

THE FOSSIL FUEL PUSHERS

HOW OVERSEAS GOVERNMENTS ARE BANKROLLING
AUSTRALIA'S CONTINUED FOSSIL FUEL ADDICTION



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ABOUT THIS REPORT

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EXECUTIVE SUMMARY

As private banks shy away from lending to fossil fuel projects, the industry will likely look to public financial institutions in Australia and abroad to bankroll new fossil fuel projects as well as the expansion of existing ones.

Between 2010 and 2020, overseas public financial institutions provided at least AUD36.7 billion in financing to coal, oil and gas projects. During this period – the hottest decade on record – the same institutions provided AUD3.26 billion in support to renewable energy projects. In other words, overseas governments provided more than 11 times as much financial support to fossil fuels as to renewable energy projects.

The worst offenders are Japan, China and South Korea who together provided more than 76.5% of the AUD36.7 billion for fossil fuels.

At least AUD28.07 billion of the 36.7 billion went to Australian LNG projects that make up 76% (66.9 million tonnes) of Australia’s LNG capacity, such as Ichthys LNG (AUD10.53 billion), APLNG (AUD7.84 billion) and Wheatstone LNG (AUD4.02 billion).

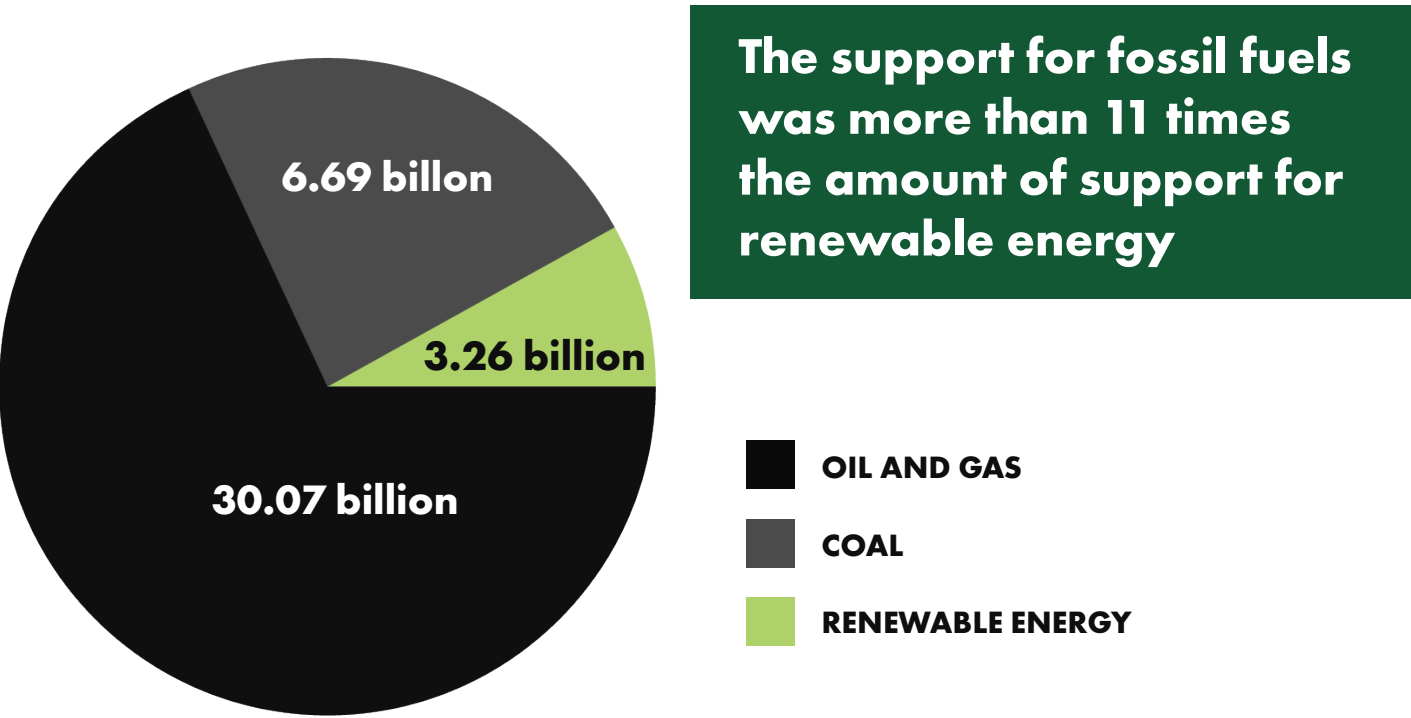
This public financing is often make or break for projects, subsidising or de-risking private financing and thus propping up fossil fuel projects that may not have got off the ground otherwise.

There is currently another wave of LNG projects in the pipeline for Australia, including the Barossa project off the coast of the NT, which will be one of the world’s dirtiest gas projects. It has already received funding from South Korean export credit agency KEXIM, and other public financial institutions are considering following suit.

Both new fossil fuel projects and the expansion of existing projects are incompatible with the goal of net zero emissions by 2050, and incompatible with keeping global warming below 1.5 degrees which is needed to avoid the worst impacts of the climate crisis.

If we are to keep global warming below 1.5 degrees which is needed to avoid the worst impacts of the climate crisis, it is essential that overseas financial institutions stop financing fossil fuels. Some countries, such as the UK, are now moving to end government funding to all coal, oil and gas developments. While Australia’s biggest overseas funders, Japan Korea and China have all committed to ending unabated coal financing, they are yet to join the UK in adding oil and gas to this phase out.

The evidence has been mounting that Australia is blocking stronger agreements to end public funding of coal and gas has been mounting. If Australia continues this behaviour, it will only provide further cover for foreign export credit agencies and other public financial institutions to continue to develop new fossil fuel fields in Australia.



“

Instead of growing a world-class renewable energy and exports sector, our government appears to be courting billions in overseas funding in an attempt to expand the fossil fuel industry. The public mandate that once allowed us to open up vast new basins for coal, oil and gas has been eroded. It’s time for the government to listen to everyday Australians and choose a renewable future.

ELIZABETH SULLIVAN
CLIMATE CAMPAIGNER, AUSTRALIAN CONSERVATION FOUNDATION

“

We now know that Australia is blocking international action on climate change - while at home, it’s a smokescreen of net-zero and false technology-based empty promises. The Morrison Government’s blocking actions in the OECD only benefit mining executives and party donors. Meanwhile, local communities in Australia are left to deal with the real impacts of climate change.

DINA HOPSTAD RUI
CAMPAIGNS DIRECTOR, JUBILEE AUSTRALIA

1 THE CONTEXT

1.1 The need to shift from fossil fuels is urgent

Ensuring a safe future for all 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.¹ 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.² 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.³

The need for this energy transition has also been emphasised by the traditionally conservative International Energy Agency (IEA). The IEA has historically undermined this shift by overstating the lifespan of fossil fuels, but in its ground-breaking report published in May 2021, the IEA stated that staying below 1.5°C of warming means an immediate halt to any new coal, oil or gas projects. According to the report, this scenario would mean millions of more jobs and improved energy access worldwide by the end of the decade.⁴

The current energy transition is too slow. It needs to be scaled up rapidly in order to avoid the worst impacts of climate change. Governments and businesses around the world are now seriously committing to net zero emissions by 2050. However, this is not enough to prevent irreversible climate change; it is up to wealthier nations to increase ambition further and ensure they work to reduce their emissions by 50-75% by 2030 and rapidly phase out fossil fuel production. 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, the global average temperature has increased by 1.1°C, and in Australia it has increased by 1.4°C. People in Australia are experiencing more powerful storms, destructive marine and land heatwaves, bigger floods, increased coastal erosion and a new age of megafires.⁵ Australia’s Pacific Island neighbours are on the frontlines of

climate change and already feeling the impacts of sea level rise, king tides, increased tropical cyclones, rising temperatures and changing rainfall.⁶

1.2 People in Australia do not support fossil fuel expansion in their backyard

The public mandate which once allowed our biggest trading partners to mine Australia’s backyard for their fossil energy needs is rapidly eroding. National surveying by numerous organisations since the black summer bushfires of 2020 have shown that over 70% of people in Australia do not support new coal or gas power in Australia with over half of the nation in support of a full moratorium on any new coal or gas extraction in our country.⁷ This is despite intervention at the international level where the Australian government appears to be facilitating overseas funding for fossil fuel expansion here at home (see section 4). People in Australia largely do not support their own taxpayer funding going to fossil fuels, with 63% preferring that funding for fossil fuels be redirected towards expanding our renewable energy sector instead.⁸

Indigenous resistance to fossil fuel expansion is very active in Australia but has thus far largely been ignored by overseas finance institutions. Institutions like JBIC and KEXIM out of Japan and Korea respectively, continue to pursue projects across Australia in spite many of these appearing not to meet the basic requirements under the UN Declaration on the Rights of Indigenous People (UNDRIP).⁹ This is particularly prevalent around consultation and the right to Free Prior and Informed Consent over what happens on indigenous lands.¹⁰ In Australia, domestic laws are yet to be reformed and brought into line with Australia’s commitment to the UNDRIP. The mishandling of requirements under these international obligations are commonplace in Australia, with at least two cultural heritage sites being destroyed in the past 18 months alone.¹¹ Santos, who together with the Korean company SK E&S has already benefited from overseas public money for their controversial Barossa LNG project (see section 3), is under fire for continuing to pursue its Narrabri Gas Project despite clear resistance from the Gomeroi people on whose lands the project would take place, potentially destroying vast underground water sources in order to ship gas overseas.¹² Foreign finance looking to invest in Australia must develop extra due diligence measures for controversial projects, ensuring that funding recipients are in strict adherence to international business and human rights requirements including the UNDRIP and UN guiding principles on Business and Human rights.

