

November 18, 2024

Export-Import Bank Financing of Fossil Fuel Projects

The Export-Import Bank of the United States (Ex-Im Bank) provides financing for U.S. exports of goods and services in many sectors, including energy. The 118th Congress has debated whether or not Ex-Im Bank should continue to finance U.S. exports to be used for fossil fuel projects. Proponents argue that such financing advances some U.S. policy interests, particularly those related to strategic competition, energy security, and energy transitions. Critics argue that such financing constrains other U.S. policy interests, such as related to climate and the environment. Congress could consider whether or not to modify the agency's authorities to shape its fossil fuel support.

Factors Shaping Ex-Im Bank Financing

Factors shaping Ex-Im Bank energy financing include:

Statutory Requirements. Ex-Im Bank's charter (codified at 12 U.S.C. §635 *et seq.*) has statutory requirements pertaining to its energy and environmental financing. For example, Congress requires Ex-Im Bank to promote environmentally beneficial and renewable energy-related exports. In 2019, it instructed Ex-Im Bank to make available not less than 5% of its total financing authority annually for renewable energy exports. It also directed Ex-Im Bank to establish the China and Transformational Exports Program (CTEP) to counter China's export subsidies and advance U.S. comparative leadership in renewable energy and other export areas.

Congress also has set parameters on the agency's decision-making for project support. In 1978, in a "national interest" provision, Congress barred Ex-Im Bank from denying support for projects for "nonfinancial or noncommercial considerations" unless the President of the United States determines that denial would advance U.S. policy in areas such as "environmental protection" (this authority was delegated to the Secretary of State in 1979). With provisions dating to 1992, Congress has directed Ex-Im Bank to establish environmental procedures to: "take into account the potential beneficial and adverse environmental effects" of proposed projects; publicly disclose environmental assessments and other reports for projects meeting certain criteria (e.g., related to "significant environmental effects upon the global commons"); and permit Ex-Im Bank's Board of Directors to withhold or approve financing based on considering a project's potential environmental effects.

Amid restrictions pursued by the Obama Administration on overseas coal-related financing, in 2015, Congress directed Ex-Im Bank, "[e]xcept as provided in this Act," to not discriminate against project applications "based solely on the industry, sector, or business." The ban applies to "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."

Congress also requires that Ex-Im Bank's statutory Advisory Committee be "broadly representative" of certain groups, including environmental. One subcommittee is the Climate & Energy Transition Council, formed in 2021 at President Biden's direction.

Agency Policy. Ex-Im Bank has developed environmental policies and procedures per statutory requirements. One set is its Environmental and Social Due Diligence Procedures and Guidelines (ESPG), first issued in 1995 and updated various times. After a lawsuit settled in 2009, Ex-Im Bank adopted a carbon policy. It also updated the ESGP in 2013, to align with the updated Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence under the Organisation for Economic Co-operation and Development (OECD).

Other Factors. Other factors may shape Ex-Im Bank energy financing. The Biden Administration's 2021 U.S. International Climate Finance Plan directed Ex-Im Bank, among other agencies, to take "steps to end international official financing for carbon-intensive fossil fuel-based energy" projects, subject to some exceptions. In 2021, the United States pledged to "end new direct public support for the international unabated fossil fuel energy sector" by the end of 2022 and prioritize the "clean energy transition." Some global developments have renewed interest in natural gas projects, including Russia's extended war on Ukraine, which has led to reduced export volume of natural gas from Russia to Europe, especially via Ukraine. In 2024, Parties to the 2015 Paris Agreement called for "transitioning away from fossil fuels in energy systems..." while also recognizing "that transitional fuels can play a role in facilitating the energy transition while ensuring energy security." Most countries continue using fossil fuels, to varying degrees, for availability and affordability. User demand for Ex-Im Bank services and the agency's operational status also shape its overall activity. For example, during 2015-2019, a lapse in a quorum of Ex-Im Bank's Board, due to vacancies, constrained its approval of longer-term, larger transactions. Senate approval of Board members in 2019 restored the quorum.

Ex-Im Bank Fossil Fuel Support

Ex-Im Bank has financed fossil fuel projects under past Administrations of both political parties. In the second half of the Biden Administration, it has authorized multiple oil and gas projects and a petro-chemical project. Other gas projects are pending consideration. Ex-Im Bank reportedly is weighing whether to revive support for a Mozambique liquefied natural gas project approved in 2019; the project halted in 2021 amid an insurgency in the country.

In FY2023, oil and gas ranked as Ex-Im Bank's second-largest sector of exposure (24.0%), after aircraft (32.7%) and ahead of manufacturing (20.2%) and power projects (8.2%; power exposure does not appear to distinguish energy types). From FY2014 to FY2023, the oil and gas

sector's share of Ex-Im Bank's total portfolio grew from 14.6% to 24.0%, while its portfolio amount declined from \$16.4 billion to \$8.2 billion—alongside a general decline in the agency's portfolio from \$112.0 billion to \$34.1 billion.

