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ANNEX

ANNEX

to the

Proposal for a Council Decision

on the position to be taken on behalf of the European Union on the review of Article 6 of the Arrangement on Officially Supported Export Credits

ANNEX

The position of the European Union is to support a revision of Article 6 of the Arrangement and other related provisions in line with the last proposal submitted by the European Union to the other Participants to the Arrangement.

The last Union proposal suggested to replace the current text of Article 6 and to delete the lines on project classes B and C in the Appendix I (Eligibility Criteria for Climate Change Mitigation Projects) of Annex I (Sector Understanding on Export Credits for Climate Change [CCSU]) to the Arrangement, as set out hereunder:

"**6. PROHIBITIONS ON ARRANGEMENT SUPPORT**

a) Participants shall not provide officially supported export credits or tied aid for fossil fuel energy sector except in limited and clearly defined circumstances that are consistent with a 1.5°C warming limit and the goals of the Paris Agreement. The consistency is to be assessed against the latest scientific evidence provided by the IPCC and the IEA.

b) For the provisions set out in paragraph a), all projects related to the following are covered: exploration, production, transportation, storage, refining, distribution of coal, crude oil, natural gas, or conversion into electricity or heat of coal, crude oil, natural gas and its derivatives.

c) The prohibitions set out in paragraphs a) and b) above do not apply to projects that meet the standards as set out in the CCSU, Appendix I

d) The OECD Secretariat shall annually prepare a public report on officially supported export credits or tied aid provided for fossil fuel energy sector and clean energy projects defined as transactions that fall under Project Class A (Environmentally sustainable energy production) and Project Class E (Transmission, distribution, and storage of energy) of the CCSU. The report shall include number of transactions and aggregate credit values by country of origination and destination, type of fossil fuels, and a breakdown on up-stream (exploration and production), mid-stream (transportation and storage), down-stream (refining and distribution) and power-generation activities for the fossil fuel energy sector and for the clean energy projects a breakdown on Project Class A and E projects.

e) The provisions set out in this Article shall be reviewed no later than 31 December 2026, in order to contribute to the common goal of addressing climate change, taking into account the most recent reports on climate science and the most recent recommendations from international organisations on concrete means to hold the increase in the global average temperature to 1.5 degrees Celsius above pre-industrial levels.

[…]

APPENDIX I: ELIGIBILITY CRITERIA FOR CLIMATE CHANGE MITIGATION PROJECTS

[…]

~~PROJECT CLASS~~	~~DEFINITION~~	~~RATIONALE~~	~~STANDARDS USED OR SUNSET TIMELINE~~	~~MAXIMUM REPAYMENT~~

				TERM
PROJECT CLASS B: Remediation projects in fossil fuel plants, fossil fuel substitution				
TYPE 1: Fossil Fuel Power Plants with Operational Carbon Capture and Storage (CCS)*	A process consisting of the separation of CO2 stream from the emissions produced by fossil fuel generation sources, transport to a storage site, for the purposes of environmentally safe and permanent geological storage of CO2 or use as an input or feedstock to create products or services.	To achieve low carbon emission levels for fossil fuel power sources.	Carbon intensity shall achieve a level equal to or less than 350 metric ton CO2 per GWh vented to atmosphere[1]; or In the case of all projects, a capture and storage rate that would reduce the plant's carbon emissions by 65% or greater; or The capture rate has to be at least 85% of CO2 emitted by the equipment included in the application for officially supported export credits. The 85% is to apply at normal operating conditions.	18 years.
TYPE 2: Waste to Energy*	Unit dedicated to generating energy by thermal treatment (including gasification) of mixed stream solid waste.	To offset GHG emissions from the use of conventional power and by reducing future GHG such as methane that would normally emanate from the waste.	In the case of a steam cycle, a boiler (or steam generator) energy conversion efficiency of at least 75% based on low heating value (LHV).[2] In the case of gasification, a gasifier efficiency of at least 65% LHV.[3]	15 years
TYPE 3: Hybrid Power Plants*	A power plant that generates electric power from both a renewable energy source and a fossil fuel source.	To meet the requirement of plant availability, a fossil fuel generating source is required for those periods when power from the renewable energy source is not available or sufficient. The fossil fuel source enables the usage of renewable energy in the hybrid plant, thereby achieving a significant carbon reduction compared with standard fossil fuel plant	Model 1: Two separate generation sources: one Renewable Energy and one fossil fuel. Project shall be designed such that at least 50% of its projected total annual energy output originates from the plant's renewable energy source. Model 2: Single generation source using the combination of renewable and fossil fuel. The project shall be designed such that at least 75% of the useful energy produced is derived from the renewable source.	15 years
PROJECT CLASS C: Energy efficiency				
TYPE 1: Combined Heat & Power projects*	Simultaneous generation of multiple forms of energy (electrical, mechanical and thermal) in a single integrated system. Output of the CHP plant shall include electric or mechanical energy and heat for commercial industrial and/or residential use.	Up to two thirds of the primary energy used to generate electricity in conventional thermal power plants is lost in the form of heat. Combined heat and power (CHP) generation can therefore be an effective GHG mitigation option. CHP is possible with all heat machines and fuels (including biomass and solar thermal) from a few kW-rated to 1000MW steam-condensing power plants.[4]	Overall efficiency of at least 75% based on low heating value (LHV).[5]	15 years

[1] In the case of a plant fuelled by natural gas, significantly lower carbon intensity is expected to be achieved.

