of national security and geostrategic interests. Given that the policy has not been formally published or adopted, there is currently no clear policy for the US agencies on how to approach these exemptions, which gives agencies leeway to make their own interpretations (DeAngelis et al. 2022). Unless EXIM proactively applies robust screening criteria, such as those described by Herz (2023), or adopts specific scenarios for phasing out support for fossil fuels, such as a net-zero portfolio or

¹⁷ Such as to fund fossil fuel infrastructure in limited circumstances where national security interests or development needs are compelling.

agency-wide climate strategy, lack of high-level guidelines will likely create loopholes for continued fossil fuel support, locking in further fossil fuel dependence.

EXIM's charter stipulates that the Bank should deny applications for credit for nonfinancial or noncommercial considerations—including environmental protection and human rights—only if the president of the US determines that this would be in the national interests (EXIM 2019b). This authority was delegated to the US Secretary of State during the Carter administration in EO 12166: Export-Import Bank (Office of the Federal Register n.d.). The Secretary of State may thus use this authority to direct EXIM to reject applications for fossil fuel projects implementing the International Energy Engagement Guidance. The EO clarifies that fossil fuel projects need to be cleared with the Secretary of State or delegated agency prior to a Board decision to ensure they are in line with President Biden's climate and development objectives (Herz 2023).

4.3. Political controversies around US Export-Import Bank preclude climate and development mainstreaming

Related to EXIM's mandate is the “start and stop” approach the US has demonstrated with regards to its climate change policy. This approach is susceptible to election cycles, as is observed in the transitions between the Obama-Trump-Biden administrations. It means that the climate and development objectives set in place now by the Biden administration may only be as good as the duration of his tenure. The impacts of these political tides have been reflected in how EXIM has carried out its mandate, as demonstrated in the lack of attention to climate change issues during the period of Trump's administration (ibid.). The Export-Import Bank Act of 1945 establishes EXIM as an independent body; hence the extent to which EXIM can practice this independence should be scrutinized to ensure

any commitments, for instance towards ending fossil fuel finance, can be sustained.

The controversies and existential threats that EXIM continuously face create an additional risk to EXIM's contributions to the US climate, development, and economic objectives. Biden's administration emphasizes the need to bolster the US competitiveness globally and to be the partner of choice for other countries' economic interests and ambitions. If EXIM ceased to exist, it is possible that some projects that contribute positively to climate and development will not proceed. For instance, during the lapse in EXIM's authorization in July 2015, the feasibility of Power Africa—one of President Obama's flagship initiatives to support electricity access in Africa—was brought into question after EXIM could not deliver on its commitment to provide USD 5 billion (USAID Office of the Inspector General 2019). Sub-Saharan Africa is established as a priority region under EXIM's charter, given that it is a fast-growing market for US exporters (EXIM 2019b). Over the past decade, the region has received increasing support from China,¹⁸ including during the period of the lapse in EXIM's authorization, which officials from China stated was “a good thing for China” (Lawder 2015). If the US wants to regain and maintain global climate leadership and play a leading role in supporting Africa towards a low-carbon development pathway, the US will need to reflect on the extent to which EXIM can play a role in facilitating trade and investment partnerships that would not occur without the US government support, particularly as EXIM's next authorization draws near.

4.4. Climate and development nexus and trade-offs

As described previously, the US has signaled an orientation towards green industrial policy that combines industrial interests with climate policy. EO 14008 for instance seeks to “steer innovation and deployment of clean energy technologies,” while the IRA puts emphasis on strengthening

¹⁸ China has made significant inroads into Africa, particularly under the Belt and Road Initiative (BRI), which involves infrastructure development, trade, and investment, some of which is facilitated through the China EXIM Bank.

domestic manufacturing and supply chains with increased public investment in a wide portfolio of R&D. These policies are further embedded in Biden's commitment to promote a just transition by supporting growing and declining energy industries through the creation of new employment opportunities, which has been critical for gaining traction in political support for the US climate policies and energy transition. While EXIM has no explicit industrial policy mandate, the MMIA can support green innovation, with positive outcomes on EXIM's market differentiation, and support positive social and environmental outcomes. EXIM has announced that the MMIA will be open to all sectors with priority investments in environmentally beneficial projects and small businesses (EXIM n.d. f). EXIM can use the initiative to foster innovation and the US technological competence through incentivizing climate-friendly exports while adopting restriction and exclusion policies for fossil fuels (Censkowsky et al. 2022). Consequently, official export credit financing by EXIM can facilitate technology transfer,¹⁹ through green innovation spillovers from the US to emerging economies, and increase the speed of diffusion of supported clean energy technologies to support a low-carbon future (Hale et al. 2021). Export credit can help green technologies to spread to other countries, particularly in high-risk areas where EXIM financing may be additional and may facilitate the diffusion of knowledge and technology.

EXIM's statutory mission is still export driven and preoccupied with serving the interests of domestic companies to make a profit abroad and with securing domestic employment (Klasen et al. 2022). This approach means that EXIM, like other ECAs, has so far made few considerations of how financed exports can support a just energy transition for the local populations in the recipient countries (Abibiman Foundation Ghana et al. 2020). This is demonstrated by the large infrastructure projects that EXIM has

typically supported through de-risking deals for exporters.