The public mandate which once allowed our biggest trading partners to mine Australia’s backyard for their fossil energy needs is rapidly eroding.

A rapid and just transition away from fossil fuels needs to happen this decade. Across the board, Australians want renewable energy over new fossils and the science is clear: there is no room for fossil fuel expansion in this transition.¹³

1.3 Australian fossil fuel exports – in particular gas – are a key part of the problem

Australia is a key perpetrator in contributing to global emissions. Domestically, we have the highest per capita emissions in the OECD and higher emissions than 90% of countries.¹⁴ When our exports are taken into account, our carbon footprint increases dramatically as the emissions from our fossil fuel exports is double our domestic emissions.¹⁵ Moreover, while our domestic emissions have remained relatively stable at between 500 and 600 Mt CO₂ over the last 20 years, emissions due to exports have grown by 60 per cent over that timeframe.¹⁶

Australia is now the largest LNG and coal exporter in the world and the largest fossil fuel exporter in the OECD, making up 20% of total OECD exports.¹⁷ This is in large part due to coal, which dominates the Australian fossil fuel export industry and has more than doubled over the last two decades.¹⁸ Australia’s coal exports now makes up the majority of world coal exports at 44%.¹⁹

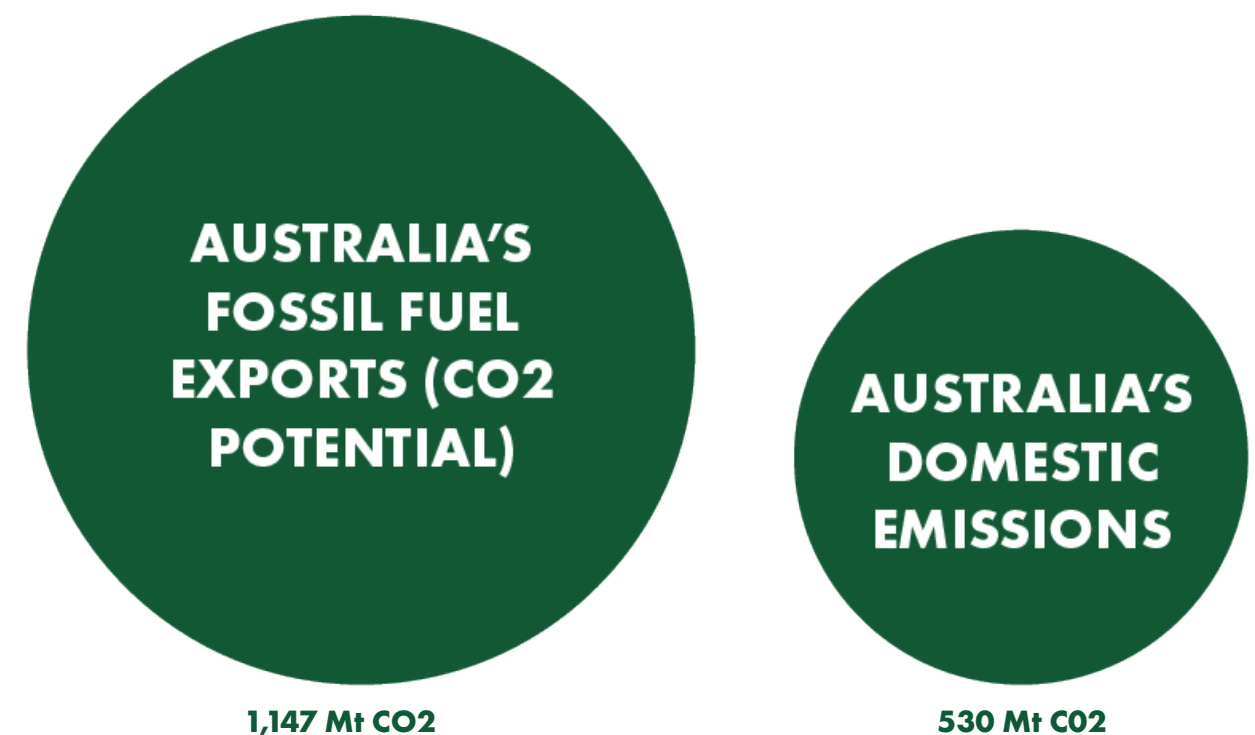
Perhaps more concerning, however, the massive increase in Australia’s LNG exports over the last decade which doubled from 2005 to 2015, and have

more than doubled again since.²⁰ Right now, 72% of Australia’s gas is exported. Another 7.5% of the gas is used to process the gas to Liquefied Natural Gas (LNG) so that it can be shipped overseas.²¹ Australia now has ten LNG facilities that export close to 80 million tonnes of LNG every year, which represents around 22% of the world LNG trade.²²

The Morrison government is eager to expand the Australian gas industry even further, despite a lack of support from Australians and being accused of being a climate laggard by the UN.²³ As part of the Morrison government’s “gas-fired recovery” which was announced in September 2020, the government promised to “get more gas into the market”. Since then, Morrison’s government has announced indirect and direct funding for gas totalling at least \$903 million.²⁴

If Australia continues to rely on a fossil fuel heavy export economy, it will leave both the Australian government, fossil fuel companies and its financial backers with a significant risk of stranded assets. One of the main drivers behind this risk is that 80% of Australian fossil fuel exports are shipped to countries that have already pledged to reach net-zero emissions by mid-century (e.g., China, South Korea, Japan).²⁵ Australia should 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 would have an even greater impact on reducing global emissions than anything we do to reduce fossil fuel consumption domestically.

Figure 1: Australia’s domestic emissions vs fossil fuel exports (CO₂ potential)



Source: Tom Swann, *High Carbon from a Land Down Under* (2020) The Australia Institute, at p. 5

The good news is that cleaner alternatives to a fossil fuel heavy export industry exist. When it comes to renewable exports, Australia has an advantage with its vast solar and wind resources, an abundance of the metals and minerals required for the energy transition, proximity to and strong trading relationships with our Indo-Pacific neighbours. Australia is well placed to retain its mantle as a key energy provider to the region with renewables rather than fossils. Australia has many green export opportunities including direct energy transfers, renewable hydrogen, green metals, battery manufacturing and a green services sector as the global economy decarbonises. Research by the Australian Conservation Foundation, WorldWide Fund for Nature, the Business Council of Australia and the Australian Council of Trade Unions shows that Australia could create at least 395,000 new jobs and generate \$89 billion in new trade by 2040 through investment in clean energy exports.²⁶ Overseas governments looking to provide financing to the Australian energy sector must do so in a way that aligns with keeping global warming below a 1.5 degree rise and with the expectation of the Australian public that Australia will transition into a

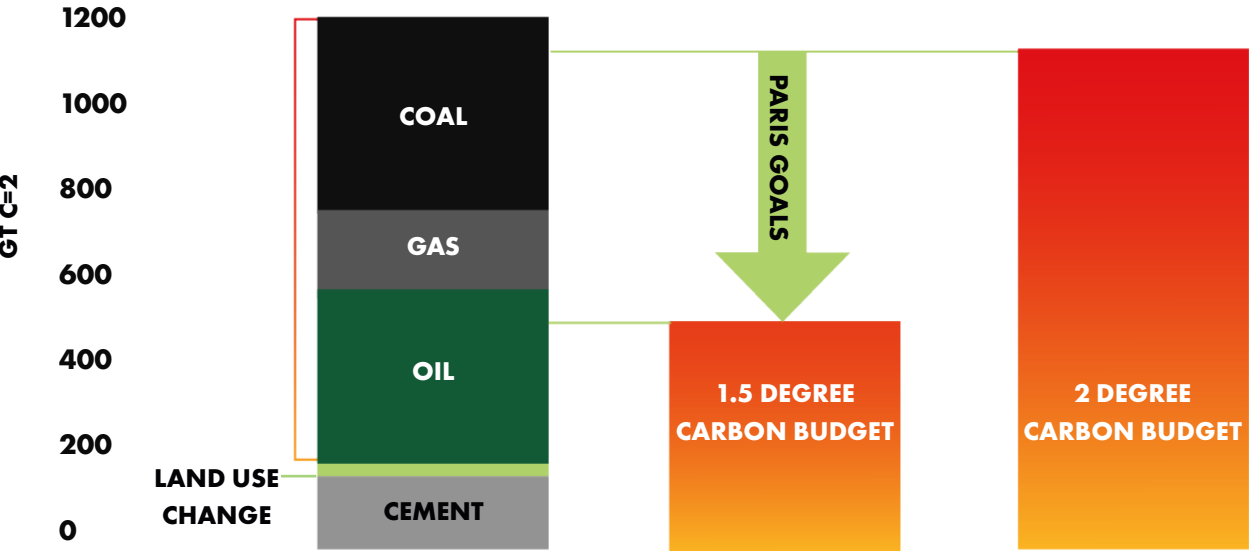
renewable energy powerhouse.

