

International Trade Committee

Oral evidence: UK Export Finance, HC 126

Wednesday 12 May 2021

Ordered by the House of Commons to be published on 12 May 2021.

[Watch the meeting](#)

Members present: Angus Brendan MacNeil (Chair); Mark Garnier; Paul Girvan; Sir Mark Hendrick; Anthony Mangnall; Taiwo Owatemi; Martin Vickers; Craig Williams.

Questions 107-124

Witnesses

I: Richard Simon-Lewis, Director and Head of Origination, Client Coverage, Marketing and Communications, UK Export Finance and Vomic Shah, Global Head of Origination, UK Export Finance.



Examination of witnesses

Witnesses: Richard Simon-Lewis and Vomic Shah.

Chair: Thank you for joining the International Trade Committee for our evidence session on UK Export Finance. This afternoon, we have three panels of experts to discuss the issue. Without further ado, I will ask both members of the first panel, Richard Simon-Lewis and Vomic Shah, to introduce themselves. Richard first—name, rank and serial number.

Richard Simon-Lewis: Thank you, Chair. I am Richard Simon-Lewis, director and head of the origination, client coverage, marketing and comms group at UK Export Finance.

Vomic Shah: Thank you, Chair and Committee. I am Vomic Shah. I work with Richard and look after the business origination side of the department, which includes the international network.

Chair: Great, thank you. To kick off the session, we have Mr Mark Garnier.

Q107 **Mark Garnier:** Richard, I think we are going to direct all the questions to you. Before we start, I would like to say that, as one of the Prime Minister's trade envoys, I have worked with Vomic in the past in trying to promote the very good work that UK Export Finance does. But for the benefit of the Committee, could you, Richard, tell us a little more about what is actually the role of the international export finance executives and how they generate business?

Richard Simon-Lewis: Absolutely. The international export finance executives are essentially the global representatives of UKEF; they are based outside the UK. They work within our group. Essentially, they are the first point of contact for various counterparties in-country and act as the eyes and ears of the department overseas. They are available to discuss financing options and support the export of UK goods and services. Essentially, they are triaging appropriate bankable projects, alongside DIT in post, across all sectors within their regions, with a particular emphasis over the last couple of years on clean growth sector opportunities for UK businesses and ensuring that we support the global transition.

In terms of the IEFEs' backgrounds, they are all senior finance professionals with expertise in structured and/or export finance. They have significant experience from the markets—their domiciled markets. We hire people with appropriate knowledge of the regions they cover. As a result, they provide market insights and access to senior stakeholders in a very credible manner.

In terms of the networks that they will typically connect with, this is very broad, very diverse, ranging across UK suppliers and exporters who are travelling in-country and looking to explore financing options available to support their export contracts; overseas buyers and project sponsors



HOUSE OF COMMONS

looking for UKEF support to finance their projects and/or contracts; contractors—these can be UK or non-UK based—looking for financing to get behind viable projects; advisers and consultants, like Arup and Mott MacDonald, which are looking at FEED contracts internally; and probably most importantly, Government and Government Departments. We have very strong relationships with Ministries of Finance in the countries where we have the IEFEs. Clearly, the other dimension is that we have very strong relationships with the banks—the local banks in the regions where we have our IEFEs, but also the international, globally active banks in trade and export finance.

That gives a sense of the coverage model and the type and calibre of IEFE that we have.

Q108 Mark Garnier: Building on that relationship you have in post in the countries, I think you have mentioned that you have worked very closely with Department for International Trade representatives, and obviously there are DIT representatives across a lot of the world. Presumably that extends to things like the British chambers of commerce out there and various other business communities.

Richard Simon-Lewis: It does.

Q109 Mark Garnier: Could I ask this specifically? You have discussed where there is a great deal of existing collaboration involving HMG in one form or another, but how do you reach beyond that? How do you get out beyond where you have the normal relationships involving, for example, export advisers back in the UK going to the chambers of commerce? How do you get beyond that to those businesses that are not a member of the British chamber or are not integrated? It's a big marketplace out there, and I am worried that you are not covering as much as you could cover.