[2] Boiler (or steam generator) energy conversion efficiency = (Net heat exported by the steam / heat or calorific value [LHV] provided by the fuel) (x 100%).

[3] Gasifier efficiency = (Calorific value of gas per kg of fuel used / average net calorific value (LHV) of one kg of fuel) (x 100%).

[4] IPCC Fourth Assessment Report: Climate Change 2007, http://www.ipcc.ch/publications_and_data/ar4/wg3/en/ch4s4-3-5.html.

TYPE 2: District heating and/or cooling*	Network which carries/ distributes thermal energy from energy producing unit to end use.	To improve the efficiency of heating of districts by building piping networks for steam and/or hot water with substantial thermal efficiency, both by minimising losses of piping and converters, and by increasing the amount of utilisation of waste heat. District cooling is an integrative technology that can make significant contributions to reducing emissions of carbon dioxide and air pollution and to increasing energy security e.g. via substitution of individual air conditioners.	The district piping thermal conductivity shall be less than 80% of the relevant thermal conductivity required by the European standard EN253:2009 (to be reviewed when this standard is updated).	15 years
TYPE 3: Smart Grids*	Integrated, technologically advanced electricity networks with improved dynamic capabilities to monitor and control the input and output of all their constituent technical components (such as power generation, Network Management Solutions, High Voltage Direct Current (HVDC) converters and systems, Flexible Alternating Current Transmission Systems (FACTS), Special Power Systems (SPS), transmission, distribution, storage, Smart Grid Power Electronics Solutions, consumption reduction, metering, distributed energy resources). ICT according to internationally agreed industry standards such as NIST-SGIP and ETSI-CEN-CENELEC.	To enable network operators, transmission and distribution system operators, grid users, storage owners, metering operators, applications and service providers or power exchange platform operators to create economical, environmentally-friendly, balanced and sustainable power systems with reduced transmission losses and optimized levels of supply quality, safety, grid stability, reliability, renewable power collection and cost-efficiency by supporting supply contracts involving predominantly export of state-of-the-art, innovative technologies and services.	Standards 1, 2 (a or b) and 3 shall be met. 1. The total cost of the project includes at least 20% for eligible information and communication technology (ICT) upgrades. 2a. An estimated minimum 10% reduction in the amount of CO2 emissions from fossil fuel will result from the project or application, or 2b. Demonstrated significant CO2 emission reductions will be enabled through either: • reductions in energy losses within the electricity grid served by the Smart Grid application or project by at least 5%; or • reductions in aggregate electricity consumption by loads served by the Smart Grid application or project by at least 5%; or • intermittent feed-in of renewable energies, including from subordinate voltage levels, representing at least an additional 10% of the total energy fed into the grid where the smart grid technologies are applied. 3. Prior to authorization, an independent, qualified third party will review the project and prepare a report that describes the characteristics of the proposed Smart Grid application or project and verifies whether the project or application will meet standards 1 and 2 (a or b). For projects using the 2b standard, estimated C02 emissions reductions enabled by the project will be included in the report. Such report will be shared with Participants prior to any authorization of financial support and authorization will be conditional on the report positively verifying that standards 1 and 2 (a or b) will be met by the	15 years

[5] The total system efficiency (η_0) of a CHP system is the sum of the net useful power output (WE) and net useful thermal outputs (ΣQTH) divided by the total fuel input (QFUEL), as shown below:

$$\eta_0 = \frac{W_E + \Sigma Q_{TH}}{Q_{FUEL}}$$

			~~proposed Smart Grid project or application.~~ ~~Standards will be measured by comparing the estimated emissions or energy use from an Area Served by the Grid if the proposed Smart Grid technologies are applied to emissions or energy use of that same area if the proposed Smart Grid technologies were not applied~~	

~~*Note: * In an effort to respond to the climate imperative, Participants have focused their effort on expanding the scope of the CCSU to include new project classes. Participants commit to reviewing these project classes, which have not been examined since 2012, as soon as possible but no later than March 2024.*~~ ”

Minor technical changes to the position expressed with the last Union proposal may be agreed to by the representatives of the Union within the Participants to the Arrangement without further decision of the Council.