HOT MONEY

AUSTRALIAN TAXPAYERS FINANCING FOSSIL FUELS

JUBILEE AUSTRALIA
RESEARCH CENTRE

ABOUT THIS REPORT

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Jubilee Australia Research Centre

Jubilee Australia Research Centre engages in research and advocacy to promote economic justice for communities in the Asia-Pacific region and accountability for Australian corporations and government agencies operating there.

Australia exerts enormous influence over some of its neighbours in the Asia Pacific region. The Australian Government's trade policy and aid program, and the practices of Australian companies, matter in the region. More often than it should, Australian influence is exerted in ways that result in considerable harm to marginalised communities.

Jubilee Australia is working to change this. We want Australia to be good neighbour in the region.

What we do

1. We work with individuals and groups to identify and document human rights abuses, environmental destruction or economic injustice in their communities.

2. We identify and document how Australian companies, financial institutions and Australian government actions cause or contribute to those adverse impacts.

3. We identify and document how policy change at the national and international level might prevent current and future environmental and human rights abuses and economic injustice.

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As much of the world move away from financing fossil fuels, Australia could be one of the few countries still willing to finance new fossil fuel projects.

Over the last decade, more than a billion dollars of money backed by Australian taxpayers has gone to finance fossil fuel projects here and overseas. Some of the most significant projects have lost money or risk becoming stranded assets.

This is a significant missed opportunity to make Australia a renewable energy superpower. We're taking risks on old infrastructure instead of looking forward to the future opportunities.

LUKE FLETCHER
EXECUTIVE DIRECTOR, JUBILEE AUSTRALIA

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EXECUTIVE SUMMARY

- As private banks shy away from lending to fossil fuel projects, public project financing banks are taking on more risk by helping coal, oil and gas projects get off the ground. Australia's large project financing banks – Export Finance Australia (EFA) and the Northern Australia Infrastructure Facility (NAIF) – are no exception.
- Between 2009 and 2020, EFA provided between $1.57 and $1.69 billion in financing to coal, oil and gas projects (including refinancing).[1] During this period – the hottest decade on record – EFA provided $20 million in support to renewable energy projects. In other words, EFA gave around 80 times as much financial support to fossil fuels as to renewable energy projects.
- EFA operates with very poor transparency, making it challenging to get accurate statistics on the actual support for the fossil fuel industry. This means that the amount could be higher than 1.69 billion. We have identified at least $123 million of additional EFA financing that may have gone to fossil fuels.
- As of 30 June 2020, NAIF has provided $91.3 million to fossil fuel projects and a further $522 million to projects with a fossil fuel component. While it has given significant financing to renewables projects, recent moves by the government suggest NAIF is being positioned to fund the "gas fired recovery".
- If Australia is to meet its commitments under the Paris Agreement, and be part of a global move to limit warming to 1.5°C, it is essential that EFA and NAIF stop financing fossil fuel projects.

Between July 2009 and June 2020, EFA provided up to $1.69 billion in financing for fossil fuels (including refinancing). In contrast, during this period, EFA only provided $20 million in financing for renewable energy.

$20 million
Renewable energy

$123 million
Potential fossil fuels

Up to $1.69 billion
Fossil fuels

"

Last year the Australian Government gave $10.3 billion in subsidies to coal, gas and oil companies. The world's appetite for fossil fuels is waning, yet alarmingly this report shows that Australia is determined to keep underwriting fossil fuels for export with public money, even when there's no market for them.

The opportunities created by the clean energy transition are huge. Renewables are the cleaner and cheaper technologies of now and the future, yet our Government insists on funding technologies of the past.

Australia exports more than double its annual domestic emissions in fossil fuels. Even if we don't include those emissions in our domestic accounting, we are responsible for the damage they cause.

