



10 May 2021

BRIEFING ON UK-AID POLICY ON ENDING FOSSIL FUELS FINANCING OVERSEAS WITHOUT EXEMPTIONS

1. Introduction

The Environmental Rights Action/Friends of the Earth Nigeria and its allies are committed to ending fossil economy and dependence particularly in Nigeria and Africa. We recall that the UK government Prime Minister announcement on 12 December 2020 to end UK support for fossil fuels financing overseas was received with wide acceptance globally. However, the new UK government policy announced on 31 March 2021, creates some loopholes that will allow continuation of support for gas related financing. This intervention to the International Development Committee (IDC) Inquiry on the progress made to end the use of UK aid to support fossil fuels highlights some of the shortcomings and to ensure the elimination of loopholes that will foster the continuation of fossil fuels development.

2. Ending support for gas-burning power generation projects

The UK government leading role to end aid for fossil fuel development overseas is commendable. This will help to stir oil dependent economies to decarbonize their economy to address the catastrophic impacts of climate change. That UK aid support for gas exploitation will be deployed sparingly is unacceptable and in practice will actually become the norm rather than the exception. We implore the UK government that ODA funding or any other aid instruments should not be used to support fossil fuels.

However the loopholes introduced into the policy are significant and means that it will likely not actualize the aim to effectively ensure a halt to fossil fuels development and addressing climate change. There should be no exceptions to allow any form of support for gas-burning power generation projects or any other dirty energy in the short or long term basis.

3. Where does finance for fossil fuels come from?

The policy to end fossil fuels financing overseas is also proposing to allow UK-aid funded institutions such as the UK development bank CDC group, and the Private Infrastructure Development Group (PIDG) to continue financing fossil fuel infrastructure and this leaves much to be desired. The UK government, it appears is lacking courage and ambition to eliminate such inconsistencies that provide climate aid to curb climate change and at the same time, spending huge sums on fossil fuels projects overseas. The undue influence of the CDC over government

policies means they will continue to enjoy stupendous patronage from government spending to continue fossil fuel infrastructure financing. The UK government should ensure that its policy on ending financing fossil fuels are without loopholes for the CDC, and the PIDG which depends on 75% of its funding from the UK government. Such loopholes that allow these two groups to garner over one billion pounds only guarantees new investments in fossil fuel financing. In 2019, fossil fuel accounted for 85 percent of total electricity generated and distributed through CDC investments. This should be eliminated and obligatory to UK aid instruments forthwith rather than as a guide to prevent institutions and groups from exploiting it to the detriment of the fight against climate change.

The UK government as a matter of urgency should divest public finance, loans and subsidies from fossil fuels and invest them into renewable energy such as solar mini-grid and off-grid systems. This will include developing renewable energy technologies that are cleaner and more environmentally benign.

Since UK government contribute significantly to the portfolios of CDC and PIDG, it also has the means to ensure that such funding is divested to other sources to promote climate change solutions. Both the CDC and the UK government is yet to commit to divestment from existing commitments on fossil fuels developments. This should be considered as part of the short term gains and not to prolong the deadline to ending fossil fuels.

4. Way forward and the need for Just Energy Transition

Such financial divestment from fossil fuels development and investment in renewable energy sources will pave the way towards a Just Energy Transition which comes with improved accesses to cleaner energy. This will support a new development pathway for the global south to leapfrog dirty energy development to alternatives in renewable energy sources. This coming at the heels of the CoP26 in Scotland later this year will likely propel ambitious action from other countries to emulate and address their historical responsibility from climate change and to prevent catastrophic loss and damage.

To conclude, the UK government should show good example, courage and ambition in addressing climate change by the removal of all forms of exemptions to ending fossil fuels financing.

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