Equitable distribution and affordable access to renewable energy is instrumental for climate action and achieving several SDGs and their related targets while respecting the right to development (OHCHR n.d.). However, the shift from fossil fuels to clean or renewable energy does not guarantee both climate and development outcomes will be met. The deployment and expansion of renewable energy technologies can also come at a cost for workers and local communities. Large hydropower projects, for example, are associated with methane emissions, biodiversity loss, and human rights abuses such as forced displacement of groups that face discrimination (Abibiman Foundation Ghana et al. 2020). Conversely, decentralized renewable energy systems (DRE) have consistently been lauded as the most effective, affordable, and resilient way to deliver energy services to rural areas, particularly in Sub-Saharan Africa, that lack access to electricity supplied by national grids.

The design and manufacture of renewable technologies with high-value service inputs that generate employment are concentrated in a few countries. International Renewable Energy Agency (IRENA) and African Development Bank (AfDB) (2022) report that in 2018, 75 percent of patents related to the renewable energy sector were filed in China, the US, Japan, and Germany. The consistent push by the US government and EXIM to increase domestic manufacturing and the US exports will thus likely limit the creation of jobs and other socioeconomic benefits in renewable energy value chains in recipient countries.²⁰ This is even as the deployment of these technologies contributes to eradicating poverty (including energy poverty) and achieving climate goals. As such, it is crucial for the US to broaden the view of what a just transition should look like, beyond domestic impacts on American jobs

¹⁹ The United Nations Framework Convention on Climate Change (UNFCCC) notes that "all Parties shall promote and cooperate in the development and transfer of technologies that reduce emissions of GHGs." It also urges developed country parties to pragmatically promote, facilitate, and finance the transfer of, or access to, climate technologies to other parties, particularly to developing countries. The Paris Agreement also establishes the technology framework, which envisages technology development and transfer for both improving resilience to climate change and reducing GHG emissions.

²⁰ As these countries remain consumers rather than producers of low-carbon technologies.

resulting from fossil fuel phase-out to initiatives that ensure the creation of local jobs and energy access for all, without creating additional economic dependencies.

Chapter 2 elaborated on EXIM's practices, policies, and commitment in relation to climate change and development. As elaborated in Chapter 3, the US has made several commitments on combatting climate change and supporting sustainable economic growth globally. This chapter evaluated the coherence between the US climate and development objectives and EXIM's internal policies. In summary, it is evident that while there is some coherence in the stated climate and development objectives and motivations of the US, there is limited synergy at implementation level. In the case of the

commitments to end fossil fuel financing abroad, the Biden administration has not provided clear guidance to all relevant agencies, including EXIM, on how to actively implement the phase-out process, which creates a roadblock for EXIM to internalize this policy objective. The focus on supporting the US domestic manufacturing and jobs, as well as a preference for investing in large (often fossil fuel-based energy) projects, creates further obstacles for low- and middle-income countries to reach SDG 1 (eradicate poverty), 7 (affordable and clean energy), and 8 (decent work and economic growth). A key concern is also how sustainable Biden's stated climate and development policies will be as the next election cycle draws near, given that EXIM's policies and practices are tied to the government of the day.

5. BRIEF COMPARISON OF EXIM WITH OTHER AGENCIES

This section of the report reviews the existing climate and development policies and commitments of other US agencies that operate at the intersection between climate and development before providing an overview comparison with EXIM. Even though EXIM does not have a development mandate, given its engagement in infrastructure projects in low- and middle-income countries as well as its status as the official ECA of the US, we believe that this is a useful comparison.

5.1. The US International Development Finance Corporation

Overview of operations

The US DFC began operations as the main US development finance institution in December 2019, providing loans, loan guarantees, political risk insurance, equity investments, and technical assistance to enable private investment in low- and middle-income countries (DFC 2020a). The DFC was formed under the Better Utilization of Investments Leading to Development (BUILD) Act under Trump's administration that merged the former Overseas Private Investment Corporation (OPIC) and USAID's Development Credit Authority (DCA) and equipped DFC with additional financial tools such as equity investments (ibid.). In fiscal year 2022, DFC is reported to have committed over USD 7.4 billion

towards developmental challenges, including food security, renewable energy, and health, with USD 2.3 billion specifically committed to climate-related investments (DFC 2022a; DFC 2022b).

Climate-and development policies and commitments of the Development Finance Corporation

The US DFC features prominently in the US International Climate Finance Plan (2021), which implores the DFC to prioritize investments in climate change mitigation and adaptation. DFC has thus a target to direct a third of its total annual investments for climate-related activities (DFC 2021a). In 2021, the DFC announced that its portfolio would achieve net-zero carbon emissions by 2040, earlier than any other DFI in a member country in the G7 or G20 (Igoe 2021). OPIC was mandated by Congress in 2009 to adopt a climate policy to phase down the agency's fossil fuel financing by 30 percent in 10 years and 50 percent in 15 years while scaling up renewable energy financing, which has been carried over to DFC (DeAngelis 2020).

DFC publishes an annual Greenhouse Gas Emissions Inventory Report, which applies a flawed accounting methodology that underestimates the climate impact of DFC's portfolio and weakens the Congressional mandate (DeAngelis 2022). The annual GHG estimated amounts are based on a project-specific GHG analysis of all active carbon-

intensive projects,²¹ which does not account for ongoing emissions once OPIC/DFC financing support is concluded. A limited focus on Scope 1 (direct) emissions means DFC does not account for all direct and indirect emissions from the projects and subprojects it supports. While the DFC commits to prioritize climate-friendly and renewable energy, the target leaves room for DFC to finance limited carbon-intensive energy projects (e.g., gas) in poor countries where the development case is strong. This demonstrates a potential trade-off between achieving climate objectives and development ones. The DFC has initiated a process to review its environmental and social policy and procedures, with public consultations running between February and April 2023. Part of the key revisions will include clear policy language and definitions, updating sector-specific requirements, and inclusion of climate change-related considerations. However, it is not clear if these revisions will extend to its GHG accounting methodology (DFC n.d. a).

