

Germany's draft Transformation Framework for export credit- and investment guarantees¹

ClientEarth response to the public consultation

Thank you for the opportunity to comment on the draft *Transformationsrahmen für Exportkredit- und Investitionsgarantien des Bundes* ("draft Framework") applicable to export credit and investment guarantees.

In this submission, ClientEarth sets out five recommendations to align the draft Framework with its international climate commitments and the best available climate science:

- Include guarantees for untied loans (UFK's) in the scope of the draft Framework
- A 1.5C test should be conducted ex ante for all fossil fuel projects
- Support for hydrogen should be strictly limited
- End exemptions for fossil gas used for electricity generation
- Tighten eligibility requirements for CCUS retrofits

Such alignment is necessary to safeguard Germany's long-term economic and trade interests and reduce climate-related economic risks.

¹ *Transformationsrahmen für Exportkredit- und Investitionsgarantien des Bundes*.

1. Introduction

The systemic relevance of export and trade finance

International public finance, particularly export and trade finance, reduces cross-border project and investment risk through guarantees and insurance. It therefore has great potential to direct investment towards climate objectives. However, it often continues to support environmentally damaging projects, including fossil-fuel projects in the energy sector.² This remains the case for German international public finance.³

Such support is increasingly at odds with climate science. Emissions from existing fossil-fuel infrastructure alone would already exceed the remaining carbon budget consistent with limiting warming to 1.5°C, leaving no room for new oil and gas fields, LNG infrastructure or gas-fired power plants. Updated 1.5°C pathways require sharp declines in fossil-gas production and demand during the 2030s.

Public support for these assets therefore risks locking in fossil-fuel dependence, exacerbating climate harm and increasing stranded-asset risks. Fossil-fuel subsidies, including export credits and investment guarantees, distort investment decisions by prolonging the deployment of high-emitting technologies and disadvantaging cleaner alternatives.⁴ Rather than facilitating the transition to a sustainable economy, they contribute to climate change and biodiversity loss.⁵ At the same time, the potential of international public finance to support renewable energy, energy efficiency and other sustainable investments remains insufficiently realised.

The draft Framework: promising Paris alignment

The draft Framework claims alignment with the Paris Agreement's 1.5°C objective and net-zero greenhouse-gas portfolios for export credit guarantees (*Exportkreditgarantien*) and direct investment guarantees (*Direktinvestitionen*) by 2045 in industrialised countries and 2050 in so called developing and emerging countries. It also appears intended to implement Germany's commitments under the Glasgow Statement and the Clean Energy Transition Partnership to end public support for unabated fossil-fuel energy.⁶

ClientEarth welcomes Germany's commitment to align its foreign trade promotion with climate objectives. Such alignment is essential not only to limit climate-related harm but also to protect Germany's long-term economic interests. Continued reliance on fossil fuels exposes businesses and public finances to increasing transition risks, price volatility and stranded assets.

However, rather than strengthening climate safeguards in light of the latest climate science, the draft Framework weakens key protections contained in the current climate policy sector guidelines.⁷ **First**, it marks a structural shift from an exclusion model, under which large parts of fossil fuel infrastructure were excluded unless a narrow exception applied, towards an inclusion model where exclusions only apply

² Public Finance for Energy Database.

³ Wasting Public Money: Germany's Financial Support for Fossil Fuels Abroad - Oil Change International.

⁴ Stop Fossil Subsidies, A framework for the phase-out of fossil fuel subsidies in the European Union, Input paper for the European Commission, January 2026.

⁵ It's time to take to court the governments that fund fossil fuels (climatechangenews.com).

⁶ Clean Energy Transition Partnership.

⁷ Climate policy sector guidelines of the Federal Government for the export credit guarantee scheme.

where no eligibility condition is met. This establishes a materially more permissive architecture. **Second**, whereas the current sector guidelines generally exclude fossil gas projects except in narrowly defined situations, the draft Framework allows relatively broad support for gas-fired generation, hydrogen-ready plants and CCS-equipped projects. This is particularly problematic given the growing scientific consensus that limiting the scale and duration of temperature overshoot requires immediate⁸ emissions reductions and reduced reliance on uncertain future removals and other unproven mitigation technologies.⁹

Against this background, this submission explains why the proposed Framework risks undermining Germany's climate and economic objectives and sets out five recommendations to ensure that foreign trade promotion is genuinely aligned with a 1.5°C-compatible transition.