Richard Simon-Lewis: It's a great question. Essentially, it's over a period of time. The group that we have has been in place since January 2018, and over the last three and a half years, we have developed very detailed regional strategic plans for each of the regions that we cover. Essentially, those plans will take into account how mature the market is in relation to the level of awareness around UKEF. Say, for example, it's MEA, bits of the middle east, UAE—clearly, UKEF has been in that market for some time, through different cycles. We have very deep relationships with the Governments across the region. Therefore, the awareness raising is very high. But then take Latin America, which is clearly a very different continent. We work in a different way to increase awareness of UKEF's offer.

I will touch on one example in particular. If you look at the work that we have done across Latin America, where we have invested in three IEFEs, based out of São Paulo, Colombia and Mexico City, we have a sort of six-point plan that we use to open that market up, because clearly, we recognise that these markets—as you rightly say, Mark—are markets that take time to evolve and to open up.



HOUSE OF COMMONS

So we set ourselves sensible targets at the outset, then we develop strategies to penetrate and increase the awareness of the UK. In the case of Latin America, that involves getting to know the local banks extremely well and getting to know potential aggregators—companies that are active in that market—and focusing on particular sectors. In Latin America, we have a particular focus on clean growth and renewable energy.

Also, we are using, if you like, the effectiveness of our marketing and communications firepower, for want of a better word—using the embassies as platforms to get into these markets. So, we will host sector-focused events at embassies not only to introduce the fact that we have a new country head in the region, but to build the narrative around sectors in which we know the UK supply chains have an interest.

Q110 Mark Garnier: I am conscious of time—we haven't got much—so I have a very quick last question. Chicken and egg—80% of the value of support that the UK gives goes to countries where it has an international export finance executive. Is that because there is more business there, or is it because you have the expertise there? Are you moving your IEFEs to those countries where there is more business, or are they generating more business because they are there?

Richard Simon-Lewis: Essentially, we take guidance from the trade commissioners on the ground in relation to identifying markets that we want to mobilise towards. So, the trade commissioners will provide us with mini business plans in relation to regions where they believe we should be putting a country head. Essentially, what we look to do is strike a balance between those markets that are relatively mature, which we know will provide repeat and evergreen business for the UK supply chains, and those where we know we have to put more effort into opening them up.

Typically, the trade commissioners will say to us, "We think there is an opportunity here." We'll make that investment in putting a country head into that region, then we will work very closely with the head of mission and the trade commissioners to open that market up over time.

Mark Garnier: That's fantastic. It sounds like we ought to have more of a conversation with the trade commissioners. Angus, can I hand back to you?

Chair: Yes, indeed. Thanks very much. We will now go as quickly as we possibly can to Anthony Mangnall.

Q111 Anthony Mangnall: Thank you, Chair, and thank you, Mr Simon-Lewis, for being here; it's really appreciated. I am quite interested in this. Building on what Mark was asking you a second ago, and I am sorry for the very primitive question, but what does success look like for you guys and for your representatives in these other countries? How do you know that it is working? What is your metric for saying, "This works," or, "This doesn't work."? What is your perception for exploring those new markets that are out there and making sure that you are then putting the right personnel in the right place?



HOUSE OF COMMONS

Richard Simon-Lewis: Ultimately, the success gravitates around the contracts that are being won for the UK supply chain. Essentially, the model that we operate is called leading with finance, and it is distilling what leading with finance is all about. It is using the architecture of Government, the embassies on the ground and the sector teams to inform our work, and then using our domestic platform as well—our 24 export finance managers.

What we are essentially looking to do in the work that we undertake is identify demand overseas and overlay that demand into the supply chain in the UK, and create opportunity through the UK content that we bring through.

The value-for-money driver for us is everything. So, when we look at the value of the network, we capture all the data in relation to the projects at an early stage that have been identified by our IEFEs. All that information is captured in a client relationship management system called Salesforce and we can show the management insight, by sector and by region, of the volumes of business that are coming through.

Essentially, we filter that opportunity into credible transactions and then, a bit like passing a baton, we will pass that opportunity over to our underwriting group, to run with the opportunity so that it becomes a commitment.

