

UK financial support for fossil fuels: a briefing for Parliamentarians



About us

Make COP Count is a network of representatives from faith communities focusing on advocacy, hospitality and consciousness-raising activities related to the COP26 climate talks. We believe the global response to the climate crisis must be rooted in justice and human rights – and we see ending financial support for fossil fuels as essential to this. More information about our work can be found at makecopcount.org.

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Where are we now?

We are facing climate breakdown. At COP21 in Paris in December 2015, the parties to the [United Nations Framework Convention on Climate Change](#) (UNFCCC) reached a [landmark agreement](#) (the Paris Agreement) to limit global temperature rises to under 2°C and to pursue efforts to stay within 1.5°C. Yet five years later, global temperature rises are on track to reach a catastrophic 3°C. [Burning fossil fuels accounts for two thirds of global greenhouse gas emissions](#). To stay within 1.5°C of warming, a rapid transition away from fossil fuels will be critical. The UK has made various commitments to this through the Paris Agreement and its net zero target.¹

Historically, the UK has subsidised fossil fuel projects overseas through a combination of export finance and overseas development aid. Despite signing the Paris Agreement, [£3.875bn of UK public funding has been used to support fossil fuel projects overseas since then](#).

At a Climate Ambition Summit on 12 December 2020, the Prime Minister announced [the UK will end support for the fossil fuel sector overseas](#). This is a welcome development. However, the UK must now ensure its new approach to overseas energy investment is transparent and watertight.

The UK's official position is that it has no fossil fuel subsidies - but international reports repeatedly [find that it does](#). Various definitions of subsidies exist. In its Agreement on Subsidies and Countervailing Measures, the World Trade Organization (WTO) defines a subsidy as (paraphrased): any financial contribution by a government, or agent of a government, that is

recipient-specific and confers a benefit on its recipients in comparison to other market participants (WTO, 1994: section 1.1). This definition has been accepted by the 164 WTO Member States including the UK and all G7 countries.

What is needed?

In November, the UK will host the next UN climate talks - COP26 - in Glasgow. As COP26 President, all eyes are on the UK to demonstrate leadership in facing the climate emergency. Ending the use of public money to support fossil fuel projects would set a strong example.

In 2019 and 2014, the Environmental Audit Committee and National Audit Office criticised the UK government for allowing government institutions to fund fossil fuel projects in developing countries, and for the lack of oversight. The government's new policy on aligning UK international support for the clean energy transition must include greater transparency and accountability. [Campaigners have already warned](#) that the policy contains loopholes which could allow significant funding of fossil fuel projects to continue. Notably, it does not include CDC Group, the UK's government-owned development finance institution.

The UK government must also increase transparency about all its funding for fossil fuels overseas and domestically, including tax relief for oil and gas extraction. [Recent research by the IISD, ODI and Oil Change International scored the UK's position on fossil fuel funding against the other G20 countries](#). Among the Organisation for Economic Co-operation and Development (OECD) member countries of the G20, the UK scored joint lowest. In particular, the UK's lack of transparency was noted. The report authors recommended all G20 countries should conduct peer reviews of all forms of government support to fossil fuels if they had not yet done so.

The capital allowance 'super-deduction' announced in the latest Budget has no 'green' conditions attached. As [outlined by OpenDemocracy](#), this will incentivise the development of fossil fuel infrastructure, including for further oil and gas exploration.

Our asks of the UK government

- Ensure the new policy on overseas energy support is properly implemented and is effective in ending financial support for fossil fuels
- Undergo peer review of its financial support for fossil fuels, as recommended in the '[G20 scorecard](#)'
- Exclude fossil fuel projects and other high-carbon infrastructure from the capital allowance super-deduction, and end all tax relief for oil and gas extraction.

What you can do

- Ask a question in Parliament – suggestions below
- Highlight the likely climate impacts of the super-deduction and call for tax reliefs to be aligned with the zero-carbon transition
- Write to the Treasury to call for the UK to commit to peer review of its support for fossil fuels
- Tweet calling for UK leadership on ending fossil fuel subsidies, e.g.

#G7 countries have all pledged to end fossil fuel subsidies by 2025 – but they're all failing. @10DowningStreet as President of #G7 will you commit to peer review of UK's financial support for #FossilFuels ? #ClimateCrisis

Suggested Parliamentary Questions

To ask the Chancellor of the Exchequer if he will commit to a peer review of the government's financial support for fossil fuels, as recommended by the Overseas Development Institute and partners in their most recent 'G20 scorecard' report.

To ask the Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office what plans he has to ensure that financial support for fossil fuels is discussed at the G7 ministerial and leaders' summit that the UK is hosting in June.

To ask the Chancellor of the Exchequer what assessment he has made of the likely impact of the capital allowance super deduction on the UK's greenhouse gas emissions.

To ask the Chancellor of the Exchequer if he will commit to reviewing all tax policy to ensure it does not incentivise oil and gas extraction.

References and further information

1 In 2019, the UK passed legislation to amend the Climate Change Act 2008 and insert a target to become net zero by 2050

<https://commonslibrary.parliament.uk/research-briefings/cbp-8590/>

Parliamentary briefing, Christian Aid [UK financing of fossil fuels overseas, including developing countries](#), February 2020

Research report, CAFOD and ODI [UK support for energy overseas 2010–18](#), 2019