ALIA ARMISTEAD
CLIMATE AND ENERGY RESEARCHER, THE AUSTRALIA INSTITUTE

1. THE CONTEXT

1.1 The need to shift from fossil fuels is urgent

Achieving our global goals on climate change requires a shift away from fossil fuels. The *Paris Agreement* requires all signatory countries to hold global temperatures at "well below 2°C" and pursue efforts to limit the global average temperature increase to 1.5°C above pre-industrial levels.[2] According to the International Panel on Climate Change (IPCC), capping temperature rises at 1.5°C requires a dramatic reduction in greenhouse gas emissions and rapid and far-reaching transitions in energy use.[3] Research from Oil Change International has found that the potential carbon emissions from utilising the oil, gas and coal in the world's currently operating fields and mines would take us beyond 2°C of warming. Even if coal use were phased out overnight, the emissions from oil and gas in existing fields alone would push average global temperature rise beyond 1.5°C.[4]

The need for a rapid shift from fossil fuels was also emphasised by the International Energy Authority (IEA), with the recent launch of their ground-breaking report stating that staying below 1.5°C of warming means an immediate halt to any new fossil fuel supply projects.[5]

The need for a just and equitable transition from fossil fuels to renewable energy is urgent. While governments and businesses around the world are committing to net zero emissions by 2050, this is likely to be too late to prevent irreversible climate change. According to recent research by the Climate Council of Australia, the ecological systems that have sustained human life and societies for generations are being severely damaged by increasing heat and worsening extreme weather events. Already, at a global average temperature rise of 1.1°C, Australia is experiencing more powerful storms, destructive marine and land heatwaves, and a new age of megafires.[6] A rapid and just transition away from fossil fuels needs to happen this decade. **It is clear that there is no room for new Australian fossil fuel extraction in this transition, which includes any new fossil fuel export projects.**

1.2 Australian fossil fuel exports – including gas – are a key part of the problem

Australia punches well above its weight in contributing to global emissions. Domestically, we have the highest per capita emissions in the OECD and higher emissions than 90% of countries.[7] When our exports are taken into account, our carbon footprint is vast. Australia is now the largest exporter of coal and gas in the world, and from 2018 to 2019, our fossil fuel export emissions increased by 4.4%.[8] A significant proportion of these exports are shipped to countries that have already pledged net-zero mid-century (e.g., China, South Korea, Japan), leaving Australia with a potential risk of stranded assets.[9] Australia should not wait until the demand disappears to change its trajectory. Instead, the government should stop supporting sunset industries and accelerate a just transition. Reducing our exports of fossil fuels could have an even greater impact on reducing global emissions than anything we do to reduce fossil fuel consumption domestically.

The Australian government is actively working to keep fossil fuel exports high. Through domestic subsidies, export financing, domestic project financing and trade facilitation, the Australian government uses public money to stimulate demand for Australian fossil fuels and to support Australian companies to pursue fossil fuel projects overseas.[10]

As part of the Morrison government's **'gas-led recovery'** which was announced in September 2020, the government has promised to "get more gas into the market". Since then, Morrison's government has announced indirect and direct funding for gas totalling up to $903 million.[11] Right now, 72% of Australia's gas is exported. Around a quarter of the gas that is used domestically is burned by the gas industry to liquefy and chill gas for shipping overseas.[12] As this paper will discuss, Australia's project financing banks are now positioned to support the government's increase in gas funding.

1.3 Public finance filling the funding gap

Globally and in Australia, private banks, insurers, and financial regulators are increasingly seeing fossil fuels as a risky investment. Australia's Big Four banks have all made commitments to phase out or exit thermal coal.[17] During 2020, several large Australian superannuation investors, including Australian Super and Macquarie Asset Management made commitments to net zero emissions in their investment portfolios by 2050.[18] Australia's banking regulator, the Australian Prudential Regulatory Agency (APRA), issued draft guidance to banks, insurers and superannuation trustees in April 2021 advising them to consider the financial risks of climate change.[19]

This shift is being felt in the fossil fuel sector. In submissions to a 2021 parliamentary inquiry, several finance institutions and fossil fuel companies commented on the tightening funding environment for fossil fuels.[20] One contractor building a rail line for the destructive Adani coal mine reported that 40 underwriters had refused to insure the project.[21] A Chinese-owned Australian coal operator noted:

> [a] growing percentage of Australia's major lenders, faced with sustained activism, are declining to be a party to new coal operations. Many are also looking at imminent strategies to exit their existing business involving the production of coal. This reduced lending pool in turn will drive up the cost of obtaining financial services from those remain in the market.[22]

As private banks phase out fossil fuels, public banks are stepping in to take on the risk. Export credit agencies (ECAs) are government-owned or sponsored banks that provide public sector finance, usually to support exports overseas. From 2016 to 2018, ECAs in G20 countries provided USD $40.1 billion annually to support fossil fuel projects.[23] Within Australia, three of the top seven lenders to LNG projects 2008-2019 were overseas ECAs.[24] Large gas projects frequently involve financing from multiple ECAs, often providing guarantees or early-stage loans that give confidence to private lenders. In this way, ECAs, and similar public project-financing banks are essential in de-risking large fossil fuel projects that the private sector might otherwise shy away from.

