MELLEMFOLKELIGT SAMVIRKE actionaid

Fuelling the Fire:

How Norway Continues to Pour Public Money into Fossil Fuels

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1 Export finance & fossil fuels

1.1 Norway's ECA: Eksfin

All OECD countries have at least one Export Credit Agency (ECA). ECAs are predominantly responsible for providing financial services such as loans, insurances and guarantees with the aim of boosting domestic export industries, backed by taxpayers' money.

Norway's ECA, Eksportfinansiering Norge (Eksfin), was established through the merger of the Norwegian Export Credit Guarantee Agency (GIEK) and Export Credit Norway in July 2021. Its customers include Norwegian export businesses, their subcontractors and banks, as well as international buyers of Norwegian go ods and their banks.

It is a governmental financial enterprise that falls under the Norwegian Ministry of Trade, Industry and Fisheries. Eksfin's framework has been adopted by Norway's parliament. The Ministry provides Eksfin with an annual allocation notice, regulations and instructions. The Ministry also appoints Eksfin's board and CEO.[i]

The financial services offered by Eksfin are backed by the Norwegian state throughout their terms, and as such its guarantees benefits from the Norwegian state's high AAA credit rating. The costs of administration and loss payments are effectively covered through interest payments, guarantee premiums, and contributions from the state budget.[ii]

1.2 Norway behind the curve

ECA around the world, including Eksfin, are the largest international public financiers of the fossil fuel industry and play a huge role in shaping our global energy systems.[iii] Big fossil fuel projects frequently involve financing from multiple ECAs, often concessional and often at an early stage, which gives confidence to private lenders. In this way, ECAs help prop up fossil fuel projects and infrastructure which could otherwise be too risky for the private sector to finance alone. In the case of the Sakarya Gas Project for example, both Eksfin and the Italian ECA SACE, provided financial services totalling 611 USD million early on.[iv] Eksfin's part was 3.7 billion NOK (see box below).

Other countries are leading efforts to curb export finance of fossil fuels and move this money towards the green energy transition. During COP26, 39 countries and financial institutions signed [the Clean Energy Transition Partnership (CETP)] (earlier known as the Glasgow statement), committing to shifting international public finance away from fossil fuels and gear that finance towards renewables. UK, EU and Canada are also leading efforts for an international agreement at the OECD aimed at curbing all fossil fuel export finance from OECD ECAs (see section 3).

Norway on the other side, has, yet again, placed itself as an international climate laggard. Norway is the only Scandinavian country that has not signed the CETP. As Eksfin has no policy hindering it from providing financial services to oil and gas companies, it continues to pour public money into a sunset industry.

2 How much money is flowing from Eksfin to fossil fuels?

Action Aid Denmark's Nordic Centre for Sustainable Finance (NCSF) analysed Eksfin's transaction registry available to the public, dating from is establishment on 1. July 2021 to 31. July 2023.[v] The transaction registry has been cross referenced with the limited information available on Eksfin's website and in its annual reports, as well as information available on their clients' websites and relevant news articles.

Between July 2021 and June 2023, Eksfin provided between 8.78 billion NOK and 10.98 billion NOK for the fossil fuel industry. The lower part of the range represents transactions where AADK has a high degree of confidence that the money supported the fossil fuel industry. The higher end of the range represents transactions where AADK considers that it is very likely that the transaction is related to fossil fuels, but there is not sufficient information to be confident.

The lower part of the range includes a 3.76 billion financing deal for a massive offshore gas project in Turkey which in its first phase alone will emit nearly 3 times that of Norway's annual emissions. This was in the form of a guarantee made to the Luxembourg incorporated company Subsea 7 in May 2023 for infrastructure services (see box below for further information). It also includes transactions to various companies, for example Green Yard Kleven (208 million NOK), Salt Ship Design (167 million NOK), Equinor (72.9 million NOK) and Høglund Gas Solutions (30 million NOK).

The higher end of the range includes financing to companies that predominantly serve as fossil fuel companies, predominantly Equinor. This includes, for example, 23 transactions totalling 2.2 billion NOK for Equinor, which Eksfin has categorised as 'bank and financing services' and 'other industries'. This is despite Equinor providing 99,87% of its energy from fossil fuels and 97% of its investments flowing towards fossil fuels.[vi]

Drilling vessel at the Sakarya Gas Field

There is a further 1.13 billion NOK in potential additional fossil fuel financing on top of the 6.88 billion NOK financing – but the purpose of the funding remains hazy. NCSF identified more than 25 transactions between 2021 and 2023 to companies with a significant stake in the fossil fuel industry, but where the project or funding purpose was unclear. This includes funding for companies that are part of the fossil fuel value chain, but that also have projects in other industries.

