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15 June 2020

Dear Mr Stuart

Re: Your letter regarding UK Export Finance (UKEF) support for climate-wrecking projects

Thank you for your letter to our Chair dated 2 April 2020 but that was emailed on 28 May 2020 (I assume the date on the letter is an error). I am the Director for our campaigning; Frances has asked me to reply on her behalf.

In your letter, in response to Friends of the Earth's position that the UK Government should not be using tax-payer money to fund climate-wrecking projects overseas, you state that:

"[i]ndividual overseas governments who are signatories to the Paris Agreement make their own decisions as to how they will reduce greenhouse gas emissions to achieve their Nationally Determined Contributions. It is not for the UK Government to decide for them."

This indicates that the UK Government's position is that it must only consider, assess, and be responsible for the climate impacts of its actions that occur on UK soil and that the UK is not responsible for any of the negative impacts of its actions overseas. You are suggesting (also suggested to us in correspondence from UKEF, the UK's export credit agency), that it is both legally and morally acceptable for the UK to fund projects that can have devastating and long-lasting consequences for citizens in the countries where the projects are located (and so the overall benefit from these projects will be highly questionable, at best). Of course, those consequences from climate change can impact UK citizens too. Friends of the Earth disagrees strongly with your position.

The UK has declared a climate emergency. We have a responsibility to do everything that we can to address this emergency, and this is particularly so where other countries are falling short. We cannot wash our hands of this responsibility simply because these high emission projects are not located in

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the UK. It is wholly irresponsible not to be considering the climate impact of the UK's actions overseas.

Article 2.1(c) of the 2015 Paris Agreement, which the UK has ratified, commits signatories to:

*“Making **finance flows** consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.”* (emphasis added)

Despite this, UKEF has made no changes to its policies following our ratification.

The Paris Agreement requires effective and equitable collective action and acknowledges that its temperature goals are not going to be achieved by siloed and nationalistic approaches. The UN has identified that current ambition must increase fivefold to achieve the 1.5° goal and threefold to achieve 2°. ¹ It has also reported on the ‘Production Gap’, explaining that governments are planning to produce far more new fossil fuels than is consistent with limiting warming to Paris Agreement limits, and that this expansion is underpinned by public finance. ² This means that it is inconsistent with our Paris Agreement obligations to maintain the position you outlined in your letter and continue to fund fossil fuel related projects abroad, with UK tax-payer money.

We are not alone in our views:

- The Committee on Climate Change has concluded that the UK's export finance is not aligned with our climate goals. ³
- The House of Commons Environmental Audit Committee has recommended that UKEF should stop support for fossil fuel projects by 2021. ⁴

However, the UK government has failed to take any positive action in response, and in fact continues to operate completely counter, by considering support for projects such as Mozambique LNG. This is despite the hugely detrimental impact on local communities, including a number of human rights issues, arising from the existing LNG development and actions taken in connection with it. Such impacts are reported to include the forced removal of people from their homes and away from the land they depend on for their livelihoods, and violent attacks including fatalities. ⁴

The media has also exposed the major adverse impact on COVID-19 cases in Mozambique from energy companies that delayed closing their LNG operations, in particular on villages near the gas facilities. ⁵ We shouldn't need to highlight in addition to this the disastrous impacts of the greenhouse gas emissions resulting from the LNG project and the disproportionate effect of these on nations in the global south.

We understand that it is the Government's position that the fourth version of the Equator Principles (EP4), once implemented, is going to be the ‘high-water mark’ of climate assessment when considering

¹ <https://newclimate.org/wp-content/uploads/2019/11/EGR2019.pdf>

² SEI, IISD, ODI, Climate Analytics, CICERO, and UNEP. (2019). The Production Gap: The discrepancy between countries' planned fossil fuel production and global production levels consistent with limiting warming to 1.5°C or 2°C. <http://productiongap.org/>.

³ Committee on Climate Change, May 2019, *Net Zero – The UK's contribution to stopping global warming* <https://www.theccc.org.uk/publication/net-zero-the-uks-contribution-to-stopping-global-warming/> pg 118 ⁴ Recommendations available here: <https://www.parliament.uk/business/committees/committees-a-z/commonsselect/environmental-audit-committee/inquiries/parliament-2017/uk-export-finance-17-19/>

⁴ For example, as reported here: http://www.meco.lu/wp-content/uploads/2020/04/PIPE-DREAMS_INVESTING-IN-ADIRTY-INDUSTRY_the-case-of-Mozambique.pdf

⁵ See for example: <https://foreignpolicynews.org/2020/04/20/fossil-fuel-giants-put-workers-and-communities-inmozambique-at-risk-of-covid-19/>

future applications for UKEF support. EP4 by no means goes far enough to ensure that UKEF support does not work to directly undermine the UK's commitments under the Paris Agreement. For example,

EP4 refers to consideration of host country climate targets, not the UK's and not the targets actually required in order to stay within Paris Agreement limits; and Scope 3 emissions (indirect emissions – such as from the end use combustion of fuel) are omitted completely. Much more is needed.

Government export credit support for fossil fuel projects is often critical for a project's viability. Export credit support, time and time again, ensures that fossil fuel related projects go ahead when they otherwise might not. The UK Government should be setting an example for export credit agencies around the world. Not only is your approach a lost opportunity to be a world climate-leader in that regard, it is enabling climate-wrecking fossil fuel projects and causing lasting harm to the environment.

On the horizon in 2021 are the postponed UN climate talks. As hosts, the UK Government has an opportunity to use this moment to reset the dial; a chance to set a precedent for what real, commensurate global action on the climate and nature emergencies looks like. Let us use this as a moment to build back better.

We can create a fairer, greener future for everyone, everywhere. But let us be clear, UKEF funding for fossil fuel projects has no place in this future.

Yours sincerely



Jamie Peters

Director
Friends of the Earth Ltd