This transition should be equitable and underpin the transformation to a circular economy. Increasing production of critical minerals, solar and wind energy need not come at the expense of our ecosystems or Indigenous Peoples’ rights. Activities that require significant land and water use, such as renewable hydrogen production or critical minerals mining, must be done in a socially and environmentally responsible way. There are many alternatives to virgin mining, for example, including minerals recycling and mining tailings. Companies and governments must consult indigenous and local communities before conducting work that will impact their environment, and must honour their right to refuse consent for that work to go ahead. Beyond this, it is vital that traditional owners and local communities benefit from projects which take place on their country or within their communities. The proposed Western Green Energy hub is one example of a renewable energy production partnership with Traditional Owners whereby all parties hold equity and governance of the project.²⁷



Australia has the potential to become a green powerhouse. Pictured here is a wind farm in South Australia.

Figure 2: The world has already found more fossil fuels than we can burn if we want to keep global warming below 1.5 degrees



Sources: Oil Change International analysis based on data from Rystad Energy, IEA, World Energy Council, IPCC and Global Carbon Project. Remaining carbon budgets shown are as of 1 January 2020

1.4 How are public financial institutions fuelling the climate crisis and why does it matter?

Globally and in Australia, private banks, insurers, and financial regulators increasingly understand that fossil fuels are a morally questionable and financially risky investment. Australia’s Big Four banks have all made commitments to phase out or exit thermal coal.²⁸ 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 2050.²⁹ 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.³⁰

This global shift away from fossil fuels by private financial backers is felt by the fossil fuel industry, also in Australia. In submissions to a 2021 parliamentary inquiry, coal, oil and gas companies commented on the tightening funding environment for fossil fuels and accused Australia’s banks of acting like “zealots against fossil fuels”.³¹ Australian Petroleum Production and Exploration Association (APPEA)’s submissions to the inquiry noted that capital was becoming “increasingly scarce”.³² One contractor building a rail line for the destructive Adani coal mine reported that 40 underwriters had refused to insure the project.³³ A Chinese-owned Australian coal operator noted:

[a] growing percentage of Australia’s major lenders... 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

who remain in the market.³⁴

As private banks phase out fossil fuels, the industry will likely look to public financial institutions here and abroad to bankroll new fossil fuel projects as well as the expansion of existing ones. From 2018 to 2020, public financial institutions in G20 countries provided USD64 billion annually to support fossil fuel projects.³⁵ Within Australia, some of the top bankrollers to fossil fuel expansion over the last decade have been overseas public financial institutions with Japan and South Korea coming out as two of the worst offenders (see section 2 below).

Although delayed by COVID-19 and the collapse in oil prices in 2020, another wave of LNG projects is currently in the pipeline in Australia; at least nine new LNG projects planned and at least eight LNG expansions.³⁶ The majority of the projects are in Western Australia, but some are also located in Queensland and Northern Territory, such as Santos’ Barossa gas project in the NT - which is probably the world’s most carbon intensive gas project. Both the new LNG projects and the expansion of existing projects are incompatible with the goal to keep global warming below 1.5 degrees and with new gas proposals attracting significant concern and opposition from both local communities and environmental groups.³⁷

Even with government subsidies, the shrinking pool of private financiers willing to back fossil fuels represents a challenge to the Australian fossil fuel industry - the industry will therefore likely turn to public financial institutions for continued financial backing. As this paper will show in further detail, the Australian fossil fuel industry has benefited greatly from overseas public finance institutions and is hoping to continue to do so in the future. Changes to international agreements that would restrict such financing thus represents a threat to the further expansion of the Australian fossil fuel export

industry, in particular the LNG industry.

1.4.1 Why does public finance matter?

Public financial institutions worldwide have access to US74 trillion in assets and wield immense political and economic power.³⁸ They often leverage this power and function as a catalyst for fossil fuel projects. This happens in different ways, but a common way is by providing guarantees or early-stage loans that give confidence to private lenders. When fossil fuel projects are too risky even for the biggest fossil fuel companies to finance alone, they seek out partnerships with public financial institutions to help bear/minimise the risk. In this way, public financial institutions are essential in de-risking large fossil fuel projects that the private sector might otherwise shy away from.³⁹

In Australia there are many fossil fuel projects that fit this bill, but a couple of LNG projects stand out: the Ichthys LNG project and the Australia Pacific LNG project. They are both massive LNG projects that involve companies from multiple countries, and likely would not have gotten off the ground if it wasn't for the support from multiple overseas public financial institutions.

The US45 billion Ichthys LNG project is the most carbon-intensive project currently operating in Australia, and it was heavily supported by multiple public financial institutions totalling AUD9.67 billion in the early stages of the project (2012-2014). In 2020, the project also received a refinancing package worth USD8.3 billion, which public financial institutions from Germany (Euler Hermes and KfW-IPEX), Korea (Kexim and K-Sure), Japan (Nexi), Netherlands (ADSB) and France (Coface) contributed to.⁴⁰ Due to poor

transparency, we only know the amount provided by KfW-IPEX, which was AUD188 million.⁴¹

During the same time period, money from public financial institutions also flowed to the Australia Pacific LNG project amounting to AUD7.76 billion. Same as the Ichthys project, the APLNG project received a refinancing package worth USD2.5 billion in 2019, to which Korean and Chinese public financial institutions contributed at least AUD792 million.⁴²

2 FOREIGN GOVERNMENTS PROPPING UP AUSTRALIA’S FOSSIL FUEL INDUSTRY

2.1 What public financial institutions are covered?

This paper focuses on public financial institutions operated by G20 countries which are majority government-owned and have objectives that go beyond commercial interest, such as Export Credit Agencies (ECAs) and Development Financial institutions (DFIs). It should be noted that approximately 78% of the funding for energy comes from ECAs.

The public financial institutions of Australia have not been covered as the focus is on overseas governments. For more information about two of Australia’s public financial institutions, Export Finance Australia and the Northern Australia Infrastructure Facility, please see Jubilee Australia’s 2021 briefing paper, [Hot Money](#).

Table 1: The public financial institutions covered in this paper

COUNTRY	PUBLIC FINANCIAL INSTITUTION
Canada	Export Development Canada
China	Agricultural Bank of China, Bank of China, Bank of Communications, China Construction Bank, China Development Bank, Industrial and Commercial Bank of China, The Export–Import Bank of China
France	Compagnie Francaise d’Assurance pour le Commerce Exterieur
Germany	Euler Hermes, KfW-IPEX Bank
India	Export-Import Bank of India, State Bank of India, Bank of Baroda, Punjab National Bank
Indonesia	Bank Mandiri
Italy	Servizi Assicurativi del Commercio Estero
Japan	Japan Bank for International Cooperation, Japan Oil Gas and Metals National Corporation, Development Bank of Japan
Korea	Kexim, K-Sure, Korea Development Bank, Industrial Bank of Korea
United Kingdom	UK Export Finance, Royal Bank of Scotland
United States	Export–Import Bank of the United States

Ichthys LNG is a massive Australian LNG that may not have gotten off the ground were it not for the support from multiple overseas public financial institutions.

2.2
11 YEARS, 10 COUNTRIES
36.7 BILLION FOR FOSSIL FUELS

Figure 3: Total financial support provided by public financial institutions (fossil fuels vs renewables, 2010-2020)