If you look at the qualitative aspect of what we have done since we have been formed, over the last three and a half years we have transitioned £7 billion of opportunities to our underwriting group, and of that £7 billion, £3.6 billion has been committed deals. So, that is £3.6 billion of opportunities that are very credible that are being closed. That is the value of what we have done over the last couple of years.

The other quantitative aspect is that the IEFEs are essentially raising the tidal line of understanding in the regions they are in. They will join meetings with the head of mission and with commercial teams. They can have those complex, structured discussions with a Ministry of Finance about offshore wind developments or tenders for infrastructure or hospital projects, and they can raise the tidal line of understanding about finance in a way that is very accessible.

So we look at the deals that are being brought through, which we track and monitor. We have regional heads based in London—Julian, Michele and Rose—who have daily, weekly conversations. We track all the deals that are coming through, we monitor activity and we ensure that what we bring through benefits the UK supply chain. It is all tangible and credible.

Q112 **Anthony Mangnall:** From that—I do not want to lead you—it sounds like you have a very rigorous audit system that can also determine where your successes and failures are.

Richard Simon-Lewis: Exactly. The other example I want to give is that, if you look at the year we have just had in UK Export Finance, the value of an overseas network shows itself through a pandemic. Owing to the fact



HOUSE OF COMMONS

that we have not been able to travel—there is no overseas travel—having a network on the ground through the pandemic has meant we have continued to see a very strong flow of international deals because of our in-region network.

Q113 **Anthony Mangnall:** Thank you for that. I am really conscious of time and I have two quick last questions. I note that you guys are intending to provide eight more international IEFEs. Where are they going? How are you getting along with that process?

Can I also ask about what other countries do? On trade, we talk a lot about the nature of how the Europeans and Americans go about this. What do other countries have in place that might be equivalent to this, or are we unique in our approach?

Richard Simon-Lewis: Back in 2020-21—this was pre-pandemic—we committed to expanding the network by eight IEFEs, roughly at a cost of £2 million sterling. When covid-19 hit and we had the pandemic-related disruptions, clearly, we had to move to a virtual mode of operation in terms of our recruitment, which typically was more physical before. We set about our task, and actually at the end of November last year we had completed four processes to increase the network size to 12, so it has moved up to that figure. We have also, in the interim period, brought on board three additional candidates, so we will reach 15 by the end of this quarter of our financial year. So, essentially, we have delivered seven additional IEFEs versus the eight that we said that we would. So, we have continued to build out the network.

Q114 **Anthony Mangnall:** Are you intending to get to 20, and why are we not including the United States, Australia and New Zealand in terms of putting people there? Where are the next three going?

Richard Simon-Lewis: In terms of where we have deployed the IEFEs, I have some very positive news for you in relation to north America: we have brought on board an IEFE for north America. That has not been announced yet because the lady in question, Jessie, is going through security procedures at this moment in time, but essentially, we have brought an IEFE on board in north America.

In terms of where we have put the balance of our IEFEs, we have strengthened our network in Africa—we have added an IEFE to Africa. We have also added and strengthened our network in Asia-Pacific—we have added an IEFE into AsiaPac to get to the 15.

In terms of where we go next, we have actually been given SR funding to increase the network by up to 30 IEFEs in total. Clearly, we are now in discussion with the trade commissioners around where we should be putting those IEFEs, so we will be working through a matrix to ensure that the business decisions we make about putting additional IEFEs on the ground stand up to scrutiny. That work is in process, but ultimately, Treasury has given us support to double the size of the network to 30 IEFEs.



HOUSE OF COMMONS

Q115 **Anthony Mangnall:** That is incredibly welcome, and I am sure we would all appreciate hearing how you get on with reaching that 30 target and where they are deployed. I am conscious of time, so I will hand back to the Chair, but thank you very much.

Chair: Thank you very much. I appreciate that awareness of time.

Q116 **Sir Mark Hendrick:** I would like to ask both panellists a question. We have heard from established companies such as Winch Energy, which gave evidence to the Committee last month, that cross-Government support abroad can be essential for securing contracts abroad. How does UKEF work with British ambassadors and high commissioners abroad to identify new opportunities and give support where it is needed? Richard briefly mentioned using embassies as a platform. Could you perhaps expand on that? If there is anything you would like to add, Vomic, we would certainly be happy to hear it.

