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U.S. President Joe Biden delivers a speech during the annual National Christmas Tree lighting ceremony at the White House in Washington, Dec. 5, 2024. (OSV News photo/Leah Millis, Reuters)

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In the landscape of international finance for fossil fuels, some of the most important players are obscure government bodies known as "export credit agencies." These agencies provide funding to companies seeking to build large and risky infrastructure projects, often in developing countries. In return, the developers of those projects purchase construction materials or other goods from the country of the agency. For instance, an oil pipeline company might take a loan from a German export credit agency in exchange for using German steel in the pipeline.

Export credit agencies have become some of the world's largest public funding sources for energy infrastructure, providing far more money than multilateral institutions like the World Bank, while avoiding much public scrutiny.

Now, as President Joe Biden's administration winds to a close, officials are working with international partners to push forward an agreement that would see export credit agencies pull back almost all funding for oil and gas projects, a measure the administration had balked on supporting before Donald Trump's reelection.

The talks are taking place within the Organization for Economic Cooperation and Development, or OECD, a group of 38 wealthy countries that coordinate on export credit terms to prevent any one country from distorting trade relations. The countries are trying this month to hash out a verbal agreement on how to regulate their export credit agencies.

If such an agreement comes together, it would force a sea change in policy for the United States' own export credit agency, which is known as the Export Import Bank of the United States, or EXIM. This independent agency is among the last remaining channels through which the U.S. government provides financial support to fossil fuel interests overseas. If the OECD agrees to stop export credits for fossil fuels, EXIM will have to cease approving loans to oil and gas infrastructure, potentially eliminating billions of dollars in future support for such projects.

Almost a decade ago, former President Barack Obama's administration helped lay the groundwork for the sort of deal that Biden is trying to strike. In 2015, Obama joined a bloc of OECD countries in agreeing to cut off loans to high-emitting coal power plants. When Trump came into office in 2017, his administration didn't seek to pull out of that agreement, and didn't finance any new coal plants. Then the rest of the OECD came together around an agreement to stop funding almost all coal projects, a move that reduced coal finance from countries in the group by about $4 billion per year. China, which isn't part of the group, soon followed suit, virtually ending public finance for coal around the world.

"There's almost no export credit agency finance that happens for coal projects," said Kate DeAngelis, deputy director of international finance policy at the climate advocacy organization Friends of the Earth. "There are a lot of projects that we were tracking, and what we saw was they just didn't receive financing." This was true in Vietnam in particular, DeAngelis added, where a number of coal developers scrapped planned power plants or import terminals.

But coal projects represent only a small share of total export credit financing, most of which flows to the production and transportation of oil and natural gas. Cutting off those fuels will be more difficult. Indeed, said DeAngelis, a number of the companies behind the abandoned coal projects in Vietnam have tried to repurpose their infrastructure to build liquefied natural gas import terminals.

In 2021, soon after taking office, Biden issued an executive order that aimed to limit international public funding for fossil fuels across all government agencies. Since then, the U.S.'s Export Import Bank has nonetheless moved forward with financing a number of large oil and gas projects — such as an oil refinery expansion in Indonesia..

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The most notable such project was the expansion of a $500 million oil-drilling operation in Bahrain, which isn't a developing country or a particularly risky investment location, unlike most nations that receive export credit funding from the United States and EXIM. The Biden administration has taken no action to overrule EXIM's approvals of fossil projects. Following the approval of the Bahrain project, two members of EXIM's climate advisory council resigned.

When questioned in the past about OECD proposals to restrict oil and gas finance, EXIM leaders have said they are constrained by language in the bank's charter that prohibits it from "discrimination based on industry." But this language isn't necessarily the barrier that bank officials make it out to be, said Stacy Swann, one of the EXIM climate council members who resigned. Swann is also the head of Resilient Earth Capital, a climate-focused investment firm.

Neither the U.S. Export Import Bank nor the Treasury Department responded to requests for comment.

Momentum for expanding the coal pledge to oil and gas has come from Europe. Last year, the European Union proposed a framework for curbing oil and gas export credits to the other OECD nations, and the United Kingdom and Canada have signed on as well. The U.K. was one of the earliest proponents of ending fossil fuel export credits at the OECD, and its export credit agency has already all but cut off support for oil and gas projects — in fact, the previous head of energy finance at the agency, who used to oversee fossil loans, is now the agency's "head of renewables and transition." It has even given out an export credit loan to decommission fossil fuel infrastructure in Brazil.

At the time, the U.S. declined to support the framework. It wasn't until after Trump's reelection that the White House changed tack and endorsed it.

"The big change is that Trump won the election," said DeAngelis. "If Harris had won, I don't think we would have seen any difference. I think they would have still been plodding along. All of a sudden they realized, 'OK, clock ticking, we only have two more months to do something that could have a big impact on Biden's climate legacy.'"

Even so, the support of the Biden administration doesn't mean a deal is guaranteed. A few other countries, like South Korea (which has a robust shipbuilding industry that relies heavily on oil and gas clients) have hesitated to endorse the agreement.

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Last month, after a closed-door negotiation session over the fossil fuel deal, member countries took the unusual step of scheduling a virtual overtime session to finish hammering out a deal. After holding that virtual meeting on Tuesday of this week, they scheduled another overtime session for next week, which could indicate that an agreement is close to being finalized.

"The fact that the OECD would have a unified position on this, which the U.S. would join, I think is amazing messaging," said Swann. But, she continued, "If you think that's going to stop other countries from supporting oil and gas in other ways, you're kidding yourself." She added that private banks could also step in to fill the gap.

The International Energy Agency has said that keeping global temperature increases below 1.5 degrees Celsius will require stopping almost all new coal, oil, and gas projects, but these projects are still proceeding. A deal on export credits might not cut off those projects, but it would free up money and capacity for export agencies to invest in renewables, and might make it harder for riskier oil and gas projects to pan out in future years.

"It would not be a death knell, but it would have a serious impact," said DeAngelis.