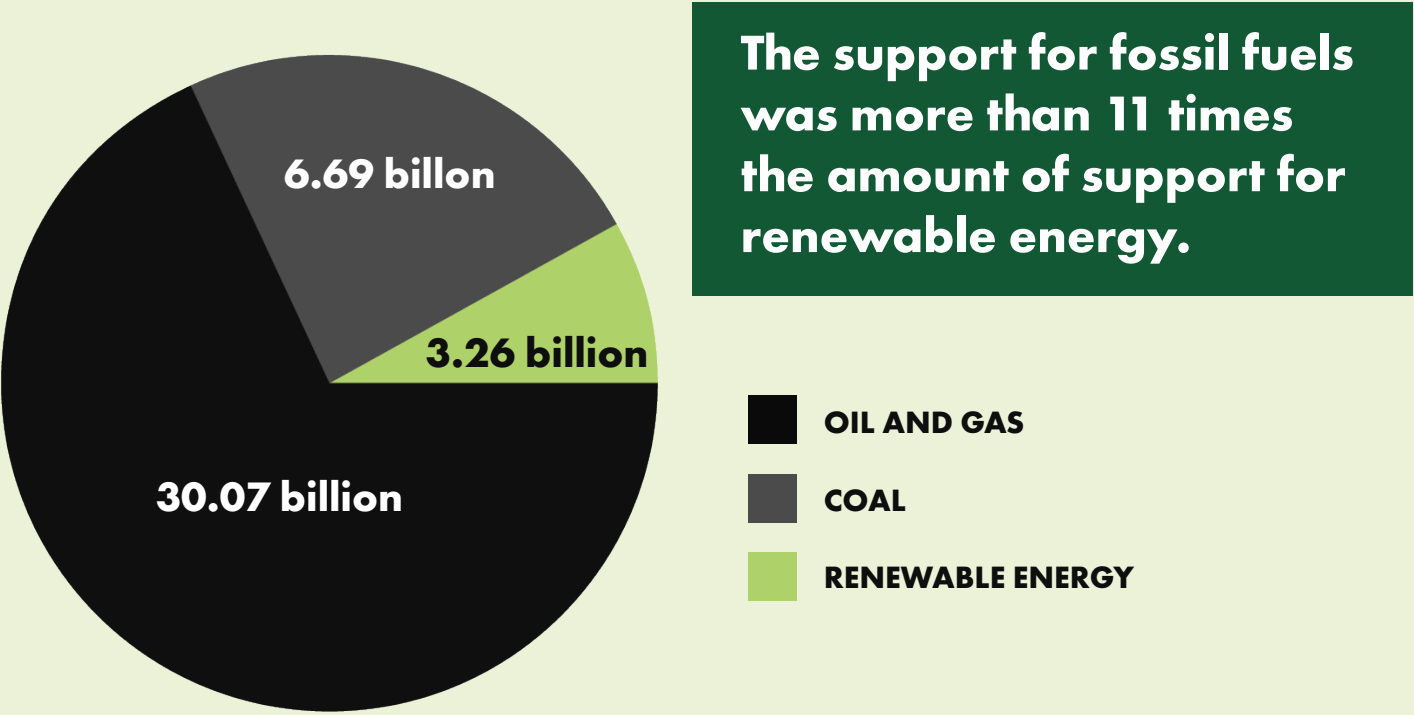
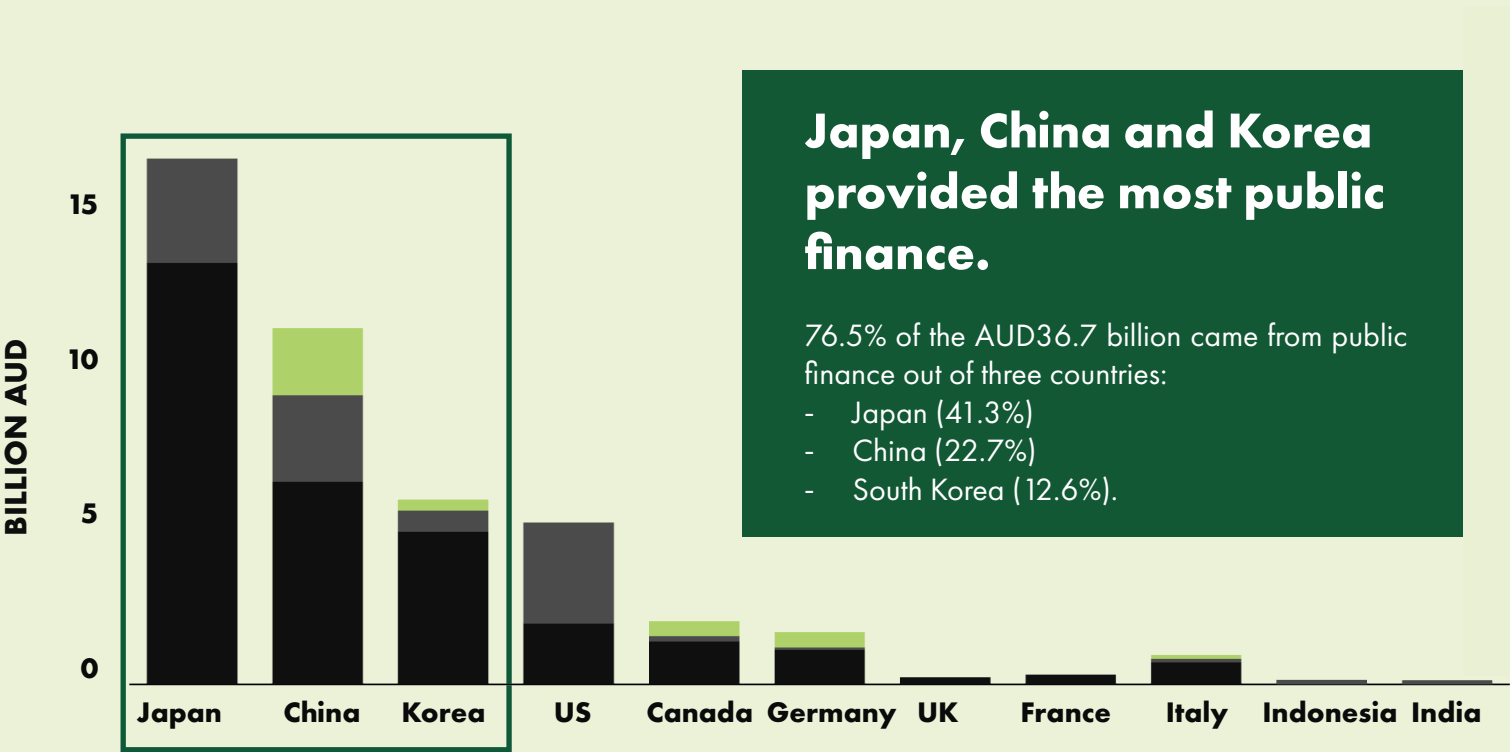


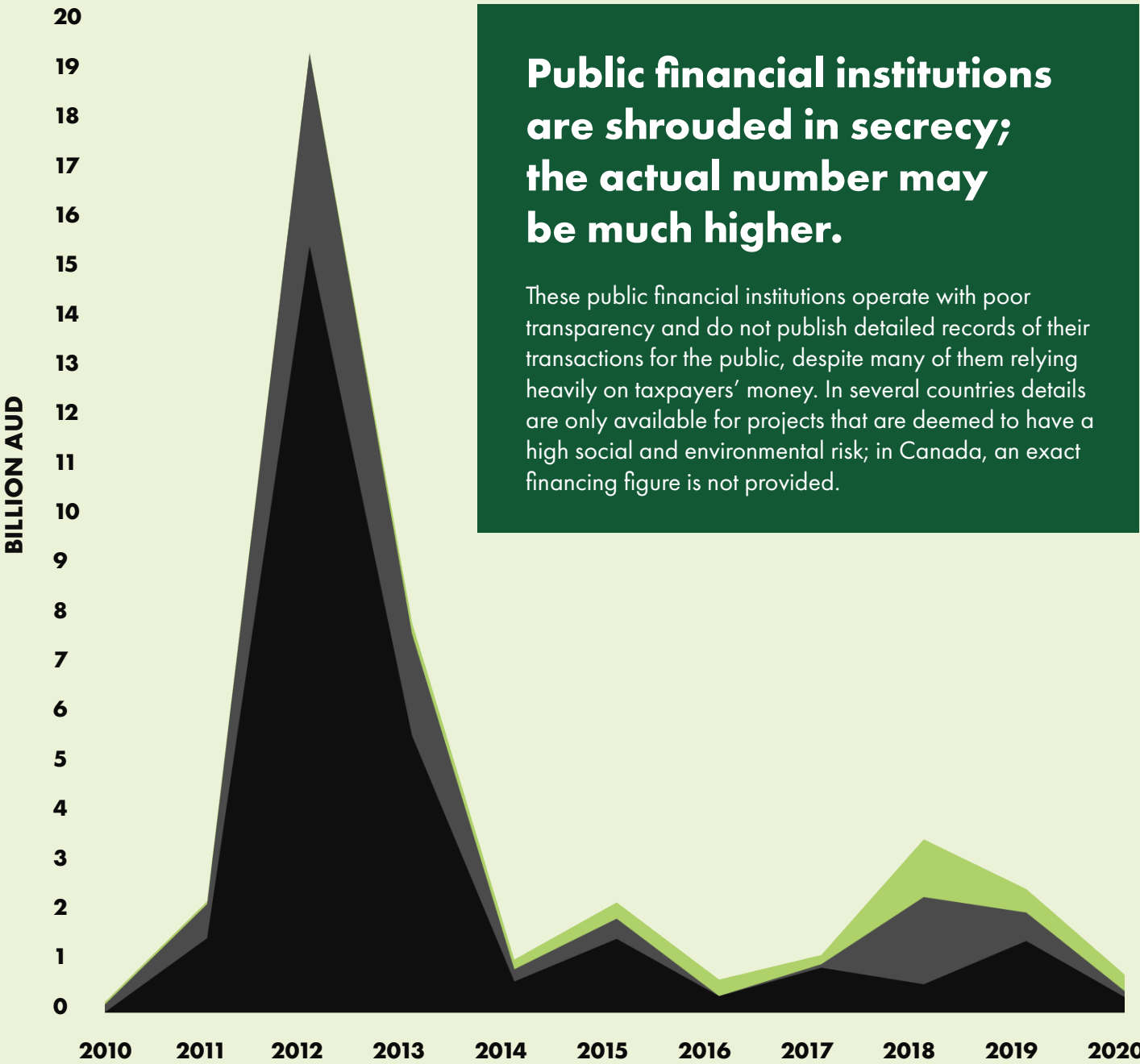
Figure 4: Financial support by country and type (fossil fuels vs renewables, 2010-2020)



The financial flow reached a peak in 2012 with the support of the massive Ichthys LNG project at 9.67 billion, but the financial flow remains high.

While contributions were down in 2020, this is due to the COVID-19 pandemic lowering fossil fuel demand and causing project delays, rather than a downwards trend.⁴³

Figure 5: Financial support by type and year (fossil fuels vs renewables, 2010-2020)



PUBLIC FINANCIAL INSTITUTIONS HAVE SUPPORTED MANY OF AUSTRALIA’S MAJOR FOSSIL FUEL PROJECTS OVER THE LAST DECADE (2010-2020):

Note: This is not an exhaustive list.



