



The Rt Hon Anne-Marie Trevelyan MP
Secretary of State for International Trade

Department for International Trade
Old Admiralty Building
London
SW1A 2BL

7 December 2021

Dear Secretary of State,

INCREASING UK EXPORT FINANCE'S MARKET APPETITE FOR UKRAINE

You have considered advice relating to the potential uplift to UKEF's market limit for Ukraine beyond that suggested by our Exposure Management Framework (EMF). Given high levels of demand for UKEF support in Ukraine, allowing the full range of prospective UK exports to be supported would require UKEF to operate a market limit outside of the EMF. This letter sets out my position as Accounting Officer on the issue.

UKEF operates under the EMF agreed with HM Treasury that is designed to allow UKEF to provide support where it is needed for UK exporters while managing potential risks to the Exchequer arising from both individual transactions, overall exposure in a particular market, and across the UKEF portfolio. This forms the basis of UKEF's normal underwriting criteria and going outside of the EMF is not permitted under the terms of HM Treasury's standing consent for UKEF (the "Consent").

I previously advised you that a market limit increase for Ukraine cannot be accommodated within UKEF's normal underwriting criteria. Following a market review it was determined that due to deteriorating market conditions in Ukraine (principally as a result of the impact of COVID 19), any uplift would be outside of the limits set by the EMF, and thus would not be permitted under the Consent.

Managing Public Money requires me to ensure that any transactions that UKEF supports represent value for money to taxpayers, meet tests of regularity and propriety and are feasible. The key test in this case is regularity in complying with the terms of the Consent with particular reference to UKEF's EMF. To be clear, I do not think that exceeding the EMF limit for Ukraine would expose UKEF to extreme or catastrophic risk of loss. UKEF would also charge adequate premium to ensure it continues to operate at no net cost in relation to any business with Ukraine, whether inside or outside of the EMF limit. However, the terms of the Consent do not permit me as Accounting Officer to agree to take risk in excess of those allowed by the EMF for any given market. However, I recognise that you may wish to take broader view.

If that is your decision I will proceed accordingly but require your written instruction to do so due to the issue noted above concerning regularity.

I note that under the Export and Investment Guarantees Act the consent of the Treasury is required for your instruction to be lawful. The Chancellor has agreed with your view that it is in the national interest to increase UKEF's market appetite for Ukraine beyond the EMF limit and agreed that HM Treasury will consent should you instruct me to proceed. I will ensure the necessary steps are taken to carry forward your instruction without delay.

I am grateful for the attention you have paid to this issue. I am satisfied that your decision will be taken on the basis of the available information. In line with normal practice for directions, I am required to alert the Comptroller and Auditor General, who will inform the Public Accounts Committee (which may decide to conduct an inquiry), and the Treasury Officer of Accounts.

In addition, it is normal practice for you to inform Parliament where you issue an instruction to UKEF. Our exchange of letters will also be published in line with normal practice for a direction.

Yours sincerely,

A handwritten signature in black ink that reads "Louis Taylor". The signature is written in a cursive style with a horizontal line underneath the name.

Louis Taylor
Chief Executive
UK Export Finance