



Department for
Business, Energy
& Industrial Strategy

Aligning UK international support for the clean energy transition

Closing date: 08 February 2021



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Any enquiries regarding this publication should be sent to us at: aligning_uk_intl_support@beis.gov.uk

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General information

Why we are consulting

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

This consultation seeks 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.

Consultation details

Issued: 12 December 2020

Respond by: 08 February 2021

Enquiries to: aligning_uk_intl_support@beis.gov.uk

Consultation reference: Aligning UK international support for the clean energy transition

Audiences:

We are seeking views from:

- The UK oil and gas and clean growth industries, including companies, business organisations and trade bodies, and the supply chain.
- UK businesses with an interest in these sectors (e.g. UK financial institutions, trade bodies, professional services)
- Civil society and non-governmental organisations concerned with energy and climate change.

Territorial extent:

The territorial extent is UK wide.

How to respond

Email to: aligning_uk_intl_support@beis.gov.uk

A response form is available on the GOV.UK consultation page:

<https://www.gov.uk/government/consultations/aligning-uk-international-support-for-the-clean-energy-transition>

When responding, please state whether you are responding as an individual or representing the views of an organisation.

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our [privacy policy](#).

We will summarise all responses and publish this summary on [GOV.UK](#). The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

Quality assurance

This consultation has been carried out in accordance with the government's [consultation principles](#).

If you have any complaints about the way this consultation has been conducted, please email: beis.bru@beis.gov.uk.

Introduction

When the Prime Minister launched the UK's Presidency of COP26 in February 2020 he set out a vision for COP26 as the point where the world comes together to solve the problem of man-made climate change, and the time to choose a cleaner and greener future for all our children and grandchildren.

The UK government has already shown leadership on tackling climate change at home and we will continue to do so. The UK was the first industrialised economy to make a legally-binding net zero commitment, and we recently announced our 10 Point Plan for a green industrial revolution. This will mobilise £12 billion of government investment towards our domestic low carbon transition, unlocking three times as much private sector investment by 2030. This will help to level up regions across the UK and support up to 250,000 highly skilled green jobs. As we move forward this growing clean energy capability will provide significant export opportunities as the world strives towards net zero.

This leadership at home has enabled us to increase our Nationally Determined Contribution – our emissions reduction target under the Paris Agreement – to at least a 68% reduction in greenhouse gas emissions by the end of the decade, compared to 1990 levels. Internationally we announced a doubling of our International Climate Finance to £11.6bn from 2021-2025 and have committed to align our finance with the Paris Agreement. And in January, the Prime Minister announced an end to UK government international support for the thermal coal sector.

Now, to go further, the government will no longer provide any new direct financial or promotional support for the fossil fuel energy sector overseas, as soon as possible following this consultation. This policy shift will extend to any new official development assistance, investment, export credit and trade promotion activity. There will be a few – tightly bound – exemptions allowing for activities that support health and safety improvements, form part of wider clean energy transitions, support decommissioning, or are associated with a humanitarian response.

The government understands the important role that the UK oil and gas sector plays in supporting the UK's energy security, its economic contribution and the jobs that it supports. The government remains fully committed to supporting the oil and gas sector to recover from Covid-19. But a return to 'business as usual' is no longer an option as we transition to a net zero world.

Moreover, the oil and gas sector has a pivotal contribution to make to the UK's energy transition, having many of the essential skills and capabilities in its world class supply chain to support the development of emerging clean energy technologies at scale such as Carbon Capture Usage and Storage (CCUS) and hydrogen production. To this end, we have committed to deliver a North Sea Transition Deal to support the oil and gas sector as we transition to a low carbon economy. This Deal will focus on supporting high quality jobs and anchoring the supply chain in the UK as we pivot away from our reliance on hydrocarbons to new energy industries.