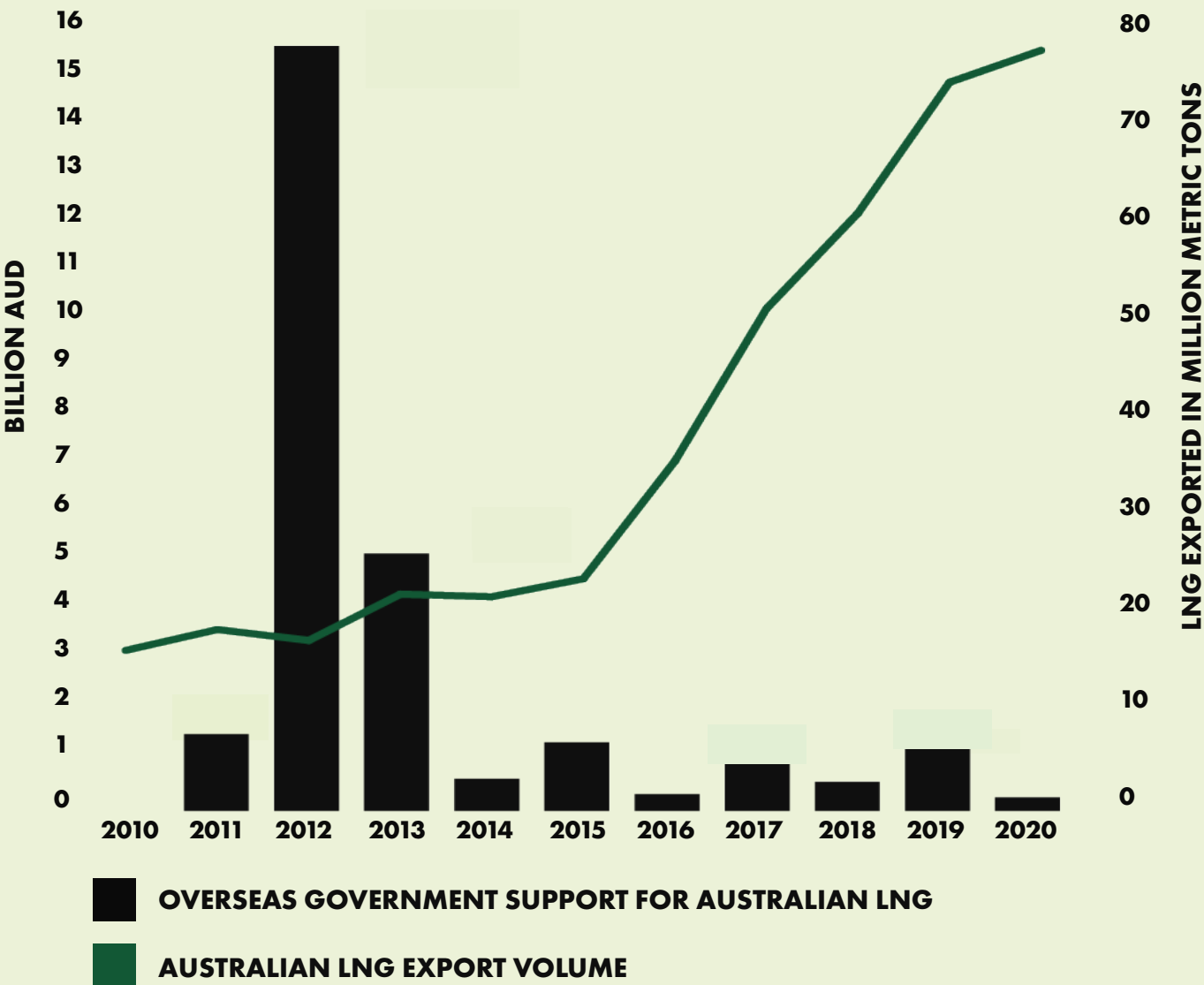
Australia’s LNG expansion over the last decade has been heavily propped up by overseas governments with Korea, China and Japan coming in as the worst offenders.

The data shows that more than AUD30 billion has flowed from the public finance institutions to the Australian oil and gas industry. At least AUD28.07 billion of this went to Australian LNG projects that make up 76% (66.9 million tonnes) of Australia’s LNG capacity as of May 2020, such as Ichthys LNG (AUD10.53 billion), APLNG (AUD7.96 billion) and Wheatstone LNG (AUD4.02 billion).

Three countries provided three quarters (AUD 21.27 billion) of this finance:

- Japan: 41% (AUD11.7 billion)
- China: 20% (AUD5.61 billion)
- Korea: 14% (AUD3.96 billion)

Figure 6: Support for Australian LNG and Australian LNG export volume (2010-2020)



There is currently another wave of Australian LNG underway which many overseas public financial institutions are poised to back.

In 2020, some companies chose to delay the Final Investment Decisions (FIDs) of major LNG projects in Australia that are expected to drive the second LNG wave, due to the COVID-19 pandemic.⁴⁴ This was the case for both Santos’ Barossa project and Woodside’s Scarborough project.⁴⁵

With several projects reaching or expected to reach FIDs this year, the second wave of LNG is underway in Australia.

If governments do not urgently commit to policies that would meaningfully exclude fossil fuels in favour of renewables, overseas public financial institutions are likely to end up bankrolling this expansion, venting tonnes of carbon dioxide into our atmosphere.

Table 2: Some of the major LNG projects in the pipeline⁴⁶

Project	Company	Location	Project type	Status	Resource	Estimated cost \$m	Estimated start date
Scarborough	Woodside/BHP	WA	New project	Feasible	Gas/LNG	7,800	2025+
Pluto expansion	Woodside / BHP	WA	Expansion	Feasible	LNG	9,000	2025+
Barossa LNG (Backfill to Darwin)	Santos/SK E&S/JERA	NT	Expansion	FID reached March 2021	Gas/LNG/ Condensate	5000+	2025+
Crux LNG	Shell/Nexus Energy/Osaka Gas	WA	New project	Feasible	LNG	2,500- 4,999	2025+
Cash Maple Development	PTTEP Australasia	WA	New project	Publicly announced	LNG	10,000+	2027+
Gorgon (train 4)	Chevron / Shell / ExxonMobil	WA	Expansion	Publicly announced	LNG	5,000+	2027+
Greater Sunrise	Timor GAP/ Woodside/ Osaka GAs	NT	New project	Publicly announced	Gas/LNG	2,500- 4,999	2026+
Other sustaining capex for Qld LNG projects	APLNG / GLNG / QGC	QLD	Expansion	Committed	Gas/LNG	7,600	2040+
Browse to North West Shelf	Woodside/ BP / PetroChina / Shell / Japan Australia LNG	WA	New project	Feasible	Gas/LNG/ Condensate/ LPG	30,000+	2028+
Equus	Western Gas	WA	New project	Feasible	Gas/LNG/ Condensate	6,000	2025+
Transborders Energy’s Generic FLNG Solution	Transborders Energy	WA	New project	Publicly announced	Gas/LNG	1,600	2024
Julimar-Brunello Project Phase II	Woodside / KUFPEC	WA	Expansion	Committed	Gas/LNG	1,300	2022

BREAKING DOWN THE NUMBERS

Figure 7: Financial support from export credit agencies by type and year (fossil fuels vs renewables, 2010-2020)