State obligations on climate change under international law

Incompatibility of the draft Framework with the Paris Agreement's 1.5°C objective would not only undermine Germany's international credibility but may also expose Germany to legal risk under international law, particularly insofar as the Framework continues to permit public support for fossil-fuel projects.

In its July 2025 Advisory Opinion,¹⁰ the International Court of Justice ("ICJ") confirmed that the granting of fossil-fuel subsidies may constitute an internationally wrongful act attributable to a State where such support results in significant additional greenhouse-gas emissions, undermines the 1.5°C temperature goal, and reflects a failure to take appropriate measures to protect the climate system.¹¹ In its advisory opinion, the ICJ confirmed that it is both legally and scientifically possible to invoke the responsibility of States in the context of climate change.¹² The international law obligations articulated in the Advisory Opinion inform the standard of due diligence incumbent upon Germany in preventing significant climate-related harm, a standard that both the ICJ and the International Tribunal for the Law of the Sea ("ITLOS") have confirmed to be stringent.¹³

Support granted under the Framework that is inconsistent with obligations arising under the Paris Agreement, UNCLOS, other applicable treaties or customary international law may give rise to Germany's international responsibility. The due diligence obligations identified by the ICJ and ITLOS are particularly relevant in this regard.

Yet the draft Framework neither adequately explains how its conditions are compatible with a 1.5°C pathway nor imposes sufficiently robust decarbonisation requirements to ensure such compatibility.

⁸ Limiting Overshoot - Navigating exceedance of 1.5°C and pathways towards return | UNEP - UN Environment Programme. See also: United Nations Environment Programme (2025). Emissions Gap Report 2025: Off Target. Nairobi.

⁹ Lost in Translation: Lessons from the IPCC's Sixth Assessment on the Urgent Transition from Fossil Fuels and the Risks of Misplaced Reliance on False Solutions.

¹⁰ *Obligations of States in Respect of Climate Change, Advisory Opinion, 2025 I.C.J. Rep. 187*, ("ICJ Advisory Opinion of 23 July 2025").

¹¹ ICJ Advisory Opinion of 23 July 2025, paras. 94, 224 and 427.

¹² ICJ Advisory Opinion of 23 July 2025, para. 429.

¹³ ICJ Advisory Opinion of 23 July 2025, paras. 137-138, 246, 254, 268, 343, 347; *Request for an Advisory Opinion submitted by the Commission of Small Island States on Climate Change and International Law, Advisory Opinion, ITLOS Case No. 31 (May 21, 2024)*, paras. 223 and 241.

Against this background, the recommendations below focus on the exemptions and loopholes that continue to permit support for fossil-fuel projects.

2. Recommendations

Recommendation 1: Include guarantees for untied loans (UFK's) in the scope of the draft Framework

The draft Framework continues to exclude guarantees for untied loans from its scope. This creates a significant loophole. By reducing political and economic risks for investors, untied loan guarantees can facilitate major investments in the energy and extractive sectors and may therefore have substantial climate and environmental impacts.

Their exclusion cannot be justified by the fact that they are not linked to national export contracts and are therefore not directly governed by the financial terms and conditions of the OECD Arrangement on Officially Supported Export Credits.¹⁴ From a climate perspective, the relevant consideration is the activity enabled by the guarantee, not its legal or financial structure. Untied loan guarantees should therefore be subject to the same climate safeguards as other forms of public international finance covered by the Framework.

Recommendation 2: A 1.5C test should be conducted ex ante for all fossil fuel projects

Generally, ClientEarth is deeply concerned by the absence of publicly available information explaining how the draft Framework ensures that only projects compatible with the Paris Agreement's temperature goal are eligible for support. In the absence of a published methodology, stakeholders are unable to scrutinise the assumptions underpinning the Framework or assess the credibility of its claimed alignment.

