aerospace
defence
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ADS Consultation Response

UK Export Finance Consultation - April 2014

"Consultation on proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantee Act 1991 (as amended)"

About ADS

ADS is the premier trade association advancing the UK's Aerospace, Defence, Security and Space industries. ADS comprises around 900 member companies across all four industries, with over 850 of these companies identified as Small and Medium Size Enterprises (SMEs). Together with its regional partners, ADS represents over 2,600 companies across the UK supply chain.

The UK is a world leader in the supply of Aerospace, Defence, Security and Space products and services. With strengths in manufacturing, engineering and innovation, the sectors that ADS represent support around one million UK jobs, achieve revenues of over £20bn (of which around 70% is exported) and invest around £3bn in R&D annually.

The proposed changes outlined in the consultation - to broaden the powers of UK Export Finance (UKEF) and extend the coverage of export finance & support available to businesses – will seek to target companies who wish to improve their export capabilities. Within our sectors, the potential growth from export opportunities is significant, and the changes proposed by UKEF will impact upon the ability of many ADS member companies to pursue these opportunities.

Summary of ADS Contribution

- ***Extending UKEF support coverage must coincide with greater clarity & awareness***

ADS supports the proposals to extend the reach of UKEF support - however greater clarity is needed on the types of services the government will provide, alongside a renewed focus on improving awareness of UKEF, particularly amongst SMEs.

- ***UKEF must match international competition & increase multi-national collaboration***

Any changes to the UKEF 'toolkit' must be driven by an underlying aim to match the financial support available to companies in competitor nations – ensuring UK businesses can compete on a level playing field when seeking to win export orders. This should also be strengthened by a greater ability for UKEF to increase international collaboration where the UK has a significant interest.

- ***Safeguards required to protect UK businesses from potential competitive disadvantage***

Extending the scope of UKEF support for wider exporters could potentially allow overseas competitors indirect access to UK focused export finance. Safeguards should be considered to ensure any export finance benefits UK-based exports and does not cause businesses inadvertent but competitive disadvantages.

- ***Support for IPR exports should remove cost burdens and enhance overseas protection***

UKEF support for IPR development costs and awareness of IP issues in export markets would remove significant burdens for manufacturers. However, greater protection for UK IPR overseas and provisions to ensure sensitive defence IPR is not compromised, should both be considered.

1. Background - ADS industry sectors and UK Export Finance

1.1. Companies and businesses within the Aerospace, Defence, Security and Space sectors are some of the most active in utilising the support provided by UK Export Finance (UKEF). The underpinning legislation provided by the Export & Investment Guarantee Act (EIGA) allows companies to gain financial help in order to fulfil export orders, and allows buyers to successfully purchase goods with significant UK content in our sectors (such as commercial aircraft from Airbus or Eurofighter Typhoons from BAE Systems). This ensures vital growth, innovation and jobs are maintained here in the UK.

1.2. Aerospace represents one of the largest of the industries that work closely with UKEF. As outlined in the latest ECGD Annual Report, UKEF supported around 23% of the total aircraft delivered by Airbus in 2012/13. This support has a direct impact on the UK's aerospace industry, and allows Airbus to consistently spend around £2bn annually within the UK supply chain.

1.3. The proposed increase in UKEF's power in the EIGA will extend coverage of export finance to the majority of Aerospace, Defence, Security and Space businesses that are either directly or indirectly involved in exporting. This significant level of engagement from our industries, alongside the potential export growth opportunities in our sectors, means that ADS members must be closely consulted with, as changes to UKEF continue to develop.

2. 'General' Assistance and UK Supply Chain Companies

2.1. Amending the existing EIGA legislation to ensure that UKEF has the power to provide a 'more generalised ability to assist and support businesses in the UK that are, or wish to become, involved in exporting or exporting supply chains', is supported by ADS. Such measures will increase the availability of export-based finance to a greater number of UK companies throughout our sectors – where the focus on increasing exports is central to future growth. In addition, enabling UKEF to offer support for companies who currently only provide products, components or services that are exported 'indirectly' through main contractors, will ensure that they have the tools required to begin exporting in their own right.

2.2. However, the Government must ensure it provides greater clarity on the types of services and products they will seek to offer as a result if this legislative change. Currently, the language within the consultation only briefly mentions what type of support UKEF may offer once the EIGA is updated. Government would benefit from working with industry and openly discussing in more detail how this change will benefit businesses in practical terms. The feedback from ADS members has been that the premise behind these changes is supported, but that businesses require more information on how they will directly impact their ability to win and fulfil export orders.

2.3. The extension of more 'general' export-based financial support for UK companies and greater clarity over the type of services government will be able to offer businesses, must also coincide with more awareness campaigns. The role that UKEF can play is assisting companies is an important one. Therefore, government must ensure the EIGA amended gives UKEF greater power in improving the level of understanding throughout the supply chain. A number of ADS member companies, particularly supply chain SMEs, expressed the view that they were unaware of the overall role of UKEF and how they could help their business export.

3. Creating a 'level playing field' and enhancing international collaboration

3.1. Importantly, legislative changes must be driven by the underlying desire to match international competition from Export Credit Agencies (ECAs). UK business should be able to compete on a 'level playing field' and receive the same level of export funding support and products which are currently available to their international competitors.

3.2. ADS supports changes to the EIGA that will ensure UKEF is internationally competitive, and suggest the government seek to analyse effectively where other national ECAs pro-actively extend coverage to both direct and indirect exporters. As an example, the legislation underpinning Export Development Canada (EDC) and the US Ex-Im Bank enables these ECAs to offer a variety of products designed to support their domestic exporters and supply chains, which currently are not available to UK businesses. UK companies would benefit from similar products that seek to broaden the availability of working capital finance support, or services which are dedicated to providing liquidity and capital to domestic supply chains that are involved in exporting.

3.3. Alongside developing products and services which match those available to overseas competitors, industry is supportive of increasing the ability of UKEF and the Secretary of State to engage in greater international collaboration. Due to the global nature of our sectors, the UK has many subsidiaries of multi-national companies that are competing for export orders. More flexible co-operation agreements with other national ECAs will help to ensure that products intended for export and which have substantial UK content, are adequately supported with financial assistance from the UK. Aside from simply winning an export order, this will ensure that multi-national companies recognise the support provided by the UK government and will help to ensure they maintain UK jobs and operations in the longer term.

4. Legislative changes must include safeguards to protect UK businesses

4.1. Any changes to the EIGA must be made with clear safeguards in place that seek to protect UK companies from potential and indirect competitive disadvantage. As UKEF seeks to broaden the availability of export finance, the potential for overseas competitors within complex supply chains to benefit indirectly, is a much greater risk. Legislative changes must ensure that any export-finance approved by UKEF is based on the principle that UK companies are the main beneficiaries and that support is not provided where there is any potential inadvertent risk of international competitive disadvantage for UK industry. This approach should however be balanced to ensure that it does not add unnecessary burdens to companies who wish to receive export finance, but that it protects UK companies who could be indirectly disadvantaged against foreign competitors.

4.2. As an international comparison, the US Ex-Im bank requires approval from Congress in order to continue trading and providing support for US export projects. This however is based on the agreement that there are no "adverse effects on US industry" and that the Ex-Im bank may not "support projects that enable foreign production of an exportable good that would compete with U.S production of a same, or similar, good". Any changes to UKEF legislation would benefit from statements which follow similar guidelines to the US Ex-Im bank model, in order ensure that foreign competitors do not gain an indirect advantage from UKEF financial support.

4.3. The development of potential new 'supply chain finance schemes' or products which seek to support perhaps the import leg of an exporter's production process, could cause indirect disadvantage. UKEF must ensure that larger contractors involved in exporting (either in the UK or abroad) do not use UKEF funds to finance their supply chains in competitor countries, rather than those in the UK. In addition, any ‘import support’ for exporters must ensure that companies do not use these funds to buy material from abroad when there is direct competition in the UK.

4.4. Greater clarity from government on the steps which will be taken in order to safeguard against any competitive disadvantage should be outlined. The government should however also ensure that any safeguards put in place do not contradict with the ability for foreign owned companies to buy goods from and invest in UK based companies and supply chains, and for UK subsidiaries of non-UK companies to obtain such support for their own export orders.

5. Extension of UKEF powers to support IPR and other intangible exports

5.1. Proposed changes which would extend UKEF’s ability to offer financial support for the export of Intellectual Property Rights (IPR) and other intangibles is supported by industry. The development of IPR is often a high cost for manufacturers, and one which in some instances may be passed on within the cost of goods or components to be exported. By allowing UK companies to access funds that either support IPR development costs, or offer finance for patent protection, legal insurance or to fund overseas copyright claims would reduce a significant burden for companies that are or wish to be involved in exporting. For SMEs in particular, the ability to hold IPR which can be sufficiently protected is an important consideration when identifying potential export markets.

5.2. However, legislative changes should also provide enhanced protection for UK companies looking to export their IPR. In particular, where defence exports are concerned, UKEF must ensure that any attempt to support companies seeking to develop, sell, license or utilise their IP in other nations, does not conflict with ownership rights linked to Home Office or Ministry of Defence (MoD) contracts and programmes. Greater clarity from government on the intended goal of IPR based support from UKEF should be outlined, alongside the type of products and services that will be offered, in order to ensure that industry can flag up specific concerns or issues.

6. Conclusion

6.1. The proposed changes to the EIGA and the extension of UKEF’s ability to support UK exports will allow a greater number of companies within our industries the opportunity to take advantage of the potentially significant export and growth opportunities in the Aerospace, Defence, Security and Space sectors. The extension of UKEF powers to enable this growth should be underpinned by the aim that ensures products and services compete with or are similar to those offered to overseas competitors, by their own national ECAs.

6.2. However, the legislative changes proposed must seek to ensure that UKEF does not provide financial assistance which could disadvantage other parts of UK industry. Whilst the development of terms and conditions for UKEF products will focus more on company eligibility, safeguards within the EIGA should ensure that decisions taken by UKEF do not inadvertently or indirectly benefit companies in competing nations.

6.3. Whilst support for IPR development will help remove significant cost burdens for UK businesses, greater clarity is also required on how UKEF will protect UK IPR in overseas markets and ensure there is no conflict with ownership rights linked to sensitive military and security IP.

UK Export Finance consultation on proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantee Act 1991 (as amended)

Submission from Amnesty International UK

Amnesty International is a worldwide movement of people who campaign for internationally recognised human rights to be respected and protected. Our vision is for every person to enjoy all of the human rights enshrined in the Universal Declaration of Human Rights and other international human rights standards. Our mission is to conduct research and take action to prevent and end grave abuses of all rights – civil, political, social, cultural and economic.

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16 April 2014

Amnesty International's Response to proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 (as amended)

Amnesty International has for the past 15 years taken a close interest in the human rights context of the UK's Export credits Guarantee Department, known since 2011 as UK Export Finance (UKEF). In June 2013 Amnesty published a briefing '*A History of Neglect: UK Export Finance and Human Rights*'. The concerns set out in this document can be summarised as follows:

- UKEF has taken fundamental policy decisions without proper assessment of their human rights impacts.
- UKEF is not aligned with initiatives undertaken by other parts of the UK government to address the human rights impacts of UK companies operating abroad.
- UKEF is out of kilter with current standards and best practice on business and human rights.
- The UK government has ignored recommendations of parliamentary committees on UKEF.
- UKEF is continuing to use deficiencies in standards set by the Organisation for Economic Co-operation and Development (OECD) as a pretext for withdrawing from previous commitments.

The proposals that are the subject of this consultation would, if put into effect, exacerbate all the above deficiencies. The reasons why are as follows.

1. **Fundamental policy changes are envisaged without proper assessment of their human rights impacts**

The consultation document makes no reference to human rights, the environment or development. It appears to assume that there are no human rights implications of the proposed changes. Yet there is no indication in the proposals that UKEF has undertaken a human rights impact assessment of these policy changes, or that such an impact assessment is necessary.

Without such prior assessment, UKEF cannot be aware of the human rights, environmental and developmental impacts of an extended '*tool-kit*' of products and services, and an approach that enables UKEF "*to respond with greater agility to changes in market conditions, and with greater certainty that its powers are wide enough to allow it to offer products which fill gaps in the market as they appear*'.

Amnesty International believes that it is an essential part of governmental processes to anticipate, assess and take into account the consequences of administrative decisions. The fact that outcomes may be unpredictable and difficult to anticipate with accuracy does not remove the need for the government to attempt to assess the range of impacts its policy changes are likely to have.

2. **The proposed changes are not aligned with other UK government initiatives to address the human rights impacts of UK companies trading and investing overseas**

In September 2013, the Secretaries of State for Foreign Affairs and for Business, Innovation and Skills launched a National Action Plan entitled '*Good Business: Implementing the UN Guiding Principles on Business and Human Rights*'.

One of the commitments set out in this plan under the State's Duty to Protect Human Rights 2(iv) is for the UK to "*Review the degree to which the activities of UK State-owned, controlled or supported enterprises..............are executed with respect for human rights, and make recommendations to ensure compliance with the UNGPs.*'

How can UKEF contribute to the realisation of this commitment to review the degree to which the activities of UK enterprises that it supports are executed with respect for human rights, when it is proposing fundamental policy changes without having given any apparent consideration to the human rights issues and impacts arising from these?

3. **The proposed changes do not assimilate current standards and best practice on business and human rights**

The UN Guiding Principles on Business and Human Rights, which UK has endorsed, refers to the role of export credit agencies. Principles 4 sets out the requirement that:

‘States should take additional steps to protect against human rights abuses by business enterprises that...............receive substantial support and services from State agencies such as export credit agencies and official investment insurance or guarantee agencies, including, where appropriate, by requiring human rights due diligence.’

It is difficult to see how UKEF can fulfil the role required under the UN Guiding Principles in light of proposed changes to the Export and Investment Guarantees Act which have neglected any consideration of human rights. UKEF’s intention to ‘*broaden UK Export Finance’s powers to enable it better to provide support, not only for export contracts, but also to companies engaged in exporting or who may wish to export*’ needs to be counter-balanced by clear and explicit measures to protect human rights in the context of this enhanced support.

Essentially, the increased powers envisaged for UKEF need to be matched by increased safeguards to ensure that those whose rights might be affected by the transactions and projects supported by UKEF are afforded appropriate protections. No such increased safeguards are proposed in the consultation document.

4. The proposed policy changes ignore the recommendations of Parliamentary committees

Implicit in the proposed policy changes is the assumption that upholding human rights and environmental standards would put UKEF at a competitive disadvantage. This is reflected in the assertion (paragraph 9) that:

‘*The Government’s policy is to seek a level playing field for UK exporters by regulating the activities of state-backed ECAs through international agreements and understandings. From 2010, following a public consultation, UK Export Finance has operated a policy of applying international agreements that relate to the activities of ECAs but not going beyond them.*’

This approach is fundamentally at odds with the 2012 report of the inquiry into UKEF conducted by the All Party Parliamentary Group on International Corporate Responsibility. The report's final conclusion was:

'*The inquiry holds that delivering export-led growth and upholding ethical and environmental business standards are not mutually exclusive; that examples exist of export credit agencies from all over the developed world that are at once more active in supporting their countries' exports and demand more rigorous standards in their human rights and environmental due diligence. If UKEF is to genuinely fill a gap that the private sector cannot provide, demanding reasonable standards of their clients in this space should not impede British competitiveness and with public money, certain standards should be expected to protect the reputation of British business.*'

The failure to address the human rights and environmental dimension of the proposed revisions to the Export and Investment Guarantees Act reinforces the long-standing gulf between parliamentarians and the government regarding the policies and practices of UKEF. This gulf was reflected in the 2008 Environmental Audit Committee's report on its investigation into UKEF, and in the 2009 Joint Committee on Human Rights report on business and human rights, which challenged the adequacy of UKEF's processes in this area and the Government's will to address UKEF's failings.

5. The reliance on inadequate OECD standards and refusal to go beyond these reflects an abdication of responsibility

The OECD standards referred to in paragraph 14 of the consultation document are presented as the ceiling for UKEF in so far as paragraph 9 states that '*UK Export Finance has operated a policy of applying international agreements that relate to the activities of ECAs but not going beyond them.*' This is an abdication of responsibility by UKEF with regard to human rights and the environment. Such an approach is inconsistent with UK's commitment to the UN Guiding Principles on Business and Human Rights which embody much higher expectations than the OECD Common Approaches referred to in paragraph 14 (v).

The APPG on International Corporate Responsibility set out three recommendations in the 2012 report of its Inquiry into UK Export Finance, which go well beyond the requirements of the OECD Common Approaches:

Recommendation 8
'UKEF should regard the OECD Common Approaches as a starting point for ESHR standards; **expand the standards to all project applications**, including aerospace and at all values; impose penalties on companies that violate standards; appoint a non-executive director to the management board with human rights experience and allow EGAC to review current applications on request. No project should be granted cover until its ESHR assessment is completed. More transparency is welcomed.'

Recommendation 9
'UKEF should establish a **grievance mechanism**; consult on a prohibitions list for arms; and conduct a review of existing best practice on human rights and the environment in the private sector to ensure UKEF standards do not cover projects that the private sector would not on ethical grounds.'

Recommendation 10
'UKEF should **publish all impact assessments**, subject to reasonable commercial confidentiality constraints and audit all debts owed.'

The Government's proposals to make changes to the Secretary of State's powers fall far short of the standards of conduct on human rights and the environment that are envisaged in the above recommendations of the APPG's Inquiry. No reason is provided in the consultation document as to why these higher standards shouldn't become part of the regulatory framework governing UKEF's operations in future.

Amnesty International urges the UK Government to reconsider the proposed changes to the Export and Investment Guarantees Act 1991 (as amended) in light of the above arguments, and to fully reflect the need for UKEF to embrace human rights and to be held accountable for how it does so under any new legislation.

16 April 2014

Aon Trade Credit response to consultation

UK Export Finance: Consultation on proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 (as amended)

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/294973/eiga-changes-consultation-doc.pdf

Aon welcomes the move to expand the capability of UK Export Finance to be more responsive to the needs of exporters and support the National Export Challenge.

Export credit insurance enables companies to sell on competitive commercial terms without taking on undue risk. Open credit terms typically allow the purchaser a period of credit, are flexible, and encourage a trading relationship to build.

Aon Trade Credit makes wide use of the Export Insurance Policy (EXIP) to help entities carrying on business in the UK to grow export sales where there is limited private market appetite, either because of the country risk or because the size or structure of the proposition is uneconomic for the private market. UKEF's ability to underwrite open account terms has enabled companies to sell on competitive terms, grow their exports, and support UK jobs. By allowing a minimum 20% UK content - which may consist of expertise, management, and/or intellectual property - exporters can procure goods from the best source so that their offer is competitive.

Particular support is needed for SMEs whose export volumes can be insufficient to be viable for commercial insurers. SMEs do not have time to navigate complex structures and conditions, so the cover should be accessible, simple and clear.

The EXIP needs to be capable of covering a variety of situations in relation to UK exports:

- Where a financier has purchased a debt, that financier needs to be a policyholder.
- Non-bank financiers should be eligible for cover, including factors, purchasers of debt, finance houses owned by manufacturers, peer-to-peer lenders and crowd funders.
- Cover is needed where contract structures involve a sale is via an overseas entity that is a part of the same corporate group as the UK exporter, and which may be based in the country of the purchaser.
- Capital investments may involve project specific companies as the purchaser or the exporter. Cover may be needed by a single participant to cover sales made by joint ventures (JVs) and/or to JVs.
- Where the exporter is in the UK and the purchaser is overseas, it should not matter if the goods and services are delivered in the UK. For example, cover should be available to cover the payment risk on foreign students attending UK universities.
- Bond unfair calling cover is needed where the bond supports a UK export, whether or not the entity that is indemnifying the issue of the bond is the same legal entity as the exporter.
- If UKEF participated in syndications with private market insurers, this would act as valuable 'seed capacity' for large market placements.
- When appetite returns in the private market, UKEF should allow appropriate sharing of recoveries to enable the private market insurer to provide cover and so that the exporter is not disadvantaged.

The quality of cover needs to be addressed:

- A wording that is simple, without cross references and repetition would cut down query time. We need a standard basic policy in crystal clear English so that companies can understand easily what they are buying and their lawyers get to know the basic policy and simply to review each new policy schedule. Private market insurers engage brokers to write wordings, with lawyers checking them.
- Cover for insolvency, in all its forms, would allow early payment of claims and support the cash-flow of smaller companies.
- Pre-credit cover should overtly include insolvency and deemed insolvency as well as political risk.
- Flexibility and devolved responsibility within UKEF would expedite changes to standard wordings to reflect the very different needs of individual exporters.
- Allowance should be made for queried invoices, where variations are a normal part of trade, and where finalising contractual amounts owing occurs after the contract would normally be declared to UKEF.
- Permitted variations to a contract should only need to be advised to UKEF when they are material to the payment risk.
- The Bribery & Corruption (B&C) declarations can be slimmed down, requiring the proposer to sign that he/she has read it 2010 Bribery Act and understood its implications. As the Proposal forms part of the contract of insurance, there is no need to repeat these declarations in each policy wording.

Additional facilities are needed

- New and small exporters need cover for any destination, not confined, as now, to 'non-marketable' (marketable countries are the EU, Norway, Switzerland, USA, Canada, Japan, Australia, New Zealand and Iceland).
- On sponsored trade missions, there should be a duty to release in advance the names of overseas invitees so that exporters can run credit checks and plan their sales campaigns, including offering competitive commercial terms. UKEF should undertake the vetting for small and new exporters if they do not have access to commercial credit insurance.

Lastly, at present, UKEF is the trading name for the Export Credits Guarantee Department, so the ECGD name remains on the policy wording. It would be easier if the same name was used on documentation and publicity.

