

UK financing of fossil fuels overseas, including developing countries

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What are we calling for the UK government to do?

- Ban any use of the UK aid budget to support the extraction or delivery of fossil fuel energy
- End all UK Export Finance support to oil and gas projects by 2021
- Scale up the amount of UK energy support dedicated to energy access for those living in energy poverty and focus support on those countries with populations living without access to electricity or clean cooking
- Ensure UK energy support overseas – including aid and export credits – is fully aligned with achieving net zero emissions by 2050 and implementing the Sustainable Development Goals

What's the context?

- We are facing a climate crisis, with the world on course to reach 3 degrees warming - double what science tells us is the safe limit – unless rapid and drastic action is taken in the next few years. Meanwhile, the world's poorest communities who had the least to do with causing this crisis are now living and dying with its consequences.
- Since burning fossil fuels accounts for two thirds of global greenhouse gas emissions, a rapid transition to alternative renewable energy is critical for keeping global temperature rises to 1.5C, in line with the Paris Agreement.
- As a country that has grown wealthy through fossil fuels and is historically the sixth largest emitter of greenhouse gases, the UK has a particular responsibility to make a rapid shift out of fossil fuels and to support the poorest and most climate-vulnerable countries to 'leap-frog' dirty fossil fuel energy. However, the UK government and businesses are still supporting the expansion of fossil fuel-based energy, both in the UK and overseas.

How does the UK support fossil fuels overseas?

- The UK government uses taxpayers' money to facilitate fossil fuel expansion, including in developing countries. In the process, these countries are being saddled with outdated, polluting infrastructure and high-carbon dirty energy - just when developed countries are shifting to cleaner and cheaper renewable energy.
- The UK Government provides energy support to countries overseas, including developing countries, through UK export credit guarantees and the UK aid budget, primarily.
- Despite the UK's government's commitment to reaching Net Zero emissions within the UK by 2050, the vast majority of UK energy public funding *overseas* goes on fossil fuels. Between 2010-17, 60% of UK energy support (combining export credits, aid and other sources) went to fossil fuels, costing £4.6bn of taxpayers' money.¹
- While the UK has certainly made progress in investing in support for climate action in developing countries, this good work is being undermined by continued public investment in fossil fuels overseas.²

How is UK support to fossil fuels overseas provided?

- Most of the £4.6bn transferred to fossil fuel projects 2010-17 took the form of export guarantees. These are publicly-funded credit and insurance guarantees to support British businesses operating overseas, including in developing countries, managed by UK Export Finance (UKEF) within the Department for Trade.
- Most of UKEF's energy investments go on fossil fuel projects³. In 2018 for example, UK Export Finance provided \$400 million in credit guarantees to the development of Ghana's offshore oil and gas infrastructure.⁴
- In 2019, the Environmental Audit Committee deemed UKEF support for fossil fuel projects in developing countries 'unacceptably high' and called for such investments to be ended by 2021 – a call the government rejected.⁵
- The climate impact of UKEF support is staggering. The total greenhouse gas emissions of the fossil fuel projects which have been supported by UKEF is around 96m tonnes – the equivalent of emissions from 17 coal plants. The fossil fuel projects UKEF is considering providing finance for would generate a further 20.6m tonnes of gases.⁶

- Meanwhile, according to research from CAFOD and ODI, £600m of ODA from the UK aid budget went towards fossil fuel projects in developing countries, 2010-17⁷. More recent research indicates that the Private Infrastructure Development Group (which funds infrastructure projects in developing countries) has spent a further £750 million of UK aid since 2002 on oil and gas projects in some of the world's poorest countries, including heavy fuel oil power plants in West Africa.⁸

Government plan to continue financing oil and gas overseas

- There is lots to be welcomed in the government's support for climate action in developing countries. The UK has pledged £5.8bn to the UK's International Climate Fund (ICF) over the period 2016-21 for climate mitigation and adaptation and now spends more aid (ODA) on renewable energy in developing countries than on fossil fuels. Furthermore, in January 2020, the Prime Minister announced that the UK will no longer provide aid or export finance to thermal coal-mining or coal power plants.⁹
- There are question marks however. In 2018, the then Minister for Energy stated that UKEF had not financed any new coal power plants since 2002, making the announcement in January less groundbreaking than it seemed.¹⁰
- Furthermore, as we have seen with the example of UKEF, billions of pounds of public finance are still used to support overseas oil and gas projects and this is planned to continue. Of the £2 billion worth of deals struck at the January 2020 Africa Investment Summit for British businesses, 90% of them were for oil and gas projects.¹¹

More support needed for clean energy access in developing countries

- Furthermore, we know that the UK is not providing enough support to developing countries in terms of energy access for those living in energy poverty. As a signatory to the Sustainable Development Goals, the UK is committed to helping deliver SDG7 on ensuring access to affordable, reliable, sustainable and modern energy for all by 2030. This is critical to ending global poverty since 840 million still have no access to electricity while three billion lack clean cooking fuels, causing 3.8 million deaths a year due to indoor air pollution.¹²
- But the world is not on track to achieve SDG7 and there is a particular financing gap for the countries with the largest populations living in energy poverty, mostly in Africa.¹³ Only half the \$30.2bn needed in these countries has been collected.
- Access to energy for people in energy poverty globally received only 12% of UK energy support from the aid budget and only 5% of UK energy support overall in the period 2010-17.¹⁴

What can the UK Government do?