This is particularly problematic in light of § 13 Federal Climate Action Act (*Bundes-Klimaschutzgesetz*), which, together with Germany's international climate obligations, implies a duty to determine and adequately consider the effects of public decisions on compliance with the 1.5°C limit and to refrain from measures that are incompatible with a corresponding emissions pathway. To enable public scrutiny of compliance with these obligations, the assessment methodology underpinning the draft Framework should therefore be published.

Likewise, any public support for fossil-fuel projects should be subject to a mandatory ex ante assessment of compatibility with a 1.5°C pathway based on the best available scientific evidence. This assessment should be conducted on a case-by-case basis before any financing decision is taken. Financing decisions should likewise be disclosed on a project-by-project basis, including the scientific evidence relied upon and a clear explanation of how the supported activity is compatible with a 1.5°C pathway.

¹⁴ Arrangement on Officially Supported Export Credits, OECD/LEGAL/5005 (rev. Jan. 22, 2026), Organisation for Economic Co-operation and Development.

Transparency and scientific scrutiny are prerequisites for any credible claim of Paris Agreement alignment. Without a transparent methodology and project-level demonstration of compatibility, assertions that public support is consistent with the Paris Agreement remain unsubstantiated.

Recommendation 3: Support for hydrogen should be strictly limited

The draft Framework takes an overly permissive approach to hydrogen by allowing support across the sectors it covers without limiting eligibility to renewable (green) hydrogen. For example, in the energy sector it relies on the high-risk concept¹⁵ of hydrogen-readiness while permitting hydrogen blending and without requiring the use of renewable hydrogen. In the chemicals sector, support for hydrogen production is available subject only to the restriction that coal is not used as a feedstock. This permissive approach risks locking in fossil fuel-based hydrogen pathways and undermining Germany's climate commitments.

The risks are particularly acute because the Framework does not exclude support for blue hydrogen or even grey hydrogen. A 2021 peer-reviewed study¹⁶ found that, when methane leakage and incomplete carbon capture are considered, the greenhouse gas intensity of blue hydrogen can be up to 20% higher than that of directly burning natural gas for heat. Methane emissions across the natural gas supply chain¹⁷ cannot be limited through Carbon Capture, Utilization and Storage-Technologies (CCUS)¹⁸ and can substantially undermine the climate benefits claimed for blue hydrogen.

Support for hydrogen should therefore be limited to renewable hydrogen. In addition, it should be restricted to genuinely hard-to-abate sectors where direct electrification is not feasible. The production, transport and storage of hydrogen require substantial amounts of energy, making it a highly inefficient energy carrier.¹⁹ In most cases, direct electrification is more efficient and cost-effective than converting electricity into hydrogen and then using hydrogen as an energy carrier.²⁰ Producing green hydrogen alone entails energy losses of around 30-35%,²¹ with additional losses occurring during transport, storage and end use.

The power generation sector should not fall into the category of hard-to-abate sectors, given the availability of mature renewable alternatives and more efficient decarbonization pathways. Accordingly, hydrogen should not be promoted as a fuel for power generation. If the Framework nevertheless permits such use, it should require 100% hydrogen operation rather than the proposed 50% threshold, which would merely facilitate continued fossil gas consumption through blending which would constitute an inefficient use of a scarce resource. Even in hard-to-abate sectors, demand should be minimised in line with sufficiency principles to reduce lifecycle impacts and ensure that limited hydrogen supplies are reserved for uses that genuinely require them.

¹⁵ See below, recommendation 4.

¹⁶ [How green is blue hydrogen? - Howarth - 2021 - Energy Science & Engineering - Wiley Online Library.](#)

¹⁷ [Assessment of methane emissions from the U.S. oil and gas supply chain | Science.](#)

¹⁸ [Carbon Capture Technologies 'Extraordinarily Expensive', Show Limited Potential, IPCC Analysis Concludes.](#)

¹⁹ [Hydrogen or Electron Economy? - The Centre For Sustainable Road Freight.](#)

²⁰ [Rule #1 of deploying hydrogen: Electrify first - Energy Exchange.](#)

²¹ [Green hydrogen: A guide to policy making.](#)

Recommendation 4: End exemptions for fossil gas used for electricity generation

Support for fossil gas-fired electricity generation should be excluded entirely from the Framework. Credible 1.5°C pathways leave no room for new fossil-fuel infrastructure, including gas-fired power plants. There is therefore no basis for continuing to provide public support for such projects.