The Ichthys LNG project

The dirty facts about gas

Despite being touted by some as a transition fuel, gas will not help facilitate the energy transition that is urgently needed. For years, the gas industry has claimed that gas is essential as we transition our energy system from coal to renewable energy. However, as the drop in renewables prices has made renewables the most economical way to produce energy, the industry now claims that gas is needed to "back up" or "firm" renewables. This claim does not stack up as cleaner alternatives to provide firming for renewables exist, including transmission interconnection, demand management, spare renewable capacity and storage such as pumped hydro and batteries.[13] In fact, the Australian Electricity Market Operator's (AEMO) roadmap for the optimal national electricity market to 2040 found that new gas-fired power is not essential for a grid that relies increasingly on renewable energy.[14]

Furthermore, when emissions for gas are calculated correctly, they can rival emissions for coal. In Australia, leaks such as upstream emissions of gas are often underreported. Of particular concern is the powerful greenhouse gas methane, which is a major component of gas. Methane is approximately 40 times more potent than CO_2 over a 100-year period and 84 times more potent than CO_2 over a 20-year period.[15] It leaks throughout all stages of the gas supply chain, from drilling and extraction to combustion, significantly increasing the climate impact of gas. If the world is going to meet the goal set by the Paris Agreement, there needs to be a decline in methane emissions and that means no new gas fields can developed, including in Australia.[16]

2. THE ROLE OF AUSTRALIA'S PUBLIC PROJECT FINANCING BANKS

Australia's large project financing banks – Export Finance Australia (EFA) and the Northern Australia Infrastructure Facility (NAIF) – have the ability to play a catalytic role in getting new fossil fuel projects off the ground. In the last decade, EFA has provided early-stage funding and refinancing for large gas projects and NAIF has supported several pieces of gas infrastructure. Although their support for fossil fuel activities has dipped a little in the last few years, the conditions are ripe for these taxpayer-backed financiers to play a major role in the so-called 'gas-led recovery'.

2.1 EFA

EFA is Australia's export credit agency and is responsible for providing finance solutions such as loans, guarantees, bonds and insurance, to boost Australian exports. It is a corporate Commonwealth entity with an independent board, giving it a status part way between a private company and government agency. It has provided an average of close to $600 million a year in loans, bonds, guarantees and insurance to Australian exporting companies or the buyers of Australian exports.[25] EFA has two accounts: the Commercial Account, which acts like a private corporation, retaining all profits from interest and fees and carrying any losses; and the National Interest Account, which operates under the direction of government to fund transactions it considers in the national interest (including those that may not be considered commercially advantageous). For National Interest Account transactions, the Australian government keeps any profits and bears any losses.

EFA's mandate places some limits on resource project funding. This mandate, set out in a letter from the Minister for Trade, Tourism and Investment (known as a Statement of Expectations), directs it to focus on Small to Medium Enterprises (SMEs) and sets limits around its support for domestic or overseas resource projects. EFA is instructed only to support these projects where there is a market gap in finance, the project is financially viable, there is significant Australian content and the transaction is not at the expense of SMEs.[26] This restriction was first placed on EFA in 2014, following criticism that its investment portfolio favoured multinational mining companies over local SMEs.[27]

International rules put some limits on EFA's coal financing, but these rules are weak. EFA complies with the OECD *Arrangement on Officially Supported Export Credits*. This "gentlemen's agreement" between ten countries includes some restrictions on ECAs investing in new coal-fired power plants. It is however riddled with loopholes as it only covers coal-fired power plants over a certain size and does not restrict financing of new coal mines or related infrastructure.[28] The coal section of this arrangement is up for review – if this is strengthened, it could place more serious limits on EFA's fossil fuel financing.

An Australian Aboriginal flag flown in protest against mining at the Adani Bravus Carmichael mine site in the Galilee Basin, Central Queensland.

