



THE DEPUTY LEADER OF THE HOUSE OF LORDS

3 March 2021

The Baroness Sheehan  
House of Lords  
London  
SW1A 0PW

*Dear Lady Sheehan,*

During the Grand Committee debate on the Financial Services Bill on Wednesday 24 February, I made a commitment to respond to a question you raised about the funding of fossil fuel projects overseas.

As you noted in your remarks, at the Climate Ambition Summit on 12 December 2020 the Prime Minister announced that the Government will no longer provide any new direct financial or promotional support for the fossil fuel energy sector overseas, other than in exceptional circumstances, and align its support to enable clean energy exports as soon as possible,

Following this announcement, the Government published a consultation on 12 December 2020, "Aligning UK international support for the clean energy transition". It sought views on how to further enable an accelerated growth in UK clean energy exports, and on the impacts of the timing of implementation of the policy shift on international fossil fuel energy sector support. This consultation closed on 8 February and the Government is analysing the responses it received.

This policy shift applies to any new official development assistance, investment, export credit and trade promotion activity overseas.

Upon implementation, the UK Government will no longer support the extraction, production, transportation and refining of crude oil, natural gas or thermal coal overseas, with very limited exemptions. These exemptions include projects improving efficiency, health and safety and environmental standards (without substantially increasing the lifetime of assets), for Carbon Capture, Utilisation and Storage, those supporting the decommissioning of existing fossil fuel assets, or humanitarian response activities. The Government will also not support any fossil-fuel fired power plants overseas, except for limited international support for gas-fired power plants and associated infrastructure (such as gas transport, storage and

distribution) – and only if the home country of the project has a credible emissions reduction plan in line with the Paris Agreement, the project does not delay or diminish the transition to renewables, and it does not risk stranding assets.

Following consultation and agreement on an implementation timetable, the Department for International Trade will maintain support to oil and gas exporters where such activity falls within the scope of the narrowly defined exemptions, for example in decommissioning.

During the period of consultation and ahead of implementation of the new policy, the Government will continue to apply current policy for all in-scope activities. These include proposals for supporting high carbon projects, with consideration of relevant factors including climate change. This includes requirements for UK Export Finance to consider support for exporters where it is sought.

One of the issues that the Government has consulted on is the timing for implementation of the policy shift – acknowledging the need to take decisive action while also recognising that the timing of the policy shift may have different economic or employment impacts on the sector.

The Government is committed to implementing this shift as soon as possible after this consultation period, following consideration of the evidence provided.

The Government is committed to growing exports that support clean growth. UK Export Finance has a dedicated £2 billion lending facility for such projects and is supporting increasing numbers renewable energy projects across the globe, including £230 million export credit support for a large-scale windfarm off the coast of Taiwan and £47.6 million financing to build two of the largest solar plants in Spain.

I would like to thank you for raising this issue in Committee, and I hope that you find this information helpful.

I am copying this letter to all those who spoke in the Committee debate on Wednesday, and I am placing a copy in the House Library.

Yours sincerely,



**EARL HOWE**

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