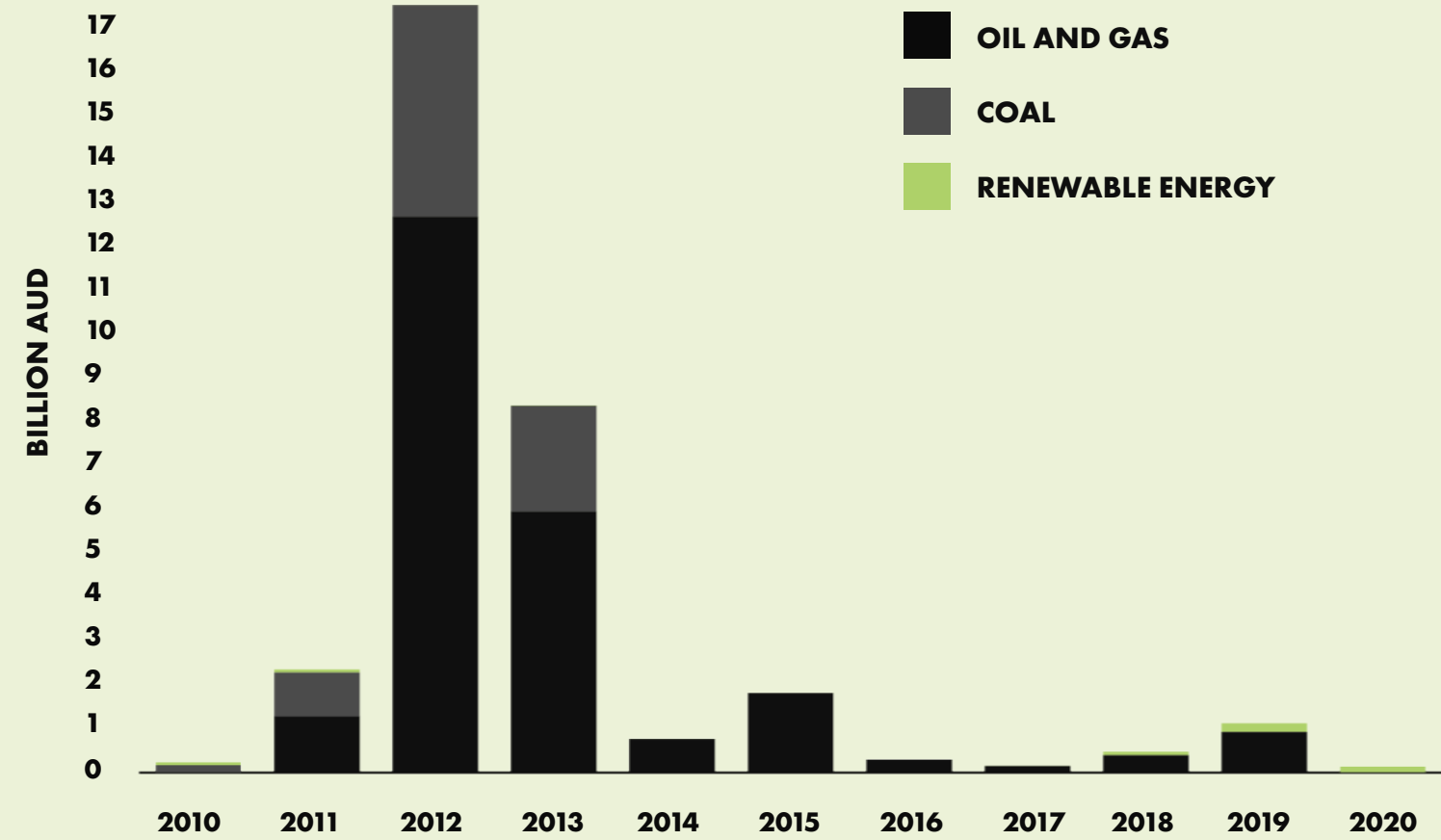


Figure 8: Financial support from public financial institutions excluding export credit agencies by type and year (fossil fuels vs renewables, 2010-2020)

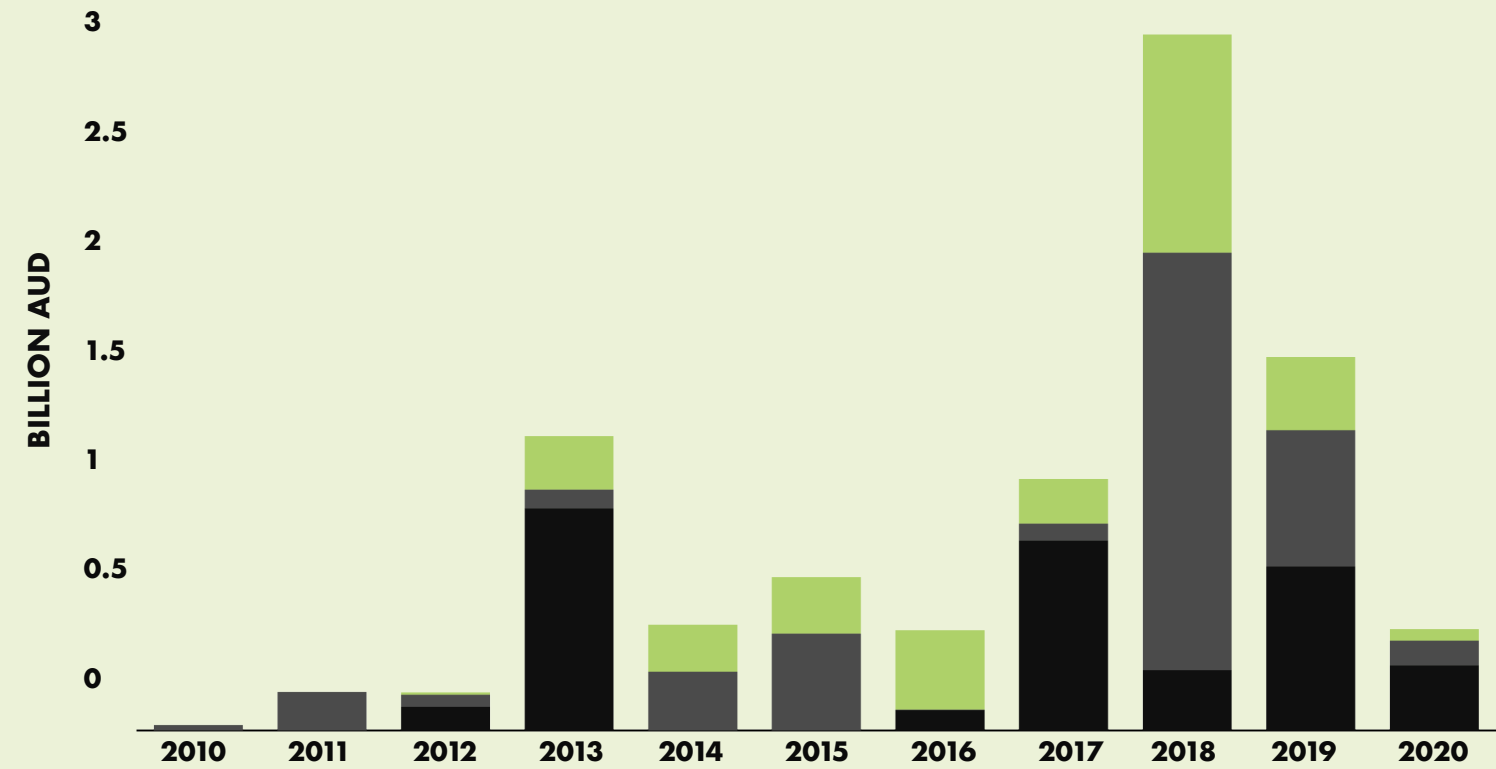


Figure 9: Financial support from public financial institutions to oil and gas by life stage (2010-2020)

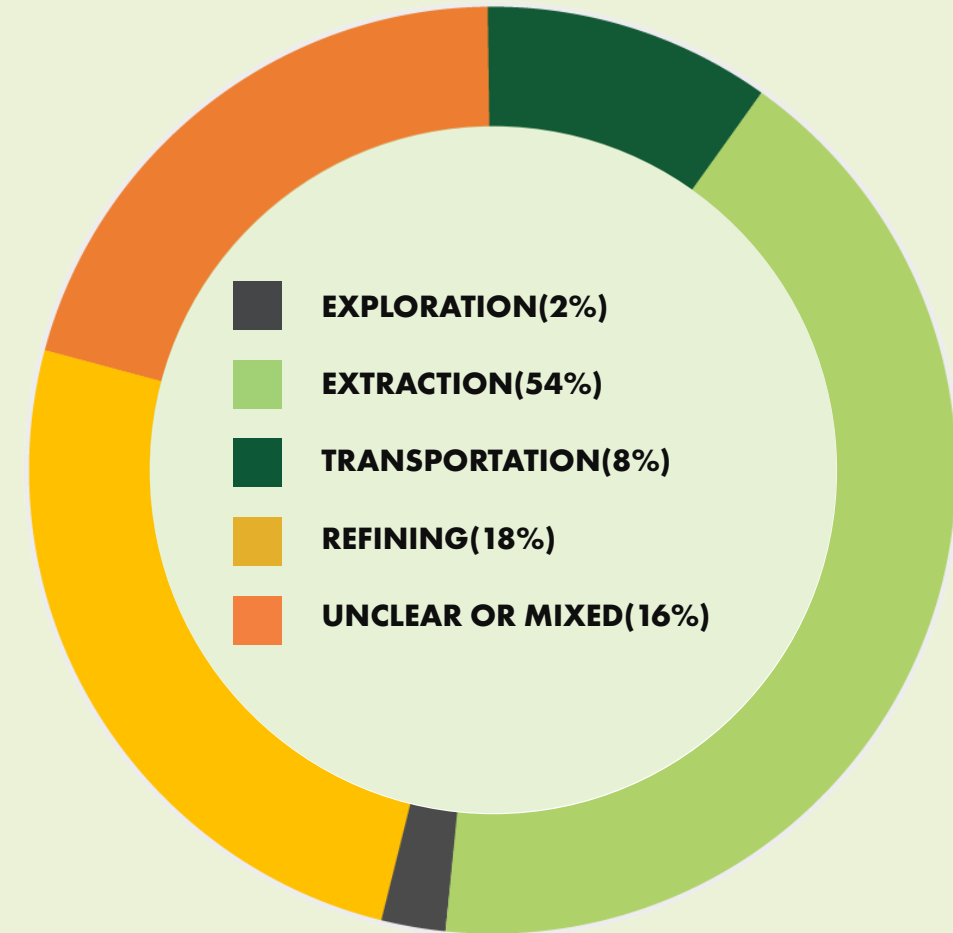
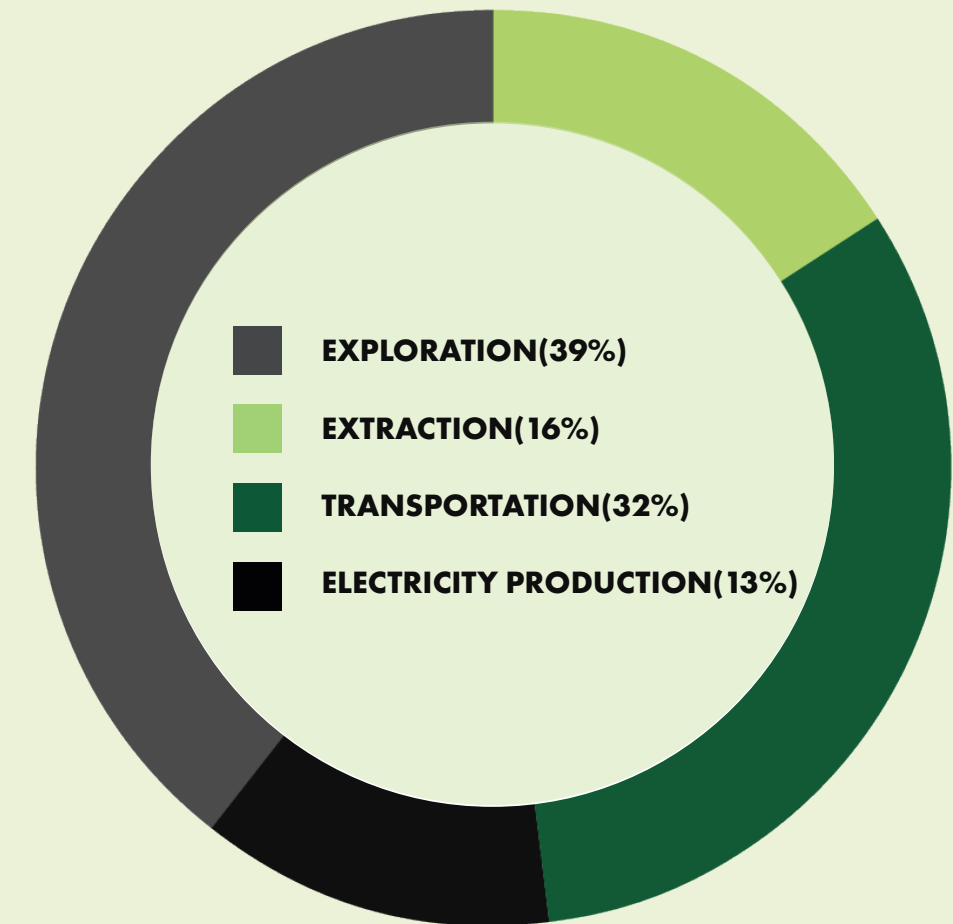