In the near term, DFC plans to update its development strategy (2020–2025)²² to integrate its new climate objectives. To act on its commitments, DFC is already building up a project pipeline and issued calls for applications for climate-focused investment funds and DRE projects in DFC-eligible countries, with a commitment of up to USD 100 million in DRE (DFC 2021b). The development of this pipeline is expected to be achieved through partnerships with other US agencies such as USAID and MCC (ibid.). While OPIC/DFC has made great strides to increase its support for renewables, it has continued to support gas in parallel. An example is the Rovuma LNG project in Cabo Delgado, Mozambique, where DFC approved up to USD 1.5 billion in political risk insurance despite risks of violence posed by the project and the other negative impacts on local communities (DFC 2020b; Friends of the Earth US 2020). The DFC’s active projects database further reflects 10 active DFC commitments by the DFC related to gas, including CECA SL in Sierra Leone and ERU Europe GmbH in Moldova. It is considering additional support to Tetra

4 in South Africa (DFC n.d. b).

5.2. US Agency for International Development

Overview of operations

USAID is a long-standing international development agency established in 1961 and is at the forefront of providing the US foreign assistance by seeking to save lives, reduce poverty, advance democracy, and improve economic conditions globally (USAID n.d. b). USAID obligated an estimated USD 41.2 billion to implement foreign assistance programs and activities in FY2022, with the largest share, 36 percent (USD 15 billion), dedicated to humanitarian assistance (Foreign Assistance 2023).

Climate-and development-related policies of US Agency for International Development

Between 2012 and 2018, USAID’s climate programming was informed by its Climate Change and Development Strategy, with clean energy (mitigation) as one of its key pillars (USAID n.d. e). However, as climate change was not a priority of the Trump administration, USAID issued no new climate strategy or policy documents, even after the prior strategy expired in 2018.

In 2022, USAID adopted the 2022–2030 climate change strategy that emphasizes that climate change considerations will factor into all agency programming, building on principles such as locally led development and equity and inclusion (USAID 2022b). Moreover, the strategy indicates that USAID will support countries to transition away from fossil fuels to renewable energy. Among USAID’s criteria for priority countries in implementing targeted clean energy efforts is their emissions rates and emissions reduction potential, likelihood of success, commitment of partners, and energy poverty.

The policy categorically states that USAID does not

²¹ Defined as projects that emit more than 25,000 short tons of carbon dioxide equivalent (CO₂e) per year (STPY).

²² The initial strategy that was formulated during Trump’s administration does not include references to climate change.

support new coal and commits to cooperate with other US agencies and international partners to end the use of coal. Moreover, the strategy, in alignment with other US agencies, adopts the policy that oil and gas will be supported only in limited circumstances described therein, such as meeting national security, development, or humanitarian objectives, and insofar as it does not delay the transition to renewable energy and climate action (USAID 2022b). USAID further set an ambitious target to support partner countries to prevent six billion metric tons of carbon dioxide equivalent (CO₂e) emissions by 2030. To these ends, USAID recently set an ambitious target to mobilize USD 150 billion in public and private climate finance by 2030 (USAID 2022d).

Most recently, USAID, under the leadership of Samantha Power, has created an impetus for locally led development. USAID's local capacity-strengthening policy seeks to move the agency's support beyond just strengthening the capacity of local organizations to developing the vision, implementation, and evaluation in pursuit of their own priorities (USAID 2022c).

As a signal that the US global development policy is increasingly inextricably linked to its foreign policy, the administrator of USAID has a permanent seat in the National Security Council, alongside long-standing members from traditional sectors such as defense (USAID 2021b).

5.3. The Millennium Challenge Corporation

Overview of operations

The MCC was created by the US Congress in January 2004 with strong bipartisan support and is an independent US foreign assistance agency that supports global poverty reduction efforts through economic growth (MCC n.d. a). The MCC seeks to promote country ownership development in its model. In principle, to receive grants from the MCC, recipient countries must identify their priorities for achieving sustainable economic growth and poverty

reduction. The MCC then jointly develops compacts with the countries to implement time-bound programs. A key tenet in the selection of countries is that they are well governed based on a scorecard of policy performance. Since inception, MCC has committed over USD 15 billion in compact and threshold grants across six continents (MCC 2021a).

Climate-and development policies of Millenium Challenge Corporation

MCC has policies and processes in place to identify and manage environmental or social risks and has adopted the Performance Standards on Environmental and Social Sustainability of the IFC (IFC Performance Standards). The enabling legislation of the MCC, Sec. 605(e)(3) of the Millennium Challenge Act of 2003, further allows for the prevention of approval of projects whose risks are too high, without explicit mention of whether this would apply to climate risks (MCC n.d. b). Although the agency does not have a climate mandate, MCC reports that between 2015 and 2020, over USD 1.5 billion was directed towards climate adaptation and mitigation activities in sectors such as energy and water across 11 countries (MCC n.d. c). The MCC however does not comprehensively disclose these figures or meaningfully define climate finance to support verification of these claims and the appropriateness of this finance.

Since 2021, MCC has committed that more than 50 percent funding will go to climate-related investments until 2026 and that it will help countries transition away from fossil fuels, while not investing in coal (MCC 2021b; MCC n.d. d). MCC further commits to work towards achieving net-zero emissions across its portfolio by 2050 and advocates for cross-collaboration with other US government agencies to crowd in private finance to support climate-related investments, including in the energy sector (MCC 2021c). MCC plans to enhance climate and environmental considerations in its analytical tools and decision-making. However, it is not clear to what extent climate considerations contributed to investment decisions made by the agency prior to 2021.

