

Annex 1

Question No. 2

Topic: FOI

Question on Notice

Page: 14

Senator Rhiannon

Question

Senator Rhiannon: How do you judge—maybe this is a question to the EFIC people—that the commercial-in-confidence provisions in the FOI do not cover you or are not what you need?

Answer

EFIC has a commitment to transparency and the appropriate management of information. EFIC's partial exemption from the operation of the *Freedom of Information Act 1982 (FOI Act)* provides greater certainty than other general FOI Act exemptions. EFIC operates in commercial markets where it's often required to give confidential undertakings with respect to transaction information (whether commercial or otherwise). The publication of such information by EFIC would undermine confidence that EFIC can keep information confidential and in turn reduce the quality of information provided to EFIC. This will impair EFIC's ability to prudently make informed decisions on the credit, environmental and social risks of the transactions it supports and potentially result in adverse implications for project outcomes and financial losses for EFIC. Australian exporters may also suffer a competitive disadvantage from the publication of such information, as a firm tendering for goods and services may be unwilling to award a contract to a party that is unable to maintain transactional information on a confidential basis.

Question No. 3**Topic: Green house gas emissions****Question on Notice****Page: 14****Senator Rhiannon****Question**

Mr Parsons: I do not think so. At the moment the OECD export credit agencies have a small working group looking at how the ECAs as a grouping are addressing greenhouses gas emissions and what sorts of limits we can apply on how we should be examining these. So there is a whole OECD-ECA general approach being considered for that.

Senator Rhiannon: Can you take on notice how you do it currently? I think you said you do have to make a judgement with regard to your projects with regard to greenhouse gas emissions. Is that correct?

Mr Parsons: That is correct.

Senator Rhiannon: So could you take on notice how you undertake that work?

Mr Parsons: As I say, we use the IFC Performance standard and that sets out a system and a process for examining these and then there are guidelines which are attached to that for various industries.

Senator Rhiannon: Could you supply that to us?

Mr Parsons: Sure

Answer:

Performance Standard 3 of the International Finance Corporation (IFC) examines Resource Efficiency and Pollution Prevention. Paragraphs 7-8 of the Standard discuss the approach to considering a project's greenhouse gases. Associated Guidance Note 3 (paragraphs 16 to 24) provides guidance on how to interpret and implement the Performance Standard. These documents can be found on the IFC website at:

http://www1.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+Sustainability/Sustainability+Framework/Sustainability+Framework+-+2012/Performance+Standards+and+Guidance+Notes+2012

Question No. 4**Topic: IFC Performance Standards****Question on Notice****Page: 15****Senator Eggleston****Question**

Senator Eggleston: Could you give us on notice a copy of those standards [IFC Performance Standards] and what they cover?

Answer

The International Finance Corporation (IFC) has eight Performance Standards (PS):

PS 1: Assessment and Management of Environmental and Social Risks and Impacts

PS 2: Labor and Working Conditions

PS 3: Resource Efficiency and Pollution Prevention

PS 4: Community Health, Safety, and Security

PS 5: Land Acquisition and Involuntary Resettlement

PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

PS 7: Indigenous Peoples

PS 8: Cultural Heritage

PS 1 applies to all projects that have environmental and social risks and impacts. Depending on project circumstances, other PS may apply as well. EFIC uses the PS as its default benchmark for assessing a project's environmental and social risks and impacts. The PS can be found at:

http://www1.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+Sustainability+Sustainability+Framework/Sustainability+Framework+-+2012/Performance+Standards+and+Guidance+Notes+2012

Question No. 5**Topic: Independent Audit****Written Question****Question**

Mr Parsons: There is, yes. Part of our policy is a commitment to engage an independent expert every two years to audit how we have applied and used that policy. We had our first audit last year. It was made public in December, and it found that we had applied the policy and procedure appropriately. In undertaking the audit, they had access to all our projects and all our files.

Question: Who was the “independent expert” that Mr Parsons referred to? What is the expertise of this “independent expert”?

Answer

EFIC engaged Net Balance Management Group Pty Ltd (Net Balance) to undertake the independent audit of the application of EFIC’s Policy and Procedure for environmental and social review of transactions. The audit was conducted from September to November 2012.