Despite this, there are signs that some in the government see EFA as a potential pot of money for coal and gas projects. In 2019, the government massively increased EFA's callable capital from $200 million to $1.2 billion.[29] At the time these changes were introduced, the responsible minister emphasised that this would enable EFA to fund more LNG projects, referencing the PNG LNG project as a model to be emulated.[30] In the year before that legislation passed, EFA had been approached to finance three potential transactions relating to Adani's Carmichael mine, although ultimately did not fund them.[31] In 2019, EFA attempted to finance a highly risky oil and gas field off the coast of Mozambique run by Woodside. Opposed by several NGOs including Jubilee Australia, the transaction also did not go ahead.[32]

EFA also administers a $2 billion infrastructure fund in the Pacific. Established in 2019 and administered by EFA, the Australian Infrastructure Financing Facility for the Pacific (AIFFP) provides grant and loan financing for infrastructure projects in Pacific Island countries and Timor-Leste. It is funded to approve up to $1.5 billion in loans and up to $500 million in grants.[33] It is early days for this fund, which has only approved five projects (with only $16.5 million in confirmed funding) so far.[34] While its portfolio so far favours renewables over fossil fuels, the AIFFP is another pot of money that could be used to prop up Australian coal or gas projects in the Pacific. With multiple gas projects and a prospective coal mine and coal fired power station in PNG, this is not a far-fetched proposition.

Forthcoming changes to legislation could give EFA even more ways to finance fossil fuel projects. On 24 June 2021, the Trade Minister announced the Government will be amending EFA's governing legislation to allow it to provide equity finance "in certain circumstances". The changes are intended "to better support overseas infrastructure development and export-linked Australian businesses in sectors of economic significance."[35] Unlike a loan, an equity stake will rise and fall in value with the business and is not repayable. In practice, this could leave the Government holding a stake in stranded fossil fuel assets long after the market has lost interest in investing in them.

2.2 NAIF

NAIF is another multi-billion dollar infrastructure fund tasked with financing new infrastructure projects in Queensland, WA and the Northern Territory. Its $5 billion allocation was supposed to be spent by 2021 but has since been extended to 2026.[36] NAIF receives administrative support from EFA, although it has a separate Board and staff.

NAIF provides the government with a huge pot of money for fossil fuels, with few checks and balances. NAIF has committed $2.9 billion of its $5 billion fund – leaving around $2.1 billion remaining to be spent in the next five years, at the same time as the Morrison government is pushing its "gas-fired recovery".[37] NAIF's Environmental and Social Review policy requires it to consider "climate related physical and transition risks" (including the risk of stranded assets), but doesn't reference the Paris Agreement or require it to consider the project's emissions or impact on climate change.[38] Environmental review of projects is currently outsourced to EFA, and there is no requirement for NAIF to conduct consultation or seek public submissions.

Recent amendments to NAIF's governing legislation open the door for more fossil fuel funding. These amendments have removed barriers that have previously prevented the federal government from using NAIF to fund fossil fuel projects. Until recently, NAIF funding had to go through state and territory governments and it was this mechanism that stopped NAIF from funding Adani in 2016. Legislation passed in May 2021 now allows the government to use NAIF to fund projects directly, removing one of the main mechanisms preventing NAIF from being used as an ATM for the fossil fuel lobby. This same legislation added the Secretary of the Department of Industry, Innovation and Science - who reports to the Minister - as an additional board member to NAIF. Amendments proposed by Greens and independent parliamentarians that would have restricted NAIF's investments in fossil fuels were explicitly rejected.[39]

In fact, the government itself has said that NAIF could help get new gas projects, like the Beetaloo Basin gas field, off the ground. The Beetaloo Basin, described as a "methane bomb" by independent MP Zali Steggall, could produce 100 million tonnes of greenhouse gases, 40 million of which would occur in Australia, increasing Australia's annual emissions by 7.8%.[40] The *Beetaloo Strategic Basin Plan*, which details the plans for exploiting the gas field specifically mentions the changes to NAIF and that they "can ...support Beetaloo infrastructure developments".[41]

NAIF also provides a loophole from global rules. EFA is bound by the OECD's Working Group on Export Credits, which currently restricts some coal investment. With other OECD members increasingly phasing out financing for fossil fuels (see below), these rules are likely to get more restrictive. NAIF, on the other hand, is not bound by the OECD Arrangement. Although it often supports export-related projects, it is not an ECA and could pick up Australian fossil fuel projects that EFA is prevented from funding. NAIF's ability to operate in a loophole outside of the OECD framework makes it even more dangerous.