The draft significantly expands the circumstances in which gas-fired power plants may remain eligible for support. For example, it permits support based on one of the following alternative conditions (i) a contractual commitment to convert the facility to hydrogen in the future or (ii) the use of CCUS, or (iii) reliance on the host country's Nationally Determined Contribution to justify continued fossil-fuel use.

Each of these routes risk prolonging fossil fuel dependence and undermining Germany's commitments under the Clean Energy Transition Partnership to end international public support for unabated fossil fuels. Moreover, none of these conditions provide a credible basis for concluding that the supported project is compatible with a 1.5°C pathway, for the following reasons.

1. Future conversion commitments do not ensure decarbonisation

Reliance on commitments from the exporter or buyer regarding future conversion to hydrogen or CCUS is inherently uncertain, because of the scarcity of hydrogen, its cost and the fact that it will first be used in hard-to-abate sectors. The proposed timelines extend to 2035 in industrialized countries and 2040 in so-called "developing and emerging countries", well beyond the period during which steep emissions reductions are required.

The draft Framework offers no credible assurance that such conversions will occur in practice. It remains unclear what consequences would follow if the conversion never took place, who would bear responsibility, and how any resulting climate impacts would be addressed. Public support cannot be justified based on speculative future technological deployment.

Reliance on host-country national determined contributions (NDCs) to justify gas-fired power plants in so-called "developing countries" is likewise insufficient to demonstrate compatibility with the Paris Agreement's 1.5°C objective. NDCs vary considerably in ambition and do not necessarily reflect a 1.5°C-aligned pathway. Moreover, reliance on NDCs would allow Germany to avoid conducting its own 1.5°C-alignment assessment, which is particularly problematic given the existing gap in the international framework for accounting for extraterritorial emissions. The relevant benchmark is whether a project is compatible with credible net-zero and 1.5°C scenarios, not merely whether it is consistent with domestic planning documents.

If the draft Framework nevertheless retains eligibility for gas-fired power generation, a methodologically consistent approach would require alignment with net-zero targets. Because the power sector is among the easiest sectors to decarbonise, an earlier target date than 2035 or 2050 would in any event be warranted.

2. "H₂-ready" and "CCUS-equipped " projects remain fossil-fuel projects

The draft Framework places significant weight on the concepts of hydrogen readiness and CCUS readiness. However, neither designation guarantees future decarbonisation.

CCUS remains commercially uncertain²² and unproven at the scale required to deliver deep emissions reductions across the power sector. CCUS technology only captures some of the emissions and doesn't address fugitive methane emissions²³ along the supply chain. It should not be used as a justification for continued investment in fossil-fuel infrastructure.

The same concern arises with hydrogen, as mentioned already above under Recommendation 3.²⁴ In particular, reliance on future supplies of hydrogen risks prolonging dependence on fossil fuels, especially where hydrogen is produced from fossil gas (blue or even grey hydrogen). Limited supplies of renewable (green) hydrogen should instead be prioritised for sectors where direct electrification is not feasible.

More fundamentally, the draft Framework contains no enforceable requirement that supported facilities actual transition away from fossil gas. Conversion to 50% hydrogen would still allow plants to operate on 50% fossil gas and should therefore not, by itself, be considered compliant. In addition, significant uncertainties regarding the availability, cost and implementation of hydrogen retrofits risk locking in fossil gas use or resulting in prohibitively high operating costs. A power plant that is technically capable of conversion remains a fossil-fuel asset unless and until conversion occurs.

3. The hydrogen-readiness concept is inadequate

The proposed technical requirements are insufficient to demonstrate genuine 1.5°C alignment.

First, the draft Framework permits conversion to only 50% hydrogen. This would still leave facilities the possibility to keep blending at least 50% of hydrogen with fossil gas and cannot credibly be regarded as consistent with long-term climate neutrality.

