SERV guidelines on aligning its support for the clean energy transition

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The decarbonisation of the economy in general and the fossil energy sector in particular is crucial to achieving the targets of the Paris Agreement. Export risk insurance can play a key role in this regard. Swiss Export Risk Insurance (SERV) takes this into account and defines decarbonisation as one of the three main pillars of its climate strategy.

Within the context of this strategy, SERV has introduced these guidelines for transactions in the fossil energy sector. From now on, SERV will no longer provide direct support to the international energy sector, which remains fully focused on the use of fossil fuels. Exceptions will be made in clearly defined cases that are consistent with the 1.5 °C warming limit and the goals of the Paris Agreement. This move is also in line with decisions made by the federal authorities after Switzerland signed the Paris Agreement, and in particular with the COP26 Statement on International Public Support for the Clean Energy Transition, signed in November 2021[1].

These guidelines apply to all transactions in the fossil energy sector. SERV thus helps its clients transition to a low-carbon economy.

Activities in the fossil energy sector affected by these guidelines include upstream activities (production, exploration), midstream activities (storage, refining) and downstream activities (fossil-fuel power stations, sales) related to thermal coal[2], crude oil and natural gas, and also include associated infrastructure (pipelines, overhead lines, etc.) and transport and logistics services primarily for fossil fuels.

Exports related to fossil fuels outside the energy sector, such as in other carbon-intensive industries (e.g. waste management, transport, manufacturing including cement and fertiliser production, district heating, building technology and agriculture), do not fall under the COP26 Statement and these guidelines.

Activities in the fossil energy sector unaffected by these guidelines include the decommissioning of existing plants and projects to reduce environmental pollution or CO2 emissions caused by existing infrastructure, provided that their useful life or capacity is not extended.

All other activities in the fossil energy sector are assessed in accordance with the provisions of the Paris Agreement[3]. Insurance cover can be granted only if the requirements of the agreement are met. The requirements are deemed met if the activity performed as part of the export transaction fulfils the following criteria:

[1] The COP26 Statement came into effect on 1 January 2023
[2] It should be noted that SERV does not support any coal-based projects.
[3] SERV is legally obliged to examine each application individually, unless cover is excluded under the rules of the OECD Arrangement on Officially Supported Export Credits.

– The activity is not ruled out by the country’s nationally determined contributions (NDCs).
– The activity meets the Paris Agreement’s requirements to limit global warming to 1.5 °C applicable to the sector and region in question.
– The carbon lock-in risk is considered to be minimal.
– The activity is financially and economically viable at a shadow carbon price.
– The project will use best available techniques (BAT) and the highest environmental and social standards and practices.
– The required energy cannot be covered at competitive prices by renewable energies and/or energy-saving measures.

Fulfilment of the above criteria is determined using SERV’s methodology to assess alignment with the requirements of the Paris Agreement. This methodology is described in detail in SERV’s guidelines to assessment of environmental, social and human rights issues and the annexes. Proof of compliance with the requirements of the Paris Agreement must be provided in the form of a report by an independent environmental consultancy in accordance with SERV’s methodology for assessment of alignment with the requirements of the Paris Agreement.

Glossary

COP26: The 2021 UN Climate Change Conference was held in Glasgow. Within the context of the United Nations Framework Convention on Climate Change (UNFCCC), the United Nations holds official annual meetings of the UNFCCC parties (Conference of Parties, COP), at which the progress made in the area of climate change is assessed.

Application process: The application process comprises all steps that SERV has to take before providing an insurance commitment in principle or issuing an insurance policy. The process does not necessarily begin with a submitted and signed application, as in many cases SERV is already involved in a transaction before a signed application is submitted (e.g. in the case of project financing).

Carbon lock-in: Carbon lock-in occurs when investments delay or prevent the transition to low-carbon alternatives.

Shadow carbon price: A shadow carbon price represents the marginal costs that must be considered in order to achieve a climate target (e.g. reduction of emissions to limit global warming to 1.5 °C). Although the costs associated with an explicit carbon price are based on a single source or mechanism (e.g. an emissions trading system), the costs associated with a shadow price result from a range of measures taken to meet a specific climate target. Implicit carbon costs are therefore also taken into account in a shadow price. With pricing based on shadow prices, the long-term effects of emissions are factored into project planning, even if these effects are not yet reflected in current market prices.