NCSF has reached out to Eksfin on multiple occasions to seek further clarity on what transactions have supported the fossil fuel industry. In the requests, we asked for more information about key details for the transactions, such as what transactions have supported the fossil fuel industry and if applicable, what specific projects have been supported. To this, Eksfin replied that they do not have the capacity to produce data upon request.[vii]

This lack of transparency is a huge problem. Not only because it means that the finance flowing to fossil fuels could be higher than the estimated amount above, but it also makes it very hard for taxpayers to find out what projects and companies their money is supporting. In other words, it prevents public scrutiny and disables public participation in the operations of a taxpayer-backed government agency. Norwegian taxpayers should have more information about what Eksfin provides financing for.

Table 1: Eksfin’s fossil fuel financing by category and year

	Fossil fuel financing (NOK)	Likely fossil fuel financing (NOK)	Potential fossil fuel financing (NOK)
2021 (Q3-Q4)	564 million	2 billion	566 million
2022	20.8 million	173.8 million	568.8 million
2023 (Q1-Q2)	8.2 billion	23.5 million	1.4 million
Total:	**8.78 billion**	**2.2 billion**	**1.13 billion**

The Sakarya Gas Field: Throwing good money after bad

The Sakarya Gas Field is owned by Turkish Petroleum, a Turkish state-owned enterprise. It is located in the Black Sea and is considered to contain the largest gas reserves discovered in the Turkish Exclusive Economic Zone and the Black Sea.[viii] The first phase of the project started in April 2023 and contains of 10 wells with a production capacity of 3.5 billion cubic meters per year. In 2027-28, TPAO will start the second phase of the project and expand from 10 to 40 wells, increasing the production capacity to 12 billion cubic meters. The production is expected to continue until 2057.[ix]

Despite Eksfin itself stating the project could have severe negative environmental and social impacts, the public bank approved a 3.76 billion NOK financing deal for the project in May 2023.[x] This was in the form of a guarantee made to Subsea 7, a Luxembourg incorporated company which is listed on the Oslo Stock Exchange. Subsea 7 has contracts for both phases of the Sakarya project for infrastructure services, but the financing deal is meant to support the first phase of the project.[xi]

The gas project will see a large spike of CO2 emissions -- manyfold that of Norway's domestic annual emissions. Calculations from Oil Change International finds that the total emissions from this phase alone will amount to 140 million tons, which is nearly three times larger than Norway's annual national greenhouse gas emissions. The second phase will see an even larger spike in CO2 emissions.[xii]

Eksfin claims that the fossil gas flowing from this project will strengthen the energy security in Europe. [xiii] This sentiment has also been echoed by Trade Minister Vestre.[xiv] This does, however, not align with the findings from the International Energy Agency World Energy Outlook report, which was published in the wake of Russia's invasion of Ukraine. The report shows that oil, gas and coal demands will plateau this decade. Further, it clearly states that *"No one should imagine Russia's invasion can justify a wave of new oil and gas infrastructure in a world that wants to reach net zero emissions by 2050."*[xv] This means that any public finance for fossil fuels, such as the Sakarya Gas Project, will only exacerbate the energy crisis, not solve it.

3 Norway's failure to join the growing momentum to end public international fossil fuel finance

All OECD country ECAs are bound by the rules set by the OECD working group on export credits, which has already restricted coal financing. Norway is a member of the Working Group which meets regularly in Paris. In 2015, the Working Group negotiated an agreement called the Coal-Fired Electricity Generation Sector Understanding (CFSU). This agreement restricts all OECD countries ECAs from providing financial services for coal-fired power, but not coal mining. Research by Oil Change International shows that the agreement has eliminated an average of $4 billion USD from ECAs in coal financing annually, highlighting the power the OECD forum has when it comes to shifting public money away from fossil fuels.[xvi]

The momentum to extend the restrictions at the OECD to also include coal mining, oil and gas, is growing at the OECD. The OECD Working Group will meet in Paris 6-10th of November, where the the UK, the EU and Canada will champion to end OECD ECA financing of coal mining and oil and gas operations. The UK and the EU are both putting forward proposals which seeks to do this, and Canada is planning to back UK's proposal. [xvii] Ahead of the meeting, more than 250 civil society organisations from 30 countries published an [open letter] calling on the OECD negotiators to support this move. Signatories include ActionAid Denmark, Greenpeace International and Oil Change International.[xviii]