Ex-Im Bank Fossil Fuel Support Data

Ex-Im Bank's annual reports in recent years (e.g., FY2023) do not have aggregate annual authorization data for fossil fuel projects, unlike in some earlier years (e.g., FY2014 oil and gas authorizations) and unlike for environmentally beneficial and renewable energy projects. The reports have other data, such as oil and gas exposure and certain expected emissions. Ex-Im Bank's annual competitiveness reports have authorization data for oil, gas, and mining services. Fossil fuel activity can be gleaned from project-level data in Ex-Im Bank's public databases, which include industry classifications, and press releases. Some external groups track Ex-Im Bank energy support using such public information, and may face data limitations as a result.

Ex-Im Bank has continued to finance exports for other types of energy projects. For example, in FY2022, it authorized \$54.3 million for renewable energy exports (or 1.0% of total authorizations of \$5.2 billion); in FY2023, its renewable energy authorizations grew to \$907.9 million (or 10.4% of total authorizations of \$8.8 billion), largely due to a solar energy project in Angola. Ex-Im Bank also has renewed emphasis on nuclear energy support.

Table 1. Examples of Ex-Im Bank Authorized Financing for Oil and Gas Projects Since 2023

Approval	Project	Amount (\$ mil.)
5/11/23	Oil refinery expansion in Indonesia	\$100
7/13/23	Financial institution buyer credit policies for insurance for purchase of U.S. LNG to sell to European buyers	\$360
9/22/23	Gas turbine repair and upgrade in Iraq	\$240
10/12/23	Oil terminal in the Bahamas	\$72
3/13/24	Gas field development in Bahrain	\$500

Source: CRS, based on Ex-Im Bank public information.

Notes: Ex-Im Bank's authorizations across all sectors were \$8.8 billion in FY2023 and \$8.4 billion in FY2024.

Debate Over Fossil Fuel Financing

In a press interview, Ex-Im Bank's President and Chair stressed both compliance with congressional requirements and efforts to align with Administration policy. She was quoted as saying that Congress was "very explicit in our charter about prohibiting discrimination based solely on industry, sector, or business," while also reportedly stating that Ex-Im Bank seeks "to align with the [A]dministration on all things." A National Security Council spokesperson reportedly stated, referring to the Indonesia oil refinery project, "Ex-Im made an independent decision to move forward with this financing under its authorities, and its decision does not reflect administration policy." Two advisors of Ex-Im Bank's climate-focused council reportedly resigned over the agency's fossil fuel approach.

Some Members and stakeholders have advanced various policy arguments on Ex-Im Bank's fossil fuel financing. Proponents of Ex-Im Bank's fossil fuel financing argue that it supports U.S. jobs and strategic competition, such as by countering China's *One Belt, One Road* initiative; reduces dependencies on Russian energy supplies; and promotes energy transitions. In a hearing on Ex-Im Bank, one

Member of Congress voiced concern that "bias against fossil energy projects at Ex-Im and within the [A]dministration compromises [U.S.] national security with respect to... countering China." One U.S. business group also argued that Ex-Im Bank's natural gas projects help countries "reduce dependence on higher emitting sources," and may include emissions reduction measures that alternative foreign-backed financing arrangements lack. Critics of Ex-Im Bank's fossil fuel financing have argued that it is contrary to U.S. climate policy. In letters to the Administration, some Members criticized the agency's fossil fuel support "as appearing incongruous" with the Administration's 2021 International Climate Finance Plan, and some Members also voiced concern about transparency in accessing input from the climate-focused advisory subcommittee. Some civil society groups have echoed these concerns. They also have argued fossil fuel financing may constrain U.S. international leadership on climate policy.

Some Members and stakeholders disagree on using Ex-Im Bank's authorities for fossil fuel support. Proponents point to the nondiscrimination requirement to justify fossil fuel financing; critics emphasize other authorities. In a letter to the Administration, some Members argued that the "nondiscrimination provisions do not supersede the charter's environmental policies and procedures," and that they instead preclude Ex-Im Bank from limiting decisions based "solely on the industry, sector, or business."

Possible Options for Congress

Congress may consider whether or not to modify Ex-Im Bank's fossil fuel financing. These issues could factor into possible debate about whether or not to reauthorize Ex-Im Bank (whose charter currently sunsets in December 2026) and if so, under what terms. (For background, see CRS In Focus IF10017, *Export-Import Bank of the United States (Ex-Im Bank)*, by Shayerah I. Akhtar.) Possible options include to:

- Maintain the status quo allowing fossil fuel support and, simultaneously, support for renewable energy.
- Require fossil fuel projects meet additional criteria (e.g., national security-related criteria).
- Prohibit fossil fuel support, such as by adding an explicit ban in the charter; barring the use of funds for such use (e.g., S. 4406); or pressing the Administration to make a national interest determination.
- Direct Ex-Im Bank to promote fossil fuel financing (e.g., S. 758, 117th Congress).
- Eliminate the nondiscrimination requirement or clarify how it relates to environmental requirements.
- Cap Ex-Im Bank's carbon emissions for its portfolio.
- Modify Ex-Im Bank's procedures, such as regarding climate-related project documentation and reporting.
- Formalize the climate-focused advisory subcommittee, its role, and transparency.

Congress could consider the extent to which fossil fuel provisions impact Ex-Im Bank's mission and global competitiveness, potential trade-offs for U.S. priorities, and intersections with other U.S. policies. Such issues also may arise in United Nations climate change talks.

Shayerah I. Akhtar, Specialist in International Trade and Finance

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.