Appendix 2 of the Net Balance report details the qualifications and experience of the Net Balance assurance practitioners. The report is available at: <http://www.efic.gov.au/CORP-RESPONSIBILITY/ENVR-RESPONSIBILITY/Pages/Policy-Procedure-independent-audit.aspx>

Question No. 6

Topic: Oyu Tolgoi

Written Question

Senator Rhiannon

Question

Mr Parsons: The \$100 million is contingent on Australian input. That Australian input is largely made up of small contracts.

Question: How much Australian input was there for the \$100 million referred to below – in monetary terms and by percentage? When it is stated that support is “contingent on Australian input” how much Australian input is required to meet that requirement?

Answer

The project sponsor has provided EFIC with a list of over 200 Australian suppliers to the Oyu Tolgoi project. The aggregate of Australian supplier contracts is in excess of approximately \$220m.

The required quantum of Australian content is determined in accordance with EFIC's Australian content guidelines. The guidelines are publicly available at:

<http://www.efic.gov.au/about/governance/Pages/Australiancontentguidelines.aspx>

Question No. 7**Topic: PNG LNG****Written Question****Question**

Mr Crawford: I can give you one example: the PNG LNG project, which EFIC was involved in with other ECAs. Australian contractors have won or are the preferred tenderers for over US\$1 billion worth of work on that project.

Question: Could you provide a breakdown of the Australian contractors that “have won or are the preferred tenderers for over US\$1 billion worth of work” with name of company, brief description of the work they undertook and their financial involvement with the project supplied in the answer?

Answer

EFIC is constrained from providing the requested breakdown, particularly the financial involvement of each contractor with the project, due to the confidentiality provisions that apply to this transaction.

However, publically available information indicates that Australian involvement in the project is substantial and above A\$1 billion. For example, Australian firm Clough Limited, through its joint-venture with Curtain Brothers, is the Engineering Procurement and Construction (EPC) contract for the Project’s upstream infrastructure. In addition, the company is, through its joint venture with Chicago Bridge and Iron (CBI), the EPC contractor for the construction of the Project’s Hides Gas Plant and associated well-pads. Clough was also awarded sub-contracts through its long term joint-venture, BAM Clough, for the design and construction of the PNG LNG condensate and offloading jetty in the Gulf of Papua. McConnell Dowell through its joint-venture with Consolidated Contractors is the EPC contractor for construction of the Project’s Komo Airfield and supporting infrastructure. Other Australian firms, such as Wagner, have also secured sub-contracts associated with the Project.

Details are available from their respective websites. The project sponsors estimate that the investment for the initial phase of the project will be US\$19 billion.

- Clough: <http://www.clough.com.au/about-us/projects>
- McConnell Dowell: <http://www.macdow.com.au/key-projects/overseas-operations/komo-airfield>
- Wagners: <http://www.wagner.com.au/projects/papua-new-guinea-lng-epc3/> and <http://www.wagner.com.au/projects/papua-new-guinea-lng-epc4/>.

Question No. 8**Topic: Transparency****Written Question****Question**

Mr Parsons: That is part of our transparency; because a lot of the comments have been that EFIC is not a transparent organisation. Amongst the OECD export credit agencies, which are our peers, we are probably the most transparent.

Question: What data did you base the claim on that among the OECD export credit agencies EFIC is “probably the most transparent”?

Answer

EFIC reached this view from a variety of inputs including:

- Examination of disclosure practices of other OECD export credit agencies (ECA), especially during the 2009-2011 review of EFIC’s, then, Environment Policy that preceded the current Policy for environmental and social review of transactions;
- Active participation in the regular meeting of the Environmental Practitioners of the OECD’s Export Credit Group. Engagement with this forum enables EFIC to observe and compare the disclosure and environmental, social and technical review practices of other ECAs. The Environmental Practitioners meetings bring together technical experts from Member’s Export Credit Agencies to review and share best practices for Environmental and Social review of transactions, including the consideration of green house gas accounting and evaluating project-related human rights impacts; and
- EFIC various disclosure and information sharing activities which extend beyond the requirements of the OECD Common Approaches and Equator Principles and hence in many cases the practices of other OECD ECAs. Please refer to EFIC’s submission to this inquiry which addresses this matter in detail. In particular, note EFIC’s Policy for Environmental and Social Review of Transactions commits EFIC to engage “an independent environmental and social expert” to audit the application of the Policy and Procedure, every two years. Audit reports are provided to EFIC’s Board and to the public. EFIC is the first ECA to voluntarily commit to transparent, independent auditing of this kind.