The government is determined to ensure that the domestic sector makes a secure low carbon transition as we align our international overseas support with our climate change goals. To this end, the government is seeking views from across industry and civil society on how to best align its support to further enable UK clean energy exports, and on the potential impacts of timing of the implementation of this policy shift. Responses can inform the North Sea Transition Deal process and point to further domestic or international actions for the sector and government.

This alignment of government's international policy support will make the UK an even stronger and more credible international partner to the growing number of countries who are seeking to make the transition to a cleaner future. It will help ensure a swift and secure domestic transition, ensuring the UK becomes a leader in the global supply chain for sustainable clean energy exports by making use of all that we do best: services, advanced manufacturing, innovation, finance, engineering and design. It will also help us to build back better, strengthening the prospects for the UK energy sector and the wider economy, and accelerating the low carbon transition globally.

The proposals

The global energy transition, and how to further enable an accelerated growth in UK clean energy exports

Domestic action

The UK's commitment to net zero in 2050 means that our use of fossil fuels must be significantly reduced. Today, over half of the UK's electricity comes from clean sources including wind and solar energy. However, oil and natural gas are still required for heating, cooking and transport, and vital to the production of many everyday essentials like medicines, plastics, cosmetics and household appliances. This is likely to remain the case over the coming decades as the UK transitions to low carbon solutions, so ensuring a stable transition for these sectors is critical.

The independent Climate Change Committee (CCC) has recognised the ongoing but much reduced demand for oil and natural gas, including it in all scenarios for how the UK meets its target for achieving net zero emissions by 2050.

The oil and gas sector supports 270,000 jobs across the UK and plays a key role in developing the infrastructure and capability for green technologies such as CCUS and hydrogen. The oil and gas sector has provided around £350 billion to the UK government from production taxation alone in today's prices since 1970/71.

In recognition of the importance of the sector, and the role it has to play in supporting low carbon growth in the UK and globally, the government is already taking action to support clean energy exports and in helping the UK oil and gas industry to transition to these new markets.

The UK government has committed to delivering a transformational North Sea Transition Deal for the UK's offshore oil and gas sector given its key role in delivering net zero through the energy transition.

The proposed North Sea Transition Deal represents a partnership between the government and industry for taking long-term action which transforms the sector and delivers the energy transition. The government is negotiating the substance of the deal with the sector and aim to reach agreement by the first half of 2021. The deal will act as a vehicle to create new jobs as well as trade and investment opportunities and will set out how we can retain existing skills and capabilities in the sector, many of which are of vital regional and national significance and which could give the UK first mover advantage in emerging low-carbon sectors.

The Prime Minister recently set out his ambitious Ten Point Plan for a green industrial revolution – spanning clean energy, buildings, transport, nature and innovative technologies, the Ten Point Plan will mobilise £12 billion of government investment to unlock three times as much private sector investment by 2030; level up regions across the UK; and support up to 250,000 highly-skilled green jobs. The Plan includes ambitious commitments on supporting the

delivery of clean energy technologies such as hydrogen and CCUS, which presents a great opportunity for the sector given the proximity of UK oil and gas hubs – particularly Scotland and the North East of England. The sector can contribute meaningfully to the Green Industrial Revolution by providing essential skills across key regions of the UK economy.

In doing so, we will position the UK to take advantage of export opportunities in new, global emerging markets in low carbon technologies and services, providing jobs and reinvigorating our industrial heartlands, including in the North East, North West, Yorkshire and the Humber, the Midlands, Scotland and Wales. Our recently announced Green Jobs Taskforce will look at the key challenges faced by employers and workers in supporting a green recovery, ensuring we have the right pipeline of talent and skills provision, and support in place for people to transition from high carbon sectors to a new role in the green economy.

As announced in the 2020 Spending Review, we will commit funding towards the delivery of the Global Underwater Hub in Aberdeen with satellites in North East England and Southern England. This new economic development hub will take a strategic approach to growing our world-leading subsea engineering, technology and services sector as the global subsea market diversifies away from oil and gas and shifts towards supporting new marine growth sectors such as renewables.