2.3 How much have EFA and NAIF given to fossil fuels?

2.3.1 EFA

Jubilee Australia analysed EFA's transactions from July 2009 to June 2020 to identify which transactions provided financing for fossil fuels. We included funding for coal, oil and gas extraction, processing, transport or power generation projects, as well as funding given to companies providing services to fossil fuel projects.

Between July 2009 and June 2020, EFA provided between $1.57 and $1.69 billion in financing for fossil fuels – including coal, oil and gas.[42] The lower part of the range represents projects where the authors have a high degree of confidence that the investment was in fossil fuels. The higher part of the range represents projects where the authors consider it is highly likely the project relates to fossil fuels, but there is insufficient project information to be confident.

Some of this financing was given directly to fossil fuel projects – like the **$254.7 million** gurantee EFA gave to Santos for the Gladstone LNG project in 2011-12. In other cases, this financing went to support Australian companies providing a range of services to the fossil fuel industry, including engineering, construction, pipeline manufacturing, software and technical advice.

These figures include two refinancing commitments to two massive fossil fuel projects in Australia. Although required to disclose its transactions, EFA does not disclose refinancing. Nevertheless, reports have shown that EFA has been a key player in refinancing two high value fossil fuel projects:

- In June 2020, it was reported that EFA contributed **$164.12 million** to the refinancing of the Ichthys LNG Project.[43]
- In September 2018, reports indicated that EFA provided a loan of **$124.65 million** as part of the refinancing of the Wiggins Island Coal Export Terminal.[44]

Jubilee Australia wrote to EFA in May 2021 to seek information about these deals and the other refinancings that EFA had been involved in, however did not receive a response. Without this information, it is impossible to say what volume of taxpayer-backed money may have been committed in project refinancing deals.

In contrast, during this period, EFA only provided $20 million in financing for renewables. In other words, as experts around the globe called for an urgent shift to clean energy during the hottest decade on record, EFA's funding for fossil fuels was around 80 times its funding for renewables.

There is a further $123 million in additional potential fossil fuel project financing on top of the 1.69 billion – but the purpose of this funding remains hazy. Jubilee Australia identified more than 100 transactions between 2009-10 and 2019-20 with companies involved in the fossil fuel industry, but where the project or funding purpose was unclear. This included funding for construction, engineering and mining companies engaged in both coal and non-coal mining or with significant interests in gas but projects in other industries. Jubilee Australia provided a list of 101 projects to EFA and requested more information but did not receive a response at the time of publication.

This lack of transparency is a huge problem. EFA has a partial exemption from Freedom of Information laws in relation to activities under Part 4 or 5 of the *Export Finance and Insurance Corporation Act 1991* (which cover its commercial and national interest account transactions), making it virtually impossible for taxpayers to find out where this government body is directing its funds.[45] EFA relies heavily on taxpayer's money and should employ the same approach to transparency and accountability as other government bodies. The Commonwealth Government has ultimate fiscal responsibility for the operation of EFA and is EFA's financial guarantor and sole shareholder. Given this, Australian taxpayers should be informed about purpose of projects for which EFA provides funding.

