Establish a “Clean Growth First” Policy for Overseas Public Investments

The United States, as one of the world’s largest fossil fuel exporters and financers, plays an outsized role in determining the global trajectory of greenhouse gas emissions. The next Administration should limit the US government’s policy and financial support for fossil fuels globally, and help accelerate the deployment of zero-emissions technologies. It should also advocate for similar changes with other leading fossil fuel funders such as China and Canada, and within the multilateral development finance organizations.

The United States has spent billions of taxpayer dollars financing fossil fuel export projects. For example, the US Export Import Bank provided almost $10 billion for oil and gas projects between 2013 and 2018, and approved $5 billion for a liquefied natural gas project and about $40 million for coal projects in 2019.\(^1\) Since 2013, the US Development Finance Corporation (DFC) (formerly OPIC) financed at least $3.9 billion through loans and guarantees for fossil fuel projects.\(^2\) These funds would have been much better spent on sustainable development projects. US government aid or export credits should be supporting clean energy transitions and climate change mitigation, adaptation and resilience, not causing greater harm globally.

The clean growth first agenda can be advanced through three overarching strategies:

1. Direct all government institutions to advance a clean growth first policy, including specific targets for U.S. overseas investments and support;
2. Leverage the U.S. voice, vote, and replenishment influence within multilateral institutions; and
3. Work with Congress to mobilize finance that supports multilateral and bilateral action.

A New Approach: Principles for a “Clean Growth First” Policy

The next Administration should institute a “clean growth first” approach. Such an approach would prioritize clean energy projects, and phase out US government support for fossil fuel exports and overseas fossil fuels projects as soon as possible. Support for the entire fossil fuel value chain would be prohibited, including for exploration, development, extraction, transport, processing, storage, distribution, consumption, and commercial promotion. (While the prospect is highly unlikely, very rare exceptions for fossil fuel projects intended solely for domestic energy consumption only in Least Developed Countries would be considered, but only after thoroughly conducted scenario analysis of all viable alternatives for meeting energy access is completed – demonstrating clear necessity and no viable alternatives, and would require taking into account price competitiveness over the full lifetime of the project from conception to full

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\(^1\) Note that Exim lost board quorum 2015-2019, otherwise numbers would have been significantly larger.

\(^2\) [https://www.dfc.gov/our-impact/all-active-projects](https://www.dfc.gov/our-impact/all-active-projects)
decommissioning, all costs of externalities, safety, and adherence to international best practices and environmental and social due diligence. Such conditions have not been demonstrated for any existing projects.

Administrative Actions

1. The next Administration should direct all government institutions to implement the “clean growth first” policy as detailed above. In addition, specific institutional recommendations include:

   ● Export-Import Bank of the United States
     ○ Raise renewables financing target to 10% of overall financing support. The current Congressional directive lists 5% of annual financing authority as the goal ($6.75 billion).³
   ● DFC
     ○ Build on recent successes and continue to expand support for off-grid, mini-grid and decentralized power solutions, and related power sector reforms initiatives.
     ○ Decrease the existing greenhouse gas emissions cap to zero.
   ● USTDA
     ○ Prioritize initiatives for RE/EE/grid/storage (reverse trade missions, trade missions, capacity building)
     ○ End trade and reverse trade missions that explicitly promote new fossil fuel projects and feasibility studies. Only consider fossil fuel scenario planning in scenario analysis when comparing with zero-carbon alternatives.
   ● DOE
     ○ Resume an active role in the Clean Energy Ministerial process, with a specific focus on policy and technical assistance on energy access and renewables deployment.
     ○ Terminate technical assistance support for fossil fuel infrastructure development in foreign markets, i.e. LNG.
   ● State
     ○ Implement the official guidance on finance diplomacy identified above.
     ○ Direct the Bureau of Energy Resources to prioritize renewables deployment in all future activities
   ● USAID
     ○ Continue and prioritize mainstreaming of climate throughout the aid budget and in country plans, so that activities are aligned with the Paris Agreement’s goal of ensuring finance flows support low-emissions and climate resilient development. Avoid development programs that fail to take climate change impacts and prevention into account.
     ○ Accelerate off-grid and mini-grid energy access and related power sector reforms such as through PowerAfrica.

³ https://www.projectfinance.law/publications/us-export-import-bank-resurfaces
● **MCC**
  - Require that all bilateral compacts with countries incorporate climate considerations, especially for projects in T&D and power generation, and prohibit lending for fossil fuel projects based on the “clean growth first” criteria above.

● **Treasury**
  - For the upcoming review of the OECD Coal Sector Understanding, expand existing restrictions on coal to include all fossil fuels, working in conjunction with State and White House on these negotiations.

2. Use its voice, vote and replenishment leverage within multilateral institutions such as the World Bank Group (IBRD, IFC, MIGA), IMF, regional development institutions (ADB, AfDB, EBRD, IDB, and potentially AIIB if the US joins), to restrict support for fossil fuels -- building on policies adopted by the World Bank and **EIB** -- and increase funding for climate.

● Direct staff to take a proactive stance against fossil fuels when serving as US representative to various MDBs/MFIs.