5.4. Overview comparison of US Export-Import Bank with other agencies

Table 2 below compares EXIM’s policies and practices to other US development agencies that were reviewed in this chapter. With regards to

internal climate change and development policies and commitments, all agencies have made varying statements and commitments related to climate change and most importantly to phasing out support for fossil fuels. Overall, EXIM appears to lag other agencies on all major commitments.

TABLE 2. Comparison of ECAs’ climate and development policies/commitments

	US Export-Import Bank (EXIM)	Development Finance Corporation (DFC)	US Agency for International Development (USAID)	Millennium Challenge Corporation (MCC)
Fossil fuel restrictions	Continued support, no explicit phase-out commitments	Continued support, in limited circumstances	Commitment to not support coal projects Continued support to gas, in limited circumstances	Commitment to cease support to coal projects Continued support to other fossil fuels, in limited circumstances
Clean energy support	Explicit commitments to support the low-carbon energy transition through a target of making available 5 percent of its financing authority for renewable energy, energy-efficient, and energy storage exports	Explicit commitments to support the low-carbon (though not defined) energy transition	Explicit commitments to support the low-carbon energy transition and comply with renewable energy earmarks	Explicit commitments to support the low-carbon (though not defined) energy transition
Climate finance commitments	No explicit commitment to contribute to climate finance beyond the target of making available 5 percent of its financing authority for renewable energy, energy-efficient, and energy storage exports	Commitment to direct 33 percent of total annual investments to climate-related activities	Commitment to mobilize USD 150 billion in public and private climate finance by 2030	Commitment to provide up to 50 percent funding for climate-related investments (until 2026)

	US Export-Import Bank (EXIM)	Development Finance Corporation (DFC)	US Agency for International Development (USAID)	Millenium Challenge Corporation (MCC)
Portfolio net-zero targets	No net-zero target or stand-alone climate change strategy	Commitment to achieve net-zero carbon emissions by 2040	No agency net-zero target, but commits to support countries achieve net zero by 2050 in the agency's climate change strategy	Commitment to achieve net-zero carbon emissions by 2050
Development mandate	No explicit development mandate	Dedicated development finance institution, with a mandate to mobilize private capital to address development issues	Reduce poverty, advance democracy, and improve economic conditions globally	Support global poverty reduction efforts through sustainable economic growth in countries

6. CONCLUSIONS AND RECOMMENDATIONS

This study sought to assess the alignment between EXIM, the official ECA of the US, and the US climate and development objectives set by the Biden administration. While Biden's policies are found to be coherent, there are clear gaps at the implementation level, including lack of clear guidance on how to phase out fossil fuel support by EXIM. Moreover, not only is EXIM lagging behind many other ECAs, especially within the E3F coalition, but it is also behind other US federal agencies in moving towards aligning with the Paris Agreement.

The political tides that EXIM has faced in the past are seemingly back again. In 2022, the Republicans won the House of Representatives by a narrow margin. This victory gives the Republicans enough power to prevent climate change legislation from moving forward and prevent President Biden from reaching the ambitious goal of doubling US climate finance. EXIM and other development agencies can continue to support Biden's objectives by setting priorities that contribute to a flourishing economy within the objectives of the Paris Agreement while upholding human rights and contributing to sustainable development. To achieve that, the remaining gaps in alignment of EXIM with the US climate and development priorities must be closed. A summary of concrete recommendations to various actors based on the study findings is provided below.

6.1. Recommendations for US Export-Import Bank

- Improve transparency of fossil fuel value chain support through greater public disclosure, e.g., following the E3F transparency reporting practice. Greater transparency will shed light on the true climate, environmental, and social impacts of EXIM's operations, especially its support to fossil fuel value chains (upstream, midstream, and downstream).
- Adopt a comprehensive GHG accounting methodology for EXIM's portfolio in accordance with the international best practices, e.g., PCAF, and disclose its portfolio-related emissions in the short term.
- Implement the recommendations of the subcommittee on climate, which include: a definition of climate finance; broad commitment to upgrade EXIM climate goals and include a net-zero target by 2050 at the latest (like other agencies) that would create significant opportunities to increase climate finance.
- Integrate climate risks and opportunities into the agency's risk assessment processes, and work towards the

implementation of the recommendations of the TCFD.

- Adopt a clear fossil fuel exclusion policy in line with international commitments of the US, including the Glasgow Statement on International Public Support for the Clean Energy Transition. This, however, may require amendment of the charter by Congress (see recommendations to Congress below). Alternatively, this can be done indirectly, e.g., by setting maximum GHG emissions intensity thresholds that would effectively exclude fossil fuel-based energy projects.
- Exert pressure on other countries to support a phase-out of oil and gas financing, especially on Japan, Korea, and Australia.
- Clearly define clean energy support so that it doesn't include loopholes that may allow for the continued support of fossil fuels in the short to long term (e.g., hydrogen produced from fossil fuels) or nuclear energy technologies.
- Substantially scale up clean energy finance to enable countries to transition from (or leapfrog) gas and other fossil fuels.
- Explicitly commit to contributing to the UN 2030 Sustainable Development Agenda. This, however, may require a congressional action.
- Implement a stringent risk-based approach to perform adequate due diligence of all projects to avoid contributing to conflict and serious human rights impacts via their operations or in the mineral sourcing practices of supported companies.
- Ensure just transition principles and processes within EXIM's approval processes for projects that are based on the highest standards and values, such as: ensuring human rights; social and environmental justice; and intersectional and gender perspectives.

