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Global Witness accuses UK of 'rank hypocrisy' on fossil fuel projects

Campaign group says UK's export credit agency broke OECD's rules with £2bn of fossil fuel financing

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The UK government's export credit agency has fallen foul of OECD guidelines by offering multibillion-pound support to fossil fuel projects overseas despite global efforts to tackle the climate crisis, according to a campaign group.

Global Witness has accused the UK of "rank hypocrisy" in a complaint to the Organisation for Economic Cooperation and Development (OECD), a Paris-based thinktank that issues guidelines and recommendations for developed economies. The complaint also calls on the government to axe all overseas financial support for fossil fuels.

The complaint argues that the UK's foreign credit agency, UK Export Finance (UKEF), has breached the OECD's guidelines for multinational enterprises by failing to take the climate crisis into account.

Adam McGibbon, a senior campaigner at Global Witness, said the government's funding of fossil fuel projects overseas "continues to show this government to be climate hypocrites".

UKEF is tasked with supporting British exports with credit, guarantees, loans and insurance for foreign ventures including manufacturing, transport infrastructure, hospitals and energy projects.

However, UKEF's financial support for overseas fossil fuel projects has grown by billions of pounds in recent years despite rising calls for governments, investors and companies to end their contribution to the climate crisis.

UKEF offered financial support worth £2bn to overseas fossil fuel projects in 2018, more than 10 times as much as the year before, when it gave only £175m.

One of UKEF's largest energy deals in 2018 included £734m in support of the Duqm oil refinery project in Oman. It also provided financing worth £248m for oil exploration in Brazil, £171m for an oil refinery in Kuwait, and several hundred million for power projects in Iraq.

“Global Witness is today taking a stand against the government's rank hypocrisy by taking this case to the OECD - every penny spent overseas by the UK must take into account its impact on the climate. No bluster or rhetoric can hide the fact that spending billions on climate-wrecking projects abroad is not climate leadership,” the campaign group said.

Although the OECD is not able to demand action from multinational enterprises, any expression of disapproval would add to growing calls for UKEF to end its support for fossil fuels.

Last year a parliamentary committee of MPs accused the government of sabotaging its climate credentials by paying out “unacceptably high” fossil fuel subsidies to developing nations, while claiming to lead the world in tackling the climate crisis.

The environmental audit committee said that UKEF spent £2.6bn in recent years to support the UK's global energy exports, of which £2.5bn was handed to fossil fuel projects and only about £104m was used to support renewable energy projects.

Global Witness has called on UKEF to disclose the carbon footprint of its portfolio by revealing the emissions produced by the projects it helps to finance. Global Witness has also called for the agency to set emissions targets for its portfolio to bring its investments in line with the Paris agreement.

“UKEF has no goals to reduce greenhouse gas emissions resulting from its finance activities, nor does it fully disclose or report all such emissions that occur because of these activities,” said the complaint.

A government spokesperson said UKEF would consider its response to the complaint.

“UKEF is an export credit agency in the form of a UK government department, and follows the relevant OECD rules,” the spokesperson said. “UKEF does not consider itself a ‘multinational enterprise’ under the OECD definition.”

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