Richard Simon-Lewis: I will touch on what we do in relation to heads of mission and the embassies in post. Clearly, the IEFEs are embedded in post, and UKEF is an FCDO partner through the One HMG co-operation memorandum of understanding. The IEFEs are based on the FCDO platform. They work closely with the heads of mission, and they join the heads of mission in meetings—Government-to-Government and with the private sector. The IEFEs have very strong relationships with the trade commissioners. Simon Penney is a trade commissioner in the UAE covering the middle east. There is very strong partnering with the IEFEs in that region, and it is essentially about identifying and targeting opportunities in a very focused way.

The “leading with finance” offer brings into play other Departments. We work very closely with the DIT not only in region, but also with the—*[Inaudible.]* We are focusing on clean growth, transportation, healthcare and sustainable finance generally. We look to bring into play all the value elements of what the UK Government has to offer, so it is a unified offer that we put in place through the IEFEs. It is incredibly well co-ordinated. We support events and missions. We are there for the greater good, but clearly with a strong UKEF mandate. Vomic, I don’t know whether I have missed anything.

Vomic Shah: Mark, thank you for that question. I would just add that from an operational management point of view, the IEFEs effectively have a matrix reporting structure, where they report into us in London at UKEF, but also locally to the respective deputy head of mission or the ambassador in post. That automatically creates a link of co-ordination where, in the case of Winch Energy and British companies like that, in any particular country or market, we are ensuring that our finance offer is part of the wider HMG support that is being delivered in the region through the ambassadors.

Q117 **Martin Vickers:** We heard in written evidence that 1,500 suppliers were connected to UKEF-supported projects through the supplier fair programme. Do you know how many of these connections resulted in



SMEs winning contracts?

Richard Simon-Lewis: Thank you for the question. The supplier fair initiative is a procurement-led event. Essentially, we looked to bring together the demand that we identify overseas directly with the supply chains back in the UK. In terms of tracking those events, we have run 15 events to date—14 physical and a virtual event a few weeks ago for a theme park in Saudi Arabia.

In terms of mapping the UK content that comes from those events, there are two observations. We have actual examples of procurement awards made through the device of a supplier fair. We held that supplier fair back in March 2017. ENKA signed £124 million in contracts for those projects. We ran our supplier fair and 95 companies attended it; of those 95 companies, 59 were awarded contracts. Essentially, that enhanced the UK content for that deal.

One thing that we find in discussions with overseas buyers or contractors, particularly the procurement teams, is that they do not have visibility of what they can secure from the UK. Typically, some overseas buyers will give us a procurement schedule to say, "This is what I need", so we will offer up a supplier fair, akin or analogous to a magnet and iron filings, the magnet being the project that we showcase and the iron filings typically being the aggregated SME supply chains that we usually look to aggregate through trade associations—we work closely with the trade associations. It is all about enhancing and driving UK content in a very physical and proactive way. That has now been copied as a blueprint, as a device, by the Italian and Swedish ECAs.

We are putting in place, and have put in place, measures to track content. On a three, six and 12-month basis, we will reach out to all the SMEs that we invited to a supplier fair to ask them whether they have been taken into procurement for that project. Not only are SMEs taken into procurement for a particular related opportunity, but a Bechtel or another large contractor will take the SMEs on board for their global procurement. They might get signed up to procurement for Bechtel—if they win content in the project we were showcasing, fantastic, but they might also win content and contracts for other projects that Bechtel is involved in globally.

This supplier fair initiative is hugely valuable in driving content. We have a pipeline of six supplier fairs that we are working on. We have another two over the next two months. We would love to invite a member of the Committee to one of our supplier fairs when we run them, maybe when things are more normal, because the physical events are just sensational. The offer, the invitation, is there. We have hundreds of SMEs, we run hundreds of matchmaking events with the SMEs and it is all about driving UK content, off the back of UKEF's offer, into that project.

