

# Officially supported export credits: application of certain guidelines

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The Commission presents its annual report on negotiations undertaken by the Commission in the field of export credits, within the meaning of Regulation (EU) No 1233/2011. The period covered is from March 2014 to June 2015.

The Commission has negotiating authorisation in various forums of international cooperation, to establish global standards in the field of officially supported export credits.

Most of the Commission's negotiation activities in this policy area continue to take place within the Export Credit Committees of the Organisation for Economic Co-operation and Development (OECD).

The Commission represents the EU in all negotiations concerning **the OECD Arrangement on Officially Supported Export Credits and its Sector Understandings** (which cover special financing rules for specific industrial sectors), namely ships, nuclear power plants, civil aircraft, rail infrastructure and renewable energy, climate change, mitigation and water projects.

**1) Main developments on export credits in 2014:** the report notes that while the history of the OECD Arrangement may be considered a success story, this has changed substantially in recent years. Many new players have emerged in the field of export credits – China, Brazil, India, the Russian Federation and South Africa. Quite a few among them have shown reservations to all initiatives to invite them to join the OECD Arrangement. Efforts to **integrate them into a new set of international export credit disciplines have become a major priority in its own right.**

**2) International Working Group on Export Credit ("IWG"):** this has continued to be the **key forum of dialogue with the non-OECD export credit providers.** The Group had **four official meetings** during the period covered by the report. This regular sequencing of meetings already demonstrates that the IWG has established itself as a regular process. The **organisation** of the Group remains rudimentary so far (no permanent chair, venue or secretariat). In due course, the more technical and complex IWG discussions become, the more necessary to come back on the question of the Group's institutional set-up.

- With the **5th Official IWG Meeting (Washington 20 -22 May 2014), the Group moved to a new phase of work** characterized by "text-based discussions" on the two industrial sectors (naval construction and medical equipment) which the IWG agreed to analyse in detail. This adjustment in the working methods of the IWG had a very positive effect on the whole process. The Chinese delegation supported this new approach from the start, although they made it clear that they were under instruction to keep some important issues – premia, interest rates and transparency questions – out of the discussion until the IWG had moved to the horizontal phase of talks.
- Despite this reserve, the following meetings were quite constructive: **China hosted the 6th Official Meeting in Beijing on 25 and 26 September 2014.** While premia, interest rates and transparency issues remained outside the official scope of discussions, the IWG delegations had rather good exchanges on other technical matters (e.g. maximum repayment terms, maximum official support, local cost, definition of starting point of credit, repayment schemes, validity period for export credits).
- **The 7th Official IWG Meeting was hosted by the European Union in Brussels from 3rd to 5th February 2015.** The EU's approach to hosting this meeting consisted not only in continuing the "text-based" discussions on the ship-building and medical equipment sectors, but also in inviting

OECD experts to give technical presentations on the way how premia-setting, interest rates and notifications of individual export credit transactions are organised under the OECD Arrangement.

- At the **8th Official IWG Meeting organised by Brazil in Brasilia from 19th to 21st May 2015 a major breakthrough** was reached: the IWG Participants agreed that the talks on sectors have made sufficient progress to justify the launch of proper discussions on a general, **horizontal system of rules**, applicable to export credit transactions in general. This important decision marks the transition to a new phase in the work of the IWG and reflects a longstanding request by the US and the EU.
- The 9th meeting of the IWG will be hosted by the US in October 2015 and be dedicated to actually implementing the transition to the new phase of horizontal talks.

### 3) **Developments at the OECD:** these may be summarised as follows:

- by far the most complex and controversial discussions in the OECD Export Credit Committees during the reporting period have concerned the subject of **export credits and fossil fuels, notably when it comes to the financing of coal-fired power plants**. Over the last year, there have been intense discussions in the OECD on how export credits can contribute to our common goal to address climate change in the run up to COP 21 (Paris, 30 November to 12 December 2015);
- OECD Participants have at working level reached a preliminary consensus on rules for export credits and **smart grids** in June 2015;
- due to a favourable development in the negotiation environment in 2014, the OECD Participants revisited the text of the **Sector Understanding on Export Credits for Rail Infrastructure** ("RSU") concluded in November 2013 and to agree to alleviate some restrictive provisions considerably;
- Implementation of the **2011 OECD Sector Understanding on Export Credits for Civil Aircraft (the "ASU 2011")** continued during the reporting period. No substantial arguments for a fundamental revision were identified and the OECD Participants agreed to postpone the matter until 2019.
- lastly, further technical work on a **review of the interest rate provisions of the OECD Arrangement** as well as on the premium **system for High Income OECD countries** was carried out during the reporting period as well, but has not yet resulted in a final outcome.

The Commission will keep the European Parliament informed on new developments.