Throwing good money after bad

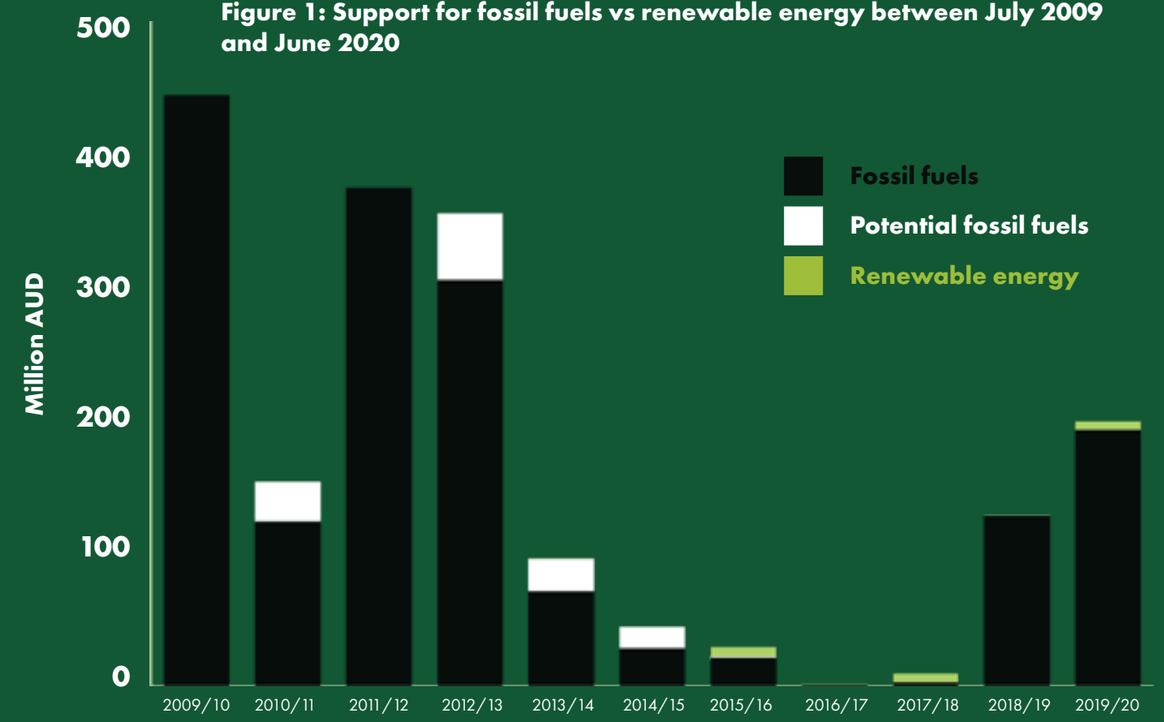
In 2011-12, EFA provided financing guarantees to two large Queensland fossil fuel projects that have proven to be disastrous investments.

EFA provided a guarantee worth **$94.2 million** to the Wiggins Island Coal Export Terminal (WICET) in Gladstone. Intended as an 84-million tonne/year coal port, the project has seen huge cost blowouts and resulted in billions in losses for its investors.[46] Three project partners have gone bankrupt and, in 2016, Lloyds Bank sold $146 million of WICET debt at a reported loss of 21%.[47] After several failed attempts at refinancing, the 20 original lenders agreed to debt refinancing plan. As part of this plan, Export Finance Australia extended a further loan of **AUD$124.65 million** to WICET.[48] Since then, Glencore (which owns 40% of WICET) has signalled its intention to cap its coal production, raising questions about whether investors will be left with a stranded asset.

The same year, EFA provided another guarantee, for **$254.7 million**, to Santos for its Gladstone LNG project, located on the edge of the Great Barrier Reef World Heritage Area. Santos has since written down the project by a staggering $7 billion.[49] The plant, which relies on expensive and environmentally damaging coal seam gas, is still not making an economic return.[50]

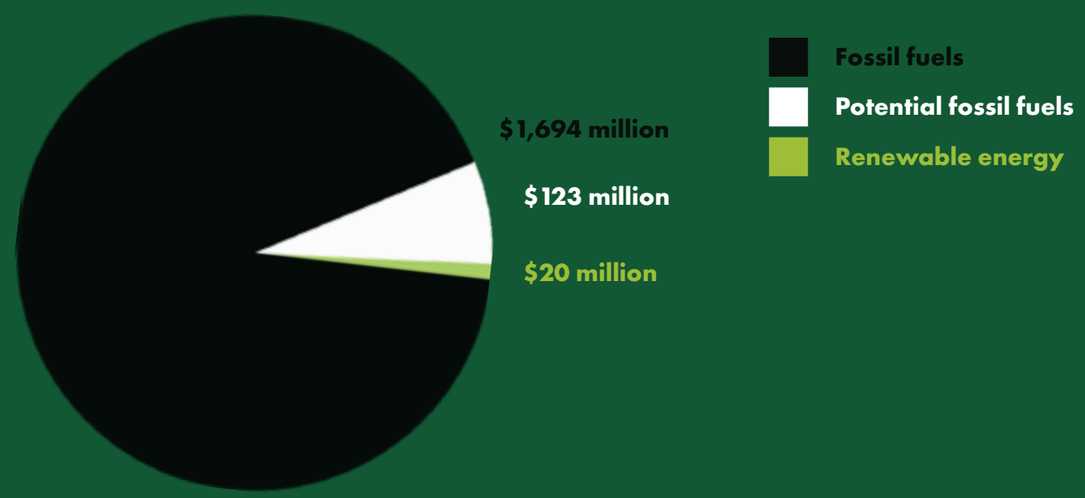
Between July 2009 and June 2020, EFA provided between $1.57 and $1.69 billion in financing for fossil fuels (including refinancing)