- Undertake institutional capacity building/ internal restructuring to broaden understanding of how to take climate considerations into decision-making.
- Update the grievance mechanism to cover more languages given the geographical coverage of EXIM's portfolio to increase its accessibility and reach to affected groups in non-English speaking jurisdictions.

6.2. Recommendations for the US government

The President of the United States

- Demonstrate high-level political commitment to the SDGs. This commitment would enable the US to use the global *lingua franca* of development and reinforce the US development and climate leadership while supporting policy coherence.
- Revive the American spirit of "mission orientation" of US government agencies, including EXIM, by placing a just energy and climate transition in the US and abroad at the center of the agencies' mandates. This must entail considering absolute limits of fossil fuel production in the US and globally.
- To meet the Glasgow Statement commitment with integrity, the Biden administration should release the public interagency guideline and ensure it explicitly prohibits new public fossil fuel support, with no exceptions for gas projects, and that it does not include caveats for support on grounds of "national security" implications as in the leaked cable (see footnote 11).
- Maximize positive synergies by coordinating and having US climate and development-oriented agencies play complementary roles, e.g., DFC acts as a first mover, supporting early-stage projects and testing out new financial instruments, while EXIM provides

inexpensive debt and risk mitigation support for exporters.

The US Secretary of State

- Apply the authority given to the Secretary of State under EO 12166: Export-Import Bank, to hold EXIM accountable and ensure its lending practices are aligned with the Biden administration’s climate and development objectives.

The US Senate

- Closely check nominations to the Board of EXIM to ensure EXIM’s leadership is composed of members who can steer EXIM towards the operationalization of climate considerations in EXIM’s internal procedures and practices.

The US Congress

- Fundamentally reshape and increase the flexibility in EXIM’s mandate by placing a just energy and climate transition at the center of the agency’s charter. Support EXIM to boost sustainable exports and jobs. A key reform would be to amend the Export Import Bank Act of 1945 and EXIM’s charter to explicitly prohibit EXIM from supporting fossil fuel projects, including companies with value chains that significantly rely on fossil fuels. However, updating the mandate of EXIM would require bipartisan support, which may be difficult to achieve in the current political circumstances.
- The reform specifically involves amending the nondiscrimination clause so that EXIM can explicitly adopt both positive discrimination (i.e., incentives for climate-friendly exports) but also negative discrimination (i.e., fossil fuel restriction and exclusion policies) based on climate considerations.

- Amend EXIM’s charter to provide a clear and comprehensive definition of “environmentally beneficial exports” that can provide further legal clarity for EXIM in exercising its mandate.
- Amend EXIM’s charter to provide more information about its lending practices, such as the criteria used to evaluate loan applications, the terms of the loans, and the identities of the borrowers. Providing more information would make it easier for the public and civil society to monitor EXIM’s activities and ensure that they are not benefiting a small group of well-connected individuals or companies and counter the allegations of crony capitalism.
- Expand the mandate of the OIG and extend judicial oversight of EXIM to monitor its operations and investigate any allegations of cronyism or corruption. This would ensure that the EXIM Bank is being held accountable for its actions and that any wrongdoing is promptly identified and addressed.

The US Treasury

- Support the OECD reforms, including tabling credible proposals on oil and gas restrictions, a common definition of climate finance, common measurement of climate finance activities, and common approaches to ensure net-zero and/or Paris alignment of the international export finance system. Further consider and develop a coherent vision on if and how export finance could support such a just energy transition.
- Ensure that no activities that may contribute to the prolongation of the lifetime of fossil fuel infrastructure are allowed preferential conditions under the Climate Change Sector Understanding.

6.3. Recommendations for civil society organizations

- Call for legal reforms to bolster the accountability and transparency of EXIM. EXIM's policies state that it screens and monitors the business it supports for associated social, environmental, and business ethics risks. Yet over the years multiple companies have received support from EXIM, despite credible evidence or proven allegations involving environmental damage and human rights violations. Civil society can call for Congress to adopt legislative reforms that include prohibiting EXIM from supporting firms involved in wrongdoing, subjecting it to judicial oversight, and expanding the OIG mandate regarding EXIM.
- Pursue climate and broader litigation options, as has occurred in the past against EXIM, e.g., in the case of the Australia's Great Barrier Reef, to throw light on EXIM's and its customers' negative practices. Force EXIM to take more ambitious climate action and avoid human rights violation. This may further include "naming and shaming" EXIM and the companies it supports for human rights and environmental-related violations to increase public pressure on EXIM and the US government towards organizational reforms.
- Actively respond to any public notice and comment processes related to EXIM that may push EXIM towards adopting more robust internal climate policies and procedures as they arise.
- Explore the content of investment agreements made through EXIM with host governments to the extent they include stabilization clauses and dispute mechanisms that may undermine the sovereignty of states to adopt stricter regulations and the overall ability to protect human rights.
- Lobby with progressive members of the US Congress and Senate to ensure EXIM's mandate, charter, and leadership can respond to the pressing needs to address the climate change crisis and global developmental challenges as outlined in Biden's commitments.
- Push for a more ambitious commitment by the Equator Principles Association (EPA) to exclude the financing of new fossil fuels, and make sure its finance for the energy sector supports a transition to a renewables-based economy towards Paris alignment.