The government wants to enable the UK industry to accelerate clean energy exports and is working across the range of its support functions to do so. We will identify the international clean growth opportunities and emerging clean technologies in the UK which can benefit from our support, from innovation to export, with a particular focus on technologies where the UK has first mover advantage. We will also help UK based companies to diversify and take advantage of the opportunities in emerging energy technologies.

International support for clean energy

UK Export Finance (UKEF), the UK government's export credit agency, is proactively developing the breadth of its support for renewable sectors, with £2 billion allocated at Budget 2020 to UKEF's direct lending facility for clean growth and renewable energy projects. The energy transition will have a particular impact on UK businesses in Scotland and the North East, and UKEF has recently recruited renewable energy specialist Export Finance Managers to help businesses in those areas to support clean growth exports as they transition away from fossil fuels to clean energy.

UKEF continues proactively to broaden its support for clean growth, renewables and climate resilience sectors. It recently supported a £230 million large-scale windfarm off the coast of Taiwan and provided £47.6 million of support to build two of the largest solar plants in Spain. More recently, UKEF helped support UK exports to a solar powered water purification project providing safe water to 225,000 people across Ghana.

UKEF's involvement in projects such as these enables more UK companies to win business on the projects, further unlocking the UK export potential of this growing sector of our economy. Thirty percent of UKEF's support for the energy sector in the last year was to renewable energy projects.

The Department for International Trade (DIT) plays a critical role in realising the government's climate change objectives by promoting clean exports, encouraging investment into the UK's low carbon economy, and supporting international ambitions to accelerate the global energy transition. DIT actively supports the UK renewable energy sector including through a number of ongoing campaigns and is now working to support clean growth across all sectors through a new clean growth unit. Work underway includes mapping export and investment capability across UK clean sectors to support UK businesses export and attract investment. DIT is also using its sector expertise to contribute across government support and policies to ensure support for new clean technologies is underpinned by investment, sustainable supply chain growth and export potential.

DIT is also proactively reorienting its work in line with this policy shift. DIT will use its ambitious independent trade policy, including Free Trade Agreements, to expand access to international opportunities in clean energy, removing barriers and working through government-to-government engagement to realise international ambitions. DIT's UK and international regional networks will also divert resource toward the clean energy agenda, expanding government's ability to provide on the ground, direct support to exporters.

Following consultation and agreement on an implementation timetable, DIT will maintain support to oil and gas exporters where such activity falls within the scope of the narrowly defined exemptions, for example in decommissioning. DIT will also maintain its work to support Foreign Direct Investment into the UK sector, supporting government's ambitions around the Continental Shelf and the forthcoming North Sea Transition Deal.

Through these actions, DIT will actively support UK oil and gas suppliers to find new opportunities in the clean energy space, build cost and quality competitive UK solutions for international opportunities and provide direct support to win these, working closely with UKEF.

Questions

The government would like to hear, alongside its engagement with the sector on the North Sea Transition Deal, how it could further enable an accelerated growth in UK clean energy exports. It is seeking input on how the UK and global energy transition is shaping export opportunities, what barriers domestic energy businesses face in transitioning to these opportunities and the role for government and industry in accessing these new markets.

The UK energy transition:

- 1. What do you think the impacts of the energy transition will be on your business and how can these impacts be mitigated?**
- 2. What activities would strengthen the supply chain's ability to transition into new energy technologies and how could these be delivered?**
- 3. Where are the key capability gaps for the UK supply chain in taking advantage of the economic opportunities of the energy transition?**

The global energy transition:

- 4. What do you consider to be the main export markets and opportunities for new energy technologies for the UK supply chain?**
- 5. What are the barriers to the UK becoming a global leader in the energy transition?**
- 6. What activities are needed by government and the industry to support UK clean energy businesses and those transitioning from oil and gas in export markets?**
- 7. In what parts of the supply chain should government focus its export support for UK clean energy businesses and those transitioning from oil and gas?**
- 8. Where can government add the most value internationally in supporting UK clean energy businesses and those transitioning from oil and gas?**

Making the policy shift – timing and impacts

Overview of the policy shift

At the Climate Ambition Summit on 12 December 2020 the Prime Minister announced that the UK 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. The policy shift will be implemented as soon as possible after this consultation period, following consideration of the evidence provided.