Figure 1: Support for fossil fuels vs renewable energy between July 2009 and June 2020



In contrast, during this period, EFA only provided $20 million in financing for renewable energy

Figure 2: Distribution of support for fossil fuels vs reneable energy between July 2009 and June 2020



The PNG LNG Project: a bad deal for climate, local communities and the PNG economy

In 2009, EFA's predecessor (Efic) provided a loan of US$350 million for the Papua New Guinea (PNG) Liquefied Natural Gas (LNG) project – the largest industrial/development project in PNG's history. The project raised a total of US$8.3 billion from the export credit agencies of US, Japan, China, Italy and Australia and began production in 2014. It has the capacity to produce over 8.3 million tonnes of LNG per year for buyers in Japan, China and Taiwan and is projected to run for 30 years.

As well as contributing to climate change, research by Jubilee Australia in 2018 found that the project was linked to incidents of violence, and had failed to deliver promised economic or development benefits to communities.[51]

A cloosed loop: funding both ends of the fossil fuel supply chain

Together, EFA and NAIF are involved in funding both ends of the fossil fuel supply chain. For example, in 2015-16, EFA provided $7.08 million in finance to three contractors involved in gas pipelines in Australia. That same year, EFA provided $14.25 million in finance to gas power generation projects in Thailand, Indonesia and the Middle East.[52]

While the government cites the demand for Australian gas in the region as a reason to continue to export it, it is important to recognise the role Australia is playing in facilitating the continued burning of fossil fuels in our region.

In 2015, landowners impacted by the PNG LNG project organised a blockade of the Hides Gas Conditioning Plant

2.3.2 NAIF

Since its inception in 2016, NAIF has boosted the fossil fuel industry directly and indirectly. As of 30 June 2021, it has supported two sizable fossil fuel infrastructure investments:

- **$74.5 million** in 2018-19 for the Beyondie Sulphate of Potash project. While the project itself is intended to mine sulphate of potash for fertiliser, NAIF's support facilitated construction of a 78km gas pipeline and a gas-fired power station, as well as the upgrade of a connecting road and accommodation and transportation infrastructure. A further $10.5 million loan was made available in 2019-20 but not drawn upon.[53]
- **$16.8 million** in 2017-18 for the Onslow Marine Support Base, a shipping base supporting the offshore oil and gas industry.[54]

On top of this, NAIF has provided $522 million in funding to four projects with substantial fossil fuel components:

- **$300 million** to the Darwin harbour shiplift which will benefit offshore oil and gas producers alongside other industries.[55]
- **$95 million** to the infrastructure of the Thunderbird mineral sands project, which includes a gas fired power plant.[56]
- **$90 million** to the Chichester solar/gas hybrid project.[57]
- **$37 million** to the Hudson Creek solar/gas hybrid project.[58]

Other attempts by NAIF to do more for the fossil fuel industry have been stymied. In 2016, the media reported that NAIF had provided "conditional approval" for a loan of up to **$1 billion** for the Carmichael Rail Project servicing Adani's Carmichael mine.[59] Commentators highlighted conflicts of interest on the NAIF Board and governance risks associated with the project. After public outcry, the Queensland government vetoed the loan approval.[60]

To date, NAIF's renewables funding funding is larger than its financing for fossil fuels. In 2019-20, NAIF loaned out **$610 million** on Genex Energy's Kidston Pumped Storage Hydro project, its biggest loan to date. It has loaned a further **$308.4 million** to projects with a renewables component, including the two solar-gas hybrid projects discussed above and support for solar infrastructure at a barramundi farm.

However, in May 2021, Resources Minister Keith Pitt vetoed a **$280 million** loan for a clean energy hub in Cairns, despite it being approved by the NAIF board. His reasons included that it was "inconsistent with the objectives and policies of the Commonwealth Government".[61] In a follow up interview, Minister Pitt reiterated concerns about the renewable technology used, arguing "intermittent wind and solar is not dispatchable".[62] This suggests that the government's priorities for NAIF are in fossil fuels, not renewables. This focus, combined with the recent legislative amendments that give the Commonwealth Government more power over NAIF's decisions, concerningly suggest that NAIF could be positioned to fund more fossil fuel projects in the future.