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16th April 2014

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Dear Sirs,

Consultation on proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 (as amended)

BAE Systems is a user of UK Export Finance (UKEF) products to support high-value export contracts, particularly contracts entered into by the BAE Systems Military Air and Information business. Our UK supply chain benefits from such export contracts. We have some 9,000 suppliers in the UK, ranging in size from large corporates through to SMEs.

We welcome the proposed changes to the Export and Investment Guarantees Act 1991 (as amended) (EIGA) and fully support the Government's objective of widening the scope of UKEF to permit UKEF to engage directly with companies within our supply chains. The proposed changes, in our view, will ensure that UKEF's products are accessible to a broader base of large, medium or smaller UK companies engaged in overseas exports, thereby supporting growth in UK export revenues and ultimately adding value to the UK economy.

We believe that the proposed changes will benefit our suppliers, particularly smaller and medium sized companies, by providing direct access to UKEF products to support indirect exporting activities or, in a number of instances, to encourage individual companies to export in their own right. The availability of UKEF guarantees and insurance products, in particular UKEF's working capital guarantee, to supply chain entities would provide them with valuable financial and risk mitigant tools, which in turn should assist them to grow.

BAE Systems also welcomes the proposal to allow UKEF the flexibility to support complex contracting structures, including the involvement of overseas subsidiaries and joint ventures. Overseas buyers increasingly require local company involvement in the supply arrangements and the proposed amendments would be entirely consistent with the changing nature of high-value export contracting arrangements.

We trust that our response to the Consultation will help inform the outcome and we look forward to the passage of the necessary enabling legislation later in 2014.

Yours sincerely,

David Brent
Group Treasurer

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BBA submission on the UK Export Finance (UKEF) 'Consultation on proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 (as amended)

The British Bankers Association (BBA) is the leading association for the United Kingdom banking and financial services sector, representing over 200 banks, which are headquartered in 50 countries and have operations in 180 countries worldwide.

The BBA welcomes the opportunity to respond to UKEF's consultation on proposals to make changes to the Secretary of state's powers under the Export and Investment Guarantees Act 1991 (EIGA). We would, of course, be happy to clarify any points raised in these comments, or to discuss further any issues related to this consultation.

General comments

The BBA welcomes the Government's commitment to supporting UK exporters to take advantage of fast-growing international markets and compete on the same level with other international exporters. We support the Government's aims and believe that focusing on improving the UK export market is a crucial part of achieving a balanced economic recovery.

There are strong indicators that the UK economy is growing, business optimism is high and there is a strong appetite for exporting into overseas markets. This presents an excellent opportunity for UK exporters to expand and diversify into new markets.

We believe in creating a competitive exporting environment that provides exporters with the best possible and most flexible finance options and that is why we have been working very closely with UKEF over the years to continue to evolve its product and service offerings.

Our Budget submission for 2014 suggested a range of changes and developments the government could make and we are pleased many of these suggestions made have been taken on. The recommendations included suggesting a review of the statute governing UKEF to allow it to be more flexible and specifically to support export supply chains, so we are very supportive of this consultation and its aims.

Providing greater flexibility to UKEF is essential to allow UKEF to better tailor its support for businesses and the range of products and service offerings it can provide. This is critical to help ensure the UK remains competitive overseas and to place the UK at the same level with other Export Credit Agencies. Generally too it will be imperative that the overall contemplated changes do result in legally binding commitments by UKEF to the Bank under the Master Guarantee Agreements.

While we recognise the changes to the act to improve its powers are welcome, we highlight that the recent change of operating name from ECGD to UKEF has caused some confusion in the market place, and we would suggest the government consider how this could be improved upon going forward.

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Comments on Proposed revisions

In response to the proposed revisions to the Export and Investment Guarantees Act (EIGA), the BBA fully supports the aim to remove the barriers that limit UKEF and thereby ensure the agency matches other ECAS in product and service offerings and maintains the UK's competitiveness in international markets. We provide below some more detailed comment on the proposed revisions:

(i) a more generalised ability to assist and support businesses in the UK that are, or wish to become, involved in exporting or exporting supply chains, for example, by providing guarantees of general working capital facilities or by providing information or advice;

It is essential that the statutory revisions ensure that UKEF has the flexibility and ability to help export supply chains and all companies involved in a supply chain. This is crucial if the UK is going to be on a level playing field with other ECAs and remain competitive internationally. It also fits well with existing programs and operations already in place at UKEF and in the banking industry such as Supply Chain Finance schemes, receivables schemes and Export Working Capital Schemes as well as supporting tooling finance needs for indirect exporters, i.e. those selling to exporters of record such as automotive and aerospace original equipment manufacturers. These indirect exporters are vital to exporting supply chains but do not currently have access to UKEF support since they are not the exporter of record. The statutory revisions should address this issue.

We also support any moves that allow UKEF flexibility to delegate to its partner banks power to execute transactions under umbrella facilities. For example enabling the bank to utilise the UKEF Bond Scheme in a similar way to the current Enterprise Finance Guarantee Scheme. This would be on pre-agreed terms for them to undertake business as it arises which UKEF subsequently audits/ monitors.

In general terms we also agree with the need to assist and support businesses; it is our belief that all businesses that wish to engage in exporting would benefit from a more unified approach and signposting to relevant information which will increase awareness and responsiveness to the range of products and services that are offered by UKEF and others.

It is important for UKEF to work in close collaboration with UKTI to promote the various government products and services. The existing UKEF export finance advisers provide a critical role to play here but more can be done to increase ‘**expertise on the ground’**. One way of improving this would be to create ‘export zones’ which will bring together the private and public sector export support and expertise to enable a pool of localised knowledge on specific overseas markets to which SMEs can tap into. The BBA would also like to see greater investment in early education within schools, colleges and Universities to develop confidence and greater understanding of exporting.

(ii) the ability to support exports of intellectual property rights and other intangibles;

Exports of intellectual property rights and other intangibles are an important growing element gaining greater attention internationally and nationally. Although intangibles are typically associated with higher risks, businesses engaging in these can play a key role in providing new growth and contributing to the economy. In this respect, it is important to minimise the constraints faced by businesses engaged in intangibles and to offer tailored support to businesses.

We believe that it would benefit businesses if they had a greater understanding of Intellectual Property as a whole and any precautions required when dealing with intellectual property rights. There should be collaboration between UKTI, the Intellectual Property Office and private sector providers to work together to equip businesses and highlight Intellectual property rights issues in specific countries.

(iii) more flexibility when supporting UK exports, in particular where there are complex contracting chains and financing arrangements or where exports are made via overseas subsidiaries or joint venture companies; and

We strongly support more flexibility being given to UKEF in order for them to engage in export transactions made via overseas subsidiaries or joint ventures. This is essential if the UK is to remain competitive to other markets and other ECAs. Specifically in this regard we believe there are opportunities to utilise the LC Guarantee scheme and bond support scheme specifically in this regard.

As part of UKEFs help in contracting complex supply chains it will be important that UKEF ensure its application processes are simple, efficient and more user friendly for exporters.

As part of the review it is also important for UKEF to expand the country risk coverage to match other ECAs and ensure we remain competitive in the offerings available. Revisions should be made to the statute to ensure the country coverage is flexible as well as to ensure UKEF can price competitively using CIRR rates operated by many other countries.

(iv) more scope to support projects and business ventures overseas to which goods or services sourced from UK exporters are directly or indirectly supplied.

The BBA fully supports more scope being given to UKEF to support projects and business ventures overseas to which goods and services sourced from UK exporters are directly or indirectly supplied. It would be immensely helpful if complex long-term transactions can be better supported with long-term export finance to foreign buyers of UK capital goods and services. This will also help with reaping the benefits of economies of scale and driving presence of UK goods in international markets. The UKEF should continue to work with the banking industry to explore innovations and improvements to export finance to support major UK projects. For example we continue to work with UKEF in creating pre-agreed limits and cover against which named export companies can be drawn upon as and when eligible contracts/orders are placed by overseas buyers, and we look forward to this developing.

Certain other technical amendments to the EIGA are also proposed, including consolidation of the foreign currency and sterling limits on UK Export Finance's activities and the enhancement of UK Export Finance's powers to manage transactions, which will facilitate transfers of UK Export Finance-guaranteed loans, thereby increasing their liquidity.

The banking industry is supportive of the above developments, including the recent opening up the Bank of England's Market operations to include UKEF facilities which is something the BBA has recommended for some time. We will continue to work further with UKEF on ways in which they can expand their product and service offerings.

It will also be very important to get the Export Refinance Facility up and running with a competitive pricing mechanism. This is a critical facility for exporters which must be set with the right price parameters in place.

Concluding remarks

Overall the BBA supports the changes to the EIGA which in effect strengthens UKEF's abilities to support a wide range of exporters in the UK which should lead to increased competitiveness as well as supply chain effectiveness. All of which is essential to our competitiveness in international markets.

Supporting complex joint venture transactions that UK exporters engage in is hugely significant and will allow the UK exporters to reap economies of scale and further bring in additional revenue to help in growing the internal UK market.

The UK is in a very strong position to use the export market to contribute and act as a catalyst to attain a balanced economic recovery and the banking industry will play its part with UKEF and government in supporting this export drive.

We will be happy to clarify any points raised in the detailed comments above, or to discuss further any issues related to this consultation. We also remain in close contact with UKEF and UKTI as they continue to enhance and develop their service offerings

British Bankers' Association

16 April 2014

From:	Jordan,Daniel Brian
To:	Chief Executive Office
Cc:	Jordan,Daniel Brian; Tracey Shelley; Katherine Bittlestone
Subject:	RE: Consultation on UK Export Finance legislation - BCECA and Air Products Response
Date:	16 April 2014 11:53:35

For the attention of Kate Bittlestone

Dear Kate,

In summary, on behalf of the BCECA organisation and Air Products, we welcome the consultation proposals and look forward to more flexible and supportive export credit arrangements being made available from ECGD to support our prospects overseas using goods and services sourced from the UK.

In the past, the UK export credit agency (ECGD) has provided guarantees to banks to support export credit loans provided by the banks to foreign buyers. Some other ECAs, such as US-Exim and JBIC, have also provided loans directly, and a couple of years ago – in response to the credit crunch, which was affecting the willingness of banks to fund export loans – ECGD was given a limited authority to do the same. It has, so far, been little used, perhaps partly because ECGD was required to charge interest rates which included a significant risk weighting.

Given the announcement that the capacity available to ECGD for such direct lending has been doubled (to £3 billion), and the interest rates to be charged on these loans will be reduced to the minimum permitted by international consensus, this may offer some further opportunities and benefits for BCECA members, and we eagerly anticipate the details.

ECGD's consultation paper asks for views on potential changes to the terms of reference which govern ECGD's operations. Amongst other things, this proposes:

- more flexibility when supporting UK exports, in particular where there are complex contracting chains and financing arrangements or where exports are made via overseas subsidiaries or joint venture companies; and
- more scope to support projects and business ventures overseas to which goods or services sourced from UK exporters are directly or indirectly supplied

The latter would be very good news for those BCECA members who are potentially using UK export credit, since projects are increasingly complex and any major project is going to need a complex contracting and financing plan which may not always align well with the traditional ECA structures.

Thank you for the opportunity to provide our comments to the consultation.

Thank you,
Dan Jordan
Business Development - Sale of Equipment
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BRITISH EXPORTERS ASSOCIATION

CONSULTATION ON PROPOSALS TO MAKE CHANGES TO THE SECRETARY OF STATE'S POWERS UNDER THE EXPORT AND INVESTMENT GUARANTEES ACT 1991 (AS AMENDED)[1]

The British Exporters Association ('BExA') is a membership organisation representing some 80 corporates. Our membership is drawn from across the exporting community, including capital goods manufacturers and international traders (large corporates, MSBs, SMEs and Micro exporters), and their bank, credit insurance and other service providers. BExA takes a particular interest in trade finance and export credit insurance.

BExA RESPONSE

A. EXECUTIVE SUMMARY

1. The proposed changes to the Export and Investment Guarantees Act 1991 (as amended) ('EIGA') broadly reflect key BExA recommendations for UK Export Finance ('UKEF'). Accordingly BExA warmly welcomes these proposals.
2. The proposed changes are consistent with the objectives of the National Export Challenge, launched in 2011, to increase UK exports from £450bn to £1trl per annum by 2020, getting an additional 100,000 companies exporting, thereby increasing the ratio of companies exporting from 1:5 to 1:4. They are also consistent with the aims of the February 2011 Trade and Investment for Growth White Paper.
3. The document demonstrates the Government's acknowledgement that UKEF operates in a competitive OECD Export Credit Agency ('ECA') environment. If enacted, these changes would represent a key driver towards the Chancellor's stated ambition to make UKEF the most competitive European ECA. The proposed changes will not, however, address the continued actions of non-OECD ECAs (including China) in offering enhanced terms that OECD ECAs are unable to match. Work should continue to bring these nations under the OECD framework to enable a level playing field for all exporters.
4. The introduction in 2011 of UKEF's short term Trade Finance products signalled the return by UKEF to short term credit insurance to address gaps in the private market provision of cover and introduced new products (notably Bond Support) that have stimulated noteworthy levels of trade. UKEF's Direct Lending Facility, launched September 2013, and enhanced in the March 2014 Budget, broadens UKEF's product range and is suitable for exporters of all sizes.
5. It is critical that in future UKEF should be able to provide facilities for 'the exporter' rather than individual 'export contracts'. Support is needed whether the exporter is in an export supply chain, a contractor, or is exporting in its own right. Global trade is conducted under a wide variety of contractual arrangements, including the increasing prevalence of delivery via overseas subsidiaries of UK corporates or joint ventures, to meet overseas buyer's local content requirements. The broadening of UKEF's remit to accommodate all types of contracting structure, including those that will evolve in future, and all exporters, be they direct or indirect, is logical and something BExA fully supports.

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[1] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/294973/eiga-changes-consultation-doc.pdf

6. BExA has been conducting an annual benchmarking of UKEF's product portfolio and business performance against its ECA peers 'UK Export Finance: Supporting the National Export Challenge' [2]. In October 2013, BExA's recommendations focused on the qualitative aspects of cover: how UKEF products can be made more accessible, flexible and effective and therefore successful.

B. SPECIFIC POINTS

1. The EIGA should be drafted to enable UKEF to provide flexible and competitive insurance and guarantees in support of UK exporters, whichever contracting route they have elected to pursue to increase their chances of winning the order. Flexibility should include:
    a. Allowing changes in cover post contract award if the contract scope and performance schedule alter, bringing UKEF in line with other ECAs' practices.
    b. Avoiding duplication and cross referencing in policy wordings so exporters have a clear understanding of the cover and their responsibilities in managing it. SMEs in particular need the confidence of UKEF's valuable support to be able to respond to export opportunities confidently and robustly. UKEF should have a goal to achieve a Plain English Crystal Mark, in common with a number of other Government Departments.[3]
    c. Elimination of duplication between Proposal Forms and the resultant Policy; the Proposal form is part of the contract of insurance.
    d. Cover in the Export Insurance Policy ('EXIP') for the risks of contract frustration and buyer insolvency (and deemed insolvency) as well as invoice non-payment.
    e. EXIPs transferable to the exporter's financier to facilitate export finance.
    f. EXIPs covering a series of export sales to a single buyer or distributor.
    g. Bond Support maximum cover agreed for individual exporters (per the Swedish model[4]).
    h. Co-insurance with private market insurers. The Belgian ECA, Ducroire, leads the way in supplying vital capacity in insurance syndications where market capacity is otherwise limited.
    i. Continued support for exporters defined as entities 'carrying on business in the UK'
    j. No change to the current minimum 20% UK value which allows UK exporters to be competitive by outsourcing production where appropriate.

2. The broadening of UKEF's remit as envisaged by the proposed changes to the EIGA has the potential to increase UKEF's customer base. BExA recommends:
    a. Streamlining of UKEF's application forms and processes, including a standard form for all products to reduce duplication. By comparison,

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[2] http://www.bexa.co.uk/docs/eca%20benchmarking%202013%20final.pdf
[3] http://www.plainenglish.co.uk/services/crystal-mark/crystal-mark-holders/873-government-organisations-with-crystal-marks.html
[4] Exportkreditnamnden ('EKN')

EKN's 5-page application form[5] is comprehensive, clear and simple to follow.

b. Anti-bribery and corruption undertakings brought in line with the UK Bribery Act 2010. OECD undertakings and anti-bribery and corruption can be written in concise and thorough terms.

c. Faster credit risk processes for enquiries and applications. Exporters need feedback at the earliest opportunity as to the price and availability of support to suit customer timescales. UKEF business teams should be empowered to make decisions. EKN routinely provides indications of cover within 24 hours of the enquiry.

d. Suitable resourcing of UKEF to ensure delivery of exporter requirements can be met at all stages of the export winning process.

3. In order to put 'clear blue water' between UKEF's product range and that offered by other European ECAs, BExA recommends that the following additional Products and an amendment to an existing product be introduced at the earliest opportunity:

   a. Tender to Contract Cover TTC - Cover is needed for **c**urrency exchange rate fluctuation between the date of the exporter's bid and date of contract signature where fixed price bids are required. There is no private market insurance product for this risk. TTC risk is significant to UK exporters with a predominantly Sterling cost base, whereas a EU exporter may be trading intra - Euro zone and US exporters have the advantage that for much of the world, the US Dollar is the currency of trade. SMEs in particular are very much at the 'mercy of the markets'.
   b. Letter of Credit Guarantee Scheme ('LCGS') **–** Pricing the LCGS using the OECD formula and cover at 90% rather than the current 80% would improve the competitiveness and the usefulness of the LCGS for exporters.

   c. Working Capital Guarantee (WCG) **–** Where small or medium size exporters are not able to access adequate working capital facilities from their bank, a portion of the £3bn Direct Lending Facility should be allocated to provide direct funding. This would fill a banking market gap.

   d. Fixed Rate Export Finance (FREF) – the re-introduction of FREF for buyer and supplier credits to complement the Direct Lending CIRR based Facility.

7th April 2014

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[5] http://www.ekn.se/Global/Blanketter/Engelska%20blanketter/CER%202014/Application%20-%20Guarantee%20for%20trade%20receivables%20(8.01e).dotx

Ct/LetDc
15th April, 2014.

The Consultation Team
Chief Executive's Office
UK Export Finance
1 Horse Guards Road
London SW1A 2HQ

For the Attention of Kate Bittlestone

Dear Sirs

Consultation on proposals to make changes to the Secretary of State's powers under the Export and investment Guarantees Act 1991 (as amended)

The British Insurance Brokers' Association (BIBA) is the UK's leading general insurance intermediary organisation representing the interests of insurance brokers, intermediaries and their customers.

BIBA membership includes just under 2,000 regulated firms, who employ more than 100,000 staff. General insurance brokers contribute 1% of GDP to the UK economy, they arrange 53% of all general insurance and 81% of all commercial insurance business. Insurance brokers put the client's interests first, providing advice, access to suitable insurance protection and risk management.

Access to the Export Insurance Policy (EXIP) is key for our members and so our response is focused upon how suggested improvements could be incorporated to assist in this process.

Export contracts are frequently complex, involving structures that do not easily fit into the earlier Act, including exporting from the UK via a company, which may be a subsidiary, local to the buyer, or that the principal to contract for the export of UK goods is actually overseas. There have been many occasions where brokers have had enquiries unreasonably turned down, not because of risk appetite, but rather because of "vires".

We are actively looking to promote trade credit throughout our membership and our members concerns are that the existing arrangement does sometimes impair their ability to promote trade credit and is therefore failing the customer.

We would request that the EXIP should have commitments to deliver its cover in plain English, on terms that at least equal what is generally available in the private market, and to provide capacity to syndicated insurance arrangements to extend the capabilities of the private market on the terms and wordings generally accepted in the private market.

We thank you for taking the time to consider our response and we would be happy to meet up and discuss in more detail if required.

Yours faithfully

Steve Foulsham
Head of Technical Services
Tel: 020 7397 0234
Email: foulshams@biba.org.uk

From:	Chief Executive Office
To:	[redacted]
Subject:	FW: Consultation - EIGA 1991 (as amended)
Date:	17 April 2014 10:32:57
Attachments:	image003.png

From: Nigel PHILLIPS [mailto:nigel.phillips@uk.bnpparibas.com]
Sent: 16 April 2014 18:11
To: Chief Executive Office
Cc: Judith UNWIN; Nigel PHILLIPS
Subject: Consultation - EIGA 1991 (as amended)

FAO Kate Bittlestone

Response from BNP Paribas

1. As an international bank active with more than 25 Export Credit Agencies and a London Export Finance desk dedicated to supporting UK exporters we welcome these proposed changed to the EIGA
2. The need for a "level playing field" to support UK exporters has been flagged by various bodies for many years and this proposal is moving in the right direction.
3. Any proposed changes to the EIGA will need to be accompanied by a significant education programme and marketing initiative to ensure all interested parties are aware of the proposed new mandate. This includes UKEF staff, the EFAs both in the UK and abroad, the banks and of course exporters whether they be SMEs, MSBs or large corporates.
4. The structure of UKEF will need to be reviewed to ensure delivery is optimised. Is it time to look again at a geographic focus?
5. Are UKEF sure that any proposed changes are as broad as possible and would give UKEF enough flexibility to consider a wider "UK interest" in the way that ONDD of Belgium can support exports?
6. [redacted]
7. The financial objectives of UKEF as set by HMT should be reiterated as many believe UKEF acts as a subsidy. The "no net cost" over time stipulation is important to amplify when seeking such changes as these to the mandate.
8. In addition to proposed changes to the Act UKEF should seriously consider and act upon strong market representations on existing products and processes to streamline, simplify and improve market competitiveness.

Regards
Nigel

NJP sign

UK Export Finance Consultation
Submission to ADS from Bombardier Aerospace, Belfast

Thank you for the opportunity to review the briefing document and respond..

1. The proposed changes are welcomed. We do not see any particular area of concern with the direction of the proposals but consider that some more clarity on certain aspects we cover below would be useful.