Q118 **Martin Vickers:** I can see that an SME might be made aware of one of the supplier fairs, because they are a subcontractor to one of the big operations, but an SME might still be a pretty substantial business, so



how would they become aware of the supplier fair?

Richard Simon-Lewis: We use the trade associations as a conduit to spread the word. We also use our other networks—we use the banks to spread the word about the supplier fairs regionally across the UK. What is really interesting is that you might think that the supplier fair that we ran three weeks ago for a theme park in Saudi Arabia would be theme park-related infrastructure, but actually it extended into firefighting, seating, lighting, consultancy, and learning and development. The span of opportunity for the supply chain through key infrastructure like that—that development was also part of a mega-city project—is huge. We try to draw in as many SMEs as we can. Those SMEs that have already gone to supplier fairs in the past are constantly coming back to us to ask, “When is the next supplier fair?”, or, “When can we come alongside this?”, because we are showcasing opportunity that they would not ordinarily see.

Q119 **Martin Vickers:** I would certainly be interested, both as a member of this Committee and as a trade envoy, to sit in on one of these supplier fairs to see how they operate, particularly those to do with green energy and renewables projects, which I am very keen to get SMEs involved in.

Richard Simon-Lewis: We would be delighted to do that.

Martin Vickers: Excellent. Thank you, Chair.

Q120 **Chair:** Moving on a little bit to the area of fossil fuels, the Environmental Audit Committee reported that, between 2013 and 2018, 96% of energy projects supported by UKEF were fossil fuel projects. With this in mind, how is UKEF shifting its focus to supporting renewables, especially following the Prime Minister’s announcement of ending fossil fuel projects abroad, which I know is a concern of a number of politicians from across the parties, and indeed of some who have moved from the House of Commons to the House of Lords? It seems to be on the political agenda everywhere.

Richard Simon-Lewis: Very much so, Chair. UKEF had the foresight back in 2016 to bring on board renewable energy specialists into the business; I think that actually featured in our report and accounts for that year. Over the last few years, we have been driving our clean growth and renewable energy initiatives to essentially re-weight the business pipeline away from fossil fuel activity and provide both sector breadth and regional diversity that ultimately aligns with what we are now seeing in relation to the COP26 objectives and the Government’s 10-point plan.

We have been particularly focused on energy transition because we recognise the skills and the intellect that reside in the oil and gas supply chain across the UK and the efforts being made by that supply chain to create a new pathway for their businesses. We have been engaging in a very focused and disciplined way around closer engagement with sponsors, developers and contractors in this space so that we can identify their future plans on clean energy and position UKEF and the UK supply chain for these opportunities. We have been very active in our marketing, awareness raising and stakeholder engagement, alongside clean growth



HOUSE OF COMMONS

trade forums with the likes of RenewableUK. We are reaching out to regionally based technology clusters and platforms. We recently signed a memorandum of understanding with ORE Catapult to talk about the offshore wind activities that they are involved in and to talk to the SME community in their region, and also with the global offshore wind societies.

We have developed a significant clean growth pipeline over the last few years, to such an extent that 50% of our filtered origination pipeline—that is essentially credible deals with an expression of interest, for which we have an underwriter involved and which we are progressing—at £4.5 billion, is clean growth. In addition, that same pipeline currently does not include any upstream oil and gas activity. The origination pipeline has no upstream oil and gas in it and is 50% weighted towards clean growth. That is one of the reasons why we were ranked second by TXF in the sustainable finance league tables for ECAs globally, with \$3.4 billion of support in sustainable finance, ranked only behind the Export-Import Bank of China. We have moved a long way. We did not even feature in that league table in 2018, and now we rank No. 2 globally. The focus of activity and the weighting has completely changed.

Q121 Chair: We have had evidence from Global Witness that, in the 2019-20 financial year, upon analysis of UKEF's annual report and accounts, UKEF supported 51 separate fossil fuel projects and six renewable energy projects. The value of the fossil fuel projects was £761 million. The renewables were valued at £430 million, but the majority of that was a £303-million contract in Taiwan. Are things moving quickly enough?