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8. ANNEX 1: DETAILED OVERVIEW OF THE US CLIMATE AND DEVELOPMENT POLICY OBJECTIVES

8.1. Executive Orders

Executive Order 14008: Tackling the Climate Crisis at Home and Abroad (2021)

Among the first of a series of EOs of President Biden, this EO highlights the goal of his administration to integrate climate considerations in the US foreign policy and national security (The White House 2021b). The policy directs US government agencies to:

- Evaluate how to end international financing of carbon-intensive, fossil fuel-based energy and at the same time advance sustainable development and a green recovery;
- Develop comprehensive plans to marshal private sector investment and revitalize US manufacturing, including domestic clean energy and vehicles, thereby shielding the country from supply chain disruptions, while spurring job creation;
- Cooperate and collaborate with other international partners to steer innovation

and deployment of clean energy technologies through R&D to support climate change action;

- Promote a just transition and uphold principles of equity when designing interventions and executing their mandates. This includes the Justice40 Initiative that promotes investment to advance environmental justice through 40 percent of the overall benefits of certain federal investments, including in clean energy and in energy efficiency, being directed to disadvantaged and underserved communities.

Executive Order 14030: Climate-Related Financial Risk (2021)

This EO is directed to federal agencies with respect to federal programs and is established to promote consistent, comparable, and accurate disclosures on climate-related financial risk, drive the creation of well-paying jobs, and achieve a net-zero emissions economy by no later than 2050 (The White House 2021c). The EO directs the Secretary of the Treasury to engage members of the Financial

Stability Oversight Council (FSOC)²³ on climate-related financial risks. In 2021, the FSOC, in response to this directive, prepared a report on climate-related risk in which they recognize climate change as a threat to US financial stability. The report further recommends its members enhance public reporting requirements in alignment with the TCFD, to the extent it is consistent with the US regulations (FSOC 2021).

Executive Order 14017: America’s Supply Chains (2021)

Announced in 2021, this EO directed a whole-of-government approach to assessing vulnerabilities in, and strengthening the resilience of, critical US supply chains and strategies to mitigate or overcome these vulnerabilities (The White House 2021d). To advance the policy, President Biden established a taskforce led by the Assistant to the President for National Security Affairs and the Assistant to the President for Economic Policy to conduct a review of the US supply chains 100 days after the announcement of the EO (The White House 2021e). It further instructs the Secretary of Defense, as the National Defense Stockpile Manager, to identify any potential threat to the supply chain of critical minerals,²⁴ as well as rare earth metals and strategic material, and provide policy recommendations. The Secretary of Defense is further directed to address all issues identified in EO 13953²⁵ and contingencies in the case of supply chain disruptions.

The outcomes of the report confirm the objectives of the Biden administration to diversify its sources of critical minerals or increase domestic extraction to shift away from adversarial nations and sources with unsatisfactory environmental and labor standards (The White House 2021f). The US further seeks to leverage US investments abroad to incentivize environmentally and socially responsible production

globally while ensuring strong environmental, justice, and labor standards, as well as meaningful community consultation, including with Tribal Nations domestically.

President Biden further directs EXIM to establish a new domestic financing program²⁶ using existing authorities to support manufacturing facilities and infrastructure projects in the US that would facilitate the US exports (The White House 2021e). The DFC is further directed to expand international investments in projects that will increase production capacity for critical products, including critical minerals to ensure supply chain resilience while maintaining international standards of environmental and social performance.

Executive Order 13985: Advancing Racial Equity and Support for Underserved Communities Through the Federal Government (2021)

According to this EO, the multifaceted economic, health, and climate crises have exposed and exacerbated inequities. The order, therefore, states that the Biden administration will pursue a comprehensive framework to advancing equity for all, in particular by fighting systemic racism. The order directs all US agencies to review their programs and policies and identify areas that create structural obstacles to opportunities and benefits for persons of color and other underserved groups and to what extent these obstacles exist in areas such as health, environmental justice, and housing (The White House 2021g). Such evaluations are expected to enable agencies to establish equity plans that provide equitable resources and benefits for all.

Executive Order 13677: Climate-Resilient International Development (2014)

²³ The Financial Stability Oversight Council (FSOC) seeks to identify and address vulnerabilities in the US financial system and acknowledges climate change as an emerging threat to financial stability.

²⁴ Critical minerals are defined according to the definition set out in EO 13953: Addressing the Threat to the Domestic Supply Chain from Reliance on Critical Minerals from Foreign Adversaries and Supporting the Domestic Mining and Processing Industries. Supply chain is defined to “include the exploration, mining, concentration, separation, alloying, recycling and reprocessing of these critical minerals.”

²⁵ EO 13953 was issued by President Trump on September 30, 2020. It calls for targeted action to address risks associated with critical mineral supply chains.

²⁶ In 2022, EXIM approved the Make More in America initiative (MMIA).

Enacted in 2014, this EO requires agencies with direct international development programs and investments to screen for climate risks and take appropriate actions when risks are identified to ensure the effectiveness of the US investments (The White House 2014). It further advocates for complementarity with the US national and global climate change mitigation efforts to reduce the need for climate change adaptation.

8.2. Acts

Inflation Reduction Act (2022)

The Inflation Reduction Act (IRA) of 2022 is lauded as the biggest legislative action to address the climate crisis to be taken by the US. The act has a focus on climate and energy investments that could support up to 40 percent US emission reductions over 2005 levels by 2030 in combination with other policies²⁷ (US Department of Energy 2022; Larsen et al. 2022).

The IRA aims to support the US to drastically drive down its emissions, catalyze investments in domestic manufacturing capacity, ensure access to critical raw materials, promote innovation through R&D, and lower the cost of commercial clean energy technologies, e.g., wind and solar, while promoting equity and justice agendas (US Congress 2022).