2. The ability to support exports entailing significant levels of intellectual property / intangibles is particularly welcomed. We would want to ensure that the definition of intangibles includes what we term as "non-recurring" or programme development costs.

   Financing of non-recurring costs is an important factor in the overall competitiveness of the UK Aerospace sector. Increasingly Tier 1 suppliers are being asked to recover these non- recurring / development costs via the selling price of the recurring sales which consequently "ties-up" scarce financial resources for a prolonged period of time. Restrictions in the level of financing available to support the creation of the IP/intangibles in turn, restricts the selection and quantum of such contracts that can reasonably be undertaken.

   Similarly the proposal to increase the level of support available to fund working capital tied up in fulfilling export orders, will undoubtedly lead to a greater volume of contracts being competed for and subsequently awarded to UK exporters. Support to working capital funding is a crucial element in helping UK Aerospace companies compete for and win significant high value added, long term export contracts.

3. We would welcome the opportunity to engage directly on these proposals. This would clarify our understanding on the more detailed aspects of applicability and levels of funding and support available.

4. We would appreciate, perhaps with some support from our aerospace trade body, ADS, to understand if the proposals do create a level playing field compared with what is offered by other Export Credit Agencies. The intent to create such a playing field is admirable but we have insufficient knowledge currently to establish a comparison.

5. We agree broadly with the themes and messages in Annex 2 however with reference to the 2nd bullet, as a substantial UK subsidiary of a non-UK corporate entity, we would want to ensure that the proposals as outlined would not prejudice us in obtaining such support.

DH/JM/3580 Contact: Alec McRitchie, Director, Communications & Public Affairs, Europe Tel 02890733514
10 April 2014 Bombardier Aerospace, Belfast

Unit 4, 5-7 Wells Terrace
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020 7281 0297
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15th April 2014

Kate Bittlestone
Consultation Team
Chief Executive's Office
UK Export Finance
via email: cxo@ukef.gsi.gov.uk

The Campaign Against Arms Trade (CAAT) is responding to your consultation on proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 (as amended).

1. CAAT which was set up in 1974, has actively worked on the issue of export credits since 1999, often in collaboration with other civil society organisations. While the focus of the organisations is diverse, CAAT's is on the grossly disproportionate amount of export credit support given to military deals . This submission reflects this.

2. Even though arms account for just 1.5% of total UK exports, in nearly all years the percentage of export credit support accorded military exports has been much, much more. For instance, in 2006-7, 42% of all export credits were for military goods and, in 2007-8, the figure was even higher, 57%. After a lull for a few years, backing for military deals soared again to 47% of all export credits in 2012/13, the last year for which figures available.

3. Many of the deals which have been underwritten are controversial including military aircraft sales to Saudi Arabia and Oman, armoured vehicles to Turkey and intelligence equipment to Indonesia. It is highly likely that, without export credit support, at least some of these deals would not have taken place. Much of the historic debt owed to UK Export Finance is the result of providing cover for arms deals in previous decades to, amongst others, Mubarak's Egypt, Galtieri's Argentina and Saddam Hussein's Iraq.

4. Under the current legislation, the Secretary of State cannot discriminate between classes or types of exports. The imminent change to the legislation provides an opportunity to change this. The November 2012 report of the All-Party Parliamentary Group on International Corporate Responsibility, following its inquiry into UK Export Finance, proposed a consultation on a prohibitions list for arms. In the primary legislation, however, it would not be necessary to spell out what would be covered by such a prohibitions list so such a provision could equally well apply to "dirty fossil fuels" or any other product that a Government may, in future, not wish to support. To take advantage of the current opportunity would to make provision for a prohibitions list would be enabling, not prescriptive.

5. Given this, CAAT recommends that the proposed legislation should create a legal power for the Secretary of State to add certain exports to a prohibitions list of exports which cannot receive UK Export Finance support.

Ann Feltham
Parliamentary Co-ordinator

From:	Chief Executive Office
To:	Katherine Bittlestone
Subject:	FW: CONSULTATION ON EIGA - LAUNCH DATE 19 MARCH 2014; ATTENTION - KATE BITTLESTONE
Date:	10 April 2014 11:07:16

From: Richard Elsden [mailto:Elsden_Richard@perkins.com]
Sent: 10 April 2014 11:03
To: Chief Executive Office
Cc: Tim.Gaul@cat.com; Daniel.Stewart@cat.com
Subject: CONSULTATION ON EIGA - LAUNCH DATE 19 MARCH 2014; ATTENTION - KATE BITTLESTONE

Dear Kate,
I refer to the above Consultation and have pleasure in submitting this response on behalf of my company CATERPILLAR UK LTD.

1. We welcome the introduction of the Direct Lending Scheme (6.iii) which we anticipate will fill the gap that has been left by the Banks for smaller(<£15m) export values.
2. We strongly support the suggestion (11.iii) to accommodate more complex sales structures that larger manufacturers and exporters inevitably have as they become global businesses. It is not always the case for these companies that there is a direct sale from a UK factory to the end customer. We Caterpillar, for example, use an internal network of invoicing channels and marketing entities before selling through independently owned Dealers to the end customer.
3. In addition to the above comments, we would ask for consideration by UKEF for the inclusion of non bank lenders (including captive finance companies such as Caterpillar Finance (UK) Ltd) in its loan guarantee products. Other ECA's like USEXIM and ONDD have accepted Caterpillar finance entities as eligible lenders under their Buyer Credit programmes. We are convinced that our export customers would appreciate and value such an option.
4. We would also welcome the consideration by UKEF of adopting a "UK Interest" approach (17, 18) to supporting the financing of Caterpillar's exports even from manufacturing bases outside the UK, given the impact this has on Caterpillar's global performance, and therefore the ability for us to continue to invest in the UK and to maintain and create jobs in this country. Both ONDD and EKN are able to look from a "Belgium/Swedish Interest" point of view and therefore to support non Belgium and Swedish exports for exporters that have an operation in those countries up to a certain amount tied to the volume of general exports from those countries.

We hope that you find these comments of use and benefit as you consider the nature and form of future legislation around this important policy area. If at any point you would like or need any further detail or explanation from us, please do not hesitate to contact me.

yours sincerely,

Richard Elsden

Director of Government Affairs

Caterpillar UK Ltd

07748 931372

Response to UK Export Finance consultation on proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 (as amended)

16 April 2014

1. The CORE Coalition is an authoritative and influential network of NGOs, academics, trade unions and legal experts which brings together the widest range of experience and expertise on UK corporate accountability in relation to international development, the environment and human rights. Our aim is to reduce business-related human rights and environmental abuses by making sure companies can be held to account for their impacts both at home and abroad, and to guarantee access to justice for people adversely affected by corporate activity.

2. CORE believes that any proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantee Act 1991 (as amended) should fully reflect the Environmental, Social and Human Rights dimension of UK Export Finance's (UKEF) activities.

3. This is clearly not the case with the proposals that are the subject of this consultation. The proposed revisions make no reference to human rights or the environment. There is a sweeping assumption that if UKEF's operations remain '*subject to applicable EU laws and regulations (including those relating to State aid) and international agreements which apply to national export credit agencies*', there is no need for the Secretary of State's powers to address the social and environmental context of UKEF's operations.

4. CORE rejects this approach as it is regressive and reinforces UKEF's existing deficiencies in this area. CORE's specific concerns are as set out below.

5. **Fundamental policy changes are envisaged without proper assessment of their human rights impacts.**
   The consultation document makes no reference to human rights, the environment, debt sustainability or development. It appears to assume that there are no human rights implications of the proposed changes. Yet there is no indication in the proposals that UKEF has undertaken a human rights impact assessment of these policy changes or that such an impact assessment is necessary.

CORE believes that it is an essential part of governmental processes to anticipate, assess and take into account the consequences of administrative decisions. The fact that outcomes may be unpredictable and difficult to anticipate with accuracy does not obviate the need for the government to attempt to assess the range of impacts its policy changes are likely to have.

6. **The proposed changes are not aligned with the UK's commitment to the UN Guiding Principles on Business and Human Rights and its implementation plan to give effect to this.** In September 2013 the Secretaries of State for Foreign Affairs and for Business, Innovation and Skills launched a National Action Plan entitled '*Good Business: Implementing the UN Guiding Principles on Business and Human Rights*'.

   One of the commitments set out in this plan under the State's Duty to Protect Human Rights 2(iv) is for the UK to '*Review the degree to which the activities of UK State-owned, controlled or supported enterprises..............are executed with respect for human rights, and make recommendations to ensure compliance with the UNGPs.*'

   The proposed revisions to the Secretary of State's powers ignore this commitment.

7. **The proposed changes do not assimilate current standards and best practice on business and human rights.**
   The UN Guiding Principles on Business and Human Rights, which UK has endorsed, refer to the role of export credit agencies. Principles 4 sets out the requirement that:

   '*States should take additional steps to protect against human rights abuses by business enterprises that...............receive substantial support and services from State agencies such as export credit agencies and official investment insurance or guarantee agencies, including, where appropriate, by requiring human rights due diligence.*'

   It is difficult to see how the Government can fulfil the role required under the UN Guiding Principles in light of proposed changes to the Export and Investment Guarantees Act which have neglected any consideration of the human rights implications. UKEF's intention to '*broaden UK Export Finance's powers to enable it better to provide support, not only for export contracts, but also to companies engaged in exporting or who may wish to export*' needs to be counter-balanced by clear and explicit safeguards to protect human rights and the environment in the context of this enhanced support. No such increased safeguards are proposed in the consultation document.

8. **The proposed policy changes ignore the recommendations of Parliamentary committees.**
   Implicit in the proposed policy changes is the assumption that upholding human rights and environmental standards would put UKEF at a competitive disadvantage. This is reflected in the assertion (paragraph 9) that:

   '*The Government's policy is to seek a level playing field for UK exporters by regulating the activities of state-backed ECAs through international agreements and understandings. From*

2010, following a public consultation, UK Export Finance has operated a policy of applying international agreements that relate to the activities of ECAs but not going beyond them.'

By neglecting to address environmental, social and human rights issues, the proposed revisions are fundamentally at odds with the 2012 report of the inquiry into UKEF conducted by the All Party Parliamentary Group on International Corporate Responsibility. The report's final conclusion was:

'*The inquiry holds that delivering export-led growth and upholding ethical and environmental business standards are not mutually exclusive; that examples exist of export credit agencies from all over the developed world that are at once more active in supporting their countries' exports and demand more rigorous standards in their human rights and environmental due diligence. If UKEF is to genuinely fill a gap that the private sector cannot provide, demanding reasonable standards of their clients in this space should not impede British competitiveness and with public money, certain standards should be expected to protect the reputation of British business.*'

9. **The proposed changes rely on inadequate international standards.**
The OECD standards referred to in paragraph 14 of the consultation document are presented as the ceiling for UKEF in so far as paragraph 9 states that '*UK Export Finance has operated a policy of applying international agreements that relate to the activities of ECAs but not going beyond them.*' This is an abdication of responsibility by UKEF with regard to human rights and the environment. Such an approach is inconsistent with UK's commitment to the UN Guiding Principles on Business and Human Rights which embody much higher expectations than the OECD Common Approaches referred to in paragraph 14 (v).

The APPG on International Corporate Responsibility set out three recommendations in the 2012 report of its Inquiry into UK Export Finance, which go well beyond the requirements of the OECD Common Approaches:

Recommendation 8
'UKEF should regard the OECD Common Approaches as a starting point for ESHR standards; **expand the standards to all project applications**, including aerospace and at all values; impose penalties on companies that violate standards; appoint a non-executive director to the management board with human rights experience and allow EGAC to review current applications on request. No project should be granted cover until its ESHR assessment is completed. More transparency is welcomed.'

Recommendation 9
'UKEF should establish a **grievance mechanism**; consult on a prohibitions list for arms; and conduct a review of existing best practice on human rights and the environment in the private sector to ensure UKEF standards do not cover projects that the private sector would not on ethical grounds.'

Recommendation 10

> 'UKEF should **publish all impact assessments**, subject to reasonable commercial confidentiality constraints and audit all debts owed.'

10. UKEF's proposals to make changes to the Secretary of State's powers fall far short of the standards of conduct on human rights and the environment that are envisaged in the above recommendations of the APPG's Inquiry. No reason is provided in the consultation document as to why these higher standards should not become part of the regulatory framework governing UKEF's operations in future.

    CORE urges the Government to rethink its approach to extending the Secretary of State's powers under the Export and Investment Guarantees Act in light of the above arguments.

    ENDS

    For further information, please contact Marilyn Croser
    coordinator@corporate-responsibility.org

Deutsche Bank

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Consultation Team
Chief Executive's Office
UK Export Finance
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April, 15th 2014

CONSULTATION ON PROPOSALS TO MAKE CHANGES TO THE SECRETARY OF STATE'S POWERS UNDER THE EXPORT AND INVESTMENT GUARANTEES ACT 1991 (AS AMENDED)

Deutsche Bank AG, London Branch ("DB London") is pleased to have been given the opportunity to respond to the consultation on the proposed changes. DB London is a significant arranger of UK Export Finance ("UKEF") supported facilities and works closely with UKEF and with the UK's prime exporters and their Buyers to structure appropriate UKEF supported financing arrangements.

In this context DB London is very supportive of the changes being proposed to the Act. The UK exporting community should benefit from greater flexibility in the type of exports that can be supported by UKEF, and also the changes would appear to reflect the commercial reality of complicated supply chains and overseas JV's and subsidiaries used in many contracts. It is beneficial to improve liquidity as well if transfers of UKEF supported loans can be more easily facilitated.

Although there are aspects of UKEF's product offering which could be enhanced further to improve its competitiveness with other ECAs (eg reintroduction of the FREF scheme), and it is vital that ECGD's internal resources and expertise are sufficient to maximise the possibility of the Government's targets for export growth to be achieved, we do fully support the proposed amendments to the powers under the Act.

Kind regards

James Pumphrey
Director and Head of UK Structured Export Finance

April 15, 2014

The Consultation Team
Chief Executive's Office
UK Export Finance
1 Horse Guards Road
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Email: cxo@ukef.gsi.gov.uk

To the Consultation Team:

We are writing to provide input on the Consultation on Proposals to Make Changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 as amended (hereafter the Consultation). We believe that the Consultation and subsequent legislation represents an important opportunity for UK Export Finance (UKEF) to add certain classes of exports to a new "prohibited list" in order to bring the agency's policies in line with past government commitments and with growing international restrictions on climate-damaging fossil fuel financing.

In November 2013, coinciding with global climate talks in Poland, the UK Secretary of State for Energy and Climate Change, Edward Davey MP, announced that: "the UK will join the United States in agreeing to end support for public financing of new coal-fired power plants overseas, except in rare circumstances in which the poorest countries have no feasible alternative"[1]. With this announcement, it appeared that the UK was joining the growing league of countries and institutions restricting coal financing.[2]

However, the fine print of the announcement revealed that UKEF is legally exempt from this commitment. Davies' statement sought to gloss over this glaring omission by stating in a footnote that UKEF has not financed a coal fired power plant since 2002. However, UKEF (formerly ECGD) has financed over £66 million in coal mining in Russia in recent years. In addition, UKEF provided £147 in financing for oil and gas exploration offshore Brazil, £15 million

[1] https://www.gov.uk/government/news/uk-urges-the-world-to-prepare-for-action-on-climate-change-and-puts-brakes-on-coal-fired-power-plants
[2] U.S. Export-Import Bank, World Bank, European Investment Bank and European Bank for Reconstruction and Development established restrictions on financing for coal plants abroad except under very limited circumstances.

for a gas power in the Philippines, and £128 for a petrochemical plant in Viet Nam, despite a 2010 coalition agreement to ensure that UK Trade and Investment and the Export Credits Guarantee Department stop "supporting investment in dirty fossil-fuel energy production."

This Consultation and proposed legislation[3] provide the UK with the opportunity to close this gaping loophole through an amendment to the 1991 Export and Investment Guarantees Act (EIGA) that will enable the Secretary of State to add certain classes of exports to a new 'prohibited list' that shall not receive UKEF support.

The undersigned non-governmental organizations from abroad are deeply involved in efforts to end harmful coal and other fossil fuel financing by public finance institutions including export credit agencies. The achievement of this goal is critical given the imperative to ensure governments respond responsibly to the global climate crisis and end the harmful local environmental, social and human rights impacts caused by fossil fuel projects. Given our role in this international campaign, we must tell you that the UK decision to end UKEF financing for coal and other fossil fuel projects will have a crucial positive impact on the larger international effort.

Therefore, we recommend that the proposed new Bill of Parliament amend the 1991 EIGA Act to:

- Enable the Secretary of State to add certain classes of exports to a new 'prohibited list' that can not receive UKEF support;
- Require mandatory impact assessments for all UKEF supported projects regardless of product class and project size;
- Introduce a 'duty of care' clause with regard to the human rights of, and environmental impacts on, those adversely affected by the UKEF-supported projects.
- Explicitly require all activities of UK Export Finance to be consistent with UK government policies.

Sincerely,

ECA-Watch

Doug Norlen
Pacific Environment
United States

Nichole Ghio
Sierra Club
United States

[3] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/294973/eiga-changes-consultation-doc.pdf

Aviva Imhof
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April 2014

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Consultation response:
'Changes to the Export and Investment Guarantees Act (EIGA) 1991 [as amended]'

1. This is a joint response to the above consultation on behalf of Friends of the Earth (England, Wales and Northern Ireland) and Friends of the Earth Scotland. References to 'Friends of the Earth' in this document should be assumed to apply to both organisations.
2. The consultation[1] proposes introducing a Bill in the next session of Parliament that would *"widen the powers of UK Export Finance [UKEF] ... [to] maximise to the fullest extent its ability to support UK exporters"*.
3. The introduction of the Bill is also an opportunity to ensure that **the 1991 EIGA Act is amended to enable the Secretary of State to add certain classes of exports to a new 'prohibited list' that can not receive UKEF support.**
4. At present no such legal power exists. The Government's position, therefore, is that it is unable (even if it wanted to) to prevent UKEF supporting international projects such as coal or other fossil fuel plants, arms manufacturers, or other such projects that could undermine human rights or the environment. Legislatively, it is essential to create the ability to prohibit particular types of support.

[1] EIGA consultation document, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/294973/eiga-changes-consultation-doc.pdf

5. In November 2013 the Secretary of State for Energy and Climate Change announced that: "*the UK will join the United States in agreeing to end support for public financing of new coal-fired power plants overseas, except in rare circumstances in which the poorest countries have no feasible alternative*"[2]. But the detail made clear that this discrimination does not apply to UKEF because "*UKEF is not presently legally able to discriminate between classes or types of exports*".

6. The US policy that rules out public funding for coal plants overseas explicitly <u>includes</u> the Export-Import Bank of the United States. We note and welcome the Government's position that *"UKEF has not supported a coal fired power station overseas since 2002"*[3]. However there is no means under the current 1991 EIGA Act by which the Secretary of State can permanently ensure that projects such as coal – overseas support for which is rejected as a matter of policy by the Government – are in fact not funded.

7. Coal is the dirtiest fossil fuel. But Friends of the Earth's position is that **no UK Government public finance should be used to support fossil fuels**. This is because:

    - There is an urgent need for rapid decarbonisation across the global economy, which requires strategies for keeping fossil fuels in the ground. Only one-fifth of global reserves of fossil fuels can be burned for a strong chance of avoiding a greater than two degrees rise in global temperatures[4] – the stated aim of the UK, EU and G20.

    - Our domestic climate change ambitions and obligations, the pride taken by this Government in its 'green' credentials at home, and its international leadership ambitions on climate change mitigation. We note the Prime Minister's statement of February 2014 that "man-made climate change is one of the most serious threats this country and the world faces."

8. In the 2010 coalition agreement the Government announced that: *"We will ensure that UK Trade and Investment and the Export Credits Guarantee Department become champions for British companies that develop and export innovative green*

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[2] DECC, 'UK urges the world to prepare for action on climate change and puts the brakes on coal fired power plants', 20 November 2013: https://www.gov.uk/government/news/uk-urges-the-world-to-prepare-for-action-on-climate-change-and-puts-brakes-on-coal-fired-power-plants

[3] DECC, op cit

[4] see Carbon Tracker's "Carbon Bubble" analysis: http://www.carbontracker.org/carbonbubble

technologies around the world, instead of supporting investment in dirty fossil-fuel energy production"[5].

9. Yet, UKEF continues to support dirty fossil fuel projects:

   - Its most recently published annual report reveals that in 2012-13 UKEF offered a £147 million credit guarantee to support oil and gas exploration by Petrobras in Brazil and £15 million worth of guarantees to a loan for a gas power project in the Philippines[6].

   - In March 2014 support worth US$215 million was announced for a major petrochemical project at Nghi Son in Vietnam[7].

   The Nghi Son and Petrobras projects were both categorised by UKEF as the highest category (A) for potential environmental, social and human rights impacts.

10. In 2011-12 UKEF guarantees worth over £13 million were given to Joy Mining Ltd to support the extraction of Russian coal[8]; in 2012-13 a single guarantee of £53.6 million was provided to the same company, apparently for the same purpose.

Recommendations

11. Amendment to the 1991 EIGA Act by a new Bill of Parliament should:
    - **Enable the Secretary of State to add certain classes of exports to a new 'prohibited list' that can not receive UKEF support;**
    - Require mandatory impact assessments for all UKEF supported projects regardless of product class and project size;
    - Introduce a 'duty of care' clause with regard to the human rights of, and environmental impacts on, those adversely affected by UKEF-supported projects.
    - Explicitly require all activities of UK Export Finance to be consistent with UK government policies.

