Briefing Note:
Export Development Canada and the Environment

Overview

Informed public consultation is the foundation of good environmental impact assessment (EIA) and review. Yet the EIA policies of Export Development Canada (EDC), a Crown Corporation mandated to promote Canadian trade abroad, falls far short of both national and international standards.

EDC should meet or exceed international best practices, and *require* companies to consult with locally affected communities, and make the EIA available at least *60* days prior to board approval.

EDC and the Environment

In December 2003, the Organization for Economic Cooperation and Development (OECD) adopted the *Common Approaches on Environment and Officially Supported Export Credits* ("Common Approaches"), a set of recommendations outlining how Export Credit Agencies (ECAs) should evaluate the environmental impacts of projects they are proposing to finance.

Over the years, ECAs, including Canada's EDC, have helped finance numerous environmentally and socially devastating projects. These include the Three Gorges hydroelectric dam in China that displaced close to 1.2 million people, the OK Tedi Copper mine in Papua New Guinea that polluted 1,300 square kilometers of productive forest land and 1,200 kilometers of fertile river bank, and the PT Pulp and Paper Mill in Indonesia that pumped 70,000 m^3 of waste into the Lematang river.[i]

The "Common Approaches" was a response to growing awareness about the impacts of ECA-funded projects, and increasing pressure on ECAs from OECD government ministers, Group of 8 (G8)[ii] communiqués, the media, civil society and the public. All demanded that ECAs develop a process to account for the negative environmental impacts of ECA-backed projects.

Prior to the 2003 agreement, EDC was legislated under the Export Development Act to take account of the environment, and developed a review framework for doing so. This was revised in 2001/2002 following harsh criticism of the framework by the Auditor General[iii].

With the "Common Approaches" in place, EDC's new environmental review directive (ERD) will now need further revisions, especially since the OECD has said it expects member countries "to apply more robust environmental guidelines" and "do their utmost to fully implement the Recommendation."[iv] An initial assessment suggests EDC is only weakly interpreting the requirements of this agreement, lagging behind the US, the United Kingdom, France, Japan, and Australia.

Main Issues

Meaningful participation and consultation is a cornerstone of the impact assessment and review process. The United States and France, among others, have acknowledged this by holding public consultations on their new environmental policies, revised to reflect the "Common Approaches". Canada, however, is planning no such consultation. Furthermore, the new OECD agreement says that EIAs should include a record of public consultations. While EDC expects companies to consult with stakeholders as part of the EIA, it does not *require* them to do so, nor does it consult with groups on projects prior to board approval. In contrast, the International Finance Corporation (IFC, of the World Bank), Japan and Australia's ECA, and the US Overseas Private Investment Corporation (OPIC) do both.

153 rue Chapel Street, # 104, Ottawa ON K1N 1H5 ● Tel: (613) 789-4447 ● Fax: (613) 241-4170
E-mail/courriel: ecas@halifaxinitiative.org ● Web: www.halifaxinitiative.org → 'issues' → 'export credit agencies'

The Nam Theun 2 Hydroelectric Dam in Lao PDR

In early 2005, the World Bank (WB) will decide whether or not to support the US$1.1 billion Nam Theun2 (NT2) Hydro project in Lao PDR. Intended to alleviate poverty in Laos, International Rivers Network have argued that the 1,070 MW project will displace 5,700 indigenous people from their ancestral land, devastate tropical river ecosystems upon which 120,000 people depend for their livelihoods, and threaten endangered wildlife. Economically, it also makes no sense. 93% of the power generated will be transmitted to Thailand, with two thirds of project revenue going to the dam's French and Thai developers. While Thailand will benefit from artificially cheap electricity, the Lao people will not benefit from a cheap source of energy, and Electricité de Laos will sink into further debt. Consultation on the project were also undertaken by the Lao military government with no independent audits and no discussion of alternatives. In addition to WB financing, the project also needs $270 million in guarantees and risk insurance from ECAs. In March 2004, the Nam Theun 2 Power Company Ltd. (NTPC) listed EDC among four ECAs expected to provide such support. While the WB began consultations on the project with interested parties in September 2004, EDC still refuse to say whether or not they are considering financing the project, and continue to keep the Canadian public in the dark about their role.

Sources: Nam Theun 2, Laos – Another World Bank Disaster in the Making, International Rivers Network, Berkeley, January 2004; *Principles, Profit or just PR?,* BankTrack, Amsterdam, June 2004*; Ten Reasons Why the World Bank Should Not Finance the Nam Theun 2 Power Company in Lao PDR*, Grainne Ryder, Probe International, Toronto, June 2004*; NTPC Press Release,* March 1, 2004, on-line: http://www.namtheun2.com/mediango/pdffiles/R_Nam%20Theun%202%20Financing%20Launched.pdf

Disclosure is essential to informed participation and public accountability. Yet EDC still requires company consent before they will disclose project details or the EIA. As a result, EDC has never disclosed the EIA for any "Category A" project (i.e., those with the most potentially significant environmental impacts). While EDC might explain this practice with reference to concerns over confidentiality, a recent report by the US Auditor General concluded that EIAs it reviewed for the US Export-Import ECA, "did not contain any business proprietary information [nor] information on the specific companies involved", and if there were, "any such information would be removed prior to [its] release"[v]. EDC can therefore safely disclose EIAs prior to board approval without breaching commercial confidentiality, just as the US, British, Japanese and Australian ECAs are now doing.

The fact that EDC, a public institution, may be involved in projects such as the Nam Theun dam (see above), and the Canadian public have no guarantee of knowing this, nor any means of speaking to the environmental impacts for the project, until the company or EDC elects to tell them, is entirely unacceptable. EDC should be matching or exceeding the best environmental standards for trade finance, rather than simply being one of the OECD's laggards.

Policy Recommendation

As a first step towards enhancing its environmental practice, for Category A projects, EDC should require companies to conduct public consultations as part of the EIA process, and put in place provisions to conduct their own public consultations for projects under board consideration.

As a first step towards enhancing its disclosure practices, for Category A projects, EDC should *require* companies to disclose project details 120 days prior to board consideration, and provide the social and environmental impact assessments at EDC offices in the region and on-line a *minimum of 60* days prior.

For further information, contact:

Fraser Reilly-King, Coordinator, NGO Working Group on EDC, (613) 789-4447, ecas@halifaxinitiative.org

The Halifax Initiative is a Canadian coalition of development, environment, faith-based, human rights and labour non governmental organizations working for global economic democracy.

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[i] Project details are all cited in "Reckless Lending I" (March 2000) & Reckless Lending II" (May 2001), Halifax Initiative.
[ii] The G8 countries consist of Canada, France, Germany, Italy, Japan, Russia, United Kingdom and the United States.
[iii] Office of the Auditor General, *Report on the Export Development Corporation's Environmental Review Framework*, May 2001.
[iv] OECD Press Release, December 18, 2003, on-line: www.oecd.org/document/56/0,2340,en_2649_201185_21688824_119690_1_1_1,00.html
[v] US General Accounting Office (September 2003), "Export Credit Agencies – Movement Toward Common Environmental Guidelines, but National Differences Remain", GAO-03-1093, p.28.