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

The policy will also guide the UK's voting position at the boards of Multilateral Development Banks and be used to influence the investment policies of other development financial institutions (such as CDC Group PLC and the Private Infrastructure Development Group) that receive UK government funding.

This policy shift builds on the Prime Minister's announcement on 20 January 2020 at the UK-Africa Investment Summit to end UK international support for the thermal coal energy sector and extends that policy to the oil and gas energy sector.

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 include projects improving efficiency, health and safety and environmental standards (without substantially increasing the lifetime of assets), for CCUS, those supporting the decommissioning of existing fossil fuel assets, or activities associated with a humanitarian response.

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

During the period of consultation, the government will continue to apply current policy for all in-scope activities including proposals for supporting high carbon projects, with consideration of relevant factors including climate change.

Possible timing for implementation of the policy shift, and related impacts

The growing climate imperative requires that the government takes decisive action, but in doing so the government understands that timing of the policy shift may have different economic or employment impacts on the sector. The government is keen to understand stakeholder views through this consultation on how different implementation options for this policy may provide:

- Greater international leadership through collective action.
- Time for the industry to adapt to the intended policy shift.
- A requirement for further mitigation measures to support the transition.

The government has the following options under consideration for implementing the policy shift described above. Each provides a different balance on notice period for the sector and impact:

(a) March 2021 – Immediate implementation post-consultation

This would provide affected businesses with three months' notice from point of announcement.

(b) June 2021 – A short delay to implementation post-consultation

This would provide affected businesses with six months' notice from point of announcement.

(c) October 2021 – A moderate delay to implementation post-consultation

This would provide affected businesses with ten months' notice from point of announcement.

(d) Later than 2021 – A postponement of implementation of a year

This would provide affected businesses with twelve months' notice or greater from point of announcement. Justification of this option would likely require firm evidence of significant economic impacts of the withdrawal of UK government international support.

Questions

If you are a relevant business, what would be the impacts of these different timing options?

- 9. If you are an SME, how would the timing of these different options affect you?**
- 10. Do you see variable impacts on different parts of the supply chain? If so, what are these?**
- 11. Would these options affect players of different scale in the supply chain?**
- 12. Do you see any possible geographical impacts of different timing options for the policy shift?**
- 13. How could these impacts be mitigated, and how would different timings affect the ability to do so?**

14. How do these timings impact on your own transition plans? Is there anything that you would adjust in the proposed approach to support your transition to the fullest degree possible?

If you are a member of a civil society or non-governmental organisation, what would be the impacts of these different timing options?

15. What are the different potential impacts of these options on climate leadership, domestically and globally?

16. What opportunities do you see for international collaboration towards the goals of the policy shift in the lead up to COP26 (November 2021) and how could the timing of the policy shift's implementation affect this?

17. How do you see the timing of the implementation of this policy shift fitting alongside wider work to raise global climate ambition?

Consultation questions

The global energy transition, and how to further enable an accelerated growth in UK clean energy exports

The UK energy transition:

- 1. What do you think the impacts of the energy transition will be on your business and how can these impacts be mitigated?**
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Making the policy shift – timing and impacts

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17. How do you see the timing of the implementation of this policy shift fitting alongside wider work to raise global climate ambition?

Next steps

The government will respond to this consultation as soon as possible following the closing date, once it has considered the evidence provided and taken a decision on the optimum implementation date for the policy shift.

This consultation is available from: <https://www.gov.uk/government/consultations/aligning-uk-international-support-for-the-clean-energy-transition>

If you need a version of this document in a more accessible format, please email enquiries@beis.gov.uk. Please tell us what format you need. It will help us if you say what assistive technology you use.