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[5] Cabinet Office, 'the Coalition: our programme for government', May 2010 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/78977/coalition_programme_for_government.pdf

[6] Export Credit Guarantee Department annual report, 2012/13 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/207721/ecgd-ukef-annual-report-and-accounts-2012-to-2013.pdf

[7] UK Export Finance, 'Notice of support for a category A project', April 2014: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/295761/notice-of-support-for-category-a-project-nghi-son-vietnam.pdf

[8] Export Credit Guarantee Department annual report, 2011/12 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/222383/uk-export-finance-annual-report-and-accounts-2011-12.pdf

GE Capital Limited

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April 16th 2014

UK Export Finance
Export Credits Guarantee Department
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to the attention of:
Kate Bittlestone
e-mail: cxo@ukef.gsi.gov.uk

Subject: Response to Consultation on proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 (as amended)

Dear Ms Bittlestone,

With respect to the consultation referenced above that was launched on 19th March 2014 following the Chancellors' Budget statement, we have read the proposed changes to the Export & Investment Guarantees Act 1991 and have the following comments and observations:

- In the UK, GE employs 18,500 with businesses in the Aviation, Oil & Gas, Energy Management, Healthcare and Financial Services industries.
- In the context of the Governments national Export Challenge of doubling exports by 2020 it is important for UK business to have flexible and cost efficient sources of funding available to allow it to compete effectively in the global economy.
- This funding is equally important for exporters (for working capital and bonding purposes) and buyers (structured buyers' credits)
- A key part of this strategy is having an Export Credit Agency that has the capability to effectively compete and match the support that non-UK exporters are able to avail themselves of.
- We see the availability of Export Credit Agency (ECA) facilities becoming increasingly important for buyers when evaluating competing tenders. A comprehensive and competitive ECA financing solution is often seen as a key differentiating factor.

We welcome the proposed changes, the implementation of which, in addition to the already-announced changes to the direct lending scheme, will help UK businesses to be more competitive in the global economy, and we look forward to extending our growing relationship with UK Export Finance.

Yours sincerely

Guto Davies
Managing Director
GE Sales & Project Finance

From:	Chief Executive Office
To:	Katherine Bittlestone
Subject:	FW: Consultation on UK Export Finance legislation
Date:	14 April 2014 14:19:59

From: Neill Stansbury [mailto:neill.stansbury@giaccentre.org]
Sent: 14 April 2014 14:16
To: Chief Executive Office
Subject: Consultation on UK Export Finance legislation

Attn: Kate Bittlestone

Our only comment on the consultation is in relation to the corruption risk.

We recommend that, if the proposals for the new or expanded areas of business are implemented:

- A corruption risk assessment is undertaken by ECGD on the new or expanded areas of business to identify any potential corruption risks.
- ECGD's existing procedures are assessed to identify whether they are adequate to deal with the identified corruption risks.
- If they are not adequate, the procedures should be strengthened so as to ensure they are adequate.

Regards,

Neill Stansbury
Director
Global Infrastructure Anti-Corruption Centre

UK Export Finance (UKEF)

Consultation on proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 (as amended)

Response from Graham & Brown Ltd & Atlas Risk Management Ltd

GRAHAM & BROWN

atlasrisk
understanding your trade credit risk

Contacts:

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Executive Summary

The Government's Exporting for Growth National Challenge includes a target that 1 in 4 UK companies should export (the EU average); an increase from the current 1 in 5, and that by 2020 the UK should export £1 trillion per annum.

To put this target in context, the total UK exports for 2013 were £304.3bn, up 1.3% on the total of £300.5bn in 2012. To achieve the target of £1 trillion per annum will require an export growth rate of in excess of 10% per annum over the next seven years, a phenomenal and unprecedented increase in export sales.

In our view, what this will require on the part of British Industry is nothing short of a second Industrial Revolution and faced with this challenge, it is not unreasonable for British exporters to expect some revolutionary zeal on the part of the Government. This will have to involve fundamental changes in the operation and structure of UKEF and the approach to the support and financing of British exports on the part of the Government.

The Consultation document

The document produced by UK Export Finance (UKEF) covers the background to the consultation; the aims of the exercise; the steps taken by UKEF to date; the proposed revisions to the Export and Investment Guarantees Act 1991 as amended by the Exports (Financial Support) Act 2009 (the EIGA); the commitments and targets of the Government and its broad aims and the benefits and effects the proposed revisions to the EIGA are intended to achieve.

The salient points in the document that are pertinent to our response are as follows:

- The financial crisis and the onset of the economic downturn had the effect of dislocating the provision of support by the private sector to exporters, principally by credit insurers and banks. While there has been significant recovery in the commercial market, the Government is concerned to ensure there is no gap in the availability of risk protection and access to trade and export credits through UKEF for the benefit of exporters.

- In February 2011 the Government's Trade and Investment for Growth White Paper noted that "trade and investment will be crucial to achieving strong, sustainable and balanced growth". The Government made a number of commitments in the White Paper with a view to increasing access to trade and finance for businesses.

- The Government has set targets to improve the UK's export performance, specifically, to achieve by 2020 £1 trillion of exports per annum, to increase by 100,000 the number of companies that export, and for UK companies to win a greater number of overseas High Value Opportunity projects.

- The Government's policy is to seek a level playing field for UK exporters by regulating the activities of state-backed Export Credit Agencies (ECA's) through international agreements and understandings.

- The Government has sought to ensure that the UKEF offering to UK exporters is no less than that of other comparable ECA's. The introduction of new products has helped UKEF go some way to match other comparable ECA's in the support which is available to UK exporters but the Government recognizes there are still barriers hindering UKEF's ability to support exporters.

- The Consultation document produced by UKEF concedes that the current offering from UKEF to UK exporters is less than that available from other comparable Export Credit Agencies (ECA's).

- The Government is not proposing to alter the requirement that the Secretary of State's powers under s. 1(1) of the EIGA are exercised only with the consent of HM Treasury. UKEF will continue to be required to achieve the financial objectives set by HM Treasury to help ensure that it operates over time at no net cost to the taxpayer taking into account its financial liabilities and its operating costs.

- The Government considers that UKEF should have powers of equivalent breadth to other ECA's to ensure that UK exporters and those who may wish to export, are able to obtain support similar to that available to their overseas competitors. The two ECA's singled out for particular mention in this context, are Export Development Canada (EDC) and Sweden's Exportkreditnamnden (EKN).

Our Response

1. UKEF must change its status

In our view, UKEF as currently constituted will have difficulty achieving the goals and aims of the Government as set out in UKEF's consultation document.

We believe it should operate at arm's length from the Government to have the freedom and commercial flexibility needed to provide UK exporters with the support required to match the best available from overseas ECA's.

A comparison with Export Development Canada (EDC), highlighted for special mention in UKEF's Consultation document, illustrates this point.

UKEF

UK Export Finance is the operating name of the Export Credits Guarantee Department (ECGD). ECGD is a central government department established by statute which reports to the Secretary of State for Business, Innovation and Skills. It undertakes its activities in accordance with a specific consent from HM Treasury.

ECGD is a separate government department and therefore does not have a parent department. The Secretary of State for Business, Innovation and Skills lays ECGD's annual report and accounts before Parliament. As such, through The Secretary of State for Business, ECGD is subject to Parliamentary scrutiny and direct political control.

There is no involvement of the private sector in either the management of ECGD or the provision of its funding.

Export Development Canada (EDC)

Export Development Canada (EDC) is Canada's export credit agency. It is a Crown corporation wholly owned by the Government of Canada, which provides financing and risk management services to Canadian exporters and investors in up to 200 markets worldwide, with 17 offices spread across all provinces in Canada, and permanent representations in 12 foreign markets.

As a Crown corporation, EDC operates at arm's length from the federal government and according to commercial principles. EDC's mandate is spelled out in the Export Development Act. The Corporation is financially self-sustaining. Its treasury and risk management strategies enable it to assist Canadian exporters without relying on Government funding. EDC raises funds by charging fees for its services and interest on its loans, as well as issuing debt in capital markets.

EDC is governed by a Board of Directors composed of representatives primarily from the private sector. The Board's responsibility is to supervise the direction and management of EDC. The Board reports to Parliament through the Minister for International Trade. Board members are appointed by the Government of Canada.

EDC as a Crown corporation is therefore a hybrid entity; somewhere between a government body and a private enterprise. It can advance Canadian Government policy objectives by providing finance and/or insurance products that would not be feasible for a private enterprise to undertake and in this sense is an instrument of public policy, but it also operates in a business capacity, making it better able to address the commercial interests and competitive pressures affecting both EDC and its clients.

The strength of this partnership between Government and the private sector is evidenced by the enabling legislation, highlighted by UKEP in its Consultation document, which describes EDC as being established "*for the purpose of supporting, directly or indirectly ….. Canada's export trade and Canadian capacity to engage in that trade and to respond to international business opportunities*".

Summary
In our view, the Crown corporation model or its equivalent would provide UKEF with greater flexibility and the commercial skills necessary to achieve the targets set by Government, whilst at the same time providing Parliament with the oversight required.

2. UKEF must change its attitude to risk

The Consultation document confirms that UKEF will continue to be required to achieve the financial objectives set by HM Treasury to help ensure that it operates over time at no net cost to the taxpayer taking into account its financial liabilities and its operating costs.

Meeting the £1 trillion export target set by the Government will have to involve some calculated commercial risk on the part of British exporters, but the restraints placed on UKEF imply that HM Treasury is risk averse. Whilst this might play well with Ministers it is a totally unrealistic approach to take in the face of this daunting export target.

Rather than viewing the net cost to the tax payer in terms of UKEF's financial liabilities and its operating costs, is it not logical to also include in this calculation the tax taken by HM Treasury with regard to the exports UKEF has supported via finance or insurance? Isn't this surely the way to calculate the true cost to the taxpayer of UKEF's activities? UKEF supported £4.3bn of exports in the year to March 2013; what would the net loss to HM Treasury have been if those exports had not been supported by UKEF and as a result had not been made?

Summary
To achieve the £1 trillion export sales target by 2020, we would argue that UKEF in terms of its operating costs and liabilities should be viewed as a short term loss leader in the overall objective of hitting the target.

In our view, the time period used in the financial objectives set up by HM Treasury should be the next seven years through to the end of 2020, and in calculating the net cost to the taxpayer it should take into account UKEF's financial abilities, its operating costs and the net tax take to HM Treasury in relation to the exports UKEF has supported over that period.

UKEF will also need to take a more robust approach towards markets which are going through difficulties, but present a real prospect of long term growth for British exporters if they able to get the cover required and be supportive when the country needs it most; the obvious example is Ukraine.

This might sound a revolutionary approach, but in setting the export target, it's the Government that's looking for the revolution!

3. UKEF should fully utilise the world-leading expertise of the UK's credit insurance market

The UK has arguably the most competitive and innovative credit insurance market in the world, which in the last five years has seen great improvements in service delivery, particularly with regard to the payment of claims and availability of cover, the simplification of policy wordings and access to underwriters.

This stands in stark contrast to the service delivery available from UKEF, as exemplified by the convoluted wording of the EXIP policy, which adopts terminology and a policy structure which is unfamiliar to existing users of credit insurance, let alone those who are new to the product.

In our view, UKEF should take full advantage of the expertise available from the UK's market leading credit insurance sector, by entering into a business partnership with a credit insurer within the Crown corporation model.

Germany
The German example illustrates the point. In Germany, a consortium of two companies, Euler Hermes Aktiengesellschaft and PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, have been mandated by the Federal Government to manage the guarantee schemes issued by the German ECA by:

- informing and advising companies/credit institutions as to how they can protect their foreign trade and investment activities
- receiving and evaluating guarantee applications
- attending to all issues regarding the guarantees, averting losses and handling indemnification processes.

Benefits a partnership with a Credit Insurer would produce

a) **Plain English policy wordings and market leading promotional material**
The policy wordings of credit insurance policies available in the UK market are more straightforward and user friendly than they were in the past and the promotional material and publications issued by the insurance market have improved enormously.

Rather than spending time and resources trying to improve an anachronistic EXIP policy, UKEF would be much better served by allowing experts in the field to produce a suite of policy wordings that could be easily understood by the Broking market and were accessible to exporters.

b) **Will allow UKEF to make full use of innovations in the credit insurance market such as the CAP product**
The UK credit insurance market is constantly striving to produce new products some of which may be of benefit to UKEF.

A case in point is the CAP product launched by Euler Hermes eighteen months ago which has since been joined by the Topliner product available from Coface. These products are available for policyholders and can either top up an underlying credit limit or provide cover where none is available under the existing policy. Rather than being underwritten by an underwriter following the assessment of all available information, these limits are underwritten on an actuarial basis, allowing cover to be provided for additional premium. This type of approach would have obvious benefits in export markets where available information might be limited.

Summary

To achieve the targets set by Government, UKEF needs to maximize the advantages the UK provides and all the opportunities available. The UK has the most competitive and innovative credit insurance market in the world; in our view UKEF should take advantage of the services and expertise the credit insurance market can offer, rather than expend resources on trying to 'reinvent the wheel'.

4. Reintroduction of the Comprehensive Bankers Guarantee (CBG) Schemes

The Government is currently facing a great of criticism about the lack of impact of its current export finance schemes and there is a real concern that the SME sector, which is crucial to the Governments export targets, is going to struggle to obtain the finance required from a banking sector that is still facing enormous challenges of its own.

We have heard anecdotal evidence of budding exporters failing to obtain the finance required from either the banking sector or the existing Government schemes, and losing business as a result. This is likely to get worse as the recovery continues, since this is when insolvencies traditionally increase because companies' working capital cannot match the increase in orders and they overtrade. What many fear will make it worse this time round is the belief that the only reason insolvencies have been lower than usual at this stage in the financial cycle, is the slump in property values. Once the recovery takes hold and property values increase, many are concerned that the banks will make up for lost time and force many companies to go out of business, some of which would have been saved if they were given the finance and the breathing space to fulfil their export order book.

We believe the reintroduction of the Comprehensive Bankers Guarantee (CBG) Schemes will help provide the finance exporters will require as the recovery continues.

CBG - Summary

This proposal allows exporters to grant, and buyers to receive, time to pay without seriously affecting the respective cash flows. It is based on a scheme called the Comprehensive Bankers Guarantee Bills & Notes and Open Account facilities (CBG B/N & O/A) operated by ECGD in the 1970's and 1980's.

CBG – explanation of the original scheme

The original schemes were called The Comprehensive Bankers Guarantee Scheme (Bills & Notes) - CBG (B/N) and The Comprehensive Bankers Guarantee Scheme (Open Account) - CBG (O/A). The former was less costly than the latter because dealing in Bills of Exchange or Promissory Notes is more secure than dealing on Open Account terms. Both schemes were very popular with exporters and operated in the same way. The basic features were:

- Subject to the exporter having held an underlying ECGD Comprehensive Short Term export credit insurance policy for one year the exporter could apply for a CBG facility
- The CBG facility allowed them to 'sell' their bills, notes, or invoices to their bank at the point of despatch for a charge of 0.5% above Base Rate for bills and notes and 1% above for open account invoices until the bills, notes, and invoices were paid.

- The banks were fully secured by an 100% unconditional guarantee given by the ECGD so if the buyer did not pay they simply claimed the proceeds from ECGD

As stated, the supplier held an underlying conditional credit insurance policy with ECGD and if a claim was payable ECGD would not need to transmit settlement as the exporter had already received payment in advance from the bank. The indemnities under the policies with EGGD were usually at 90% or 95% depending on the cause of loss, leaving an uninsured percentage (10% or 5%) that would be recovered from the exporter.

If a claim was not payable under the conditional credit insurance policy (for example, if the buyer disputed that the money was owed because of say, faulty product), then there had to be total recourse to the exporter.

Thus there was an element of risk to ECGD, if the supplier became insolvent and unable to meet a recourse demand, which had to be assessed against the financial standing of the exporter.

How a new CBG would work - advantages

If the CBG was introduced, we see no reason why it could not apply to exporters holding credit insurance policies with providers other than ECGD. Provided the exporter held a credit insurance policy and had valid cover in place, we see no reason why ECGD could not provide a CBG, bearing in mind the Government's aim to vastly expand exports generally, not just those insured by ECGD.

The advantages of reintroducing a scheme adapted to current circumstances are:

- The banks would have no excuse for not making finance available because they would have an unconditional guarantee from a government department.
- The scheme can be extended to OECD markets and domestic trade.
- The amounts owed to suppliers, including domestic debts, the Debtor Asset, is typically 40% of the Current Assets. Bringing these receivables forward would have a significant positive impact on cash flow.
- The buyer could enjoy extended terms of payment thus aiding their cash flow without significant impact on the supplier.
- The conditional risks, via the credit insurance policies, can continue to be taken on by the trade credit insurers such as Euler Hermes, Atradius, and Coface and the benefit of those polices assigned by the policy holders to ECGD.
- It would encourage the use of credit insurance and improve credit management techniques in general.
- It is assumed that the original documentation (policy wordings, guarantees etc) are still held in the ECGD archives, thus simplifying the reintroduction of the adapted scheme.
- The scheme would have, subject to training and incentives, a readymade marketing force in the form of specialist credit insurance brokers.

Summary

The CBG scheme would direct financial resources towards actual transactions assessed and underwritten by experts and supported by banks and government to encourage an export-led recovery by the UK. In doing so it would benefit the UK's overseas customers by allowing them access to UK-sourced credit, thus helping to liberalise world trade and negate charges of protectionism.

5. Create products to suit the major exporter – Back the best

Many exporters already have sophisticated credit management systems in place and are well versed in assessing export credit risk in challenging markets.

We believe if credit insurance cover is not available from the private market and UKEF is confident in the credit risk management expertise of the exporter, cover should be provided by UKIP that is based on the quality of the exporters export credit risk management system as opposed to an individual buyer or selection of buyers.

This underwriting model has been used successfully in the private market for many years. The way we can envisage it being used in the context of UKEF, is by an exporter being provided with a slice of cover on a market or number of markets the exporter is targeting. The policy would then be written around the exporter's credit risk management procedures subject to these being vetted and sanctioned by UKEF. The exporter would then be free to grant credit to customers in those markets without reference to UKEF on the basis of the agreed procedures, up to the value of the slice of cover available for that market. If the total value of credit limits exceeded the value of slice of cover for the market in question, the exporter would not be covered for the amount owed in excess of the slice of cover. We have reason to believe this type of produce may already be offered by Germany's ECA.

Summary
By harnessing an existing underwriting model, this product would utilise the credit risk assessment skills that are already possessed by the larger exporters enabling them to maximize export opportunities, whilst at the same time reducing the administration involved in providing cover on the part of UKEF.

6. Encourage the commercial market to be competitive

At present UKEF is precluded from indicating terms for exports if the private market is able to provide cover.

This can work against the exporter where there is only one private credit insurer offering cover in an export market and the terms indicated are prohibitively expensive. We believe that in such circumstances UKEF should be allowed (as part of a more commercial approach) to write credit insurance for any market, outside of the EU, in direct competition to the commercial market. This will have the effect of bringing an element of competition where hitherto there has only been one provider.

In our experience, where UKEF has been able to indicate terms to cover exports where there is no cover available from the private sector, this has encouraged the private sector to respond, reconsider its approach to risk and offer terms (ie: Russia). There seems no reason in our view why the same market dynamic would not produce similar results in the area of pricing. This also ties in with what we understood to be UKEF's desire to encourage the private market to follow where UKEF leads.

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GREENPEACE

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9th April 2014

Contact: Ruth Davis, Political Director (ruth.davis@greenpeace.org)

Greenpeace UK submission on changes to UK Export Finance (UKEF)

1) Following directions from President Obama, in December 2013 the United States Export Import Bank changed its rules to prohibit international financial support for dirty coal projects. America's new guidelines require carbon capture and storage in most countries in order to secure Bank financing for coal-fired power plants but will provide flexibility for the Bank with respect to the important energy needs of the poorest countries in the world.

2) In announcing his Bank's new position, Fred P. Hochberg, America's Ex-Im chairman and president, said: "*America cannot do this alone.* I strongly support the Administration's efforts to build an international consensus such that other nations follow our lead in restricting financing of new coal-fired power plants."

3) In fact, America was not acting alone since it was following similar moves by the World Bank in July 2013.

Equally, in July 2013 the European Investment Bank announced a new Emissions Performance Standard to be applied to all fossil fuel generation projects. A provision of the new standard states that new and refurbished coal-fired power plants will be ineligible for funding unless they emit less than 550 grams of carbon dioxide per kilowatt-hour.

4) On 20 November 2013 the UK Secretary of State for Energy and Climate Change Ed Davey MP announced that *"the UK will join the United States in agreeing to end support for public financing of new coal-fired power plants overseas, except in rare circumstances in which the poorest countries have no feasible alternative."*

5) This followed the statement in the 2010 coalition agreement: *"We will ensure that UK Trade and Investment and the Export Credits Guarantee Department become champions for British companies that develop and export innovative green technologies around the world, instead of supporting investment in dirty fossil-fuel energy production."*

6) However, the details Ed Davey's announcement said the policy does not apply to UK Export Finance because *"UK Export Finance (UKEF) is not presently legally able to discriminate between classes or types of exports"*.

7) Now new UK legislation is to be passed that provides a clear opportunity to make any necessary legal changes so that such policies can be implemented so that the UK can follow the lead established by the Obama administration on this issue. The UK is out of kilter with international best practise and this should urgently be rectified. Greenpeace believes this can be done by creating a new power for the Secretary of State to put certain exports on a prohibitions list which would be ineligible for UK Export Finance support.

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HSBC

Alan M Keir
Group Managing Director, EMEA & Chief Executive Officer, HSBC Bank plc

Ms Kate Bittlestone
Consultation Team
Chief Executive's Office
UK Export Finance
1 Horse Guards Road
London, SW1A 2HQ

16 April 2014

Dear Ms Bittlestone

Re: Consultation on proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 (as amended)

Throughout HSBC's history trade has been central to all we do. We have over 8,000 people helping customers trade across 63 countries.

In the UK we provide a range of support to UK SMEs who want to trade internationally. In 2013 we lent £4.8bn through our International SME Fund (lending to businesses with a turnover of up to £25m) and helped more than 19,000 businesses.

In October 2013 we published a "Manifesto for British Exports" which included a range of policy recommendations on how the Government and business could boost the UK's export performance. We continue to work with the Government to deliver on these recommendations.