Reef action in Townsville in December 2016 on Gautam Adani's visit ©Ash Hogan

3 AUSTRALIA IS AN INTERNATIONAL LAGGARD – YET AGAIN

Other OECD countries are moving away from using export finance for fossil fuels. Recent months have seen a wave of announcements that restrict ECAs from financing coal, oil and gas:

- The UK issued a policy in March 2021 committing to end public finance for fossil fuel projects overseas, including export finance.[63]
- In June 2021, G7 Leaders announced they will commit to an end to new direct government support for unabated international thermal coal power generation by the end of this year.[64]
- In April, six governments from Europe and the UK launched the Export Finance for Future (E3F) coalition, agreeing to end trade and export finance to unabated coal power and related infrastructure and to phase out support for other fossil fuel sectors.[65]
- US President Biden's Executive Order on the Climate Crisis in January 2021 and April 2021 International Climate Finance Plan directed departments to consider ending overseas support for carbon-intensive energy projects and reorient OECD ECA financing away from carbon-intensive activities.[66]
- South Korea has committed to end public financing for overseas coal-fired power plants.[67]
- The European Investment Bank (EIB) has issued a policy that will end its support for virtually all oil, gas, and coal by the end of 2021.

But while the world's major economies are making change, Australia is sitting on the sidelines. As a member of the OECD *Arrangement on Officially Supported Export Credits,* Australia has an opportunity to be part of a global agreement to restrict export finance for fossil fuels. The group's Coal Fired Electricity Generation Sector Understanding is up for review in 2021, with proposals on the table to extend its application to a greater range of coal projects. This is an important opportunity for coordinated global action, but confidential government sources have said that Australia is playing a blocking role in this process.[68]

In refusing to limit public-backed project finance for fossil fuels, Australia is an international laggard – yet again. While other OECD countries are phasing out export finance for fossil fuels – or at least restricting their spending on coal – Australia is ramping up its 'gas-led recovery' and NAIF and EFA are well positioned to play a key role in this.

The Great Barrier Reef © Carles Rabady at Unsplash

4 CONCLUSION AND RECOMMENDATIONS

As the globe heats up and countries around the world phase out their subsidies to fossil fuels, Australia's public finance for fossil fuel projects shows no signs of cooling. Over the last ten years, EFA and NAIF have provided more than a billion dollars to fossil fuel projects, enabling risky and expensive projects to get off the ground that may not otherwise have seen the light of day. Recent legislative amendments have opened the door for NAIF to be a major fossil fuel financier, side-stepping global restrictions on export finance for coal, oil and gas. If Australia is to play its part in limiting global temperature rise, ending all public finance for fossil fuels – including the project finance offered by EFA and NAIF – is essential.

Jubilee Australia recommends:

AUSTRALIA MUST END ALL PUBLIC FINANCING OF FOSSIL FUELS THROUGH EFA AND NAIF

- Australia should immediately join the Export Finance for the Future (E3F) Coalition, and stop export financing for coal power and phase out oil and gas, including related infrastructure such as extraction and transportation.
- The Minister for Trade should amend the Statement of Expectations for EFA to ban funding of all fossil fuel projects, including fossil fuel extraction and power generation, as well as industries supporting fossil fuel projects.
- The Minister for Resources and Northern Australia should make a similar change to NAIF's Investment Mandate.

AUSTRALIA SHOULD PUBLICLY ANNOUNCE THAT IT WILL SUPPORT STRONGER ACTION ON FOSSIL FUEL FINANCING AT THE OECD WORKING GROUP ON EXPORT CREDITS

- Australia should participate in and support a stronger Coal Fired Electricity Generation Sector Understanding when this is reviewed in 2021.
- Australia should be part of developing a strong international agreement on restricting oil and gas financing and not inhibit any efforts to do so.

EFA AND NAIF'S TRANSPARENCY SHOULD BE IMPROVED

- EFA's exemption from the Freedom of Information Act should be revoked.
- EFA should include more detailed information on each transaction that they support in their annual reports and transaction register, including related infrastructure projects such as engineering, construction, pipeline manufacturing, software and technical advice.
- Both NAIF and EFA should make key project consideration documents and risk assessments publicly available automatically on their websites and provide at least 120 days for comment before a decision is made.

ENDNOTES

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