The act proposes extensive measures to support the US domestic industry, including the production of clean energy equipment, such as solar, with an eye towards boosting competitiveness against China and ensuring access to essential raw materials. The IRA also includes programs, tax credits, and fees that, in combination, should support the decarbonization of the US economy. For instance, through the Energy Infrastructure Reinvestment (EIR) Program, fossil energy facilities can be repurposed for clean energy production, while existing fossil fuel plants can be retooled with carbon capture, utilization, and storage (CCUS) technologies (US Department of Energy n.d.). The IRA is also expected to encourage investments by American companies to tap into the

growing zero-emission sectors that are poised to spur job creation for American citizens. The act also significantly expands the Rural Energy for America Program, which supports small rural businesses and agricultural producers with clean energy and energy efficiency upgrades.

While the enactment of the IRA supports the US towards claiming climate leadership, it also demonstrates the US adoption of a new industrial policy as it seeks to level the playing field for trade with China and enhance its energy security (Newell 2022).

Creating Helpful Incentives to Produce Semiconductors and Science Act (2022)

The Creating Helpful Incentives to Produce Semiconductors and Science (CHIPS and Science Act seeks to raise the US domestic and global competitiveness to counter China's growing global economic influence and reduce supply chain vulnerabilities while further establishing climate leadership and creating American jobs (The White House 2022a). The CHIPS and Science Act foresees the achievement of these goals through support for large investments in domestic manufacturing and scientific research and development. For instance, CHIPSS allocates funding for research through the Department of Energy to create new R&D programs, including but not limited to basic energy technologies in addition to more novel technologies reaffirming the government's commitment to bolstering national competitiveness.

Global Food Security Reauthorization Act (2022)

The original Global Food Security Act (GFSA) was signed into law with strong bipartisan support in 2016 (USAID n.d. a). The GFSA is a critical pillar in US development cooperation policy, particularly as climate change threatens food security. It seeks to support and reauthorize Feed the Future, which is the US flagship food security program. Feed the

²⁷ Particularly the Bipartisan Infrastructure Law and the Creating Helpful Incentives to Produce Semiconductors and Science (CHIPS and Science Act) Act. The Bipartisan Infrastructure Law has not been included in this analysis due to its limited scope, as it only addresses climate and development in the US.

Future brings various partners of the US together to help communities cope with poverty and food insecurity by boosting agricultural growth, resilience, and nutrition. The new law will increase Feed the Future's funding authorization to USD 1.2 billion annually, up from approximately USD 1 billion, to produce and access locally sourced agricultural products (Singh 2022).

Foreign Assistance Act (1961)

In 1961, President Kennedy signed the Foreign Assistance Act, which serves as a building block for the US foreign assistance policies and programs, and establishes USAID. The act, as amended, requires USAID to report the US foreign assistance data to Congress (USAID n.d. b).

8.3. Guidance and strategic policy documents

International Climate Finance Plan (2021)

Announced in 2021, the plan provides the overall guidance for the US regarding international climate finance until 2025 (The White House 2021b). The headline goal of the International Climate Finance Plan is to double annual public climate finance against a baseline of the period 2013–2016. The plan describes President Biden's whole-of-government approach to financing climate actions and describes the roles of the US government agencies and institutions to ensure a coordinated approach to assisting low- and middle-income countries to reduce emissions and adapt to climate change impacts. Among other priorities, the plan supports:

- Ending financing for carbon-intensive, fossil-fuel-based energy while increasing support for climate-friendly activities. The plan further implores Treasury to liaise with OECD partners and other US government departments and agencies, to revise the rules on official export financing provided by the OECD ECAs, and to shift financing away from carbon-intensive activities while

incentivizing EXIM's support for climate-aligned investments. This includes support for climate adaptation and adopting methodologies for determining and assessing climate risks in projects;

- As per the Paris Agreement's Article 2.1(c), ensuring financial flows are consistent with low GHG emissions and climate-resilient pathways;
- Mobilization of private finance by leveraging public finance and developing a pipeline of bankable projects;
- Ensuring the effectiveness of provided climate finance through definition, measurement, and reporting of climate finance while promoting transparency to the US citizens and the international community.

The US National Security Strategy (2022)

President Biden's administration's 2022 National Security Strategy puts forward three core issues: strategic competition with China and Russia; the significance of American industrial policy; and highlighting climate change as a central challenge and potentially existential threat (The White House 2022b). According to the National Security Strategy, the US contribution to fighting global climate change will begin with domestic action through investments in the clean energy transition as envisioned in the IRA, while simultaneously creating well-remunerated jobs for American citizens and boosting the American industry. This is well captured in the statement, "the United States is strong abroad because we are strong at home" (The White House 2022b, 3). The US will also engage with its partners to advance global food security through supporting agricultural markets development, and investments in climate-smart agriculture, e.g., through the Global Food Security Strategy (see below). The strategy further notes the US will include climate change considerations in investment decisions of development finance institutions and ensure that a transition to clean energy facilitates economic

opportunities and jobs around the world, including via initiatives such as Prosper Africa, Feed the Future, and Power Africa.

Global Food Security Strategy 2022–2026 (2021)

This Global Food Security Strategy, which guides the Feed the Future Initiative, presents an integrated whole-of-government approach as per the Global Food Security Act of 2016 by charting a course for government and its partners to achieve global food security (USAID n.d. c). The strategy aims to combat the root causes of hunger, malnutrition, and poverty and respond to other challenges, including the impacts of the COVID-19 pandemic, conflict, inequity, and climate change on food security (USAID 2021a.). The objectives of the strategy and Feed the Future are to ensure inclusive and sustainable agriculture-led economic growth, build the resilience of people and systems to external shocks to support poverty eradication, and promote nutrition, particularly among women and children.