HSBC has already publicly welcomed the changes announced by the Chancellor and Bank of England in recent weeks that will provide further support to British exporters. We believe that these changes will further strengthen UK Export Finance (UKEF) and remove existing barriers to its support for UK exporters. As such we are fully supportive of the changes proposed in this consultation.

There have been a number of successfully deals as a result of HSBC's collaboration with UKEF and we look forward to future successes.

Yours sincerely

HSBC Bank plc
Level 42, 8 Canada Square, London E14 5HQ
Tel: +44 (0)20 7992 1501
E-mail: alan.m.keir@hsbc.com

From:	david.barton@jcb.com
To:	Chief Executive Office
Subject:	Consultation on proposals to make changes to the Secretary of State?s powers under the Export and Investment Guarantees Act 1991 (as amended)
Date:	07 April 2014 13:59:43
Attachments:	ATT00001.gif

JCB appreciates the support provided through UK Export Finance which has enabled us to sell our products on competitive commercial terms to countries where there commercial export credit insurers have minimal appetites.

It would be beneficial if the essential policy clauses could be standardised into a simple, clear body of wording which will enable us to audit the appropriateness of each policy more readily.

Where finance is used, we need the bank to be a party to the insurance policy and again make this process simple, efficient and effective.

We imagine that the introduction of the UK Bribery law allows the Bribery & Corruption declarations to be simplified.

In addition to the above, where private market capacity is limited, we need UKEF to participate in insurance syndications. This will enable us to make use of private market capacity to the extent that it is available, complemented by the UKEF cover.

Regards,

David Barton | **Group Export Finance Manager** | Group Finance | ☎ 01889 593521 | ✆ 07500607506 | Fax: 01889 593517 | ✉: david.barton@jcb.com

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Submission to "Consultation on proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 (as amended)"

April 2014

Tim Jones, Policy Officer
Email: tim@jubileedebtcampaign.org.uk
Phone: +44 (0)20 7324 4725

Supported by:

1) Introduction

1. Jubilee Debt Campaign is a campaigning coalition with 12,000 supporters and 50 member organisations. For over 10 years, Jubilee Debt Campaign has exposed unjust debts contracted by UK Export Finance, called for those debts to be cancelled, and campaigned for changes to prevent new UK Export Finance supported projects undermining human rights, social development, debt sustainability and the environment.

2. Projects supported by UK Export Finance have included:

- The sale of military equipment to repressive regimes, including the Argentine military junta of the 1970s and 1980s, the Saddam Hussain dictatorship in Iraq, the General Suharto dictatorship in Indonesia, the General Mubarak dictatorship in Egypt, the 1980s military junta in Ecuador and the Arap Moi dictatorship in Kenya.
- Overpriced contracts involving corruption, including the sale of bridges to Jamaica by Mabey & Johnson, the Lesotho Highlands Water Project and the Turkwell Dam hydroelectric dam in Kenya.
- Projects which have had clear negative impacts on human rights, including the Baku-Tblisi-Ceyhan pipeline and the Dabhol oil and gas power plant in India.

3. Since the ending of the Business Principles in 2010, UK Export Finance scrutiny of human rights, social development, debt sustainability and environmental impact of projects has been based entirely on the OECD Common Approaches. Given how minimal these standards are, this is an abdication of responsibility. For example, of projects reported in the 2013 Annual Report, only 3 per cent had any assessment of their impact under the Common Approaches. Exports supported in 2013 without any assessment of human rights, social development, debt sustainability and environmental impact include:

- Spying equipment to the Indonesian Ministry of Defence, which local activists fear will be used against human rights and democracy campaigners
- Military hovercraft to the Government of Pakistan
- Support to an iron ore mine in Sierra Leone, which has been accused by local campaigners of avoiding tax

2) The proposed changes to UK Export Finance could further undermine human rights, social development, debt sustainability and the environment

4. The consultation document makes no reference to, or assessment of, how the proposed legal changes, which are aimed at increased the amount of exports supported by UK Export Finance, will impact human rights, social development, debt sustainability and the environment. Given the current lack of scrutiny of the impact of UK Export Finance, it is likely that an expansion in its remit, without other changes, will lead to an increase in negative impacts on human rights, social development, debt sustainability and the environment.

3) The proposed changes ignore the recommendations of parliamentary inquiries
5. In 2012, the All-Party Parliamentary Group on International Corporate Responsibility held an inquiry into UK Export Finance. This concluded that:

"The inquiry holds that delivering export-led growth and upholding ethical and environmental business standards are not mutually exclusive; that examples exist of export credit agencies from all over the developed world that are at once more active in supporting their countries' exports and demand more rigorous standards in their human rights and environmental due diligence. If UKEF is to genuinely fill a gap that the private sector cannot provide, demanding reasonable standards of their clients in this space should not impede British competitiveness and with public money, certain standards should be expected to protect the reputation of British business."

6. The inquiry proposed that:
- *"UKEF should regard the OECD Common Approaches as a starting point for ESHR standards, expand the standards to all project applications, including aerospace and at all values, impose penalties on companies that violate standards; appoint a non-executive director to the management board with human rights experience and allow EGAC to review current applications on request. No project should be granted cover until its ESHR assessment is completed. More transparency is welcomed."*
- *"UKEF should establish a grievance mechanism, consult on a prohibitions list for arms; and conduct a review of existing best practice on human rights and the environment in the private sector to ensure UKEF standards do not cover projects that the private sector would not on ethical grounds."*
- *"UKEF should publish all impact assessments, subject to reasonable commercial confidentiality constraints, and audit all debts owed."*

7. Guiding principles on business and human rights agreed at the United Nations also require states to exercise full human rights due diligence over businesses they support. Principle 4 of the UN Guiding Principles on Business and Human Rights sets out that agencies linked to the state (including Export Credit Agencies) that provide support and services to business activities can put themselves at risk if supporting harm to human rights, where they have not considered the actual and potential risks of such harm. Guiding Principle 4 goes on to say: *"Given these risks, states should encourage and, where appropriate, require human rights due diligence by the agencies themselves and by those business enterprises receiving their support."*

5) The UK government has failed to implement agreed policies regarding UK Export Finance over concerns that changes would be illegal. Passing new legislation provides the opportunity to make legal changes so that such policies can be implemented.
7. In the 2010 coalition agreement, the government announced that: *"We will ensure that UK Trade and Investment and the Export Credits Guarantee Department become champions for British companies that develop and export innovative green technologies around the world, instead of supporting investment in dirty fossil-fuel energy production."*

8. Since this announcement was made, dirty fossil-fuel energy production supported by UK Export Finance has included Russian coal mines and deep-sea oil drilling off the coast of Brazil.

9. On 20 November 2013, Secretary of State for Energy and Climate Change Ed Davey MP announced that *"the UK will join the United States in agreeing to end support for public financing of new coal-fired power plants overseas, except in rare circumstances in which the poorest countries have no feasible alternative"*. However, in reality, this policy only applies to CDC and the Department for International Development. The detail of the

announcement said the policy does not apply to UK Export Finance because *“UK Export Finance (UKEF) is not presently legally able to discriminate between classes or types of exports”*.

10. The United States policy ruling out public funding for non-Carbon Capture and Storage coal power stations does include the Export-Import Bank of the United States. The legislation should give the government the legal power to join the United States in ruling out UK Export Finance support for non-CCS coal power, by creating a power for the Secretary of State to put certain exports on a prohibitions list which would be ineligible for UK Export Finance support.

5) Recommendations for the legislation

11. Given all of the above, we recommend that the proposed legislation should:

- Create a legal power for the Secretary of State to add certain exports to a prohibitions list of exports which cannot receive UK Export Finance support.

- Require impact assessments apply to all products and all sizes of projects, and that these assessments should be mandatory rather than voluntary

- Introduce a ‘duty of care’ clause with regard to the human rights of, and environmental impacts on, those adversely affected by the UKEF-supported projects.

- Require all activities of UK Export Finance to be consistent with UK government policies

Lisa Nandy MP

HOUSE OF COMMONS
LONDON SW1A 0AA

The Consultation Team
Chief Executive's Office
UK Export Finance
1 Horse Guards Road
London SW1A 2HQ

15th April 2014

Dear UKEF Consultation Team,

As you are probably aware, the All Party Parliamentary Group on International Corporate Responsibilty which I chair conducted an Inquiry into UK Export Finance in 2012. I am sending you our report arising from this: '*Inquiry into UK Export Finance: Exploring the tension between trade and responsibility*'.

http://appgicr.files.wordpress.com/2012/12/ukef-final-report-2.pdf

I believe that the Consultation on Proposals to Make Changes to the Secretary of State's powers under the Export and Investment Guarantee Act 1991 (as amended) provides an opportunity to review UKEF's mission and its mode of operating. The proposed revision as outlined in the consultation document does not reflect the recommendations of our Inquiry. In particular, there is a lack of any explanation as to how UKEF will be required to ensure that its activities embody appropriate Environmental, Social and Human Rights Standards

I would urge you to rethink the standards that will be applicable to UKEF's operations and ensure that these are embodied in any revision to the legislation governing the Secretary of State's powers under the Act.

Yours sincerely,

LBHorvey.

pp Lisa Nandy
Chair, All Party Palramentary Group, International Corporate Responsibility.

Lisa Nandy
Member of Parliament for Wigan
Tel: 01942 242047 Fax: 01942 235669
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From:	Christopher, Mark
To:	[redacted]
Subject:	FW: Lloyds Bank Response to EIGA Consultation 19th March 2014
Date:	11 April 2014 11:53:14

Dear [redacted] please see below the original was returned as undeliverable

Mark Christopher | Product Manager Trade
GLOBAL TRADE | TRANSACTION BANKING
D: 0207 354 7406 | M: 07500 107 522

From: Christopher, Mark
Sent: 11 April 2014 11:51
To: 'eiga.consultation@ukef.gsi.gov.uk'
Cc: Armstrong, Richard
Subject: Lloyds Bank Response to EIGA Consultation 19th March 2014

Please see below.

Any questions please contact Richard Armstrong or myself

"Lloyds Bank will generally welcome any changes to the Secretary of State's powers under the Export and Investment Guarantees Act which enable UKEF to extend support to the supply chains of UK Exporters, whether the suppliers to UK exporters are located in the UK or abroad.

For UK suppliers in particular, a scheme similar to the US Eximbank's Supply Chain Finance Guarantee Program would be welcomed. This would involve UKEF guaranteeing the early payment of invoices to suppliers of UK exporters under the various Supplier Finance schemes offered by UK banks.

UK Exporters often need to source goods from abroad in fulfilment of export contracts and their overseas suppliers will often require a letter of credit to supply these goods. We would welcome the extension of the UKEF Export Working Capital Scheme to provide guarantees on Import Letters of Credit issued by UK banks on behalf of UK exporters

In relation to the Bond Support and Export Working Capital schemes, we would favour the establishment by UKEF of revolving credit limits for UK exporters which could be used for more than one contract. We do not know if this requires an amendment to the powers of the Secretary of State."

Mark Christopher | Product Manager Trade
GLOBAL TRADE | TRANSACTION BANKING
D: 0207 354 7406 | M: 07500 107 522

From:	John Willingham
To:	Katherine Bittlestone; [redacted]
Subject:	FW: Consultation on proposals to make changes to the Secretary of State"s powers under the Export and Investment Guarantees Act 1991 (as amended)
Date:	03 April 2014 20:21:39
Attachments:	image001.png

[redacted] Katherine:

FYI below.

Please let me know if you have any questions or need anything else.

Yours,

John Willingham | Chief Executive Officer
Macquarie AirFinance | Macquarie Aircraft Leasing Services (US) Inc.
Suite 200, Two Embarcadero Center, San Francisco, CA 94111, United States of America
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www.macquarie.aero

logo

From: John Willingham
Sent: Thursday, April 03, 2014 12:17 PM
To: 'cxo@ukef.gsi.gov.uk'
Subject: Consultation on proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 (as amended)

Thank you for the opportunity to comment on the proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 (as amended).

We are in the commercial aircraft leasing business and, as such, our interest in UK Export Finance's activities relates primarily to its support for the UK content of Airbus aircraft, Rolls-Royce engines and other aircraft-related products. As a separate matter, we provide advisory services to UK Export Finance and the other European Export Credit Agencies relating to management and remarketing of aircraft.

We are members of the Aviation Working Group (www.awg.aero), an industry association comprised of aircraft manufacturers, banks and aircraft leasing companies that aims to contribute to the development and acceptance of policies, laws, regulations and rules that facilitate advanced international aviation financing and leasing and/or address inefficiencies in such transactions. We subscribe to the AWG principles on export credit, specifically that export credit rules:

- Should ensure a level playing field for manufacturers and borrowers;
- Should not have the effect of displacing or adversely affecting commercial markets; and
- Should ensure that reasonable levels of export credit capacity remain available, and that higher volumes are available during times of market disruption or when commercial financing is otherwise not available on reasonable terms.

We consider that the proposals are consistent with these principles and support their implementation.

Yours faithfully,

John Willingham | Chief Executive Officer
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For the attention of Kate Bittlestone

Consultation Team,
Chief Executive's Office
UK Export Finance
1 Horse Guards Road
London SW1A 2HQ

10 April 2014

Dear Sirs

<u>Consultation proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 (as amended).</u>

I welcome ANY reform of the EIGA which enables ECGD/ UK Export Finance to assist exporters in reducing or avoiding losses.

My comments on the consultation are as follows:

1. The Secretary of State is democratically appointed as part of the empowered Government and should be allowed to make 'arrangements' as he/she/it sees fit. 'Consent' (Para14) by Treasury officials is making UKEF a sub-department of Treasury rather than BIS. Avoid confusion by putting UKEF directly under Treasury or BIS. Treasury, if indeed the safeguard of Public Money is the primary concern. BIS, if Exports are the primary concern. Treasury are generally risk averse, BIS are generally overly optimistic. **- TREASURY or BIS?**
2. Safeguards relating to a non-Treasury Secretary of State being reckless should already be in place, **without the need for inclusion for Treasury consent within the EIGA**. The current 'consents' were only imposed on ECGD because of the huge incompetent losses in 1990 and the fire-sale of its short-term business. The original concept and principles for ECGD, as established by Churchill almost 100 years ago to stimulate 'free trade' after the First World War, still apply.
3. For UKEF, the cost of deployment and servicing of such 'arrangements' by its Secretary of State should be 'argued' on their merits, against availability of funds and risk using the underlying economic case of improving the UK economy versus other elected Government objective funding requirements. **The CHOICE of spending is the Governments, not Treasury**.
4. The 'source' of funding and method and risk mitigation (e.g. currency fixing by 'hedging', loans) should reside with Treasury, in order to balance the overall Government Sovereign positions. The use of UKEF for treasury off-balance sheet, off-shoring of loans, and off-shore re-insurance for the purpose of raising unregulated funds or avoiding 'disclosure' should be prohibited. *(e.g. GEFCO as per The Corner House submissions)*.
5. The problem with insuring non-marketable risks (to comply with OECD and EU directives) is that **non-marketable risks are RISKY or COSTLY for UKEF if it acts as a last-resort-Insurer**. At the low-end this involves thousands of policies at small premiums/risk, or at the high-end a few policies at huge premiums. The cost of getting it wrong is very high on both counts. The underwriting insurance/guarantee decisions and financing decisions are high impact and crucial. UKEF has to get it right. The cost of servicing both types of demand is also different.

6. The volume of non-marketable risk changes very swiftly and 'arrangements' need to be put in place fast so as to maintain a 'level playing field' in trade competition. In the past 25 years UKEF/ECGD have been completely under-resourced in high technology and numbers of talented people to meet this requirement. This is a consequence of UKEF/ECGD being treated as a cost-centre rather than a profit-centre. **UKEF has to have the people 'resources' to be made 'fit-for-purpose' profit centre.**
7. The 'arrangements' of UKEF are put into place by 'products' – old and new. **The 'products' have to be continually updated** to meet the 'level-playing-field-test'; otherwise they may tick the 'availability' test, but do not tick the 'competitiveness' tests for content and cost. For example, the EXIP policy is out of synchronisation with its ECA competitors and current insurance codes of practise/conduct. The EXIP policy excludes Legal costs (unlike Hermes cover), can't be used in raising capital, no third party rights, restricted Court legislation, Recoveries compromise, Subrogation rights and Notices etc., etc. The language is both precise by omitting any form of 'reasonable' test and yet imprecise by using words such as "*tends*". In short, the wording should be updated to reflect a modern contract of insurance/guarantee.
8. UKEF is not regulated by the FSA, the Insurance Ombudsman, Unfair Terms Act and yet the products fall into this otherwise highly- regulated finance category. The products have also not been updated to include ADR (Dispute Resolution) as pledged by the Ministry of Justice. Consequently ECGD is unfettered in its behaviour and can take heavy handed measures without recourse rather than act in the requirement of the existing EIGA to assist exporters in "the reduction or avoidance or losses". **UKEF products and services should be regulated properly, so that good behaviour is encouraged and disputes resolved quickly.**
9. The Government should have UKEF invest or 'pump-prime' the current non-marketable low-end insurance/guarantees to encourage SME to export for the first time. The benefits would be seen outside the UKEF in increased exports and employment; however the cost would be in UKEF. Such UKEF investment spending would be against the self-imposed current treasury policy to make UKEF operate at zero cost. **UKEF should be allowed to operate at an agreed budgeted cost if necessary. The zero cost approach should be changed.** It should be for the elected Government, not Treasury, to decide how it should spend its money within the OECD guidelines and EU subsidy rules.
10. The best in class regulated ECA (Germany Hermes Cover) has made significant PROFITS/SURPLUSES for the last 10 years whilst providing German Exporters with levels of insurance/guarantee products not matched with the UK. Per their annual report "*the role of Hermes Cover in safeguarding jobs was of increased importance for 38% of the companies interviewed. Here too, the impact on jobs was far stronger in SMEs than in larger companies"… "scarcity in the availability of financing options for Hermes-covered exports as a result of Basel III would have a direct negative impact on jobs"…."Hermes Cover has a disproportionately high impact on jobs for small and medium-sized exporters".* **The evidence is that an effective ECA means jobs AND profits.**
11. The Hermes annual report also stated that "*the export credit guarantees particularly boost German exports to high-risk countries. In a breakdown by sectors, it was shown that* ***the greatest impact on employment was in mechanical engineering…*** *"* - I concur.
12. In the last recession, UKEF failed (unlike the Germans and French) to take advantage in the temporary relaxation of EU ECA rules for short-term cover. This was as a result of ignorance,

complacency or misguidance. In order to be an effective ECA in future, **UKEF must keep itself abreast of current competitive ECA conditions World-wide**, especially non-OECD ECAs like China.

13. Whilst the BExA (The British Exporting Association) benchmarking report on ECAs shows the availability of UKEF products since 2010 to have improved, there is no indication as yet that the volume of take-up on these products have come anywhere close to the volumes enjoyed by the main ECA competitors. The proof is not 'products' on the shelf but 'products' sold. **EGAC should perform its own benchmarking review to determine when UKEF reaches 'best-in-class'**. Then, I will applaud accordingly.
14. I fully endorse the views of BExA towards this consultation, submitted separately, that the EIGA should be drafted to enable UKEF to provide flexible and competitive insurance and guarantees in support of UK exporters and put 'clear blue water' between UKEF and its rivals. (-as long as UKEF is ahead !)
15. Best of Luck.

The comments expressed above are strictly my own and are intended to give a view as to what the EIGA reform should actually be attempting to achieve. I share the same objective of enabling export growth for the benefit of the UK exporters and the UK economy in its entirety.

The comments reflect my personal experiences as a director of NIS Limited in its dealings with ECGD/UK Finance. NIS Limited is a mechanical engineering company and has been exporting for over 30 years to over 40 different countries. NIS Limited is a member of BExA. NIS Limited is a mid-sized company in a UK group of 300+ employees. NIS Limited currently self-insures all its exports and guarantees.

I trust the amendment to the EIGA will allow UKEF to reform and become the ECA of choice again.

C W Nicholson

Group Investment Director – NIS Holdings Ltd, Chorley, Lancashire

North East Chamber of Commerce

Ref: UK Export Finance/ Export Credits Guarantee Department

02 May 2014

The Consultation Team
Chief Executive's Office
UK Export Finance
1 Horse Guards Road
London
SW1A 2HQ

Dear Sir / Madam,

A Consultation on proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 (as amended).

With reference to the above consultation, we are pleased to make our submission below.

The North East Chamber of Commerce (NECC) is the North East's leading business membership organisation and the only regional Chamber of Commerce in the country. We represent more than 4,000 businesses located in Northumberland, Tyne and Wear, Durham and Tees Valley, covering both local enterprise partnership areas in the North East. Our members are drawn from all sizes of business across all sectors and employ about 30% of the region's workforce. In 2013, NECC worked with over seven hundred exporters, on consignment of goods worth over £1.1 billion.

We welcome the proposals to extend UKEF's powers with the intention of increasing support for exporters. These changes coupled with the further announcement in the March Budget statement to overhaul UKEF's direct lending programme show the government see exports as key to the UK's long term economic recovery.

We recognise that broadening UK Export Finance's powers will help ensure there is a more joined up approach of products and services offered by other comparable Export Credit Agencies will guarantee competitiveness. We do however have concerns that there is a significant lack of awareness for business of what UKEF do, the services they provide and how this can help increase exports of their goods and services. Currently UKEF have one employee on the ground covering the North East region. Considering the North East is home to 2000 exporters this service is considerably under resourced, especially when considering that the North East region last year saw a higher increase of exports than the UK's average.

At present the take up of UKEF products is very low, we believe that if the Government sees UKEF as their key tool to push exports, more regional resource and awareness is crucial. In the Budget the Chancellor has pledged to step up marketing so that more businesses are aware of UKEF's products and services, however how this will be implemented is currently unclear and we need clarity on how this will be done.