Second, the draft Framework relies on assumptions regarding retrofit costs that appear to derive from industry proposals rather than independent assessment. Regarding the plant-wide H₂-readiness criterion ("*A power plant can be converted to operate with at least 50% hydrogen from a capital investment of no more than 10% (combined cycle gas turbine), 20% (gas turbine), or 30% (gas engine) of the cost of a new plant*²⁵"), it is clear from the webinar on the revision of the sector guidelines²⁶ that these thresholds are based on proposals by the European Association of Gas and Steam Turbine Manufacturers (EU Turbines). It is not appropriate to adopt industry proposals of this nature without an independent assessment demonstrating why a plant with retrofitting costs of up to 30% of a new plant's capital cost should still qualify as "hydrogen-ready", particularly where the retrofit would only enable operation on hydrogen at 50%.

Finally, the draft Framework abandons the stricter requirement that is embedded in the current sector-guidelines, that plants be capable of operating on 100% hydrogen by 2030. Without prejudice to our recommendation that support for hydrogen should be strictly limited, that criterion should at least be retained if the Framework continues to permit such support, to reduce inconsistency with 1.5°C pathways, notwithstanding uncertainties surrounding hydrogen deployment.

²² [Carbon Capture Technologies 'Extraordinarily Expensive', Show Limited Potential, IPCC Analysis Concludes.](#)

²³ [Assessment of methane emissions from the U.S. oil and gas supply chain | Science.](#)

²⁴ For an in-depth analysis of the implications of the hydrogen-readiness concept, please see: [Hydrogen readiness: a Trojan horse for fossil fuel lock-in | ClientEarth.](#)

²⁵ Convenience translation of the draft Framework.

²⁶ Webinar of 18 September 2026 at 11.00 p.m, *Informations-Webinar zur Konsultation der Sektorleitlinien für die Exportkredit- und Investitionsgarantien des Bundes.*

4. Optimization measures are not coupled to safeguards against fossil fuel lock-in

The draft Framework also continues to allow funding for technical optimisation measures to increase efficiency at existing gas-fired power plants. Such measures should not be eligible for support, as efficiency improvements can extend the operational life of fossil fuel assets and enhance their economic viability, thereby increasing the risk of fossil fuel lock-in.

If, contrary to our primary recommendation, technical optimisation measures remain eligible for support, the Framework should include clear safeguards to prevent fossil-fuel lock-in. KfW Group's Paris-aligned sector guidelines²⁷ provide a clearer safeguard by prohibiting optimisation measures that extend a plant's service life. Those guidelines further clarify that a lifetime extension can generally be presumed where core process components are replaced, which, in the case of gas-fired power plants include gas or steam turbines, gas engines, boilers and generators.

Recommendation 5: Tighten eligibility requirements for CCUS retrofits

CCUS does not eliminate emissions, as significant residual emissions remain across the value chain. Moreover, the applied capturing rates result in a direct inconsistency with the KfW Group's Paris-aligned sector guidelines which require operators to demonstrate a CCUS implementation plan capable of capturing more than 90% of emissions, rather than 85%. Finally, the draft Framework proposals fail to specify the requirements for demonstrating the permanent storage of captured CO₂, creating uncertainty as to the environmental integrity of supported projects. Therefore, notwithstanding our fundamental opposition to support for CCUS outside hard-to-abate sectors, the eligibility requirements applicable to CCUS retrofits should be significantly strengthened.

3. Conclusion

Germany's objective of aligning its export credit and investment guarantees with a 1.5°C pathway is welcome. However, the draft Framework does not credibly achieve that objective. By maintaining broad exceptions for fossil-gas projects, permitting support for fossil fuel-based hydrogen pathways, and failing to demonstrate compatibility with a 1.5°C trajectory through transparent and robust assessment criteria, the Framework risks undermining Germany's climate commitments and exposing it to economic and legal risks. ClientEarth therefore urges the Federal Government to strengthen the Framework in line with the recommendations set out in this submission.

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²⁷ Paris-aligned sector guidelines of KfW group, September 2026, p. 7.

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