Figure 10: Financial support from public financial institutions coal by life stage (2010-2020)



CASE STUDY

3 NEXT IN LINE: THE BAROSSA LNG PROJECT

Santos’ Barossa gas project in the NT is one of the planned LNG expansions in Australia. It is potentially the world’s most carbon-intensive gas project and has already received support from a Korean public financial institution, Kexim. It is vital that others do not follow suit.

The Barossa gas field is an AUD5.5 billion proposed project located in the Timor Sea off the northern coast of Australia, close to the Tiwi Islands. It is majority-owned by Santos, but the Korean energy company SK E&S and the Japanese company JERA both have stakes in the project.⁴⁷

The companies plan for the gas from the Barossa field to go to the existing Darwin LNG facility. Darwin LNG is currently processing gas from the ageing Bayu-Undan Gas Field, whose gas reserves are soon to be depleted. Without the Barossa LNG project, the LNG facility, which is majority-owned by Santos, would likely become a stranded asset.

After delays in 2020, Santos announced an FID for the project in March 2021, but are still seeking support from public financial institutions. The Korean ECA Kexim has already supported the project via two loans in 2017 and 2018 totalling AUD262 million, and is currently considering providing another AUD400 million.⁴⁸ The other Korean ECA, K-Sure, is also considering bankrolling the project.⁴⁹ The third public financial institution considering supporting the Barossa project is the Japanese ECA, JBIC.⁵⁰

Australian, Japanese and Korean civil society organisations have urged the Korean and Japanese ECAs

to not finance this project due to the risky nature of the project, but the institutions have yet to clarify whether they will support the project or not.

Of particular concern is that the Barossa project would eat a significant bite of the global carbon budget. If this project is developed, it could mean that Australia would not be able to deliver on its commitments to the Paris Agreement. In addition to emissions arising from processing the gas, the Barossa gas field has among the highest levels of CO2 reservoirs in the world (16-20% reservoir gas). The project’s total yearly greenhouse gas emissions would amount to 5.4 million tonnes of greenhouse gases while producing only 3.7 million tonnes of LNG. This is twice the amount of greenhouse gas emissions from other gas fields in Australia, and probably the highest in the world.⁵¹

SK E&S has a self-proclaimed green profile and justifies its involvement with the project by falsely claiming that it will produce ‘CO2-Free LNG.’ This claim is backed by vague and unreliable plans of Carbon Capture and Storage (CCS).⁵² CCS is an unproven technology that has already cost taxpayers billions of dollars. According to research done by the Institute for Energy Economics and Financial Analysis, CCS won’t solve Barossa’s emissions problem, and it would still be the dirtiest gas project in Australia and possibly the world.⁵³

The Barossa project could also have severe environmental and social impacts. The pipeline connecting the gas field to land would cut through the Oceanic Shoals Marine Park’s habitat protection zone and threaten endangered species, including olive ridley and Australian flatback sea turtles. It could also impact two of Australia’s most important tropical fisheries as they would lose access to important fishing ground, and their fish stocks would be at risk from seismic testing.⁵⁴

Despite these risks associated with the project, the consultation process with the impacted communities, the Tiwi people and the wider Northern Territory community, appears to be lacking.⁵⁵

The pipeline connecting the barossa gas field to land will cut through a marine park protection zone, and threaten endangered species such as the olive ridley turtle.



“

It’s no surprise that a project like Barossa needs more Korean taxpayer money, because it doesn’t stack up on its own. But South Koreans don’t want Santos’ dirty gas, and the South Korean government shouldn’t be funnelling our taxpayer money into this project.

SEJONG YOUN
CLIMATE FINANCE PROGRAMME DIRECTOR, SOLUTIONS FOR OUR CLIMATE

“

The latest IPCC report was clear: Time is up on gas. We have less than a decade to decide to save our coasts, reefs and heritage from the worst effects of global warming. The Barossa project is one of the world’s dirtiest projects which would further accelerate us towards climate collapse.

KIRSTY HOWEY
CO-DIRECTOR, ENVIRONMENT CENTRE NT

“

When the venting and combustion emissions both off- and on-share are calculated, the Barossa to Darwin LNG project looks more like a CO2 emissions factory with an LNG by-product.

JOHN ROBERT

GAS EXPERT, INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS

CCS – a tool that will help polluters pollute

Recently, major oil and gas companies have added carbon capture and storage (CCS) components to new gas development projects, falsely promoting it as a ‘low carbon alternative’ to traditional upstream development. CCS is conducted in two stages: the capture stage where CO2 from the mining and processing of oil, gas or coal is captured, and the transportation and storage stage where the captured CO2 is injected into deep saline aquifer formations or depleted oil and gas fields for permanent storage. CCS is often referred to in Australia as a critical component for achieving carbon neutrality. For this to happen, the International Energy Agency (IEA) predicts that approximately 6GtCO2 would need to be stored annually by 2050.⁵⁶

However, the technological progress on CCS falls significantly short of such expectations. Capturing and storing CO2 is expensive, which undermines its economic feasibility. The high cost of CCS projects has led to 75% of them being Enhanced Oil Recovery (EOR) projects, where captured CO2 is pushed into existing wells to increase oil and gas output. This eventually leads to additional carbon emissions.⁵⁷ Furthermore, adding CCS to an upstream project does not eliminate carbon emissions because CCS can only be applied to a certain part of the value chain, and CCS itself creates carbon emissions from its energy use. For this reason, the development of new upstream projects, even with CCS, is likely to result in massive carbon emissions.⁵⁸ Finally, CCS projects face significant risk from technological uncertainty. Chevron’s Gorgon LNG is the biggest CCS project in the world - and a big failure. During its five years of operation, there has never been a day where all of the CCS elements have worked simultaneously. Chevron said that it would capture 80% of carbon emissions in the approvals document but it has only captured 30%, making it a prime example of an expensive and unsuccessful attempt to mitigate emissions from an upstream development project.⁵⁹

It is clear that CCS, when attached to fossil fuel energy infrastructure, is not a viable solution when it comes to solving the climate crisis. Instead, it is a tool for the fossil fuel industry to prolong the lifetime of their polluting projects - and thus impede the just energy transition needed to keep global warming below 1.5.

In May 2021, people gathered outside the Korean embassy to call on Korea to stop funding fossil fuel projects in Australia.



4 INTERNATIONAL MOVEMENT ON FOSSIL FUEL FINANCING AND THE NEED FOR LEADERSHIP

4.1. What is happening internationally?

Countries around the world are moving away from using public finance for fossil fuels. The latest year has seen a wave of announcements that restrict public finance institutions, in particular export credit agencies who are the worst offenders, from financing coal, oil and gas:

- The UK implemented a policy in March 2021 that ended public finance for all oil, coal and oil projects overseas, including mining.⁶⁰
- 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.⁶¹
- In April, seven European countries 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.⁶²
- 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.⁶³
- France ended export finance support for routine flaring in 2020. It will end export finance for some types of oil and gas (unconventional oil and gas and extra heavy oil) at the end of 2021. It will end other gas exploration and production projects by 2035, and oil exploration and production by 2025.⁶⁴
- South Korea has committed to end public financing for overseas coal-fired power plants.⁶⁵
- In June 2021, the Japanese Government announced that it would end new direct international government support for unabated coal-fired power generation by the end of 2021.⁶⁶
- In October 2021, China's President Xi Jinping announced that China would no longer build coal-fired power projects overseas.⁶⁷

These changes will inevitably shrink Australia's overseas public financing pool, but in order to fit the scale of the problem, we need to pick up the pace. If the announcements made over the last year

were implemented a decade ago, they would cover 5% (\$1.7bn) of funding over the last decade, and when fully implemented the policies would block around 8% (\$3.1bn). As countries worldwide continue to move away from fossil fuels, this figure is expected to increase.