NECC
Aykley Heads Business Centre,
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Durham DH1 5TS
Tel: 0300 303 6322
E-mail: enquiries@necc.co.uk www.necc.co.uk

NECC surveyed a selection of NECC Global members who currently export £1.1 billion of goods per annum. We did so in order to gauge awareness of the UKEF service offer and the responses to these questions has helped shape our response to this consultation. The results of the survey show that inorder for the changes to UKEF to actually make a real impact more resource is required on a regional basis to explain and deliver how this can help businesses export.

Currently the take up of UKEF products is small and this is because awareness is low, as is the comprehension of the offer available. New resource should be directed towards raising awareness amongst the business community of the rebirth of UKEF, which was out of the picture in practical terms for a number of years until very recently. This is largerly due to UKEF having set such a high minimum amount for its direct lending programme that it wasn't viable for the vast majority of exports. It is reassuring that the Government recognises the problem and has pledged to increase marketing of UKEF. However, more emphasis needs to be placed on raising the general awareness of how UK Export Finance can help companies export on a region by region basis. To do this effectively the government should increase work with chambers of commerce which may be best placed to assist, either in terms of general awareness raising or by housing someone to compliment the work being done.

By targeting the Chambers' exporting businesses, who already have an existing intrest in international trade the Government will be best placed to meet their goal of expanding export horizons and reaching trade targets by 2020 of £1 trillion exports per annum. By offering more regional support through working with local chambers UKEF would be able to make clear steps towards the objective of increasing by 100,000 the number of companies that export and for UK companies to win a greater number of overseas High Value Opportunity projects.

Yours sincerely

Lucy Humphreys
Policy Advisor
North East Chamber of Commerce

NECC
Aykley Heads Business Centre,
Aykley Heads,
Durham DH1 5TS
Tel: 0300 303 6322
E-mail: enquiries@necc.co.uk www.necc.co.uk

16 April 2014

Contact Emma Hughes, emma@platformlondon.org

Consultation on proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 (as amended)

Platform Submission

1. Platform is a London-based research organisation that has monitored the social, economic, environmental and human rights impacts of the British oil and gas industry for over eighteen years. Our work is regularly published and cited by governments, academia, media and corporations. We are consulted for expertise by human rights defenders, parliamentarians and journalists. We have in-depth knowledge on British oil companies operating in Nigeria, Iraq, the Arctic, the Caspian and North Africa.

2. In the 2010 coalition agreement the government stated that *"We will ensure that UK Trade and Investment and the Export Credit Guarantee Department become champions for British companies that develop and export innovative green technologies around the world; instead of supporting investment in dirty fossil-fuel energy production".*

3. Yet since 2010 UKEF's support for dirty fossil-fuel projects has continued unabated and now totals over £1.5 billion.

4. UKEF have provided Brazil's state-owned oil company Petrobras with over £1 billion in finance since 2010. to conduct ultra-deep drilling in the pre-salt oil deposits in the Atlantic Ocean. This drilling is more complicated and dangerous than the deep Gulf of Mexico waters where BP's Deepwater Horizon disaster took place.

5. In October 2013 thousands of people took part in protests and strikes in Brazil in response to the selling of a prime deepwater oilfield off the Rio coast to a consortium of international and state oil companies, including Shell. The military were deployed and Brazilian soldiers and national guard troops fired rubber bullets and teargas at protestors.

6. The UK Government has signalled its continued support for this ultra-deep drilling by recently signing a Memorandum of Understanding between the State of Rio de Janeiro and UK Trade and Investment (UKTI) in which it was stated that UKTI events and trade missions are expected to take place in 2014 regarding the oil and gas sector in Rio de Janeiro. Given the environmental and social problems associated with this ultra-deep drilling, the UK government should not be financing it.

7. Other fossil fuel subsidies provided by the UKEF in the last three years include: £127 million for a petrochemical plant in Saudi Arabia, £6m for a gas plant in Nigeria and £26m to a gas power project in the Philippines.

8. Lisa Nandy MP, chair of the All-Party Parliamentary Group on International Corporate Responsibility Inquiry into UK Export Finance said :"It is a cause of real concern that, despite the coalition commitment to end all export finance for dirty fossil fuels, particularly the risky Atlantic oil drilling, UKEF still funds so many fossil-fuel-related projects and has so far failed to support a single green energy project."

9. The UK government has not implemented agreed policies regarding UK Export Finance over concerns that it is illegal for UKEF to discriminate between classes or types of exports.

10. For example the Secretary of State for Energy and Climate Change Ed Davey announced on 20 November 2013 that *"the UK will join the United States in agreeing to end support for public financing of new coal-fired power plants overseas, except in rare circumstances in which the poorest countries have no feasible alternative."* However this policy does not apply to UK Export Finance because "*UK Export Finance (UKEF) is not presently legally able to discriminate between classes or types of exports*

11. The United States policy ruling out public funding for non-Carbon Capture and Storage coal power stations does include the Export-Import Bank of the United States.

12. The UK is falling behind international best practice,This consultation and proposed legislation provide the UK with a key opportunity to rectify this by amending the 1991 Export and Investment Guarantees Act (EIGA) to enable the Secretary of State to add certain classes of exports to a prohibitions list that would be ineligible for UKEF support.

UK Export Finance
(Export Credits Guarantee Department)
Response to Consultation on Plans to make changes to the Export and Investment Guarantees Act 1991 (as amended)

The Formation of ECGD

ECGD was formed in 1919 to help promote UK Exports. It is important to recognise that from that time until the 1980's, ECGD operated at no net cost to the Exchequer and in fact had built up a surplus from operations which made it a very successful business. The ensuing few years created significant losses during a period of unprecedented international crises when Banks, Governments and many of the World's Export Credit Agencies, "ECA's" also suffered a significant losses. Losses were suffered by Major Banks and many came close to going out of business but were able to achieve economies of scale through mergers and acquisitions which saw well-known names disappear.

ECGD Losses

The losses sustained by ECGD had mounted to unprecedented levels. As a result measures were introduced in an attempt to deal with those losses and constrain future ECGD activities in a way that would "clean-up" the business and avoid a repeat of this episode. Unfortunately some poor decisions were taken at the time, some reflected in the Consultation Document but one step in particular worth mentioning was the decision to trade debt. This move would only have one conclusion, a further increase in losses because debt traders buy debt with the expectation is to make a profit; in other words the debt is sold at a discount from the face value.

This was contrary to ECGD's normal way of dealing with losses which would be to put in place measures to effect recoveries and in this regard they had the support of Embassies and High Commissions to give assistance wherever possible. This method had worked successfully for many years and with the help of banks and some exporters continued to work, even following this crisis.

This I feel is worth mentioning in order to set the scene and understand where we are and at least to some extent how this has come about.

Private Sector Credit Insurance

The private credit insurance market operates on a different basis to that of ECA's. The private market generally offers less than 100% insurance terms, frequently offers shorter tenors, has a limited appetite for risk in some countrys such as those in Sub-Saharan Africa, and imposes longer waiting periods before wishing to consider a claim. Unlike Guarantees issued by OECD Government owned or controlled ECA's the underwriting offered by the private market does not offer the same benefits as banks try to manage their capital under the Basle Risk Weighted Capital Adequacy measures "RWCA" which have become tougher and more restrictive following the 2008 crisis.

It therefore needs to be borne in mind that the ECA's offer a better product which is normally respected by the banks and in most circumstances will more readily facilitate access to sensibly structured export and trade financing. The product of ECGD also has a fine record of success over many years.

SME Support Programmes

The programmes outlined in clause 6 of the Consultation Document offer support for the smaller exporter which should be extremely valuable to those in this category. I have no current knowledge as to how receptive the banking community has been to such support and I do appreciate that Banks are often not able to be fully supportive in these areas but *if UK Export Finance could offer support through their Direct Lending scheme, under agreements with the Exporter's Bank who may be secured creditors, it could be very useful.*

Direct Lending Scheme

In relation to the larger value exports of capital and semi capital goods this scheme has the merit of providing the exporter with confidence in a funding source. This confidence is also necessary for the smaller exporter and the banks are often not able to offer funding support for the smaller value transaction.

Consensus Terms of Support

Reference is made under 9 & 10 to the issue which is of course the OECD Consensus on Export Credits and I broadly support the intentions expressed here. However, there ought to be scope for more special sector agreements such as those available for Aircraft and Ships etc. because UK expertise is present in a number of sectors of business and there is considerable interest in these areas of business internationally.

Public Private Partnerships, "PPP"

One particular area of British expertise is in the field of private finance, PPP. Whereas this might be beneficial in supporting poorer countries delivering public services and modernising their infrastructure, conventional credit terms do not enable such to be achieved on a viable basis. Additionally local currency loans cannot be structured and therefore Governments resort to borrowing in hard currency which leads in to significant foreign exchange losses which cannot be hedged in a conventional manner. This is aggravated by the absence of effective local Capital Markets and also leads to challenges in achieving schemes representative of value for money and affordability. *In this regard longer credit terms available through a special sector agreement, and attention to the issue of foreign exchange risks through existing mechanisms would be invaluable.*

Foreign Exchange Risks

Development Banks and others have created artificial currency hedging facilities which should be explored since whilst they may be costly to arrange, losses through changes in foreign exchange parities are potentially even more significant. Offering longer term loans supported by ECA’s for Infrastructure Development for Hospitals, Water Treatment Facilities and Sewage Treatment would have a major impact on public health and could enable project viability to be achieved. These were amongst the objectives set out in the Millennium Development Goals but the targets were missed.

Proposed Revisions

I support the Secretary of State’s search for new powers to expand UK Export Finance, and introduce greater flexibility and support as set out in 11 but since the implication here is to help the smaller exporter the following also needs to be taken into account:

1. Until 1991 smaller exporters were supported by Export Finance Houses/Confirming Houses, “CHC”’s who operated under the umbrella of supplier credit support through ECGD’s Office in Cardiff. CHC’s operated robust marketing programmes to develop business with exporters. That marketing is not happening today and the smaller exporter is as a result unaware of services available and I do not believe the banks can attend to the needs of these exporters because of the impact of RWCA.

2. I do not think it would be possible for CHC’s to re-open because they were mainly owned by major banks who almost certainly would not want that business today, again through the impact of RWCA. This gap needs to be filled as otherwise smaller exporters are still unlikely to be aware of services available, or how to access those services.

3. Sovereign Star has to an extent been filling the gap left by CHC’s and if it were possible for the Direct Lending through UKEF to play a part in their activities, this might be useful.

4. I note reference is made under 12 to the enhancement of UKEF powers to manage transactions. It seems to me that greater consideration to facilitating the support of local currency loans might be useful for business in poorer markets. ECGD has commented previously that supporting loans in local currency in these markets might be considered to be less risky!

5. I note the comments in 14, and of course these are measures which need to be reviewed from time to time. I see nothing in the proposed changes however which would prejudice the requirement to “…. operate at no net cost to the taxpayer ….”, particularly bearing in mind the record of ECGD up to the 1980’s, as mentioned earlier.

Tony Crowther-Green
PF&DS Ltd.
!5th April 2014

From:	Chief Executive Office
To:	Katherine Bittlestone
Subject:	FW: RBS/NatWest response to UKEF consultation dated 19th March
Date:	16 April 2014 16:31:22

From: Keller, Rob (TSUK, Customer Solutions Group) [mailto:Rob.Keller@rbs.co.uk]
Sent: 16 April 2014 15:55
To: Chief Executive Office
Cc: Austin, Rowan; FIORILLO, Benedetto, Markets
Subject: RBS/NatWest response to UKEF consultation dated 19th March

Dear sir or Madam,
On behalf of RBS and NatWest (the Bank), this is to let you know that we value and make extensive use of the short term programmes. We also do advocate support for a number of the proposed revisions as stated in Section 11 of the consultation document. We have already had the opportunity to share our views on some of these subjects in the BBA Export Finance Committee and in direct discussions with our contacts at UKEF.

Broadening UKEF's powers to support umbrella facilities is clearly a welcome change because it will enable the Bank, with UKEF's customer-level commitment, to indicate overall appetite for a specified facility level that would both support bonds and guarantees and export working capital transactions that would then be subject only to UKEF approvals of specific contract elements such as Anti-bribery & Corruption. We expect this can be a streamlined and fast process and so would reduce administrative time and costs for the Bank as well as for our customers, the majority of whom are SMEs. It is imperative that the the contemplated changes do result in legally binding commitments by UKEF to the Bank under the Master Guarantee Agreements.

We also support the proposed changes to permit a more generalised ability to assist and support businesses in the UK that are, or wish to become, involved in exporting or exporting supply chains. This would fit well with existing programmes and operations already in place at UKEF and in the Bank such as Supply Chain Finance, Receivable Purchase and Export Working Capital Scheme and Tooling Finance for indirect exporters, i.e. those selling to exporters of record such as automotive and aerospace original equipment manufacturers. These indirect exporters are vital to exporting supply chains but do not currently have access to HMG support since they are not the exporter of record.

We also support the change that would give UKEF more flexibility when supporting UK exports, in particular where there are complex contracting chains and financing arrangements or where exports are made via overseas subsidiaries or joint venture companies. We see opportunities to utlise the LC Guarantee scheme and bond support scheme specifically in this regard.

I would be happy to elaborate on any of my comments should you have questions or require anything further.
Kind regards,

Rob Keller
Head, Trade Product Management & Development
Customer Solutions Group
TS UK

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Rolls-Royce

Rolls-Royce response to UKEF's "Consultation on proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 (as amended)"

Introduction

Rolls-Royce is supportive of the proposed changes to Section 1 of the Export and Investment Guarantees Act 1991 (as amended) ("EIGA") as set out in the UKEF consultation. We also recognise that the changes are critical to meeting the objectives of the National Export Challenge and are consistent with the aims of the Trade and Investment for Growth White Paper from February 2011.

Response to changes to the EIGA

We are supportive of the methodology behind the changes to the EIGA as are outlined in Section 11 of the consultation. The consequences of this revision are set out in Section 11.i through 11.iv, our response to these is as follows:

1. We are supportive of "A more generalised ability to assist and support businesses in the UK that are, or wish to become, involved in exporting or exporting supply chains, for example, by providing guarantees of general working capital facilities or by providing information or advice"

2. We are supportive of "The ability to support exports of intellectual property rights and other intangibles".

3. We are supportive of "More flexibility when supporting UK exports, in particular where there are complex contracting chains and financing arrangements or where exports are made via overseas subsidiaries or joint venture companies".

4. We are supportive of "More scope to support projects and business ventures overseas to which goods or services sourced from UK exporters are directly or indirectly supplied".

Summary

In summary Rolls-Royce is supportive of the changes proposed to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 (as amended) as we believe this will give UKEF the flexibility to support more UK exporters.

We also believe that the proposed changes will result in the benefits and effects outlined in sections 15 through 20 of the consultation text and that the changes will allow the UK to meet the objectives of the National Export Challenge in growing exports and exporter numbers.

Yours sincerely,

Mark Brady
Group Treasurer

16 April 2014

Ms Kate Bittlestone
Consultation Team
UK Export Finance
1 Horse Guards Road
LONDON SW1A 2HQ

mailto:cxo@ukef.gsi.gov.uk

Dear Ms Bittlestone

Re: Consulation due 16th April re EIGA

Thank you for the invitation to respond to the consultation. Our company has obtained UKEF offers of support for export contracts. As this consultation is open to public inspection, we do not specify some details here, but would be willing to do so in confidence.

May I respond to the questionnaire and proposed changes listed in Section 1.1 of the document:

(i) More generalised ability to support businesses etc

While these would be welcomed, many of the UKEF schemes are delivered through Banks. We are not alone is finding that the main "High Street" banks are reluctant and "drag their heels" over applications for UKEF supported schemes. In our case, an application for UKEF Bond Support via one major (and largely Govt owned) bank took 11 months. Most of the time was their delay and they subsequently closed all our accounts with no reason given.

Another major UK bank is known to have a large list of recently developed and developing countries that they do not want to be involved with. So, even where UKEF look favourably on an application such as bond support, it may be undeliverable because of lack of support from the bank.

Therefore, access to schemes will be inhibited if only channelled through banks. Some foreign banks are included in UKEF schemes, but we believe that they only deal with applications related to a restricted region or their own "home country".

Currently, we are faced with a problem that we know support is available from UKEF for our export contracts, but we have not identified a suitable and willing bank. It is well known that there are very few banks offering services to SME's, so the limited choice and lack of competition is a fundamental problem for us.

However, encouraging acceptable overseas banks in major export markets to join the UKEF schemes would help. Also, is there is an additional role for the British Business Bank?

(ii) The ability to support exports of IPR and intangibles etc

This is not a subject of much relevance to our company although software and technical guidance and support can form part of our export contracts.

SABRE

(iii) More flexibility supporting UK exports – complex contracting chains and overseas companies etc

This is not something that would currently apply to our company, but would generally be welcomed provided that it truly benefitted UK exporters.

(iv) More scope to support projects and business ventures overseas where UK goods or services are supplied etc

This is not something that would currently apply to our company, but would generally be welcomed provided that it truly benefitted UK exporters.

Final remarks…

When I have talked to colleagues overseas, I have formed the general impression that the UK Banks are now far more risk averse and unlikely to support exports by SME's than those of many of their overseas peers. This is a major impediment to the efforts that UKEF is making, however welcome that may be.

Thank you again for the opportunity to comment.

Yours sincerely

David Balfour

David Balfour
Director

SCIPION CAPITAL (UK) LTD.

Consultation Team,
Chief Executive's Office,
UK Export Finance,
1 Horse Guards Road,
London,
SW1A 2HQ

16th April 2014

Attention: Kate Bittlestone,

Dear Sirs,

We refer to your request for responses on proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 (as amended).

For your information, we are an Asset Manager arranging structured trade finance facilities for companies transacting in Africa. We were incorporated in 2007 and have advised on transactions worth over US $200 million. Our clients include UK companies exporting goods to Africa, as well as African companies importing from UK suppliers. This has given us a unique perspective on some of the challenges of operating in emerging markets in Africa.

After reading the proposals we would like to draw your attention to two areas which we believe are neglected and encourage you to look at them again.

First, we note that the current products of UKEF are only available to selected banks and financial institutions. We would suggest that the possible providers of UKEF products be extended to include other lenders offering companies lending and related services, similar to those provided by banks already utilising UKEF products.

We would draw your attention to the Export-Import Bank of the United States of America that makes its working capital guarantee programme available to hundreds of Authorised Lenders. This is in contrast to the UK where a similar product from UKEF, the export working capital scheme, is available to just eight banks. In the UK, non-bank lending is increasingly displacing traditional bank lending and extending the possible providers of UKEF products would place its practitioners on an equal footing with banks. A framework for approving non-bank lenders for UKEF products, similar to that which is used in the USA, would be beneficial.

Secondly, we note that the key UKEF products are aimed at supporting large, medium- or long-term loans, despite most export finance being short-term (less than one year). Partial loan guarantees for short-term loans would encourage lending to exporters. Although we note that some of these are already available in certain circumstances, a wider range of simpler products would be welcomed.

This would be especially effective at boosting lending to exporters operating in emerging markets, where the private sector is not large enough to provide risk solutions to cover, for instance, exchange rate risk and political risk,.

Increasing the ability of specialist lenders to share the risk of working in emerging markets by using partial loan guarantees for short-term secured loans would boost UK exports to these countries. For reference, in 2013 only 2.90% of goods exports from the UK went to Africa. We are sure this percentage would increase with appropriate support for lenders who know the relevant markets well. Such a scheme could use the same criteria as many of the existing UKEF products. The main difference would be that lending would be secured by the goods themselves and the guarantee would (partially) cover any loss not recovered from the security. For instance the scheme could use the following criteria:

- The UK exporter should be carrying out business in the UK
- The loan value should exceed GBP 1,000,000
- The guarantee should not exceed 90% of the loan value
- The loan value should not exceed 90% of the sales value

We look forward to receiving any thoughts you may have on the above and would be happy to provide more information or references on any point.

Yours faithfully,
For and on behalf of,
Scipion Capital (UK) Ltd,

Nicolas O Clavel
Chief Investment Officer

Stephen J Kemp
Senior Portfolio Manager

16 April 2014

Consultation Team,
Chief Executive's Office
UK Export Finance
1 Horse Guards Road
London
SW1A 2HQ

Dear Sir/Madam,

Consultation on proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991

The Scottish Council for Development and Industry (SCDI) welcomes the opportunity to comment on these proposed changes to the Secretary of State's powers under the Export and Investment Guarantees Act (EIGA) 1991.

SCDI is an independent membership network that strengthens Scotland's competitiveness by influencing Government policies to encourage sustainable economic prosperity. SCDI's membership includes businesses, trades unions, local authorities, educational institutions, voluntary sector and faith groups. SCDI actively promotes international trade activity for Scotland, and has delivered in excess of 370 trade visits comprising of 6000 participants to in excess of 50 markets worldwide. SCDI is dedicated to playing our part in doubling the value of Scottish exports between 2010 and 2020 and increasing the number of Scottish businesses trading internationally.

SCDI welcomes the proposed widening of UK Export Finance's powers, and the positive impact that this would have for exporters. These proposed revisions to the EIGA are needed if UK exporters remain internationally competitive and receive support on par with their competitors.

SCDI also welcomes the introduction of the more generalised ability to assist businesses that are, or are becoming involved in exporting or the exporting supply chain. This broadening of support from established exporters to those considering and in a position to expand internationally will hopefully encourage and enable more businesses to take this step, which is crucial if the UK Government is to achieve its ambitious export target of doubling the number of exports by 2020.

Access to finance is a major barrier to internationalising for many SME's, and increasing UK

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Export Finance's scope to manage transactions which will facilitate transfers of UK Export Finance guaranteed loans, and support overseas ventures in which UK goods and services sourced from UK exporters either directly or indirectly, could be positive. More generally, however, while increased Government support through Export Credit Guarantees is welcomed by SMEs, there is a need to monitor whether changes which reduce risks for finance providers rather than directly for businesses is working in practice and that credit is available for exporters at the level which they need.