Richard Simon-Lewis: We believe that they are. We put in place a strategy, policy and climate change directorate to focus our activities in this area even more. My group works very closely with Davinder Mann, who heads up that new directorate. Clearly, our chief executive, Louis Taylor, is driving this re-weighting of activity, so we have a very strong renewable energy pipeline. As I have mentioned, clean growth is 50% of our current business development pipeline overseas. We are looking at billions of opportunity, which we are looking to secure for the supply chains in the UK.

The other point I should make, Chair, is that when I was in front of you previously in 2013, I was head of finance for the White Rose CCS project. What was interesting about that project at that time was that the European ECAs were lining up to finance that project, providing very competitive finance. Clearly, the UK supply chain for a CCS project under the 10-point plan would struggle to compete with projects being backed by European ECAs, so UKEF is now looking at how we can augment our support for the UK supply chain in net zero and clean growth, as evidenced by the work that we have done with the export development guarantee for Ford in terms of developing an EV manufacturing facility and with Jaguar. So you will see UKEF being a lot more active under the conducive to exports part of our mandate to help the net zero supply chains come through and create and deliver that export potential.



HOUSE OF COMMONS

BEIS are telling us that in the case of CCS, which I know is close to your heart, Chair, 90% of the GVA of CCS comes from realising export potential, so UKEF wants to be the lightning rod for realising that export potential, working with BEIS, working with DEFRA, and working increasingly with DIT in realising that export potential from these new technologies.

Q122 Chair: Yes. I remember CCS. It had its chance when Alistair Darling was Chancellor. He pulled the plug on it and then later it was going quite well. I was even encouraged as Chair of the Energy and Climate Change Committee to go as far as Alberta because the UK seemed to be about to make strides on it, and the next thing the love of money came over the then Chancellor George Osborne and that was the end of that. Obviously, that was an opportunity lost at that stage. Do you feel that there is any ground that can be made up there, or has the ship well left port?

Richard Simon-Lewis: No. We are in discussions with the CCS Association. We are in discussions with associations and stakeholders in floating offshore wind and in hydrogen. We are very keen to support these net zero technologies as they come through. From my experience in offshore wind, having an export credit agency of UKEF's progressive outlook and capability is what we needed for White Rose, frankly, so I am hoping that the work that we are doing in augmenting our support for the supply chain in the UK will bring these benefits through for the benefit of CCS and these other technologies.

Chair: Good. I wish you luck. Thank you for your time. We have done—oh, Anthony Mangnall always catches an angle that the rest of us have missed.

Q123 Anthony Mangnall: I was just wondering, with regard to the Modern Slavery Act and how you might be governed in terms of the projects and the finance that you are making available, what due diligence you take, because obviously there are moves to try and reform and reshape this in the coming months. It might not be relevant at all, but I am interested in whether you have any thoughts on it or whether it is of relevance.

Richard Simon-Lewis: We will come through with a more detailed response, but I think that, in terms of what we currently do, we have an incredibly strong ESG capability within UKEF, and we run that type of analysis on all the projects that we get involved in, but it does not fall within my group, so if we can come back to you with a more detailed written response, we will.

Anthony Mangnall: Thank you very much.

Chair: Paul, you wanted to come in.

Q124 Paul Girvan: Just on one point. I appreciate and thank you for your answers so far. All politics is local. Is there any mechanism for encouraging SMEs from the regions—I term us as part of the colony—into getting access and being involved in the process? What engagement is there to encourage SMEs from the likes of Northern Ireland to be



HOUSE OF COMMONS

involved?

Richard Simon-Lewis: In the same way that we have an overseas network of IEFEs, we have a domestic network relationship of export finance managers. There are 24 of them. We actually have a colleague based in Northern Ireland who is an export finance manager, covering that region, who is fantastic. It is Elizabeth, I believe. We have a network of relationship managers across the UK who can provide advice on our products and our offer.

Chair: Okay. We are happy with that. We are finished with our first panel. Thank you very much to both of you for coming along. It is greatly appreciated—it is good to see you both. Good luck for your work in the future. I am sure we will hear from you in the bits of outstanding correspondence that you have promised us.