Interim International Energy Engagement Guidance (2021)

In December 2021, the US Interim International Energy Engagement Guidance was leaked. It laid out the approach for bilateral agencies to implement EO 14008: Tackling the Climate Crisis at Home and Abroad. The interim guidance indicates that the US will no longer offer bilateral support for unabated and partially abated coal, and for other carbon-intensive projects (including oil and gas) associated with a life-cycle carbon intensity above 250 grams CO₂e/kWh. The interim guidance further includes screening criteria for investments. However, these criteria would not apply to projects that demonstrate a contribution to national security or geostrategic interests and/or development/energy access benefits and where no other viable lower-carbon alternatives exist (DeAngelis et al. 2022). The guidance has not been made publicly available

by the Biden administration since it was leaked to media outlets in December 2021, and it is not clear to what extent, if at all, this shift in policy has been implemented to date (McGibbon et al. 2023).

US Treasury guidance on fossil fuel energy at the multilateral development banks (2021)

The US Treasury has meanwhile issued the fossil fuel energy finance guidance for MDBs, which advises against financing coal, as well as upstream oil and gas. The guidance however allows for support for downstream gas in countries eligible for international development assistance (IDA), where the projects have significant development benefits, such as energy security, and where no “credible alternative” exists. The guidance also supports CCUS as “stand-alone” for existing fossil fuel projects on the condition that they do not expand plant capacities or operational life (US Department of the Treasury 2021a).

The US Department of Treasury coordinated climate policy strategy (2021)

In 2021, the US Treasury announced a coordinated climate policy strategy to “bring to bear the full force of the Treasury Department on domestic and international policymaking, leveraging finance and financial risk mitigation to confront the threat of climate change. These actions will position the economy for strong and sustainable growth consistent with a net-zero emissions future” (US Department of the Treasury 2021b). To support President Biden’s climate-related commitments, the strategy aims to (1) mobilize financial resources to support climate transition in the US and abroad, particularly in high-emitting industries and sectors; (2) implement climate-related economic and tax policy to support transition to a net-zero decarbonized economy; and (3) promote universally consistent approaches to climate-related financial risks.

The US Department of State and USAID’s Joint Strategic Plan for 2022–2026 (2022)

The joint strategic plan includes goals for climate change, humanitarian assistance, economic growth, governance, and inclusive development. The Joint Strategic Plan identifies four strategic priorities: advancing democracy and human rights; strengthening global health security and building resilience against future pandemics; promoting economic recovery and growth; and advancing peace and security. One of the strategic objectives in promoting economic recovery is to ensure effective climate mitigation and ambitious action that can support the achievement of the goals of the Paris Agreement. To do this, the plan highlights, for instance, that by September 2023, it will support the implementation of at least 24 NDCs or net-zero emission strategies. The two agencies further commit to promote just transitions and avoid widening social inequalities through the climate mitigation and adaptation policies supported (US Department of State and USAID 2022).

Strategy of the Office of Foreign Assistance (2022)

The US Office of Foreign Assistance provides overall strategic direction on foreign assistance²⁸ programs administered by the US Department of State and USAID (US Department of State n.d.). According to the strategy, the mission statement, goals, and objectives of the Office of Foreign Assistance are aimed at ensuring aid effectiveness and maximizing the impact of US foreign assistance. The strategy is guided by the foreign policy and assistance priorities outlined in the National Security Strategic Guidance and the US Department of State-USAID Joint Strategic Plan 2022–2026 (US Office of Foreign Assistance 2022; Sieff 2022).

National Strategy on Gender Equity and Equality (2021)

The strategy seeks to mainstream gender equity and equality across the US domestic and foreign policy, elevate gender in strategic planning and budgeting, policy development, management and training, and monitoring and evaluation efforts (The White House 2021h). The policy seeks to work with governments and financial institutions to close gender gaps in financial inclusion, such as access to credit and insurance. On climate change, the strategy seeks to ensure gender parity in responding to climate change through support of an inclusive clean energy economy. It seeks to address the gendered effects related to climate change. The US further commits to support the inclusion of gender in environmental assessments of infrastructure financed through foreign assistance by measuring the impact on women and girls in communities served by a particular infrastructure project, as well as ensuring that project development and implementation efforts respond to the unique needs of women and girls and other underserved communities. The strategy will affirmatively create gender-equitable employment and leadership opportunities, including in clean energy manufacturing and deployment.

The strategy directs the US agencies to ensure a focus on gender equity and equality in policy and program development, and engage in efforts to rigorously measure progress made in advancing gender equity and equality worldwide through strengthened gender data collection and analysis. The Gender Policy Council is also established under the strategy and is tasked with preparing an annual report on progress made for submission to the president.

US Strategy on Global Women’s Economic Security (2022)

The US government developed this first-ever interagency strategy to advance women’s

²⁸ This includes aiding developing nations; dispensing economic assistance to emerging democracies; promoting US exports abroad; making US payments to international organizations; and contributing to international peacekeeping efforts.

economic security globally, which is nested under and implements the National Strategy on Gender Equity and Equality (US Department of State 2022a). The strategy's focus areas include women's access to quality and well-paying jobs and dismantling systemic barriers to women's economic participation. The strategy highlights climate change as a key consideration for achieving

the government's objectives to advance women's economic security, including through gender-responsive climate programming. However, the strategy has been criticized for lacking adequate outcome measures and indicators that capture the impact of US programs, engagements, and partnerships on women or to assess whether gender gaps are indeed being narrowed (Grown et al. 2023).



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