I hope that these comments are useful.

Ashleigh McLennan
Policy Executive
Scottish Council for Development and Industry

E: ashleigh.mclennan@scdi.org.uk
T: 0141 222 9727

SOCIETE GENERALE
Corporate & Investment Banking

The Consultation Team
Chief Executive's Office
UK Export Finance
1 Horse Guards Road
London SW1A 2HQ

For the attention of Ms Kate Bittlestone

16 April 2014

Dear Sirs,

Re: Consultation on proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 (as amended)

Thank you for inviting Societe Generale, a major global export finance bank, to participate in the above consultation process.

Societe Generale in London generally welcomes the changes being proposed. They should help maximize to the fullest extent, the ability of UKEF/ECGD to support UK exporters involved both directly and indirectly in international trade. It is encouraging to see that the UK export credit agency wishes a) to be able to meet the needs of UK exporters, of all types, in 21st century global supply chains and b) to be best prepared for any future financing/trade credit crises in the banking and insurance sectors. Such proposed flexibility and foresight should send a strong signal to sponsors of major infrastructure investments around the world; it should be in their real interests to consider significant procurement from the UK, not just of traditional goods and services but of intangibles too.

It does seem to be a missed opportunity not to consider using the proposed legislation to change the name of the statutory/legal entity of Export Credits Guarantee Department to UK Export Finance and thus remove the ongoing confusion for many users since the UKEF operating name was introduced in 2011. For institutions such as ourselves it is the legal name of an entity, and not its operating name, which has to be recorded in our systems for regulatory purposes etc.

Nevertheless, we look forward to continuing to support our British exporting clients, as they compete internationally in the years to come, with the benefit of the proposed measures.

Yours faithfully,

MJEyres

Margaret J Eyres
Director and Head of Export Finance UK
Societe Generale Export Finance

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Incorporated in France with limited liability
Registered in England and Wales
number BR 000021

SOVEREIGN STAR
TRADE FINANCE LIMITED

Consultation Team
Chief Executive's Office
UK Export Finance
1 Horseguards Road
London
SW1A 2HQ

10th April 2014

Dear Sirs,

Consultation on proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantee Act 1991 (as amended)

The Government is seeking views on its proposals to change UK Export Finance's statutory powers as set out in the Export Guarantees and Investment Act (EIGA) 1991 as amended. I respond in my capacity as Executive Director of Sovereign Star which supports exports, usually by SMEs, whose buyers require medium term finance to purchase supplies from the UK. It does this on a transaction basis. Sovereign Star is a wholly owned subsidiary of Northstar Trade Finance Inc. of Canada.

I fully support the Government's proposals as set out in the Consultation Document .I start from the premise that exports are important to the UK, all the more so following the onset of the financial crises and economic down turn which has exposed the UK's overdependence on the UK's financial services sector. I endorse the efforts of the present Government to put exporting at the top of its economic priorities. Although the targets it has established to increase exports and also the number of companies exporting may be overly ambitious. I welcome the resources and efforts being made available to promote trade, including those through UK Trade & Investment.

I also fully endorse the changes Government has made at UK Export Finance in recent years, including the expansion of its business domain and range of products. These developments have been most welcome. Although UK Export Finance's role is still to complement the private market, it is, nonetheless, vital that the UK has an Export Credit Agency which is able to provide a full range of products and services so that British exporters can compete on the same basis as their rivals in other countries who benefit from the support of their Export Credit Agencies. The financial crises and economic downturn have shown the importance of having a state-backed Export Credit Agency that can respond quickly and effectively to the needs of exporters when there is retrenchment in the availability of support from the private market; in other words, UK Export Finance should be properly equipped to play the traditional role of Export Credit Agencies to be there for exporters to support them through the economic cycle. This applies all the more to SME export business which has different dynamics to that of the larger project related business in which UK Export Finance has been engaged since 1991.

As noted earlier, Sovereign Star is a subsidiary of Northstar Trade Finance Inc of Canada. It has a great deal of experience working with EDC, the Canadian Export Credit Agency. EDC is a Crown Corporation that, like UK Export Finance, operates under an Act of the Canadian Parliament. As noted in the Consultation Document, EDC's statutory powers are cast very widely so that it can operate to the fullest extent in the provision of support for Canadian business. Taking into account the increasing complexity of contracting overseas and the structuring of associated financing that is required. UK Export Finance would do well to have similar powers to EDC's that will maximise its ability to support the very may permutations of export contracts that now take place. In my view, the statute should be founded upon a simple test; namely, the export contracts that UK Export Finance is asked to support should involve a return to the UK's Balance of Payments. If so, UK Export Finance should be empowered to provide its support subject to the financial risks being acceptable, being in compliance with the international agreements to which UK Export Finance is party e.g. the OECD Arrangement, etc.

I will not comment specifically on all the changes to the EIGA that have been proposed other than they should all be enacted to maximise UK Export Finance's operational capability. I would add that I recently commented on the Government's Public Consultation on the Triennial Review of the Export Credit Guarantees Advisory Council (EGAC). I have read the recently published report of the review and note the Government is retaining the EGAC and that it will continue to focus its work on the application by UK Export Finance of OECD ethical policies as they relate to Export Credit Agencies. I note that under the EIGA the Secretary of State must consult the EGAC on matters related to the provision of reinsurance to the private sector but, as the report states, the Council has not been asked for advice on that matter for many years and, indeed, no longer has the capability in its membership to do so even if asked. Given the EGAC's focus on ethical policies, it seems to me that the Government should also consider removing from the EIGA the requirement to consult the EGAC on reinsurance as this appears to be redundant.

In conclusion, I would comment that I am aware that there have been a number of reports in recent years on UK Export Finance by Parliamentary Committees, Non-Governmental Organisations, etc. that have proposed changes to the EIGA including, for example, putting UK Export Finance's Business Principles on a statutory basis. I would urge the Government to resist enacting such changes. This would have the complete opposite effect of what the |Government is seeking to achieve with its own proposals as it would create inflexibility and each time changes may be needed, for example, to reflect changes to OECD ethical policies, will require new legislation. This could have a detrimental impact on the competitiveness of British Exporters. While a great deal has been achieved in recent years to help ensure that British exporters are able to operate on a level playing field it should not be forgotten that Britain has to compete for business and the UK's Export Credit Agency must have the freedom to maximise support for its exporters.

Yours faithfully,
CFJ.Siegl

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~~14 April 2014~~15 April 2014

FAO Kate Bittlestone
The Consultation Team
Chief Executive's Office
UK Export Finance
1 Horse Guards Road
London SW1A 2HQ

Ref: UK Export Finance/Export Credits Guarantee Department

Re: Consultation on proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 (as amended)

Dear Kate

Sullivan & Worcester is an international law firm with offices in London, Boston, New York, and Washington, DC. Sullivan & Worcester's London office is led by Partners Mark Norris and Geoff Wynne both of whom have extensive export, trade and commodity finance experience particularly in growth and emerging markets. Sullivan & Worcester advises banks, corporates, governments and supra-national organisations on export, trade and commodity finance domestically and internationally. Through the work Sullivan & Worcester does we are both an adviser to UK exporters and a UK exporter of English law legal services.

Sullivan & Worcester was pleased to see the launch of the Government's consultation on proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 (as amended) (the "**Act**").

We agree with the Government's proposal that the powers of ECGD should be widened[i].

We have the following comments and observations:

1. Broadening the scope of who can benefit from ECGD's support and assistance

1.1 In amending the Act it is important to ensure that the amended legislation is clear and unambiguous as to who can benefit from ECGD's financial support and assistance.

1.2 We note that both ECGD's Consultation Document and the Act tends to refer to exporters as being "businesses" and "companies"[ii].

To avoid uncertainty and confusion (particularly in light of the Government's strategy to increase the number of education institutions that export[iii]), we believe that the wording in the amended legislation should be as encompassing as possible[iv] referring to "persons" or "entities" and avoiding references to "… carrying on business …" (which we feel is an unnecessary qualification).

In the context of the education sector, such changes would mean that if an education institution (for example, a college or a charity) were to export with the support of ECGD it would not be necessary to determine whether that institution was "… carrying on business …".

1.3 Further the way the term "business" is currently defined in the Act[v] is unclear and unhelpful. If the term "business" is going to be used in the amended legislation (which as noted above we think is unnecessary) the definition needs to be expanded to avoid confusion and uncertainty.

1.4 As you note in your Consultation Document[vi]:

"… *Export Development Canada (EDC) is established*:

… *for the purposes of supporting and developing, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade and to respond to international business opportunities*."[vii]

We believe that the Act should empower ECGD with similar clarity.

2. Supporting supply chains and exporters generally

2.1 Given how global trade has developed since the 1990s, we are of the view that the Act has become unnecessarily restrictive and does not reflect how many UK "exporters" actually operate. In the UK (and globally) "exporters" are often integrated into supply chain networks to produce an underlying good or service for export[viii]. It follows that many companies will produce a specialized good or service that will, ultimately, be exported but they themselves are not actually supplying their goods or services outside of the UK. We believe that ECGD needs to be able to provide financial facilities and assistance to manufacturers/providers of goods or services within supply chains.

2.2 We believe that ECGD should be able to support "exporters" generally. ECGD's support need not be linked to identifiable export contracts. Particularly with smaller value contracts in the SME sector a UK exporter may, for all intents and purposes, treat a set of agreed "terms and conditions" (for example, for the supply of generators as and when needed by the non-UK buyer) as being a single export contract but, in fact, for each export there is separate export contract (which incorporates the agreed "terms and conditions").

3. Refinancing facilities

3.1 Given the Government's stated concern that there be "no gap" in the availability of trade and export finance for the benefit of exporters we believe that ECGD should have a clear power to provide financial facilities and assistance to financial institutions who, in turn, provide finance and assistance to UK exporters (and whether or not these financial institutions are "UK" institutions). For example, ECGD should have the power to re-finance or acquire existing export credit facilities in order to provide additional liquidity for the purpose, in turn, of providing further support for UK exporters.

4. The consultation process

4.1 As the Government notes in its "Trade and Investment for Growth" White Paper, "… the UK has demonstrated competitive strengths in … educational, … financial and professional services and other services that support industry, such as architecture, technical services, advertising and R&D services. …". As the White Paper notes "… The UK is the world's second largest exporter of services…"[ix].

4.2 We believe that the service sector has a significant role to play in helping meet the UK's Governments ambitious targets "… to achieve by 2020 £1 trillion of exports per annum, [and] increase by 100,000 the number of companies that export …" which you refer to in your Consultation Document.

4.3 Given the importance of the service sector both as exporters and, in the case of professional services, as advisors to exporters[x] we were surprised that the stakeholders invited to comment on the Government's proposals to make changes to ECGD's powers did not include firms from the legal or accountancy professions nor their professional bodies.

4.4 We were also surprised that given the Government's expressed commitment to work with the UK education sector to "boost" international trade in education[xi] that (save for North East Surrey College of Technology) no colleges, universities or schools nor their trade bodies or associations (for example, the Association of Colleges) were invited to comment.

4.5 Given the ambitious targets set by the UK Government and the important role that the above-mentioned stakeholders can play in helping meet these targets, we feel that it is an omission not to have sought to engage with these stakeholders in the current consultation process. We would recommend that any future consultation in respect of the powers of ECGD should involve these stakeholders.

We would be pleased to assist ECGD should it have any queries on the above.

Yours sincerely

Mark Norris
Partner

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[i] Paragraph 11 of the Consultation Document.
[ii] See for example, paragraph 16 of the Consultation Document; "… The proposed revisions to the EIGA will broaden UK Export Finance's powers to enable it better to provide support, not only for export contracts, but also to companies engaged in exporting or who may wish to export. This will allow UK Export Finance to assist companies in the exporting supply chains within the UK, or an exporting firm's business generally. …".
[iii] See for example, **International Education: Global Growth and Prosperity** July 2013.
[iv] For example Section10(1.1) of Canada's Export Development Act 1985 provides that "… in carrying out its purposes … the Corporation may … (b) enter into any arrangement that has the effect of providing, **to any person**, any insurance, reinsurance, indemnity or guarantee; (c) enter into any arrangement that has the effect of extending credit to any person or providing an undertaking to pay money **to any person**; …" (our highlighting).
"person" is defined as meaning "… a natural person, an entity or a personal representative …".

"entity" is defined as meaning "… a body corporate, a trust, a partnership, a fund, an unincorporated association or organization, Her Majesty in right of Canada or of a province, an agency of Her Majesty in either of such rights and the government of a foreign country or any political subdivision thereof and any agency thereof; …".

[v] Clause 4(3)(a) of the Act provides "… "business" includes a profession …".
Clause 4(3)(c) of the Act provides "… references to persons carrying on business, in relation to things done outside the United Kingdom, include persons carrying on any other activities …".
Query: why it is thought necessary to have different underlying concepts of "…persons carrying on business in the United Kingdom …" and "… persons carrying on business outside the United Kingdom …'?

[vi] Paragraph 17.

[vii] Section 10(1) Export Development Act 1985.

[viii] See for example: "… A distinguishing feature of the world economy over the past generation has been the change from specialization based on products to specialization based on tasks. Increasingly, companies must produce within elaborate global supply networks in which final products are made by many companies in many stages spanning many countries, linked together by knowledge, trade, and investment. …". **U.S. Exporters, Global Supply Networks, and Competitive Export-Import Bank Financing** Robert Z. Lawrence (Professor of International Trade and Investment at the Kennedy School of Government at Harvard University) and Matthew J. Slaughter (Associate Dean for Faculty and Signal Companies' Professor of Management at the Tuck School of Business at Dartmouth) June 2013.

[ix] Paragraph 3.64 Chapter 3: The UK's Strategy for Trade and Investment Growth.

[x] See for example: "… New research commissioned for [Reform's "Delivering the UK export ambition"] report shows that SMEs are much more likely to seek information and advice from their professional advisers, their own business contacts and their banks than from government agencies. …".
Delivering the UK export ambition, Reform, November 2013.

[xi] See for example, **International Education: Global Growth and Prosperity** July 2013.
"…There are few sectors of the UK economy with the capacity to grow and generate export earnings as impressive as education. …".
"… International education, in all its forms, represents a huge opportunity for Britain. BIS estimates that in 2011 education exports were worth £17.5bn to the UK economy. This [International Education: Global Growth and Prosperity] strategy analyses the economic opportunities resulting from this growth, and sets out a targeted plan for the UK to grasp them, building on our education strengths both at home and abroad. …". David Willetts MP Minister for Universities and Science **International Education: Global Growth and Prosperity** July 2013.

From:	Paul Crompton
To:	Katherine Bittlestone
Subject:	RE: Consultation on UK Export Finance legislation
Date:	25 March 2014 10:34:28

Dear Kate,

In brief we are a British based/owned exporting SME in the automotive sector. We have been established for over 20 years. For some 16-18 years we had export credit insurance cover provided by a Dutch company known as Atradius. During 2008-09 they systematically withdrew cover from most of our overseas customers, to the extent that so few customers were actually left on cover that the policy became in effective.

This meant we could not use the policy as an assignment to raise finance nor discount any bills etc. Un- officially we believe that the company had been instructed to hold most of the headroom back to support Dutch Exporters

At this point I would point out that as of today's date **NOT ONE** of our customers whom the cover had been withdrawn, has gone out of business nor defaulted on a payment!!!**.**

I conclude from this, that the Private insurance market in respect of export credit insurance proved to totally unfit for purpose

Moving forward, I would request that UKEF expand their EXIP portfolio and include cover to OECD markets as soon as possible, this will greatly assist the ability to British companies , in particular SMEs to EXPORT!!

As you will appreciate this is a very short précis, of the story but covers the most important points

Best Regards

Paul Crompton
Commercial Director

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KATE BITTLESTONE

UK EXPORT FINANCE
1 Horse Guards Road
London SW1A 2HQ

7th April 2014

CONSULTATION ON PROPOSED REVISIONS TO THE SECRETARY OF STATE'S POWERS UNDER THE EXPORT AND INVESTMENT GUARANTEES ACT 1991 – THALES UK RESPONSE

Dear Ms Bittlestone,

Following UK Export Finance (UKEF)'s full consultation document dated 19th March 2014, I am pleased to respond below to the consultation on behalf of Thales UK.

We welcome the proposed changes to the Export and Investment Guarantees Act 1991 (as amended) (EIGA) as we believe those changes will help large UK companies as well as their supply chain to be better supported by Government through the products and services offered by UKEF when it comes to exporting.

The broadening of UKEF's remit to accommodate a wider variety of contractual arrangements, including the increasing prevalence of delivery via overseas subsidiaries of UK corporates or joint ventures, to meet overseas buyer's local content requirements, would be particularly helpful for Thales.

It is worth noting that the proposed changes will not, however, address the continued actions of non-OECD Export Credit Agencies (ECAs) in offering enhanced terms that OECD ECAs are unable to match. Work should continue to bring these nations under the OECD framework.

In parallel to the introduction of these amendments to the EIGA which we hope will be implemented swiftly, UKEF must continue to improve its insurance policy products (wording and cover) in line with the private market and streamline and slim down its application forms.

Yours faithfully,

GUILLAUME SIMONNET
Head of Treasury & Trade Finance

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Response to UK Export Finance's
"Public Consultation on Proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 (as amended)"

1. The Corner House is a UK-based research and advocacy group that has a decade-long history of monitoring the impacts of export credit agencies, including the UK Export Credits Guarantee Depart/UK Export Finance [ECGD/UKEF]. Our comments on the changes being canvassed by ECGD/UKEF to the Export and Investment Guarantees Act 1991 (as amended) [EIGA] are set out below.

2. ECGD/UKEF is explicit that the proposed changes to the EIGA are intended to fulfill the trade policies set out in the Government's 2011 Trade and Investment for Growth White Paper. As such, the proposals should take full account of the policies laid out in the White Paper. However, the Consultation paper blithely ignores a number of key policies and, absent wider changes to EIGA, threatens to undermine, rather than contribute to, the Government's stated objectives.

3. The Trade and Investment White Paper clearly states, for example, that trade finance should "help the shift to a green economy", support "a rapid transition to a low carbon economy in the UK, and globally" and "ensure the sustainability of economic growth, through the promotion of a low carbon transition" (emphasis added). Significantly, these policies are given equal priority with others set out in the White Paper: the Government clearly did not (and does not) contemplate a hierarchy of policies. By contrast, the EIGA subordinates such objectives to the overriding goal of supporting exports, regardless of whether or not they contribute to a shift to a green economy or to environmental sustainability. As such, the EIGA runs counter to the policy objectives set out by the Government and poses a clear barrier to achieving the Government's stated trade policy goals.

4. This has been recognized by the Secretary of State for the Energy who recently announced that the UKEF would be excluded from the

Government's policy of ending "support for public financing of new coal-fired power plants overseas" because it "is not presently legally able to discriminate between classes or types of exports".

5. The Consultation wholly fails to address this blockage and is thus flawed.

6. **The Corner House recommends that consideration is given to amending the EIGA to enable UKEF to fulfill the Government's stated trade policies with respect to sustainability and a low carbon transition globally. Specifically: a) UKEF should be required to ensure that the support it provides to exporters is consistent with the UK's sustainable development objectives and the UK's goal of promoting a low carbon transition; and b) the Secretary of State should be given powers to discriminate between exporters through prohibiting UK Export Finance support for listed sectors and exports.**

7. The Trade and Investment White Paper is also specific that the Government is committed to a "whole of Government" approach to trade finance. The Consultation singularly fails to reflect this policy and is thus further flawed. There is no indication that UKEF has consulted with other departments, or that it has even considered the human rights implications of its proposed changes to EIGA and their compatibility with other Government initiatives to address the human rights impacts of UK companies operating abroad. This is of considerable concern given that UKEF proposes to enable support for goods manufactured outside of the UK, including in countries with poor human rights records or minimal labour standards. The more so since the majority of the products that UKEF now offers are excluded from *any* form of environmental and human rights assessment, including any assessment for the use of child labour or forced labour.

8. UKEF is not therefore currently in a position to be able to ensure that the support it offers meets the UK's obligations under Article 21 of the Lisbon Treaty, with which the EU "Regulation on the application of certain guidelines in the field of officially supported export credits and repealing Council" specifically states that EU Export Credit Agencies should comply. No consideration is given to this in the Consultation. **The Corner House recommends that the EIGA should be amended to include a requirement to assess all applications for their human rights and environmental impacts and to impose a "duty of care" on UKEF towards those affected by its support.**

9. The Corner House is concerned that, absent wider changes to EIGA, UKEF's proposal to support "exports made via overseas subsidiaries or joint venture companies" will result in the use of UK taxpayers' money to subsidise the offshoring of jobs to low wage economies, to the detriment of workers in Britain. The proposal may also encourage corporate benefit tourism: under the proposed changes, an overseas company paying no tax in Britain could set up a nameplate office in the UK and then apply for UKEF finance to support the sale of goods manufactured outside of

Britain. Attempts to redefine such overseas manufacturing and sales as a "UK exports" are simply Orwellian. No consideration is given in the Consultation to the likely impact on jobs in the UK of the proposed changes. **The Corner House recommends that UKEF be required under an amended EIGA to ensure that the support it provides does not result in the offshoring of jobs or lead to tax revenues being lost to the UK Exchequer.**

The Corner House
14 April 2014

From:	Simon Hyde
To:	Chief Executive Office
Subject:	ECGD
Date:	07 April 2014 14:01:29

Hello Kate

We are credit insurance brokers and currently use ECGD for business we cant place with the private sector.

Can I request the consultation looks at the process of putting a credit insurance policy in place, and at the process of renewing a credit insurance policy.

The present system involves lots of paperwork when setting up a policy and lots of paperwork when renewing a policy.

I would prefer to see a simplified paper trail making the whole process easier and more importantly attractive to potential customers.