- Phasing out public and private investment in fossil fuels and scaling up support for 100% renewable and efficient energy systems will be critical for remaining under 1.5C. It is also critical that developing countries are given the chance to 'leapfrog' dirty fossil fuel energy and move straight to clean energy sources.¹⁵ Not only will the nearly one billion 'energy-poor' people be served more cheaply and effectively by clean renewable energy but also it is now becoming viable for countries to power fledgling industries through renewable energy too.¹⁶ In sum all UK public finance to all fossil fuel projects overseas must be stopped, including to oil and gas.
- We call on the UK Government to do the following, ahead of COP 26:
 - o Ban any use of the UK aid budget to support the extraction or delivery of fossil fuel energy
 - o End all UK Export Finance support to oil and gas projects by 2021
 - o Scale up the amount of UK energy support dedicated to energy access for those living in energy poverty and focus support on those countries with the largest populations living without access to electricity or clean cooking
 - o Ensure UK energy support overseas – including aid and export credits – is fully aligned with achieving net zero emissions by 2050 and implementing the SDGs.

¹ CAFOD and ODI research, July 2019 <https://cafod.org.uk/News/UK-news/UK-fossil-fuels-spend>.

² <https://www.gov.uk/guidance/international-climate-finance>

³ Between 2013-17, 96% of UKEF's energy investments went to fossil fuel projects, with less than 1% going to renewable energy investments. Energy investment accounts for 20% of all UKEF investments. See Environmental Audit Committee, *UK Export Finance* (June 2019) <https://publications.parliament.uk/pa/cm201719/cmselect/cmenvaud/1804/180402.htm>

⁴ <https://www.gov.uk/government/publications/case-studies-ukefs-global-network/case-studies-ukefs-global-network>

⁵ <http://www.campaignforrealfarming.org/2019/09/environmental-audit-committees-call-to-end-support-for-fossil-fuel-energy-projects-oversees-rejected-by-uk-gvt-to/>

⁶ Analysis from Greenpeace and Private Eye in Jan 2020, based on UKEF data and data from the companies involved <https://unearthed.greenpeace.org/2020/01/23/uk-boris-johnson-financing-coal-fossil-fuels-carbon-emissions/>

⁷ CAFOD/ODI (2019) *UK Support for Energy 2010-17: Protecting the climate and lifting people out of poverty?* <https://cafod.org.uk/content/download/49429/623388/version/4/file/UK%20Support%20for%20Energy%202010-17%20Policy%20Briefing%20web%20version3.pdf>

⁸ <https://www.globalwitness.org/en/campaigns/climate-breakdown/aid-who/>

⁹ Especially welcome as coal is the dirtiest fossil fuel and a major contributor to climate change. See

<https://www.climatechangenews.com/2020/01/20/uk-to-stop-funding-coal-abroad-but-will-help-africa-with-oil-gas-johnson/>

¹⁰ See <https://www.climatechangenews.com/2020/01/20/uk-to-stop-funding-coal-abroad-but-will-help-africa-with-oil-gas-johnson/>

¹¹ Reported in <https://www.theguardian.com/environment/2020/jan/24/90-pe-cent-uk-africa-energy-deals-fossil-fuels>

¹² WHO (2018) *Household air pollution and health* <https://www.who.int/news-room/fact-sheets/detail/household-air-pollution-and-health>

¹³ Countries with the highest populations living without electricity: Afghanistan, Angola, Bangladesh, Burkina Faso, DR Congo, Ethiopia, India, Kenya, North Korea, Madagascar, Malawi, Mozambique, Myanmar, Niger, Nigeria, Philippines, Sudan, Tanzania, Uganda and Yemen.

¹⁴ CAFOD/ODI (2019) *UK Support for Energy 2010-17: Protecting the climate and lifting people out of poverty?*

<https://cafod.org.uk/content/download/49429/623388/version/4/file/UK%20Support%20for%20Energy%202010-17%20Policy%20Briefing%20web%20version3.pdf>

¹⁵ See *Low-Carbon Africa: Leapfrogging to a Green Future*, Alison Doig and Mohamed Adow, Christian Aid, 2011

<https://www.christianaid.org.uk/resources/about-us/low-carbon-africa-leapfrogging-green-future>; *Low-Carbon Development in South Asia: Leapfrogging to a green future*, Sudhir Sharma, Ram Kishan and Alison Doig, Christian Aid, 2014

<https://www.christianaid.org.uk/resources/about-us/low-carbon-development-south-asia-leapfrogging-green-future>

¹⁶ See *Coal and Energy Poverty: FAQs* ODI, CAFOD, Christian Aid, 2016 <https://www.odi.org/coal-and-poverty-faq-energy-access>; see also *Universal Energy Access: Can we make it sustainable?* ODI, Sept 2015 <https://www.odi.org/publications/9642-universal-energy-access-can-we-make-it-sustainable>. See <https://www.christianaid.org.uk/sites/default/files/2017-11/virtuous-circle-scaling-up-investment-low-carbon-energy-climate-Nov2017.pdf>