3. Set goals to increase support for renewable energy projects overseas, especially distributed renewables and related power sector reforms that aim to improve access to electricity in developing countries. Priority should be given to RE/EE/storage alternatives in countries that are planning fossil fuel projects. A particular focus should be to provide alternatives for countries that are seeking BRI support for high-carbon projects. The administration should direct institutions to provide clear reporting on past climate finance and energy finance, and plan to double previous amounts.

4. Direct the State Department, USAID, DFC and other relevant agencies to create clean energy and energy finance positions at embassies in key countries to work on energy transition issues, and hire in-country experts to assist in these efforts.

5. Engage bilaterally at appropriate senior levels to advance the “clean growth first” program. This includes engagement with China on Belt and Road, and with Japan and Korea on the OECD Export Credit Arrangement Coal Sector Understanding and its review scheduled for 2021.

**Congressional Action and Appropriations**

As the United States phases down its fossil finance activities, it must ramp-up climate finance in equal measure to help developing countries build inclusive and resilient low-carbon economies
and energy systems. Substantial and increased U.S. contributions to a few key funds will build U.S. diplomatic credibility while helping countries decarbonize.

Language introduced in the appropriations process should:

(1) Incorporate the “clean growth first” approach -- (and remove existing riders such as language barring EXIM from implementing its policy on high-carbon projects); increase oversight and approval of funds disbursed (i.e. utilizing the window for evaluating MCC lending proposals)

(2) Set specific quantitative targets for technical assistance, project preparation and finance focused on climate and clean energy, including renewable energy and energy efficiency by USG agencies.

(3) Following the model of the 1989 Pelosi amendment, instruct the Secretary of the Treasury to seek adoption of policies and procedures within all institutions to restrict financing for fossil fuels. Such language should require U.S. representatives to use their voice and vote in the governing bodies of international financial institutions to oppose projects and policies that do not meet these standards.

(4) Fully fund bilateral U.S. accounts for climate, including adaptation and renewable energy and sustainable landscapes.

(5) Reaffirm the US commitment to these multilateral climate funds, which underpin the Paris Agreement, fund important climate action and build trust with developing countries:

- **Green Climate Fund (GCF).** The GCF is the world’s largest and most innovative climate-focused multilateral fund, dedicated to making transformative investments that reduce emissions and help poorer countries adapt to climate impacts. It is independent and managed by its own board of directors (on which the U.S. sits) -- it is not a UN fund like the other institutions listed. It mobilizes resources independently. Thus far, some 47 countries have pledged over $18 billion to the GCF, including 9 developing nations like Indonesia, Chile, Mexico, and Colombia. Since 2015, GCF has approved 124 projects in 105 countries worth $5.6 billion. This funding “crowds in” an additional $15 billion in non-GCF co-financing -- over $2.67 for every $1 the fund provides. The Obama Administration pledged $3 billion to the GCF in 2014, but the U.S. has only delivered $1 billion so far. The next administration should fulfill the outstanding $2 billion from the Fund’s initial resource mobilization and make a pledge to the Fund’s first replenishment period which began in 2019. In line with other G20 members like the UK, Germany, France and South Korea, it should at least double its contribution, to $6 billion.

- **Global Environment Facility (GEF).** While not solely a ‘climate fund,’ the GEF is one of the world’s largest funders of ecological preservation. Given its broad reach and the climate co-benefits of its work in habitat conservation and forestry, robust GEF funding should be a pillar of the administration’s climate finance agenda. The next
administration should maintain current Congressionally appropriated funding levels for the GEF ($140 million a year) and increase the pledge to the GEF’s 8th replenishment in 2022.

- **Least Developed Countries Fund (LDCF).** Established in 2001, the Least Developed Countries Fund helps developing countries assemble and implement national adaptation plans to reduce the risks posed by climate change. Unlike other funds, only Least Developed Countries are eligible for projects. The U.S. has made occasional ad-hoc contributions to the LDCF totaling $158 million. The next administration should make a new contribution to rebuild trust and support adaptation in the poorest countries.

- **Adaptation Fund.** The Adaptation Fund was originally created in 2001 to serve the parties to the Kyoto Protocol, but now functions under the auspices of the Paris Agreement where it helps low-income countries implement projects that increase their resilience to the impacts of climate change. Project areas include agriculture, water management, food security, among many others. Adaptation resources are the most critical to partners in small island states and Least Developed Countries (LDCs). The next administration should contribute to the Fund as a way of signaling recommitment to the Paris Agreement and meeting the adaptation needs in developing countries.

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i This section is based upon input from the following individuals (section leads are noted with an asterisk and additional contributors are listed in alphabetical order): Han Chen (Natural Resources Defense Council)*; Bruce Buckheit (independent consultant); Kate DeAngelis (Friends of the Earth); Justin Guay (Sunrise Project); Steve Herz (Sierra Club); Sasanka Thilakasiril; Joe Thwaites (World Resources Institute); Jesse Young (Oxfam America); and Alan Yu (Center for American Progress). The views reflected in this document are not intended to be consensus perspectives and do not reflect the views of the individuals’ organizations.