While these policy changes are positive and far better than Australia's domestic commitments, further global action is needed to turn off the tap, especially for gas. The UK is the only government that has ended gas financing, whereas other countries like France and Germany have agreed to phase out support for gas over a longer time period. This means that many of these overseas governments are still poised to finance the LNG expansion in Australia. Ensuring domestic and international agreements that restrict financing of all types of fossil fuels has never been more urgent.

To this end, the UK, who has stopped financing all overseas fossil fuel projects, is seeking to partner with countries and institutions willing to do the same. On 1 October 2021, the UK announced that it is working with the European Investment Bank to launch a coalition of countries and financial institutions committed to ending all public financing for overseas fossil fuel projects. The ambition of this agreement goes beyond coal, and would also cover gas and promise to accelerate the clean energy transition. It is understood that the UK and allies will publish a statement on the energy-themed day of COP, 4 November.⁶⁸

4.2 The Australian government is blocking progress to make stronger agreements on coal and gas

International rules have restricted Export Credit Agencies from financing certain types of coal projects since 2017 - these rules could have been stronger were it not for Australia. The OECD Working Group on Export Credits meets regularly in Paris. This private meeting of government officials sets the rules for what Export Credit Agencies (ECAs) can and cannot fund. In 2015, the OECD group negotiated an agreement called the Coal-Fired Electricity Generation Sector Understanding (CFSU), which was implemented in 2017. The agreement restricts ECAs from financing certain types of coal projects; however, it has a narrow scope as it only covers coal-fired power plants over a certain size and does not restrict financing of new coal mines or related infrastructure.⁶⁹ According to sources close to the agreement, it would have been stronger were it not for resistance from Australia and South Korea.⁷⁰

Six years down the track, the Working Group has negotiated broadening the scope to limit ECAs' financing of coal further – and yet again, Australia has blocked progress according to confidential government sources. The EU tabled an agreement at

the beginning of 2021 that sought to broaden the scope of the coal agreement, which has been negotiated by the Working Group throughout 2021. According to a source close to the Working Group, Australia took an obstructive approach that sought to block the agreement and did not bring forward constructive text suggestions to facilitate a consensus agreement. This negative defence of pro-coal positions was viewed as an example of Australia not participating in good faith in pursuit of an agreement that strengthened the collective position among OECD countries, with other governments instead seeing Australia as captured by industry interests.⁷¹

In particular, we understand that Australia actively sought to block the inclusion of restrictions on Export Credit Agencies' support for coal mining and associated infrastructures.⁷² These elements were ultimately left out of the 2021 agreement and will instead be considered in a review.⁷³

This is not an isolated incident - reports of Australian blocking progress on climate have been mounting over the last couple of months:

- In September, the UK cut climate pledges out of a trade deal with Australia in order to get the deal “over the line”.⁷⁴
- In October, a source close to the OECD Development Assistance Committee (DAC) told the authors of this paper about the impact of the hard-line position Australia's is taking on fossil fuels. In refusing to commit to phasing out fossil fuels, Australia has been a major barrier in progressing discussions in the DAC on better aligning development co-ordination with climate objectives, by making investments in fossil fuel power ineligible to be counted as Overseas Development Assistance (more commonly known as aid).⁷⁵
- On 6 October 2021, 35 Australian civil society organisations, including Jubilee Australia, Australian Conservation Foundation and ActionAid Australia, wrote to Minister Josh Frydenberg to raise concerns about reports that Australia is pushing for the Asian Development Bank (ADB) to continue to support coal and gas related projects in the negotiation of the ADB's new energy policy.
- On 21 October, documents leaked to Unerthed revealed that Australia and a handful of other countries have lobbied the UN to make several changes to a landmark report ahead of COP, that would significantly weaken it:
 - Australia asked the UN to remove or weaken a conclusion that the world

needs to rapidly move away from fossil fuels.

- Australia asked to the UN to remove an analysis of how lobbying by the fossil fuel industry has weakened climate action in Australia and the US on the basis that these were “political viewpoints made to seem factual”
- The Australian government official rejected the notion that it's crucial to phase out coal-fired power in order to lower emissions.⁷⁶
- The recent G20 discussions in Rome saw member countries table two significant commitments on climate: to reduce methane emissions and to wind down coal power stations, both by the end of the decade. Multiple sources report that the Morrison government opposed the inclusion of these objectives from the final text.⁷⁷

A shift away from fossil fuels needs to go beyond the OECD and ECAs - stronger international agreements are needed. While ECAs have provided approximately 76% of the public finance to Australian fossil fuel projects over the last decade, other public financial institutions that are not covered by the OECD arrangement have increasingly propped up the Australian fossil fuel industry. Stronger rules adopted by the OECD Working Group on Export Credits are important, but ultimately commitments like that made by the UK, which covers all public financing of fossil fuels, are needed.

Although there is a spectrum both at the OECD and in other fora when it comes to the level of ambition that countries are demonstrating to turn off the tap for public financing of fossil fuels, two conclusions are inescapable. First, there is an ever-increasing momentum, led by the strong action of a number of first movers, to not just close the loopholes on coal financing, but to begin to tackle the gas problem as well. Second, there is no doubt that Australia is one of the main countries blocking and delaying progress on both coal and gas in multiple sites of negotiation, not least the OECD working group on export credits.

If Australia continues this behaviour, it will only provide further cover for foreign export credit agencies and other public financial institutions to continue to develop new fossil fuel fields in Australia. The Australian Government's current stance, in other words, is inconsistent with the aim of reaching the 1.5 degree climate goal agreed at Paris and will undoubtedly contribute to worsening climate scenarios for generations to come.

If Australia continues this behaviour, it will only provide further cover for foreign export credit agencies and other public financial institutions to continue to develop new fossil fuel fields in Australia.

5 RECOMMENDATIONS

Australia should stop blocking progress to make stronger international agreements that would restrict the financing of all overseas fossil fuel projects

- Australia should partner with the UK and the European Investment Bank who is seeking allies willing to commit to ending all public financing for overseas fossil fuel projects and accelerate the clean energy transition.
- Australia should participate in the development of a stronger Coal Fired Electricity Generation Sector Understanding and be part of developing a strong international agreement on restricting oil and gas financing and not inhibit any efforts to do so.
- Domestically, Australia must develop a national renewable exports strategy with clear, time-bound targets that signal our national ambition to the world. This should be backed up by credible policies that catalyse investment in renewable exports at scale.

Japan, China and Korea must end all public financing of fossil fuels in Australia through their public financial institutions. Any support directed towards Australia’s energy sector must be done in a way that aligns with the ambition of the Australian public for Australia to become a green powerhouse.

- Japan, China and Korea 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.
- Japan, China and Korea should partner with the UK and the European Investment Bank who is seeking allies willing to commit to ending all public financing for overseas fossil fuel projects and accelerate the clean energy transition.
- Japan must demonstrate its clear commitment to the G7 Leaders’ communique which pledged to align international public finance with the net-zero by 2050 goal.

Australian bushfires 2019/2020

APPENDIX 1: METHODOLOGY

Data sources

In order to identify the money flowing from overseas public financial institutions, we have collated information from the following databases:

1. Most of the data in this paper is based on Oil Change International’s Shift the Subsidies database, which tracks energy finance from public finance institutions from the bottom up, at the project and transaction level. This data is sourced primarily from government and institution reporting as well as the Infrastructure Journal (IJ) Global database and Boston University’s Global Economic Governance Initiative’s China Global Energy Database.⁷⁸
2. The Korean transactions are based on Solutions for Our Climate database, which tracks financing by KEXIM, K-SURE and KDB for overseas oil and gas related projects including resource exploration, development, drilling and operation, gas and oil processing, terminal and LNG liquefaction plant, ship, pipeline, power generation, oil refining, and petrochemical projects over the past ten years (January 1, 2011 – December 31, 2020). Those data were provided by National Assembly members of Republic of Korea.
3. The Japanese transactions are based on Japan Center for a Sustainable Environment and Society database, which has tracked financing by JBIC and JOGMEC for overseas coal, oil and gas projects since 2016 and by JBIC for coal projects since 2011. This data is sourced using the press releases of the Japanese public financial institutions.

Through these sources, we have identified 233 transactions, the majority of which are loans, but some are guarantees and equity purchases.

Classification of energy resources

We use the same classifications as Oil Change International’s Shift the Subsidies database:

Fossil fuel: This includes the oil, gas, and coal sectors. This includes access, exploration and appraisal, development, extraction, preparation, transport, plant construction and operation, distribution, and decommissioning. It also includes energy efficiency projects where the energy source(s) involved are primarily fossil fuels.

Clean: This is defined as energy that is both low-carbon and has negligible impacts on the environment and human populations if implemented with appropriate safeguards. This includes solar, wind, tidal, geothermal, and small-scale hydro. This classification also includes energy efficiency projects where the energy source(s) involved are not primarily fossil fuels.

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