

Expert opinion: Climate protection and foreign trade promotion

Executive Summary

During the UN climate summit in Glasgow (COP26) in November 2021, the German government committed to end new direct international public finance for 'unabated' fossil fuels outside Germany as part of the Clean Energy Transition Partnership (CETP). To this end Germany introduced [Climate Policy Sector Guidelines for Export Credit Guarantees and Investment Guarantees](#) in November 2023. In addition, a section on oil and gas was added to the [KfW Group's 'Paris-compatible' sector guidelines](#) in December 2023. This report analyzes the previous guarantee practice with a focus on loopholes that still exist in the climate guidelines for foreign trade promotion as well as KfW Group's guidelines and how they can be remedied.

Analysis

Insufficient transparency regarding guarantee instruments for foreign trade promotion

The transparency of guarantee instruments in foreign trade promotion is insufficient. Even if there is at least some transparency at project level for export credit guarantees, unlike investment guarantees and untied loan guarantees, the breadth and depth of information for all guarantee instruments still needs to be fundamentally improved. All individual guarantees in categories 2-5 (15 to over 200 million euros), including specific order values, should be published and all exporters and banks should be named.

Top 10 profiteers among exporters and banks, 2016–2024

Due to the abovementioned lack of transparency, it is not possible to determine exact figures on export credit guarantees' beneficiaries. However, an analysis of the export transactions covered by Euler Hermes in the period 2016–2024 shows that the top 10 exporters include companies with fossil fuel business models, such as Siemens (Energy), Linde and Meyer Werft. Among the top 10 banks, KfW IPEX is the top financier and thus fulfills its role as a project financier and export credit bank.

Scope of climate-damaging foreign trade promotion by the German government, 2016–2024

The member countries of the *Export Finance for Future* (E3F) initiative regularly report on their fossil fuel transactions in aggregated form. E3F's fossil fuel transaction figures show a downward trend, with fluctuations, from 2015 to 2022. However, fossil fuel transactions increased again in 2023 due to the coverage of a gas-fired power plant expansion in Iraq, a project worth 238 million Euros. In addition, in July 2024, the export of gas and steam turbines and generators to Termez, Uzbekistan, was covered to an amount of more than 200 million Euros.¹

Loopholes in the sector guidelines on foreign trade promotion

Although certain sectors such as coal and oil were largely excluded when the climate policy sector guidelines for export credit guarantees and investment guarantees came into force, there are still numerous problematic loopholes, specifically in the gas sector. For example, new gas production projects are still eligible under certain conditions. Gas-fired power plants can also continue receiving coverage under vague conditions for conversion or retrofitting for hydrogen or CCS (see diagram). With reference to the H2 readiness exception in the climate guidelines, the German government issued an initial offer of cover for the export of an H2-ready gas-fired power plant to Jizzakh, Uzbekistan, in November 2024.

Loopholes in KfW's 'Paris-compatible' sector guidelines

The KfW sector guidelines are not yet fossil-free, either. Gas upstream transactions remain possible through allocation, and LNG import terminals, H2-ready gas-fired power plants as well as gas-fired power plants with CCS can still be financed.

Recommendations

For the revision of the sector guidelines, we recommend the consistent removal of exemptions for gas projects along the value chain – upstream, midstream and downstream/electricity generation. In addition, the transparency of secured and financed projects must be significantly improved and participation opportunities must be expanded. Finally, civil society should not only be involved in the review process of the sector guidelines for the guarantee instruments of foreign trade promotion through a consultation, but also in the revision of KfW's Paris-compatible sector guidelines.

¹ As the offer of cover was issued before the climate guidelines came into force, this project was not yet subject to the climate assessment. The project is not listed in the report as it was not published until later.

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