Curbing fossil fuel export finance at the OECD is critical if we are to stay below 1.5 degrees. The International Energy Agency (IEA) has clearly stated that any new financing of oil, gas and coal is incompatible with the goal of limiting temperature rise to 1.5°C.[xix] If successful, the finance restrictions could move 41 US billion dollars in OECD ECA funding away from fossil fuels, which could help power the clean energy transition finance gap.[xx]

Although it is expected that the proposal will get significant support, Norway will have to change its trajectory from a laggard to a leader in this space for it to pass. 52% of OECD members signed on to the CETP, where they in addition to committing to ending international public finance of fossil fuels, they also committed to advocating for the support of this agenda at international for a 'in particular in the OECD'.[xxi] Norway is the only Scandinavian country yet to sign the CETP, despite 175 organisations worldwide calling on Norway to sign the statement, putting into question whether Norway will support the forthcoming proposal.[xxii]

4 Conclusion & recommendations

While other countries are leading the way to charge the green energy transition, Eksfin has over the last two years provided between 8.78 billion NOK and 10.98 billion NOK for fossil fuels, including a 3.7 billion financing deal for a massive offshore gas project in Turkey. This stands in stark contrast to Prime Minister Støre's promise to keep the 1.5-degree target alive during COP27 last year, which IEA and IPCC have both made clear that we need to stop building and financing new fossil fuel projects in order to achieve.[xxiii]

As the OECD negotiations in Paris are fast approaching, Norway now has a crucial opportunity to change its position from an international climate laggard to a climate leader. The upcoming negotiations at the OECD aiming to curb fossil fuel export finance will only succeed if all OECD members supports the proposed restrictions. By joining forces with the other leading nations, Norway can show that it is serious about its ambition to be an international climate leader.

Based on this, we recommend that the Norwegian Government:

1) Immediately signs the Clean Energy Transition Partnership to end all fossil fuel financing through Eksfin and shift that finance towards the green transition;
2) Supports the forthcoming proposal on fossil fuel restrictions at the OECD Working Group meeting in Paris in November 2023.

Endnotes

[i] https://www.eksfin.no/om

[ii] https://www.eksfin.no/om

[iii] https://priceofoil.org/content/uploads/2023/05/OCI-CHANGING-THE-TRADE-WINDS.pdf

[iv] www.fossilfreeecas.org
[v] The transaction registry is available here: https://www.eksfin.no/no/om/dokumenter-og-rapporter/ Contact Dina Rui at hdr@ms.dk for access to NCSF's database.

[vi] Equinor er fortsatt 99 prosent fossilt - Greenpeace Norge

[viii] https://www.offshore-technology.com/projects/sakarya-gas-field-development-black-sea-turkey/

[ix] https://www.offshore-technology.com/marketdata/sakarya-phase-1-conventional-gas-field-turkey/

[x] https://www.eksfin.no/no/prosjekter/oecd-prosjekter/sakarya-gassfeltutviklingsprosjekt-tyrkia/

[xi] Subsea7 confirms major contract offshore Türkiye, https://www.tu.no/artikler/statlige-eksfin-stotter-kontroversielt-gassfelt-i-tyrkia/532543

[xii] https://www.offshore-technology.com/marketdata/sakarya-phase-1-conventional-gas-field-turkey/

[xiii] Statlige Eksfin støtter kontroversielt gassfelt i Tyrkia - Tu.no

[xiv] https://www.stortinget.no/no/Saker-og-publikasjoner/Sporsmal/Skriftlige-sporsmal-og-svar/Skriftlig-sporsmal/?qid=91842

[xv] https://priceofoil.org/2022/10/27/iea-closes-the-book-on-fossil-gas-confirms-energy-crisis-is-fossil-fuel-crisis/

[xvi] https://priceofoil.org/content/uploads/2023/05/OCI-CHANGING-THE-TRADE-WINDS.pdf

[xvii] https://www.ft.com/content/b4d0e4be-aa81-4345-a004-b76cafc5129e

[xviii] Over 250 organizations back groundbreaking efforts by OECD countries to end $41 billion a year in fossil fuel finance - Oil Change International (priceofoil.org)
[xix] Net Zero by 2050 – Analysis - IEA

[xx] https://www.ft.com/content/b4d0e4be-aa81-4345-a004-b76cafc5129e

[xxi] https://webarchive.nationalarchives.gov.uk/ukgwa/20230313124743/https://ukcop26.org/statement-on-international-public-support-for-the-clean-energy-transition/

[xxii] OECD Joint Position (priceofoil.org)

[xxiii] International Energy Agency