We would also like to see a quicker turnaround time for quotes and for issuing the paperwork.

Thanks

Simon

Simon Hyde
Regional Manager
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15 April 2014

WWF-UK submission to consultation on proposals to make changes to the Secretary of State's powers under the Export and Investment Guarantees Act 1991 (as amended)

1. Introduction

1.1 WWF is a leading global conservation organisation, employing over 5000 staff in more than 100 countries and with more than 5 million supporters across the world. One of our key aims is tackling climate change, and we have been active in UK and global energy policy discussions for over a decade. We are strongly committed as an organisation to helping prevent the worst impacts of climate change and in particular preventing temperatures from rising above 2°C compared to pre-industrial levels.

1.2 WWF has called for improvements in the practice of Export Credit Agencies – including in the UK – and welcomes the Government's decision to propose legislation to improve UK Export Finance.

1.3 WWF recommends that the Government use this opportunity to bring the UKEF into line with international best practice in finance for fossil fuel investments and align the UKEF fully with the UK Government's wider objectives on tackling climate change and promoting a low carbon economy. Both these objectives for UKEF are promised in the Coalition Agreement, and reaffirmed in Government policies including the Trade and Investment White Paper and the Carbon Plan. The proposed legislation in the 2014/15 Parliamentary Session provides the Government with an ideal opportunity to fulfil its commitment made in 2010.

2. The Government's commitment to clean up the Export Credit Guarantee Department

2.1 The Coalition Agreement 2010 announced that during the period 2010-2015 the Government "will ensure that UK Trade and Investment and the Export Credits Guarantee Department become champions for British Companies that develop and export innovative green technologies around the world, instead of supporting investment in dirty fossil-fuel energy production."[1]

[1] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/78977/coalition_programme_for_government.pdf p.22 accessed 11 April 2014

2.2 WWF regrets that the announcement by Secretary of State for Business, Innovation and Skills fails to fulfil the Coalition Agreement pledge; that the practices of UKEF remain unchanged on both fossil fuels and green technologies; and that UKEF continues to operate in a way that is inconsistent with international best practice as well as wider UK Government policies on environmental protection or tackling climate change.[2]

2.3 WWF further regrets that the present consultation and proposed legislation make no reference to the Government's policy commitment in the Coalition Agreement.

3. UKEF support for innovative green technologies

3.1 Alongside UK Trade and Investment, UKEF has the potential to be an engine of growth for exports of low carbon goods and services and innovative green technologies.

3.2 WWF agrees that the current powers, contained in the Export and Investment Guarantees Act 1991, constrain the UKEF from playing its part in the transition to a low-carbon economy, boosting UK exports in low carbon goods, services and technologies, and providing the support necessary to seize a leading role in the global low carbon market.

3.3 The global Low Carbon and Environmental Goods & Services (LCEGS) sector is estimated to be a $3.3 trillion market with huge export opportunities. The UK's LCEGS sector is growing steadily despite the economic downturn, and according to the latest BIS figures it saw 4.8% annual growth in 2011-12 and is forecast to grow 5.9% by 2015/16.[3] The CBI has highlighted the export value of this sector which "is expected to roughly halve the UK's trade deficit" in 2014-15.[4] Many of the nascent clean-tech companies are Small and Medium Enterprises (SMEs). These smaller entities have lower export rates and need the support to take the risk of expanding into overseas markets.

3.4 UK industry needs to access the global market if its LCEGS sector is to reach its full potential. This market is fiercely competitive and the UK is already falling behind. The UK and Germany have similar size domestic markets of £128 billion and £140 billion respectively, but the UK's environmental industry exports £12.1 billion/year, whilst Germany had already achieved environmental exports of £50 billion/year in 2006. If the UK does not maintain its leading position, it will be importing the technology it needs to meet its own greenhouse gas targets set out in the Climate Change Act 2008. The UK already imports £7 billion of goods and services from this sector.[5]

3.5 The consultation states that the proposed changes to the EIGA are intended to fulfil the policies set out in the 2011 Trade and Investment for Growth White Paper.[6] This paper states the Government's policy that trade finance should "help the shift to a green economy", support "a rapid transition to a low carbon economy in the UK, and globally" and "ensure the sustainability of economic growth, through the promotion of a low carbon transition".

3.6 Building on this commitment, the Government's 2011 Carbon Plan committed to "mainstreaming low carbon growth into all high level trade and business engagement", and

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[2] http://www.publications.parliament.uk/pa/cm201213/cmhansrd/cm120717/wmstext/120717m0001.htm Accessed 11 April 2014

[3] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224068/bis-13-p143-low-carbon-and-environmental-goods-and-services-report-2011-12.pdf Accessed 11 April 2014

[4] *Colour of Growth*, CBI, July 2012 http://www.cbi.org.uk/media/1552876/energy_climatechangerpt_web.pdf. Accessed 11 April 2014

[5] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224068/bis-13-p143-low-carbon-and-environmental-goods-and-services-report-2011-12.pdf Accessed 11 April 2014

[6] http://www.bis.gov.uk/assets/biscore/international-trade-investment-and-development/docs/t/11-717-trade-investment-for-growth.pdf Accessed 11 April 2014

specifically required UKTI to deliver a "Low carbon campaign in priority markets of India, China, Brazil and US West Coast, in addition to support for low carbon exporters in other markets."[7] However, the Carbon Plan failed to explain how UKEF would support this attempt to increase the promotion of low carbon exports. While the promotion of trade lies more with UKTI, and UKEF can only support the applications it receives, this division of responsibilities should not prevent UKEF taking a more proactive role in designing new products more suited to the type of finance low carbon sectors need.

3.7 Instead, UKEF's portfolio has remained heavily dominated by aerospace and defence, with a significant portion of the remainder made up of hydrocarbon intensive projects. UKEF employs specialist staff to support these sectors and encourage the continuation of 'business as usual', while it has taken no steps to remedy the lack of specialist staff for innovative green technologies or support new sectors.

3.8 WWF believes that UKEF needs a clear mandate to support the industries of the future; otherwise its role will become supporting industries with high social and environmental impact with which the private sector does not want to be associated.

3.9 UKEF has resisted setting targets for supporting green initiatives as this does not fit with its reactive approach. By contrast, the US Overseas Private Investment Corporation (OPIC) published a revised sustainability strategy in 2011 which explained how it would seek to increase its support for renewable energy.[8] OPIC's four part plan demonstrates an understanding of the challenges they need to be addressing: i) Reduce the emissions profile of OPIC's portfolio; ii) Establish an annual transactional cap to constrain the addition of large carbon emitting projects to the portfolio; iii) Support energy efficiency, renewable and clean technology; iv) Enhance accounting and transparency. A similar approach has been adopted by Germany's Export Credit Agency. WWF concluded that UKEF could certainly do more. Further details can be found in the December 2011 WWF report: *Green exports – is the UK getting left behind?*[9]

3.10 WWF therefore recommends that:

a) UKEF should prepare a sustainability strategy explaining how it exploit the opportunities of the low carbon economy, along the lines of OPIC;

b) UKEF should employ specialist staff to support innovative green technologies and new sectors.

4. UKEF's current practice is out of step with the Coalition Agreement

4.1 The UKEF has continued to support "dirty fossil-fuel energy production" and appears to have ignored the mandate of the Coalition Agreement to change its practice in this regard. While UKEF did not support any coal-fired power plants – the most carbon intensive course of electricity production – in the period 2007-2013, it has supported more than $100 million USD of coal mining in the period 2007-2013, in three projects all located in Russia, as well as a number of other carbon intensive Category A projects in Vietnam, India, Brazil, and Saudi Arabia.[10] UKEF has also continued to support other carbon intensive sectors, particularly aerospace and defence. Based on publicly available data, no project application for UKEF has ever been turned down on environmental, social or human rights grounds.

[7] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/47621/1358-the-carbon-plan.pdf Accessed 11 April 2014
[8] http://www.opic.gov/sites/default/files/opic_sustainability_plan_2011.pdf Accessed 11 April 2014
[9] http://assets.wwf.org.uk/downloads/greenecgd_final.pdf Accessed 11 April 2014
[10] https://www.gov.uk/government/collections/category-a-projects-environmental-and-social-impact Accessed 11 April 2014.

5. UKEF's current practice is out of step with the private sector

5.1 UKEF is already behind the private sector in developing and applying policies to shift away from dirty fossil fuels. HSBC, BNP Paribas and Société Générale and other commercial banks have already introduced emissions intensity or efficiency standards for power plants, distinguishing between high and lower income countries. West LB requires applicants to provide third party expert reports confirming that there is no feasible, less greenhouse gas intensive alternative than coal. [11] Given this welcome improvement in commercial practice, it is increasingly likely that UKEF could end up as place of last resort for carbon intensive industries that are no longer able to secure commercial funding due to their poor environmental performance. This low standard should not be supported by the UK taxpayer. WWF believes the UKEF's current policy of "not supporting illegal activities" does not constitute anything other than the absolute minimum that should be expected of a UK Government department. Achieving this level is not something for celebration, but rather stands as an indictment of the lack of ambition, and the failure in recent years of UKEF to set an example and raise the bar internationally.

5.2 WWF continues to call for UKEF to demonstrate consistency with other Government policies. For too long it has operated as a special case which has ignored developments in environmental and social responsibility promoted by other departments. This leaves the UK exposed to ending up with an Export Credit Agency department that is serving activities that commercial banks will refuse because they apply more sophisticated policies on issues such as human rights and climate change.

6. UKEF's practice is out of step with international best practice

6.1 UKEF applies the principle that it will "take account of factors beyond the purely financial and of relevant government policies in respect of environmental, social and human rights impacts" in its decisions.[12]

6.2 Recent developments in the USA and in multilateral development banks have left the UKEF out of step with international best practice and UK Government policy, so now is the time for UKEF to adopt these policies. The recent developments particularly relates to the support of coal.

6.3 A domino effect of public financial institutions and governments ending their coal support abroad started in 2013:

- In March 2013 the French government announced an end to coal support from AFD, the French international development agency[13];
- In June 2013, U.S. President Obama announced his Climate Action Plan that included a commitment to end US support for public financing of new coal plants

[11] http://www.hsbc.com/1/PA_esf-ca-app-content/content/assets/csr/110124_hsbc_energy_sector_policy.pdf Accessed 11 April 2014
[12] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/207721/ecgd-ukef-annual-report-and-accounts-2012-to-2013.pdf Accessed 11 April 2014
[13] See http://www.elysee.fr/declarations/article/intervention-de-m-le-president-de-la-republique-a-la-seance-de-cloture-des-assises-du-developpement-et-de-la-solidarite-internationale/ Accessed 11 April 2014

overseas, with some exemptions[14]. In support of this announcement, Ex-Im chairman and President Fred P. Hochberg said: "America cannot do this alone. I strongly support the Administration's efforts to build an international consensus such that other nations follow our lead in restricting financing of new coal-fired power plants."[15] This commitment was implemented in October 2013 with a new US government policy on Multilateral Development Banks and coal-fired power generation[16];

- In July 2013, the World Bank announced a phase out of coal support except in rare circumstances;[17]

- That advancement was followed in July as well by the European Investment Bank[18], the biggest multilateral bank worldwide, that set up an Emission Performance Standard of 550 g CO_2/kWh for fossil fuel power plants (plants beyond this threshold won't be supported anymore);

- In September 2013, the 5 Nordic governments of Denmark, Finland, Norway, Sweden and Iceland issued a joint statement with the US government committing to ending public financing for new coal-fired power plants overseas, except in rare circumstances[19];

- The UK government made a similar statement in November, covering Multilateral Development Banks and UK Official Development Assistance including CDC (the UK's Development Finance Institution) [20];

- In December, the European Bank for Reconstruction and Development (EBRD) ended coal support except in rare and exceptional circumstances[21];

- In December as well, implementing President Obama's statement, the U.S. Export-Import Bank became the world's first Export Credit Agency to adopt a policy curbing coal plant financing.

- Also in December the Overseas Private Investment Corporation (OPIC, the US government's development finance institution)[22] issued a draft policy to end financing for most coal plants abroad;

- In March 2014, the Dutch government joined the US coal ban[23], covering bilateral development finance institutions and Multilateral Development Banks.

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[14] http://www.whitehouse.gov/photos-and-video/video/2013/06/25/president-obama-speaks-climate-change Accessed 11 April 2014

[15] http://www.exim.gov/newsandevents/releases/2013/EXPORT-IMPORT-BANK-BOARD-ADOPTS-REVISED-ENVIRONMENTAL-GUIDELINES-TO-REDUCE-GREENHOUSE-GAS-EMISSIONS.cfm Accessed 11 April 2014

[16] http://www.treasury.gov/resource-center/international/development-banks/Documents/CoalGuidance_2013.pdf Accessed 11 April 2014

[17] http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/07/17/000456286_20130717103746/Rendered/PDF/795970SST0SecM00box377380B00PUBLIC0.pdf Accessed 11 April 2014

[18] http://www.eib.org/attachments/strategies/eib_energy_lending_criteria_en.pdf Accessed 11 April 2014

[19] http://www.whitehouse.gov/the-press-office/2013/09/04/joint-statement-kingdom-denmark-republic-finland-republic-iceland-kingdo Accessed 11 April 2014

[20] https://www.gov.uk/government/news/uk-urges-the-world-to-prepare-for-action-on-climate-change-and-puts-brakes-on-coal-fired-power-plants Accessed 11 April 2014

[21] http://www.ebrd.com/pages/sector/powerenergy/energy-strategy.shtml Accessed 11 April 2014

[22] http://www.opic.gov/doing-business-us/OPIC-policies/environmental-social-policies Accessed 11 April 2014

[23] http://www.rijksoverheid.nl/documenten-en-publicaties/convenanten/2014/03/24/joint-statement-by-the-united-states-and-the-netherlands-on-climate-change-and-financing-the-transition-to-low-carbon-investments-abroad.html Accessed 11 April 2014

- On this basis, in October 2013 the OECD Secretary General Angel Gurria asked "every government" to put into question domestic and overseas support for coal.[24]

- He was followed by the Executive Secretary of the UN Framework Convention on Climate Change (UNFCCC) Christiana Figueres in November, asking to "close all existing subcritical plants, to implement safe CCS on all new plants, even the most efficient, and to leave most existing reserves in the ground" [25].

6.4 Given this dramatic change in the international policy on support for coal, now is the right time for the UKEF to brought into line with international best practice by ending support for coal projects overseas.

7. The change in UK policy towards support for coal plants overseas

7.1 WWF welcomed the statement last 22 November 2013 by Secretary of State for Energy and Climate Change Rt Hon Edward Davey MP and Secretary of State for International Development Justine Greening MP that the UK would end its support for coal-fired power plants overseas:

> "The UK government recognises that energy infrastructure investment is critical to economic growth and poverty reduction in many developing countries, and that MDBs have an important role in financing energy investment. However, investments in new coal-fired energy production risk locking countries in to higher levels of carbon emissions over the coming decades. In order to avoid dangerous climate change, it is estimated that global coal demand will need to fall by 45% from 2009 levels by 2050. Globally we need to rapidly move away from unabated coal power generation. That is why we are calling for an end to supporting public financing of new coal-fired power plants overseas, except in rare circumstances. Our position brings the UK in line with the significant international actions already taken by others." [26]

7.2 The Secretaries of State explained that this new policy would apply to all UK Official Development Assistance, the UK's development finance institution (CDC), and will inform UK views on board level decision making at the MDBs, including where we are part of a constituency with other countries.

7.3 This move could help transform the global energy sector. The UK has an influential position on the boards of The World Bank, The European Bank for Reconstruction and Development (EBRD), The European Investment Bank, Asian Development Bank, African Development Bank, and Inter-American Development Bank. In recent years these MDBs have been major financers of coal plants and coal mining overseas. Over the period 2007-2013, these multilateral Development Banks collectively provided $13.5 billion for coal, 89% of which for coal power plants and 7% for coal mines,[27] an average of almost $2 billion a year. All Multilateral Banks supported coal power plants, while 74% of coal mining support was provided by the European Bank for Reconstruction and Development alone. The World Bank Group provided almost half of the total (48%), followed by the African Development

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[24] http://www.oecd.org/about/secretary-general/The-climate-challenge-achieving-zero-emissions.htm Accessed 11 April 2014

[25] http://unfccc.int/files/press/statements/application/pdf/20131811_cop19_coalassociation.pdf Accessed 11 April 2014

[26] https://www.gov.uk/government/speeches/uk-position-on-public-financing-of-coal-plants-overseas Accessed 11 April 2014

[27] Source: Natural Resources Defense Council forthcoming

Bank (21%), the Asian Development Bank (13%), the European Investment Bank (12%) and the European Bank for Reconstruction and Development (5%). The European Bank for Reconstruction and Development is the only one where coal mining received a significant share of its overall coal support (64%).

7.4 WWF therefore strongly welcomes the UK Government's new policy towards support for coal power plants supported through MDBs. As a prominent board member, the UK has both a responsibility and opportunity over the coming years to ensure that all Multilateral Banks end their support for coal, using the precedents set by the World Bank, EIB and EBRD.

8. Need for consistent Government policy including UKEF

8.1 Despite this welcome development both in the UK and internationally, WWF regrets that UKEF was excluded from this change in the Government's position and remains unaligned with the Government's policy and international best practice. This is inconsistent and "completely illogical" (in the words of the Secretary of State for Energy and Climate Change) and should be remedied immediately.

8.2 Across the world, Export Credit Agencies (ECAs) are the biggest providers of public financial support globally. Conservatively they have a $200-billion range of new business each year[28], compared to World Bank lending of $35.3 billion in 2012[29].

8.3 ECAs are major supporters of coal plants and coal mining overseas, providing some 90% of coal support by the national public financial institutions of developed countries. This amounts to some $4.6 billion a year, 2.4 times more than Multilateral Banks ($32.3 billion vs $13.5 billion). Collectively European countries supported $7 billion of coal abroad in the period 2007-2013 (1 billion a year), despite numerous pledges to be climate leaders.

8.4 UKEF has supported more than $100 million USD of coal mining in the period 2007-2013, in three projects in Russia.

Institution	**Amount (in USD)**	**Recipient**	**Project**	**Country**	**Sector**	**Approval Date**
UK Export Finance	$7,409,650	Joy Mining Ltd	Siberian Coal & Energy Co	Russian Federation	Coal Mining	2011
UK Export Finance	$14,098,905	Joy Mining Ltd	Southern Kuzbass Coal Co OAO	Russian Federation	Coal Mining	27-Oct-07
UK Export Finance	$81,748,902	Joy Mining Ltd	Siberian Coal & Energy Co mining equipment for Sibirginskaya and Olzeraskaya coal	Russian Federation	Coal Mining	2012

[28] http://www.fern.org/campaign/trade-and-investment/export-credit-agencies Accessed 11 April 2014
[29] http://siteresources.worldbank.org/EXTANNREP2012/Resources/8784408-1346247445238/AnnualReport2012_En.pdf Accessed 11 April 2014

			mines			
Total	$103,257,457					

Source: NRDC database

8.5 Given the recent curbs on coal financing by the World Bank, European Investment Bank and European Bank for Reconstruction and Development in 2013, the remaining public financing for coal abroad will be even more heavily skewed towards Export Credit Agencies.

8.6 It should therefore be a priority for all Governments to reform their ECAs to bring them into line with best practice and end the support of coal. To date, The United States is the only country globally that has committed to end all types of public financial support for coal overseas.[30] All European countries are lagging behind, despite their repeated claims to be climate leaders.

8.7 WWF recommends the UK should follow the USA, and bring the UKEF into line with its policies for national development finance institutions and Multilateral Development Banks. The grounds given for excluding UKEF were that it "is not presently legally able to discriminate between classes or types of exports." The legislative changes laid out in the consultation are an ideal opportunity to change the legal basis of the UKEF to allow it to discriminate between classes or types of exports, as the Coalition Agreement outlined.

8.8 WWF agrees with Secretary of State Edward Davey that it would be "completely illogical" for UK to end public support for coal power plants overseas but still support coal mines, whose essential market is utilities burning coal in power plants. [31]

9. WWF recommendations

9.1 We therefore recommend that the UK Government should amend the proposed legislation and policies relating to UKEF, to:

a) Require UKEF to ensure that the support it provides to exporters is consistent with the UK's sustainable development objectives, climate change policies and the UK's goal of promoting a low carbon transition, as spelled out in the Trade and Investment White Paper, as well as Article 21 of the Lisbon Treaty, with which the EU "Regulation on the application of certain guidelines in the field of officially supported export credits and repealing Council" states that all EU Export Credit Agencies should comply;
b) Create a legal power for the Secretary of State to add certain exports to a prohibition list of exports which cannot receive UK Export Finance support; and subsequently announce that unabated coal-fired power plant and coal mining operations will be placed on this prohibitions list;
c) Require mandatory impact assessments apply to all products and all sizes of projects, including projects with repayment periods less than two years and below the financial trigger threshold of SDR 10 million;[32]

[30] With exemptions in exceptional circumstances
[31] https://www.gov.uk/government/news/uk-urges-the-world-to-prepare-for-action-on-climate-change-and-puts-brakes-on-coal-fired-power-plants accessed 11 April 2014

d) Require all supported projects to report data on their projected greenhouse gas emissions, as other Export Credit Agencies such as the US Overseas Private Investment Corporation (OPIC) already require;
e) Introduce a 'duty of care' clause with regard to negative environmental and social impacts of projects supported by UK Export Finance;
f) Instruct the Export Guarantees Advisory Council to review its environmental policies to bring UKEF's practice into line with prevailing international policy of the World Bank and UK Government policy;
g) Instruct UKEF to prepare a sustainability strategy to exploit the opportunities of the low carbon economy, along the lines of the US OPIC;
h) Instruct UKEF to employ specialist staff to support innovative green technologies and new sectors beyond aerospace and defence.

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[32] http://www.ecgd.gov.uk/news-and-events/news/fin-resp-bus-princi-cons Accessed 11 April 2014