

TO : India Walker
FROM: Rodney Ferguson and Rachel Kyte
RE : **Recommendations from members of the Climate Council**
DATE : June 12, 2023

1. Introduce internal policies and strengthen internal practice to ensure that EXIM's financing approaches support the US government's climate change commitments and are aligned with the Paris Agreement. This should include:
 - a. adding a section in Board approval documentation that describes how this is the case with both information submitted by the sponsor/project developer and diligence by EXIM Staff.
 - b. ensuring investments are consistent with the NDC and the transition plans of the destination country, adding a section in the application documentation and to Board approval documentation describing how this is the case and the diligence carried out by EXIM staff.
 - c. reference to how the investment supports climate objectives in press releases and public information.
 - d. accelerate the alignment of EXIM's policies and procedures with OECD guidelines for export credit agencies.
 - e. institute early project review for projects where Paris alignment is a question recognizing the extra time necessary for adequate climate and environmental review.

2. Ensure that all funding deployed integrate climate-related risk assessments, and that investments reflect (in their financial structure) incentives for low-carbon, climate resilient investment. This should include:
 - a. Updating EXIM financial assessment/modeling with climate-related stress testing (physical and transition) over (i) life of asset, and (ii) term of EXIM loan/guarantee.
 - b. Consider employing/utilizing approach presented by US Office of Management and Budget (OMB), or other asset level climate related financial risk assessment.
 - c. Adding climate risk assessment as an explicit component of credit review, and adding a section in the EXIM investment memo presented for Board project approval.

- d. Offer opportunities for EXIM staff across all disciplines and departments to update their understanding of best practice in climate risk assessment, stress testing, pricing in investment and underwriting.
3. Increase transparency and quality of reporting by bringing EXIM's reporting into line with the standard developed by the Task Force for Climate Related Disclosures, with particular attention to TCFD guidance on (i) governance, (ii) strategy, (iii) risk management, and (iv) metrics.
4. Create a working group specifically focused on building a pipeline of potential applications across from clean tech and ascendant clean tech companies (as added to EXIM's Charter in the 2019 reauthorization). The working group, comprised of knowledgeable staff from all relevant divisions, including underwriting divisions, Office of Small Business, and Office of the Chief Risk Officer, as well as the Chair's office, should address, systematically, obstacles to clean tech firms entry into the pipeline and issues related to EXIM products that should be addressed in order for clean tech sectors to be better served by EXIM. The working group recommendations to the Chair should be shared with the Climate Council and within a specific period, the Chair produce an implementation roadmap.
5. Examine using the standard of "sufficient likelihood of repayment" referenced in EXIM's Charter to boost climate positive and clean tech applicants in the pipeline.
6. Adjust EXIM's strategy to exploit and adapt to the business environment resulting from the Inflation Reduction Act. This should include:
7. Broaden EXIM's scope to focus on new technologies and companies in the value chains of those areas benefiting from support under the IRA and to support US firms in these new and growing areas of US competitive advantage to export. Broaden the business segments which can impact quality of life improvements, which can indirectly benefit climate outcomes (More efficient air conditioning components and climate-smart technology for consumer products, for example). This could be especially beneficial especially in large countries that are focused on improving household income such as India.

- a. This may include providing financing linked incentives for US manufacturing and exporters for the following areas:
 - Energy efficiency & cost savings;
 - Smart infrastructure;
 - net-zero Energy and net-positive water;
 - Cooling technologies;
 - State of the Art SAAS - based controls system and analytical platform technologies for demand management;
 - Agri-tech
 - Digital Energy for optimizing infrastructure plans and energy systems; and
 - Carbon platform for agricultural industry with a focus on data integrity and traceability.
 - Carbon credit related investments
 - b. Provide up to 100% EXIM coverage of contract value for climate-related exports, with an emphasis on sovereign borrowers, recognizing and appreciating that 95% coverage of contract value is a reasonable compromise.
 - c. Leverage EXIM's domestic investment program in by increasing domestic content requirements from 15% to 25%.
 - d. Apply IRA domestic manufacturing benefits to 100% of exports making export businesses more competitive until the manufacturing economies of scale are reached.
 - e. Examine EXIM financing opportunities for raw materials production necessary for technologies in the energy transition, energy security and Paris alignment.
8. Engage industry experts in the development of marketing outreach and pipeline development activities and engage directly with state level teams engaged in building net zero state strategies,
 9. Study the impact of a preferential pricing strategy to support climate aligned investments and guarantees and other policy approaches that would support strengthening a Paris aligned pipeline.

10. Bolster creative communications and outreach strategies to engage nationally that EXIM is open for support to business in the country's transition. Include specific information on how Continue EXIM's significant process improvement achieved during the year 2022-2023, and promote these improvements to potential partners to attract bigger climate-related projects.