Climate campaigners have filed a complaint with the OECD against a UK government lender, alleging the agency’s financing of fossil fuel projects worldwide contravenes the Paris climate agreement.

The complaint, filed by Global Witness with the Paris-based organisation, argued that UK Export Finance, which offers financial help to Britain’s exporters, is contravening the Paris accord by continuing to pour billions into fossil fuel projects. It also alleged the organisation breaches OECD guidelines by neither reporting nor reducing its emissions. The Paris agreement committed signatories to keep global warming “well below” 2°C above pre-industrial levels.

The OECD cannot compel agencies and enterprises to change their behaviour but can publicly state that its rules have been broken, causing embarrassment and reputational damage.

The dispute, which is the first of its kind against an export credit agency on climate grounds, comes weeks after the UK Court of Appeal ruled that the planned expansion of Heathrow airport was unlawful because the government had failed to consider its commitments under the Paris agreement.
Britain does have “a clean energy story to tell, but the government nullifies all that good work by spending billions of taxpayers’ money abroad propping up fossil fuel projects,” said Adam McGibbon, senior campaigner at Global Witness.

Britain cannot be a “climate change leader if it’s exporting so much of its pollution abroad”.

UKEF operates in 72 countries and injected £2.5bn into fossil fuel projects between 2013-14 and 2017-18. In 2018-19, the sum invested in oil and gas schemes increased sharply, to about £2bn.

Last year, the Committee on Climate Change, which advises the government, said the agency was not aligned with the UK’s climate goals. The House of Commons’ Environmental Audit Committee also said UKEF’s support for fossil fuel projects was “unacceptably high” and urged it to end all such support by 2021.

Tuesday’s complaint will see UKEF enter into an arbitration process mediated by the OECD, which is likely to begin before November’s COP26 climate summit in Glasgow.

It hinges on the OECD’s guidelines for multinational enterprises, which insist that organisations draw up emission reduction plans, avoid causing environmental damage and adhere to relevant national and international environmental policies. In addition to Paris, the UK government has committed to reaching net zero carbon emissions by 2050.

The guidelines also ask organisations to fully disclose their direct and indirect greenhouse gas emissions data, which UKEF does not do. The government has “a case to answer” ahead of hosting COP, said Mr McGibbon.

A government spokesperson said they were aware of the complaint and “will consider our response”. They added that UKEF did not consider itself a multinational enterprise under the OECD’s definition.

However, Global Witness said the definition was sufficiently broad to cover the agency. In 2015, the OECD’s national contact point in the Netherlands said the country’s credit agency was subject to the guidelines.

Global Witness said it hoped the organisation would urge UKEF to align its investment policies with the Paris agreement and divest from fossil fuel projects as quickly as possible. Such a decision would set a precedent for other export credit agencies.
Since the Paris agreement was signed in 2016, the G20 countries have used their export credit agencies to provide nearly 12 times more money to fossil fuels than to clean energy, according to non-profit Oil Change International.

However, the Swedish Export Credit Corporation caps its fossil fuel operations at 5 per cent of total lending, and in 2019 France banned export credits for coal, shale oil and gas, and routine flaring.

This article has been amended to clarify that in 2015 it was the Netherlands’ credit agency that was subject to the OECD’s rules.